

India's Strategy for Industrial Growth — An Appraisal

H. K. Paranjape

R. R. KALE MEMORIAL LECTURE, 1974

**GOKHALE INSTITUTE OF POLITICS AND ECONOMICS
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INDIA'S STRATEGY FOR INDUSTRIAL GROWTH—AN APPRAISAL

I AM grateful to the authorities of the Institute for inviting me to deliver this lecture. Though I was never formally registered as a student of the Gokhale Institute — I was a student of the S. P. College — I was in effect a student of the Institute and learnt my basic lessons in economics and related subjects from Professor Gadgil. If I remember correctly, I first attended the Kale Memorial Lecture in 1946 — J. V. Joshi's on 'India's Sterling Balances'; I also attended that of C. D. Deshmukh next year. I find that, since then, a number of distinguished persons have been called upon to deliver this lecture. With this background, I cannot but feel honoured at being called upon to deliver the Kale Memorial Lecture.*

Before Independence

It was well recognised before Independence that the most important task that will have to be undertaken after Independence would be to give a major thrust in the direction of industrialising the country. While all sectors of the economy were backward, it was seen that it was the almost deliberate destruction of India's old industries, and the obstructions placed in the development of new ones, which was a decisive factor. It was realised that industry would be the dynamic sector which would provide a lead for the economy as a whole to grow. It was also generally acknowledged that the approach to industrialisation would have to be based upon a major role being played by the State. Indian business very much recognised this and the Bombay Plan had specifically assigned an important role to the State not only in assisting but in controlling, guiding and also directly owning and operating industries. It was recognised that State control would put important limitations on the freedom of private

* The views expressed are personal.

enterprise.¹ Considerable emphasis on the growth of basic and heavy industries was also a part of this consensus about future policy. There was also emphasis on *Swadeshi*, not merely in terms of industries based in India, but industries controlled, directed and managed by Indians.

It should be mentioned that there were some dissenting strands of thought. One was that of Gandhiji who emphasised not only *Swadeshi* but *Khadi*. He could not conceive of India imitating the West in its economic and industrial growth. To conceive of Indian industrialisation basically in terms of largely mechanised units was to his mind both impractical and undesirable. He did not think that large factories would be able to solve either the problem of unemployment or that of providing Indian masses with their basic requisites. *Khadi* therefore represented an approach under which labour-intensive production based on local labour and materials could cater to the local markets. With inadequate transport in many parts of the country, thinking of self-sufficiency for districts and even groups of villages was necessary. While he was not against machinery as such, he was not sure that the use of the normal Western technology would solve India's problems. In spite of Gandhiji's influence, it is quite clear that he could not carry conviction to his political colleagues, or to other influential sections such as the business community. *Khadi* was accepted mainly as a political uniform, at best as a temporary expedient, but not as representing an economic and social philosophy of future growth.

Socialists of different hues stressed with Gandhiji the importance of reducing inequalities of income and consumption. They however did not accept his fundamental economic approach. They emphasised the State sector and supported the idea of nationalisation, as against Gandhiji's approach that the capitalists could work as trustees on behalf of the community. They also emphasised the importance of a fair deal to the workers and envisaged some kind of labour partnership in the organisation and operation of industrial enterprises. While persons holding such views were not organisationally very influential, they attained a certain status specially because popular leaders like Nehru and Bose supported similar ideas. The National Planning Committee set up by the Congress largely supported this

¹ A Plan of Economic Development for India — Part II, p. 28.

approach which occasionally found an echo even in Congress Resolutions. But the consensus continued to be in favour of industrial development on 'Western' lines, with the State playing a pioneering and guiding role, and private enterprise accepting the discipline involved in a peaceful but rapid transformation of the economy.

Persistent Policy

Before Independence, the Congress, whose main strength lay in it being an alliance of a very broad spectrum of important sections of the population, supported this consensus. In the period since Independence the character of the Congress Party has continued to be essentially unchanged, and as that party has continuously remained in power at the Centre and in most of the States, this approach has continued to guide the Government. This does not mean that there have been no conflicts, and attempts to bring about a shift in the approach. Gandhiji's ideas, one should mention, have proved to be a non-starter and this was perhaps inevitable as they had not been genuinely accepted by any influential sections of public or political opinion even before Independence. The real conflict has been between those who would emphasise the role of the State and the radical part of the approach, and others who would prefer to reduce the role of the State and keep it confined to operating as complementary to the private sector rather than as a controlling and dominating element. On the one side, as soon as Independence was on the horizon, business interests began to indicate their hostility to the possibility of increasing State control and participation. On the other side, socialists and trade unionists of different types stressed the importance of providing a better deal to workers and using State machinery for that purpose, and also recommended nationalisation and growth of public enterprise in key and basic industries. Usually, however, even if there was a temporary deviation towards the right or the left, a corrective was provided in a short time. The basic approach of what may be called a mixed economy with specifically assigned roles to public and private sectors has been maintained throughout this period.

