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The Conscience of Free Enterprise

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NOW that the Government has taken the courageous and correct step of devaluing the rupee, the challenge which must be met and surmounted is that of increasing production and holding the price line. Inflation which has the country in its grip today is the outcome of an overcentralized controlled economy which for the past ten years has been directed towards the development of heavy industry at the expense of agriculture and consumer goods. This factor has been further aggravated by the expenditure of non-existent resources misleadingly labelled "deficit finance."

It is now evident that even in a comparatively underdeveloped economy, State ownership and State management, except in certain special cases, is an unsuitable instrument for industrial development, and unless these discredited methods are rapidly discarded, economic failure and runaway inflation is inevitable.

Fortunately, it would appear that the limitations of the State are being progressively realized and there is a discernible trend towards loosening the fetters which have for so long restricted free enterprise. The decision to decontrol cement was a bold one to which the industry responded promptly and effectively. The result is that the small consumer now gets his requirements without having to go through a rignarole of permits and licences and wading through the cesspool of corruption which goes hand in hand with controls.

On the heels of the successful decontrol of cement 11 more industries were recently delicensed. It would appear that this decision was an act of courage and wisdom

on the part of the Prime Minister herself supported by those of her other colleagues who are not prisoners of outmoded dogma. This opportunity must be seized with both hands by the private sector to make real progress in increasing production and lowering costs in these decontrolled industries if our so badly mutilated economy is to be restored to normal health.

It is in this context that one is dismayed by the attitudes being adopted by certain elements of the private sector which, instead of using the opportunity of decontrol to develop a competitive economy of plenty, appear to be more concerned with regulating production, prices and distribution, so as to secure a profitable operation for all the producers concerned.

New tyranny

This regulation which is effected through the various trade associations of particular industries takes the form of the manufacturers of the decontrolled industry meeting from time to time as costs rise—many of which, it is freely admitted, are due to factors beyond their control—to determine an overall price increase for the industry as a whole. This increase is then discussed with the appropriate Ministry and applied with or without modifications to the sales price of the product. The result: the weak or inefficient units of that particular industry are protected, while the strong and well-run ones are left with no incentive to do better as they are assured of large profits based on the performance of the weakest unit, the consumer being called upon to foot the bill.

If this process is allowed to continue, we shall end up by being burdened with all the dis-

advantages of the past, unrelieved by any of the advantages which competitive free enterprise can be expected to inject into the economy. All we will have done is to substitute Ministry control by a new tyranny manifested by the dead hand of mediocrity and the lowest common denominator of inefficiency.

It is recognized that the past ten years of shortages and controls have left behind a distortion in the economy which cannot be corrected overnight. While therefore it may be necessary for a strictly limited period for these trade associations to regulate prices and distribution, this must be done with the sole aim of bringing about as quickly as possible an economy of plenty through competition.

It is ironic that while in a so-called capitalist country like the United States price fixing by industrial executives would land them in jail, in Socialist India this practice should be the order of the day and enjoy the blessings of the Government. If this drift continues, the consumer who should rule the economy will again be the forgotten man. The end-result will not be competitive, socially responsible free enterprise in the service of the consumer and the country, but an apparatus for the making of easy profits.

Free enterprise is not sustained in an atmosphere of mediocrity. It flourishes in excellence—the excellence which comes from the continuous spur of competition to win the approval of the consumer. If this competition is to be muted by producer groupings, it will be a monstrous betrayal of

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the system which will forfeit for the future the confidence and goodwill of the people of India.

The events of the past few years in India have shown that there is one and only one system which has the dynamism and capacity to create in our country the wealth that must be created if we are to achieve happiness in freedom. That system is socially responsible for competitive free enterprise. It is of the deepest significance that in Communist Russia today Prof. Libermann's theory of the "profit motive" has been installed as the guiding light of the Soviet economy. In the next decade or so, we will see established in Russia an economic system which, by whatever name it calls itself or however many trappings of socialist forms disguise it will, in fact, be a system of competitive enterprise based on the profit motive and on the initiative of the individual.

It would be tragic if this system in India, which, at long last, through the compulsion of events, looks as if it is to be given the opportunity to prove itself, should fail or falter because of short-sighted expediency and greed. We, who believe in it, are convinced that its conscience will never allow this to happen.