

Delhi Letter

Claims of Private Enterprise

THE role of private enterprise in the great task of increasing national output and raising the standard of living of the people naturally received considerable attention at the Silver jubilee Session of the Federation of Indian Chambers of Commerce and Industry which opened here on Saturday last. In his presidential address Mr C. M. Kothari pleaded for greater encouragement to private enterprise in the common task of improving the country's wealth and welfare. To those who argue that private enterprise has failed to tackle the nation's production problems and that therefore it deserves cramping controls and restrictions, Mr Kothari furnished certain particulars purporting to show that the record of the business community was creditable enough. The most startling of these was the estimate of investments made by Indian industry during the past five years, which he put at Rs 450 crores. This investment has been reflected in the addition to the installed capacity of existing industries and in a greater diversification of our industrial production. "The manufacture of diesel engines, electric motors, locomotives and automobiles, machine tools and small tools, textile machinery, transformers, bicycles and sewing machines, etc., are all developments mainly of the post-war years and in all these there have been increases in production ranging from 100 to nearly 1000 per cent" Mr Kothari was emphatic that "Judged by any criterion—the rate at which fresh investment is being made in various branches of industry, the increase in installed capacity and in production, or the prices at which manufactured goods are being sold to the consumer—the Indian industry has a record of achievement which is by no means negligible."

Having said that industry had done well, he proceeded to criticise the Draft Five-Year Plan for not giving high priority to industries and adequate scope for private enterprise. The Plan is based on a budgetary policy which seeks to create revenue surplus to finance development projects in the public sector. Mr Kothari voiced the general view of the business community that this policy would, firstly, make it difficult for private enterprise to attract savings from the money market and, secondly, aggravate industry's financial diffi-

culties owing to high tax burden. The Plan has, no doubt, provided for external aid, and during the past two or three years India has secured about Rs 200 crores of foreign assistance. But as a large portion of productive enterprise in the country is in the private sector, development would be possible only if private enterprise is actively and adequately encouraged—by refraining from expanding the public sectors' activities at the expense of the corporate and private sectors. The Planning Commission's targets are very low because it is based on a policy of activating the public sector without properly assisting the private sector to do its best. A narrow or inhibited approach to planning, lie pointed out, cannot effectively mobilise national resources. Nor is it possible "to tax a nation into prosperity".

Industrialists often point out that one of the ways of assisting private enterprise is to rationalise the tax structure of the country. If the fiscal burden imposed on trade and industry during the period of inflation is re-examined and revised suitably, it would promote greater investment both in the public and private sectors. The unplanned way in which the State Governments are levying sales tax and some of the provisions of the Income-tax Amendment Bill came in for pointed criticism in Mr Kothari's address, lie pleaded for a competent Taxation Enquiry Committee to examine the broader field of taxation and make recommendations suitable for present-day circumstances. It would appear that while the State Governments are levying has to increase further and be more broad-based, if development projects are to be implemented, businessmen believe that tax reduction is necessary to increase national productivity. A high-level examination of this issue will be necessary, if the industrialists' clamour for tax reduction is to be suitably answered.

If Mr Kothari criticised the inadequacy of the Draft Five-Year Plan to encourage industries and private enterprise, the Prime Minister's reply was a forceful warning against sectional approach to industrial or other problems. Referring to the observation by the President that "only in a community which is inspired by a deep sense of unity the rights of private conscience and enterprise—

rights inseparable from democracy—can be guaranteed" Pandit Nehru said that the right that should ultimately prevail in a democracy is the people's "right to go ahead". He appealed to the industrialists to be realistic in outlook and understand the great social and political changes that were taking place all over the world. Private enterprise was on trial. It could claim a place in the country's economy "only when it furthered the interests of the people: it forfeited its claim to such a position the moment it failed to serve the people".

Unless private enterprise takes the initiative in eradicating anti-social activities like black marketing, hoarding, profiteering, cornering of stocks and indulging in speculative activity, the general public will emphasise its failings more than its achievements. In a democracy based on adult franchise both the public and the private sector would be judged not on ideological grounds but by actual results. In this task what is needed is close co-operation between the two sectors and not a mere division of labour based on different measures of incentives and tests of efficiency.

The decision of the Central Government to withdraw the food subsidy with effect from the 1st of this month has created a crop of problems for the Delhi State. Delhi received a subsidy of Rs 2 crores in 1951-52. The new food policy of the Centre would involve either additional expenditure to the extent of Rs 2 crores or an increase in the price of wheat from Rs 14 to Rs 23 per maund. Chief Minister Brahm Prakash cannot afford the former, neither is he willing to permit the latter, lie has therefore represented to the Food Minister Mr Munshi that the Centre should at least meet Delhi's difficulties half way. In the adjoining state of East Punjab, wheat is selling at Rs 12 in the open market. If the price of wheat is to be raised in Delhi, will it not lead to large-scale smuggling from and, at the same time push up food prices in East Punjab? There is a suggestion that Delhi should be included in the Punjab "food region" and that there should be no restriction on the movement of foodgrains between Punjab and Delhi. The Central Government are now examining Delhi's views but free flow of wheat from adjacent areas is not likely to be favoured as it may lead to hoarding of grains and speculative rise in prices later on.

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