In 1948, for example, soon after Independence, an Economic Programme Committee was appointed by the Congress Party under the leadership of Prime Minister Nehru. It came out with a report which

tended a little to the left.² There was a hue and cry, and very soon the Government came out with an Industrial Policy Statement which watered down the recommendations of the Party Committee. The Industries Development and Control Bill, introduced in 1949, was substantially modified as a result of the opposition from the business community. In 1950, Directive Principles were embodied in the Constitution which stated that the State would not permit the operation of the economic system to result in the concentration of wealth and means of production to the common detriment, but it was not indicated whether concentration in private hands was itself supposed to be against public interest, or it was only when concentration in a specific area operated positively against public interest that action was to be taken. In 1954, the Congress Party decided to redefine its objective to that of a socialist pattern of society, but it was soon made clear that this had no specific connotation.³ Around the time of the formulation of the Second Five-Year Plan, it appeared as if there would be a significant leftward shift in the Government's industrial policy and approach. The Mahalanobis model gave much importance to the growth of basic and heavy industries which were inevitably to develop in the public sector, and such a Plan would require a basic change in the structure of income and wealth. The taxation proposals made by Kaldor, and the nationalisation of the Imperial Bank and life insurance companies, were also indications that a shift to the left was taking place. It was soon made clear however that the Kaldor proposals would be watered down and that the two nationalisation measures would be so operated that they would not affect private sector industries adversely. The difficulties that faced the Second Plan specially on the foreign exchange front also soon made Government retract from its radical stance. With increasing dependence on foreign assistance, specially from the Consortium of donor countries organised by the World Bank, Government had to adopt a policy which would be considered satisfactory by private foreign investors. There was again a move towards a radical shift in the period between

² The terms 'left' and 'right' are used here in the traditional sense of pro-State, pro-labour and anti-private business approach being called 'left' and the other 'right'. 'Left' need not always mean rational, desirable or even genuinely radical.

³ For an excellent summing up of the discussion between 1954 and 1957, and reassurances given to the business world, see M. Kidron, *Foreign Investments in India* (1965), pp. 130-135.

1969 and 1971 with the nationalisation of commercial banks, a new industrial licensing policy which was to discourage big business, legislation to control monopolies and the nationalisation of coal mines. It appears however that this shift also is being corrected and the approach is to revert back to the steady middle course.

It would therefore be seen that the approach to industrial development has continued basically unchanged throughout this period of somewhat over a quarter century. It can hardly be called a *strategy* of development because its overall framework and operating mechanisms have never been fully and consistently worked out and accepted. While it came near to being a strategy around 1956, and it could have become a strategy in 1970-71, this did not actually happen. It has thus remained a vague approach regarding utilising the State and the private sector — foreign and Indian — in a mutually accommodating combination. The basis was what might be called 'Fabian', slow and gradual change. Nothing was to be changed so precipitately as to rock the boat and create instability. The public sector was gradually to increase in size as well as in importance by controlling the more important industries. The private sector was also to expand in the area allotted to it; it was to receive State assistance and be subject to various State controls. Foreign enterprises already existing were to be permitted to grow and new foreign enterprises were to be welcome, but subject to certain controls and preferably with an element of Indianisation. Small scale and cottage industries were to be encouraged. Inequalities of income and wealth were to be reduced, but slowly and gradually through the relatively faster expansion of the public sector, and through fiscal measures. The attempt was to be one of levelling up rather than levelling down; poverty was not to be distributed. A civilised, democratic and gentlemanly way, if I may so put it, with nothing loud, rowdy or 'ideological' about it!

This approach has now been in operation for over a quarter century. Its results have been disappointing. Not that there has been no growth. Industry has made significant strides and the foundations for various new industries and specially for machine building of various types have been laid. Various technologies have been introduced and there are few product areas in which some development has not taken place. Industrial employment has increased and India has probably one of the best accumulations of industrial and technological skills among less developed countries. But in terms of both

expectations and requirements, the attainments have been poor. Not only have industrial growth rates fallen short of those targeted but in recent times they have even been declining; and last year we had almost a period of industrial stagnation. Moreover, capacities have increased faster in luxury industries⁴ than in those producing items of common consumption. While overall utilisation of capacity is poor, and is worsening year by year, utilisation is also poorer in industries producing necessary articles as compared to those producing luxuries. Industrial strife has grown faster than employment and the number of man days lost has been on the high side. Productivity in most areas of industry has been low. Industrial development continues to be regionally lopsided. At the same time, the evils such as growth of slums, atmospheric pollution and high urban costs arising from undue concentration of industry in small areas are also increasingly manifest. Even in areas where our endowment of natural resources or the availability of abundant supplies of skilled and unskilled labour should have given us a competitive advantage, we find it difficult to export without various kinds of assistance and subsidies. Though we have been speaking about *Swadeshi*, freedom from aid and self-reliance through all this quarter century or more, foreign capital has continued to thrive and our dependence on aid does not show any sign of declining.⁵

The question therefore arises — why is this so? Is there something wrong merely in the way in which the overall approach has been administered — implemented — or is there something wrong with the approach itself? I propose to deal with certain important elements in the operation of the industrial economy with a view to underlining what appear to be the main deficiencies and difficulties in those areas. This will be followed by a discussion about the adequacy of the approach itself. May I also point out that I am dealing with the problems affecting *strategy* — not *tactics* — and therefore

⁴ See, Samuel Paul: *Industrial Performance and Government Controls* (Bombay University UGC lectures, cyclostyled copy).

For an illustration about how Government licensing of industries also favoured a number of luxury industries by licensing capacities higher than plan targets, see, P. B. Medhora, *Industrial Growth Since 1950* (1968), p. 58.

⁵ The most authoritative latest estimate of India's foreign exchange needs prepared by the World Bank shows that India would continue to need aid well upto and beyond 2000 A.D. See — World Bank's Confidential Report on India, *Mainstream*, April 6, 1974.

the problems of the immediate future are beyond the scope of the present lecture.

