

TWO YEARS OF ACHIEVEMENT

By

A. D. SHROFF



FORUM OF FREE ENTERPRISE

235, DR. DADABHAI NAOROJI ROAD, BOMBAY-1

TWO YEARS OF ACHIEVEMENT

By

A. D. **SHROFF**

The Forum of Free Enterprise **has** in the course of the last two years, since its inception, consistently sought to educate public opinion on some of the topical problems of the day. There is some evidence now of the dawn of a little realism in New Delhi. That evidence is real and consistent from what we hear for the last three or four months. **Our** consistent efforts for the removal of compulsory deposits--one of the obnoxious features of the budget introduced on November 30, 1956--have resulted in the temporary suspension of

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

—Eugene Black

President, World Bank

Mr. A. D. Shroff's Presidential address at the second general body meeting of the Forum of Free Enterprise held in Bombay, on Wednesday, July 16, 1958.

the measure and it is almost certain that it will be removed from the Statute Book very soon. Similarly, while we were described as panic-mongers about 18 months ago when we warned the country of the threatening clouds on the exchange situation, in the last three or four weeks we see the Ministers and Deputy Ministers of the Finance Ministry going about the country and trying to take the people into confidence on the exchange situation. Throughout the last two years, we have been trying to educate public opinion that, both in the matter of internal and external resources, a man-made crisis was being created by the over-ambitious nature of the Second Five-Year Plan. Although our views were very hotly contested by the highly-placed in this country, I do not take it as a matter of great satisfaction that our views are being appreciated today because what is happening is not good for the country. As a result of the over-ambitious nature of the Second Five-Year Plan, the country has been brought to the verge of international insolvency.

Since India attained independence, if ever a case could be made out for impeachment of Ministers, I think that a strong case exists in impeaching Mr. C. D. Deshmukh and Mr. T. T. Krishnamachari, both ex-Finance Ministers, for the parlous condition in which they have

left the country. Impeachment is resorted to on very rare occasions in the history of countries having Parliamentary system of Government. But impeachment of this character will have a very great educative value in this country in that the masses will realise what reckless, arbitrary actions of Ministers may land the country into.

Unfortunately, the foreign exchange situation as it has developed today has become so delicate that one hesitates to talk as frankly as one would like to do under the circumstances. The only solution that I can see for this question is foreign aid and more foreign aid. Unless it is coming in abundance, I am afraid that this country may be faced with a situation which one cannot contemplate with any equanimity.

One other subject to which I would like to refer at this stage, and to which in the past year we have given some concentrated thought, is the so-called new pattern of taxation — what is described as an integrated pattern of taxation. This integrated pattern of taxation will only result in disintegrating those healthy forces which induce capital formation and savings in the country. Soon after I returned from Europe in early June 1958, I came across a note prepared by the Finance Ministry. That

document is prepared to show that the new pattern of taxation is not in any way hindering capital formation or industrial enterprise in the country. Those over-anxious officials of the Finance Ministry who prepared this document and the Ministers who swallowed this document can only be described as people with eyes but who will not see. So far as our day-to-day experience is concerned, this new pattern of taxation is not only depleting the resources of the existing concerns making it extremely difficult for them to expand their activities, but from the number of new companies which are being promoted, one can see the tremendous deterioration in the situation. There is one aspect on which the public of this country needs to be educated and, to use a stronger word, saved from being cheated, Every quarter, figures are being published by the Finance Ministry on applications for new capital issues. I have got some experience of working on a body in the Finance Ministry which is a committee for the control of capital issues. It is an advisory committee on which I worked for three years in the past. Even in those days, (about five years ago), I had pointed out that these figures are absolutely misleading. In the first place, there are exaggerated figures of applications made by various people for starting new firms. Some of these applications are rejected. In some cases where

applications are accepted, companies are never floated. And in some cases where companies are floated and a part of the capital is gathered, that company never gets into operation. And what I suggested to the Government in those days and recently I repeated to them is that the public would be interested in knowing not those exaggerated figures of capital issue, but how many companies actually came into force, what was the actual amount of money subscribed by the new issues, and for the last twelve months how many companies have actually gone into production. But the Government still insists on publishing those misleading figures. Even if, however, one scrutinises those figures for the last few quarters and compares them with what they were in the previous year, one will see a very serious deterioration in the situation. This is a clear reflex of the fact that capital formation in the country has very seriously declined, that savings are declining in the country, that enterprise is being discouraged, and all that has to be attributed to the misguided pursuit of economic policies which instead of getting the country further on the march of progress, is causing a grave setback. The number of lectures the Forum of Free Enterprise arranged in March and April last have gone to show that unless this so-called integrated pattern of taxation is thrown

into the limbo of oblivion, and a system of taxation is devised which is best suited to the promotion of economic development, there are very little prospects for this country to go ahead at least in the near future.

Today the Forum is making its voice heard. Although some of our well-wishers had predicted at the time of the formation of the Forum that it would be an additional victim to infant mortality in this country, we have survived two years and I can assure those well-wishers that we will survive for many more years to come. But the unpredictable touch of destiny has in the meantime intervened, and while the Forum has survived, some of these well-wishers of ours have been thrown into oblivion.

One little achievement can be claimed by us. In the earlier stages, as our Manifesto pointed out, the sort of controlled economy under which we are living in this country had created a sense of fear among the people in general and particularly among the members of business community. They had feared that if they wanted licences, if they wanted business from Government which is inevitable in a controlled economy, they could not afford to speak out their minds in the public. It is a good augury for the country and for the con-

tinuance of the democratic way of life that a larger and increasing number of people are making their minds known now. The greater good fortune for the country is that not only people outside, but also those within the Congress Party are, in the last twelve months, endeavouring to speak out their minds freely. If any tribute were needed to the Forum of Free Enterprise, it is supplied by the fact that one wing of the Congress Party itself has recently started a Socialist Forum. That Forum has been started with the definite objective of inducing members of the Congress to study some of the economic problems, to discuss them and to ventilate their views freely.

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

—A. D. Shroff

**HAVE YOU JOINED
THE FORUM?**

Annual Membership Fee is Rs. 10/-

6/51/58

Popular Press (Bom.) Private Ltd., Bombay 7.