The Public Sector

The Public Sector has always been a major plank of Government policy for India's industrialisation, and schemes for certain developments such as the production of locomotives, telephones and fertilisers had already been thought of before Independence. More such units were taken up under the First Five-Year Plan which also saw the beginning of the effort at developing a public sector steel industry. These efforts obtained a vigorous push in the Second Five-Year Plan with the expansion of the contemplated capacity of the Rourkela steel plant, the addition of two new steel plants and the taking up of the production of heavy engineering equipment. This approach to developing the public sector through the setting up of new units in various key areas has continued and important developments have been undertaken in this manner in fields like fertilisers, drugs, machine tools, non-ferrous metals and electronics. Electric power has been another area where most of the new development has taken place in the public sector, mostly under the auspices of State Governments. Atomic energy and mineral oil are two other areas where the State has taken initiative and carried out important developments. As compared to such development of new units, nationalisation of existing private sector enterprises has played a lesser role. Genuine instances of nationalisation are mainly to be found in the case of financial institutions beginning with the Reserve Bank which was nationalised early after Independence, the Imperial Bank of India and life insurance companies which were nationalised in 1955-56, large commercial banks which were nationalised in 1969 and general insurance companies which were nationalised in 1971. The only other major instance of nationalisation is that of coal mines which were nationalised between 1971 and 1973. Nationalisation of private sector industry has thus been rare in the whole period since Independence.

At the same time, with the substantial resources made available for the growth of the public sector units, the public sector is very large and operates in some of the most critical areas of the economy. Infra-structure facilities such as transport and power, and supplies of basic commodities like steel and fertilisers largely depend upon the working of the concerned public sector enterprises. With the very

large investment made in the public sector, its operation is also crucial for the growth of national income and for the creation of surpluses for further capital accumulation.

It is not necessary to go into elaborate details for the purpose of pointing out that the high expectations from the public sector have been constantly belied. While there have been a few instances of success, the overall picture of the public sector has been a disappointing one. New projects have lagged far behind the schedules regarding their completion and the capital costs have usually mounted far beyond the original estimates. What is far worse, their operations have usually showed poor results, both in physical and financial terms. Their output has lagged much behind capacity and they have given poor returns on the investments made in them. They have also not provided any model for industrial relations though the expectation many times had been that the State would be a 'model employer.' A number of public sector enterprises can be termed as sick units, among them being units in steel and power. Their poor performance has therefore been seriously affecting the working of the whole economy and holding up progress everywhere.

Why has this been so? The fact that public enterprise constitutes a new experiment and that special attention needs to be devoted to ensuring its success has been recognised from the very beginning of its development. Even the Industrial Policy Statement of 1948 had stated that the management of State enterprise would, as a rule, be through the medium of Public Corporations. It was also indicated therein "that the Government was considering steps to create a body of men trained in business methods and management" for the purpose of increasing the resources at its disposal for managing the expanding public sector. "Speedy decisions and a willingness to assume responsibility are essential if these enterprises are to succeed," the Industrial Policy Resolution of 1956 had stated. "For this, *wherever possible,*⁶ there should be decentralisation of authority and their management should be along business lines." Starting with a report prepared by A. D. Gorwala in 1951, a number of studies have been commissioned by Government for the purpose of locating what was going wrong with the functioning of public sector enterprises and what remedies should be adopted. Plan documents, reports of expert

⁶ Emphasis added. This is the usual obfuscation to ensure that no guideline is ever treated really seriously.

groups as well as those of Parliamentary and other Committees are available in abundance — all of which almost come to the same conclusions and suggest similar remedies.⁷ It is obvious that the problems facing public sector enterprises continue to remain largely unsolved.

It may be that some of the difficulties in the case of certain new projects inevitably arose due to the industry and its technology being new to the country. Such difficulties may explain problems faced by organisations like the Heavy Engineering Corporation or Heavy Electricals in their initial stages. But there are many other persistent failures which cannot be explained away as due to such reasons.

The most important factor in preventing public enterprises from being efficiently managed appears to be the reluctance on the part of the Government to accept the logic of the functioning of such organisations and permit organisational structures and operating methods which would be suitable for that purpose. It is not so much the form but the reality of organisational and operational structures that make for inefficiency. Personnel steeped in Governmental — non-developmental and non-industrial — operations used to be appointed to many enterprises; but even when personnel with an industrial or commercial background are brought in, they have to operate in an environment where performance is the last priority. Legislative accountability has come to be so enforced that detailed scrutiny through legislative questions and committees cannot be avoided; and, at the same time, there is no real performance audit. The sight of the wood is lost in looking for an odd misshapen tree. In such a situation, the Minister and, therefore, his Secretary want to be kept fully informed of all important decisions. The result is a high degree of centralisation of decisions at the top of the enterprise, and in the controlling Ministries. Decision making is slow and operational personnel feel frustrated.

The overemphasis on formal audit together with inadequate use of modern methods of project management lead to delays in construc-

Thus see —

First Five-Year Plan, p. 127.

Second Five-Year Plan, pp. 136-138.

Third Five-Year Plan, pp. 214-275.

Fourth Five-Year Plan, pp. 312-314.

Draft Fifth Five-Year Plan, Vol. I, pp. 95-96.

tion and over-capitalisation, thus defeating the very purpose of emphasising financial procedures based on detailed accounting. Personnel management in the public sector has been a much discussed topic but no proper methods have yet been evolved and no reforms genuinely implemented. There was a short lived experiment at creating a special cadre of managers for public sector enterprises.⁸ A few undertakings have built up their own cadres. There is, however, little sign as yet of a meaningful system of personnel management with emphasis on the development of potentially capable individuals for occupying key positions in the rapidly expanding public sector. The tendency to appoint outside persons to top positions even in enterprises which have worked for long continues. Such outside appointments, while occasionally justified, many times are from among politicians temporarily out of jobs or Civil Servants who have no special aptitude or experience of enterprise management. It may be noted that the only area of the public sector where neither politicians nor Civil Servants have been permitted very much to interfere has been that of atomic energy. While there may be difference of opinion about whether the returns on the outlay incurred in that field have been commensurate, there is no doubt that this is one of the areas in which the concerned agency has shown capability and efficiency in performing its functions. It does not however seem as if the obvious lesson from this example is being learnt.

One would have expected that public sector enterprise would play a very special role regarding developing a new pattern of relations with its employees. There has been persistent talk about public enterprises being model employers. A beginning in this respect was made by providing housing and other township facilities⁹ to a substantial proportion of workers in the new projects that were organised in the

⁸ See the present author's — Industrial Management Pool, An Administrative Experiment (1961), and Flight of Technical Personnel in Public Undertakings (1963).

⁹ Even here, however, one should point out that the approach adopted was paternalistic rather than businesslike. Housing and other township facilities many times came far in advance of the plant itself and the investment on them was quite substantial. This to some extent affected the financial returns from enterprises adversely. One wonders whether it would not have been better to provide modest housing and other facilities to begin with, and add to these facilities gradually by reserving a certain proportion of the enterprise profits for such a purpose. This would have reduced the burden at the initial stages and also provided a collective incentive.

public sector. But there has hardly been any attempt at building up a genuine partnership with employees in the management of these enterprises. The dominance of Government traditions has resulted in the class structure in government organisations being reproduced in them. The attempt to play favourites among rival trade unions as well as the difficulty of building up genuine partnership among personnel coming from vastly different educational and cultural backgrounds has meant that there is hardly an example of a public sector enterprise where any significant difference is to be observed regarding labour relations. Little deliberate effort has been made to provide facilities for capable employees, specially those from among blue-collared workers, to develop their competence and rise to higher positions. At the same time there has been reluctance to use incentives, positive or negative, in order to ensure higher productivity.

In more recent years a soft approach to indiscipline and low productivity was forced on managements because of the need to meet temporary political difficulties. This merely disheartened the management without creating any genuine goodwill or happy relationship with the employees. The operation of the nationalised banks is a good pointer to what is going wrong with the public sector. This was a measure which was hailed as an important step towards strengthening the public sector and bringing about a radical structural change. There has however been little indication of how the nationalised banks should operate differently from pre-nationalisation days, except for a few overall guidelines such as providing credit to new entrepreneurs and certain other classes which were denied credit in the past. While this has certainly made some difference, in terms of services to customers, credit distribution, or supervision over business concerns, the nationalised banks are no better — in some respects they are worse — than before nationalisation.

One important aspect of the working of public sector enterprise that is of much importance in the total economic context is that there has obviously been inadequate appreciation of the importance of their economical and efficient functioning. Even governmental and public opinion for long continued to think in terms of profitability being unimportant in the public sector. Superficial comparisons of private and public sector profitability are obviously untenable. But the idea that public enterprises can continue to be in the red was obviously a stupid one in the context of the very large investment made in them.

With money being easy to obtain, and with wrong management methods, over-capitalisation has been common. With low efficiency and productivity, and permission to continue feather-bedding practices, operating costs are high; at the same time the price policy has sometimes been such that the concern just cannot make profits. The most notorious example of this has been that of Electricity Boards where power charges have many times been inadequate even to cover operating costs. The result of such shortsighted policies and financial mis-management has been that, Plan after Plan, the expectation that surpluses from public enterprises would substantially contribute to financing plan outlays has been belied.

Thus, while the public sector has expanded rapidly, it has not succeeded in achieving its main purposes. It has not delivered the basic commodities and services such as steel, transport and power in adequate quantities and at economical prices, and it has also not set an example of dynamic or harmonious management.

The Private Sector

The 1948 Policy Resolution had stated that "private enterprise, properly directed and regulated, has a valuable role to play" in the economy. The 1956 Resolution also indicated that the State will facilitate and encourage the development of the private sector through the provision of various infra-structure facilities. It would also "foster institutions to provide financial aid to these industries. . . . Such assistance specially when the amount involved is substantial will preferably be in the form of equity capital, though it may also be in part in the form of debenture capital." It was laid down that private sector undertakings "have necessarily to fit into the framework of the social and economic policy of the State" and therefore were to be subject to controls and regulations as required. In other words, the idea was to encourage and assist the private sector but at the same time control its working in the public interest.

Industrial Licensing

The most important control exercised by the Central Government on large scale industry has been through the Industries (Development and Regulation) Act. This legislation was brought into force mainly to ensure that the development of industry should take place in accordance with the overall objectives of industrial development

and growth. It was expected that under the system of industrial licensing it would be possible to ensure that industries which require to be developed in priority could be encouraged and others discouraged, and at the same time balanced distribution among different regions could be assisted. The question of how industrial licensing has functioned has been examined by a number of agencies and it is not necessary here to go into details. Certain important conclusions of these studies and specially of the Industrial Licensing Policy Inquiry (Dutt) Committee may however be stated.

Licensing was supposed to ensure that capacities were so created as to ensure the attainment of Plan targets. The difficulty however was that the Plan targets for different industries were themselves not in most cases systematically worked out. Many of them were based on a very approximate input-output relationship and an assumed rate of overall growth. Many times the basic work was in terms of large aggregates and detailed figures for individual products were worked out by various sub-groups etc. as rough approximations. The assumptions about growth rate, made at the time of the initial formulation and which formed the basis for the various working groups, were modified at later stages of plan formulation; but there was usually little follow up of the reports of these groups and the figures established by them remained unchanged as guidelines. These Working Groups were themselves manned by overbusy officials so that the actual feasibility and the resource requirements in physical as well as financial terms for creating such capacities were not properly examined. In spite of all these limitations, these figures attained a certain sanctity for the purpose of industrial licensing.

There were some further problems regarding the targets of production for individual commodities laid down in the Plan documents. Questions arose such as — how much capacity should be created for attaining an output target? Should one assume utilisation of capacity at 75%, 80% or 90%? Further, how much capacity should be licensed so as to ensure that the capacity actually created would come somewhere near the capacity desired — in other words, what assumption should be made about the non-implementation of licences? It is quite obvious that no clear answers were available to such questions and the result was a great deal of trial and error, and a high degree of flexibility which permitted considerable use of discretion by the licensing authorities.

There were even more fundamental questions which remained unanswered. It is well-known that the concept of capacity is a complex one, specially when a large number of processes are involved, and the economic size for different processes may not necessarily be the same. For a long time, capacity was thought of without clearly examining whether it was on a one shift or a multiple shifts basis. There was also no clarity about what the optimum size in a particular industry was assumed to be and we find examples of different sizes of capacities being sanctioned in the same industry. The confusion about the concept of capacity meant that many times the machinery and plant actually installed was capable of producing much more than was indicated by the licence granted. This capacity was later sought to be regularised by pointing out that, with only a little or no capital investment, additional capacity could be created. This was naturally favoured, but in fact this helped the creation of monopolistic or oligopolistic situations. Additional capacities were not permitted to be created once adequate capacity had been licensed. Bans were imposed in such cases though exemptions were always possible. From this arose also the phenomenon of pre-emption of capacity under which the better organised and more influential business groups obtained licences in a number of areas and thus made it difficult for others to enter them.

One difficulty in the whole system of licensing was that, except for the capacities that were set up in the public sector, there was no way of ensuring that a balanced development in relation to all the different industries took place. Plan documents did not lay down any clear priorities as among different industries to be developed in the private sector. It was for the private sector to choose, and they naturally chose those which they thought would be more profitable. The result was that selective increases took place. More capacities were added to what may be called the luxury industries as compared to industries producing commodities for common consumption.¹⁰

The licensing system also sought to help implement other objectives of industrial policy such as balanced regional growth, the growth of small industries, and import substitution. In these respects also the licensing system did not prove to be effective. It is true that the licensing system could play only a limited role in such matters.

¹⁰ See, e.g., Samuel Paul, *op. cit.*

The licensing instrument had to be used in coordination with others such as the financial institutions and control of foreign collaborations and foreign payments. The conclusion of the Dutt Committee was that "the licensing system worked in such a way as to provide a disproportionate share in the newly licensed capacity to a few concerns belonging to the Large Industrial Sector. The maximum benefit of all this went to a few Large Houses : . . . the licensing system has not contributed adequately to the attainment of the social and economic objectives of the Industrial Policy Resolutions and Plans."¹¹

The inadequacy of the licensing system together with the uncertainty and delay to which it gives rise has been the subject matter of discussions from time to time both before and after the Dutt Committee. A number of attempts have been made to improve its working. At an early stage, when it was observed that examination of the licensing application from different angles could not but take a long time, the idea of issuing a letter of intent was introduced so that if the application was found *prima facie* acceptable, the entrepreneur could be permitted to go ahead with his negotiations with the financial institutions, foreign collaborating parties and State Governments. But gradually the letter of intent itself began to take as much time as an industrial licence. The system of announcing different lists of products was also introduced — an open or merit list of products in which additional licensing of capacity was possible, and a banned list in which no further licensing was permitted. These were also found to be not very effective, to some extent because in the case of banned lists exemptions could always be made on special grounds, and no system of publicly announcing the availability of additional licensing was built up. Some industries were delicensed for some time so as to encourage speedy taking up of projects in areas where additional capacity was thought to be necessary. While this led to the taking up of a number of projects, it was found that these projects did not always satisfy criteria regarding location or size. Moreover, while an industrial licence might not be required, the project could not escape other controls such as those regarding foreign collaboration or capital goods imports.¹² More recently, a fresh effort has been undertaken by Government to streamline industrial licen-

¹¹ Industrial Licensing Policy Inquiry Committee (ILPIC), Main Report, p. 184.

¹² For other effects of delicensing, see P. B. Medhora, *op. cit.*, pp. 84-86.

sing. Guidelines are published indicating the scope for creating additional capacity. A special Secretariat for Licence Approvals has been created for ensuring speedy disposal. It is reported that, as a result, licensing applications are now being disposed of in a period as short as three months or so. No data are available about whether such speedy disposal of applications ensures that the basic objectives of industrial policy are achieved. If past experience is any guide, this is not likely. If the number of applications that have to be disposed of is large and the same authorities such as different departments, the DGTD and others have to dispose of them, the only result of insisting on speedy disposal would be that the examination of the applications would be more casual and there would be even a greater scope for discrimination and discretion.

Financial Assistance

Beginning with the establishment of the Industrial Finance Corporation soon after Independence and State Finance Corporations a little thereafter, the Central as well as State Governments have played a major role in providing term-loans on comparatively soft terms for industrial development. The approach has usually been that no worthwhile proposal for industrial development should suffer for want of funds. In addition to the above-mentioned institutions, the ICICI was established as a joint sector term-lending institution, and later the IDBI as an apex institution. With adequate availability of funds, there has hardly ever been any complaint that funds were not available for a worthwhile project. These institutions, in addition to granting long-term loans at low rates of interest, have also assisted private sector projects by underwriting new issues of equity as well as debentures. After the nationalisation of life insurance and with the setting up of the Unit Trust, these two State institutions have also participated in the financing of the private sector in addition to making investments in equity issues.

There has been little complaint from the private sector about the State financial institutions and the assistance provided by them. The complaint rather has been that the institutions hardly attempted to ensure the observance of Plan priorities and were usually very favourably disposed towards the larger business groups. To some extent, this was bound to be the result of the composition of their governing boards where the larger groups in the private sector were well repre-

sented.¹³ One of the conclusions arrived at by the Dutt Committee was that rejection of applications was far larger in the case of concerns not belonging to the Larger Business Groups.¹⁴ A further finding of the Dutt Committee was that the overall assistance provided for private sector projects was in many cases very large and sometimes constituted as much as 60 to 70 per cent of the total project cost.¹⁵ The result was that control over large new projects was obtained by their promoters without any large contribution of capital funds by them or their collaborators. They were not able to raise adequate funds from the capital market and had to rely to a large extent on the financial institutions. The Dutt Committee also found that there was no evidence that the disproportionately large share of assistance made available to the Larger Business Groups was related to any scheme of plan priorities or any such other important objectives.¹⁶

Foreign Capital

Within a short time after Independence, it became clear that the spirit of *Swadeshi* and opposition to foreign capital were only superficial elements of the nationalist movement. Even in 1949, Prime Minister Nehru issued a statement on foreign capital which assured

¹³ In this connection the data given in the Report of the Industrial Licensing Policy Inquiry Committee are interesting. It was stated that the ICICI sanctioned almost 1/4th of its total financial assistance to companies in which the Directors were interested. The proportion of the IDBI's direct financial assistance to companies in which the Directors were interested was 53%. (see, pp. 176-178, Main Report of the Industrial Licensing Policy Inquiry Committee, 1969).

¹⁴ As the Dutt Committee pointed out further (p. 173), "it would be recalled that one of the main reasons why the setting up of special financial institutions was supported even before Independence was that such institutions, unlike ordinary banks, would act as promoters of new industries, providing various facilities to those newly coming up or trying to come up in the industrial field. The Memoranda received by us from business concerns and their representative institutions voiced a complaint that the financial institutions have not taken adequate steps to assist would-be borrowers through either the publication of guidelines or through setting up special units for assisting them in preparing good proposals".

¹⁵ More recent data about the contribution by financial institutions to projects are not available as the institutions have not published them. Enquiries from one institution have indicated that about 45% of the project cost is expected to be met from term loans etc. and 15% by way of share capital. Contribution by promoters/collaborators is only about 4% of the project costs. These data relate to projects accepted for assistance in 1972-73.

¹⁶ *Ibid.*, pp. 179-180.

equal treatment as between foreign concerns and Indian concerns. The political and administrative leadership of the country, through this statement, indicated its readiness to compromise with foreign capital even before Indian business itself was fully ready to adopt such a changed approach. The latter still supported attempts such as the *Swadeshi* league¹⁷ to keep foreign business interests out of certain areas. Foreign capital was also for some time after Independence apprehensive about its own future. There was some significant migration of foreign capital from the country. But it came to be observed within a short time that such fears were not well founded. The Government was seeking foreign aid even when the foreign exchange balance on the country's account was large. The attitude of the principal aid-givers from abroad was indicated by the reluctance of not only the American Government but also of the British Government in the early stages to support the establishment of a public sector steel plant. It was the support provided by the U.S.S.R. for the establishment of the public sector steel plant at Bhilai that appears to have facilitated the provision of technical and financial assistance for the establishment of two other steel plants by Great Britain and West Germany. The offer of Russian assistance for the development of basic industries such as heavy engineering and basic drugs, combined with the Second Plan strategy of industrial development, was for a short time expected to lead to a toughening up of Government's attitude. The foreign exchange crisis of 1958 however put an end to any such possibilities. The Government appears to have felt then that there was no way to save the economy except by obtaining foreign aid. In order to keep the principal aid-givers happy, it was thought necessary that the climate in the country should help private investment including foreign investment.¹⁸ As the shortage of foreign capital continued, and fears that there would be a significant shortage of investment in the Second Plan period multiplied, Government began to encourage foreign collaboration. It almost appears that having a foreign collaboration became a passport to success in

¹⁷ M. Kidron, *Foreign Investments in India* (1965), pp. 108-110.

¹⁸ There are many references to these phenomena, especially in the Report of the Industrial Licensing Policy Inquiry Committee, See, e.g., Main Report, pp. 71, 137-38; also special Report on Certain Allegations against Birla Group of Companies contained in Shri Chandra Shekhar's Memorandum, Section 5, paras 5, 6, 7, 10, 11, 19. Also see M. Kidron, *op. cit.*

obtaining various Government clearances.¹⁹ Being able to find own sources of foreign exchange was the easiest way of obtaining a clearance for expansion. The result was that subsidiaries of foreign companies were favoured; so also companies who had foreign participation and could thus arrange for payment of capital goods imports through foreign equity or credits through their collaborators. It was not realised that such a view was very shortsighted and added significantly to costs in the long run.²⁰ In the sixties there was a rapid increase in the number of foreign collaborations of various kinds and foreign companies began to obtain considerable facilities to establish themselves and exploit the Indian market. Among companies found to be producing far more than the licensed capacity there were a number of foreign companies.²¹ It may also be worthwhile to note that a number of foreign companies were to be found dominating markets for consumer items and other less essential products, and only a few introduced difficult technologies and developed products which were vital for economic development. At the same time, an atmosphere was created in which foreign collaboration came to be welcomed even in areas where foreign know-how was not specially required and in products which were not vital to the economy. Instances of repetitive collaborations have been cited in a number of studies. The use of foreign trade marks and brand names mainly for capturing domestic markets came to be well established. This trend of permitting foreign collaborations for unimportant purposes continues upto now.²²

¹⁹ "The craze for foreign collaboration resulting from Government's policy of favouring those applicants for licences who could secure foreign collaborations with equity participation and foreign credits made it difficult in some cases for genuine Indian parties to establish themselves". All India Association of Industries, Report on the Working of Foreign Collaboration Undertakings in India, Bombay, 1968, quoted in ILPIC Main Report, p. 138.

²⁰ In this connection, see the report of the Monopolies and Restrictive Trade Practices Commission on Hindustan Lever (1973), Dissenting Report, Sections 1.08, 6.25.

²¹ See, ILPIC, Main Report, pp. 93-99; also Appendix IV F.

²² It has been recently reported that collaboration ventures have been approved for the manufacture of readymade garments, storage batteries, poultry breeding, low cost IC radios, sports goods, filter paper and leather watch straps; this in spite of the fact that know-how for the manufacture of these items is indigenously available. Foreign collaboration for items such as cigarette filter rods and automatic bottle washing machines has also been approved. (*Economic Times*, June 19, 1974).

The need to keep aid-giving Governments and the World Bank happy was an important reason for the soft approach adopted by the Government towards foreign collaboration and foreign investment. At the same time, Indian private capital also found that foreign capital was a useful ally; through the good offices of the aid-giving Governments and the IBRD, pressure could be mounted on the Government to adopt policies which would not scare away foreign private capital and this automatically helped domestic private capital. Foreign capital also found that an alliance with Indian capital was very useful as the nationalist feelings against foreign capital could be contained if joint enterprises were set up. Moreover, in dealing with various Government regulations, an Indian ally was of invaluable assistance. The result has been that the old anti-foreign-capital approach was given up by Indian private capital which increasingly accepted alliance with it in various forms. The emphasis on *Swadeshi* gradually vanished from the announcements of Indian business, and an atmosphere has now been created in the country where, even for sale in the domestic market, a foreign brand name or trade mark has become valuable.

It needs to be remembered that while foreign aid has been of critical importance in certain areas of development, its total quantum has not been very large in comparison with domestic investment resources. But because of its critical importance in particular areas and also because of Government's feeling that without this aid, including food aid, domestic investment and vital consumption would suffer, this tail of foreign aid has been many times able to wag the dog of overall economic policy.

The net result of private foreign investment cannot be ascertained because nowhere have data been published which would enable a proper balance sheet to be drawn up of the gains and losses from such investment. Certain elements which affect the balance are well known. It is known, for example, that equity as well as loans provided by collaborators are in most cases tied up with particular sources of plant and equipment which may not be the most economical or the most suitable for Indian conditions. The technology made available is also not necessarily one suited to the Indian environment. In the initial years, raw materials or semi-finished products have to be obtained from sources abroad which are usually tied up with the collaborating concerns. In addition to dividends on a generous

scale, other payments such as royalties and salaries for expatriate personnel are involved. Exports have not always been freely permitted, and they are usually channeled through the collaborating concerns. It is not unusual to find that there is little net gain to the country from these exports even where they are permitted. In the few cases in which calculations of the overall impact of foreign collaboration over a period of time have been attempted, it has been shown that the original investment has been repaid many times over. While foreign private capital may therefore be thought to be useful in the short run, it appears from whatever data are available that its net impact on the country's industrial growth is unfavourable.²³

Some other results of encouraging foreign collaborations and foreign enterprises also need to be taken note of. In most cases where foreign collaborations specially with equity participation have been permitted, it has been noticed that the development of local Research and Development has been inhibited because of the feeling that the results of the Research and Development of parent companies (collaborating companies) would always be available, and their Research and Development units are much larger and better organised than whatever can be done in India. The tendency to rely on foreign know-how instead of developing indigenous capability is to be observed not only in the private sector but even in the public sector. The preference for turn-key arrangements in the public sector has been sufficiently illustrated in various documents, the most prominent example of this being regarding the Bokaro Steel Plant where an Indian designing organisation was kept out of the more important part of the work.²⁴

The Government has insisted that the top positions in foreign firms should be Indianised, and their equity should be thrown open to Indians. The result of the former insistence has certainly been that the number of Indians in positions carrying high emolu-

²³ See in this connection the reports of the Monopolies and Restrictive Trade Practices Commission :

- (i) Carborundum Universal (1971), Dissenting Report, Section 2.27.
- (ii) T. V. Sunderam Iyengar and Sons Pvt. Ltd. (1971), Dissenting Report, Section 22.
- (iii) Hindustan Lever (1973), Dissenting Report, Section 6.25.
- (iv) Lucas-TVS (1973), Sections 3.44-3.46.
- (v) Gabriel (India) Ltd. (1974), Section 5.13.

²⁴ See, Padma Desai, *The Bokaro Steel Plant: A study of Soviet Economic Assistance* (North Holland, 1972).

ments in these concerns has increased. But this is a doubtful advantage. The emoluments that were considered necessary to attract foreign personnel to India are now paid to Indians and this is gradually affecting the whole approach to incomes and consumption patterns of the technical and managerial elites in the country.²⁵ Regarding the issue of new equity in India, it is true that such issues have been very popular with Indian investors and they usually attract large premia. However, it is not quite clear in what manner the fact that the foreign parent company would control at the last stage only 40 per cent of the equity would make a significant difference. The remaining 60 per cent would be usually widely dispersed so that control would virtually remain in the hands of the foreign company. Secondly, the proportionate reduction in foreign holding would take place gradually, in most cases with expansion of the company for financing which the new equity will be issued. The net result on foreign remittances would thus probably be that they would go on increasing, though they may constitute a smaller proportion of the total dividends.²⁶ At the same time, the company's role in the Indian economy would have expanded.

Small Scale Industry

The emphasis placed by Mahatma Gandhi on the development of small industries had already created an atmosphere before Independence in favour of special measures to support their development. The 1948 policy resolution had emphasised their importance for helping the growth of individual village or co-operative enterprise, for ensuring better utilisation of local resources and for the achievement of local self-sufficiency in respect of certain essential consumer goods like food, cloth and agricultural implements. The necessity to prevent undue competition from large scale industry and to provide necessary assistance in matters like raw materials, technical advice, and organised marketing had also been mentioned. Following this, measures were taken such as establishment of the Khadi and Village Industries Commission, and restricting the volume of production in

²⁵ As Prof. Gadgil had pointed out, the increase in the number of positions becoming available in private business — Indian and foreign — in India can easily result in the influence of private business on Government indirectly increasing. See D. R. Gadgil, *Planning and Economic Policy in India*, (1972 edition), p. 307.

²⁶ See, the report of the Monopolies and Restrictive Trade Practices Commission on Hindustan Lever (1973), Dissenting Report, Sections 6.27-28.

the large scale sector of certain products by differential taxation or through subsidies. The Karve Committee examined the economic aspects of this problem. It suggested greater attention to examining the technical and economic possibility of developing certain lines of production in the small sector in complementarity with the large scale sector through common production programmes. The Industrial Policy Resolution of 1956 had also emphasised that the "aim of the State policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large scale industry". It was recognised that to improve the competitive strength of the small scale producer it was essential "that the technique of production should be constantly improved and modernised". In actual practice, however, in addition to special measures for financial assistance to small scale units, the main emphasis has been on the reservation of certain areas of production for such units. The list of reserved items has gradually been increasing and now some 177 items are reserved for production in the small scale sector. While this measure has certainly helped the growth of small scale industry, it has certain peculiar features. Firstly, when deciding on the reservation of the item, it appears that the technical feasibility of producing the item on small scale rather than the economic efficiency with which small scale production would operate receives more attention. The result is that a large number of items are produced at high cost, and many items are of indifferent quality. The reservation is not for a fixed period of time, so that there is no compelling reason for small scale units to improve their efficiency failing which they would have to go out of existence. At the same time, existing large scale producers are able to continue in production, the net result being that these producers continue to enjoy a favoured position in the market for such commodities. Thus, in commodities like safety matches, toothpaste, or leather footwear, existing large producers continue to enjoy a highly protected market. Many of these protected producers in important consumer lines happen to be foreign companies. An unintended result of this policy, therefore, is the perpetuation of the monopolistic position of certain large producers, specially foreign companies. Another tendency that is encouraged is that, with certain raw materials in short supply, registered small scale units are given the privilege of obtaining a certain quantity of such materials at a controlled price. Certain im-

ported materials are permitted at least in the initial period of the development of a line of production. The availability of these raw materials in priority is itself a major incentive for setting up new units. A large number of new units are set up mainly for the purpose of trading in these raw materials. They either close down or switch over to new products as soon as the import concession ceases. Some units are known to be bogus — set up only for trading in scarce materials. Such results are unavoidable in a situation of acute shortages and the existence of large margins between official and market prices.

The encouragement to small scale units have sometimes also resulted in the setting up of uneconomic capacities and perpetuation of inefficiency. At one stage, the Government decided to set up a number of small paper units with the idea that pulp would be made available to them from a large scale organisation. It was soon found that such a system was not technically and economically feasible; but uneconomic units were in the meanwhile encouraged. Entertainment electronics is another area where small scale is attempted to be encouraged. While there is no doubt that electronics is an area where small scale units have a major contribution to make, the approach in this respect needs to be carefully thought out. It has been observed for example that a large number of units have been registered or licensed for the production of items like tape-recorders or record players with small capacities like 5000 to 15,000.²⁷ The only justification for permitting the capacities for such items to be set up can be that a considerable export market can be built up for such items. India possesses considerable skilled labour and this can be of much use in building up the entertainment electronics industry. What is however necessary is that the designing of items like tape-recorders, record players or even television sets should be undertaken by units which operate on a large enough scale to be able to afford appropriate designing and R and D units. The assembling of the final product should be entrusted to such units who would also be in a position to organise systematic quality control and marketing. The role of the small scale sector should mainly consist of producing the very large number of individual components and sub-assemblies that are required. Individual components and sub-assemblies can be produced

²⁷See the report of the Monopolies and Restrictive Trade Practices Commission on Telerad Pvt. Ltd. (1973), esp. Sections 3.31-35.

by units with comparatively small capital investment. But each unit would be producing the particular component on a large enough scale so as to make the production of that item economical and efficient. That is the kind of approach to small scale units that would be justified in the long term and not the creation of uneconomic capacities.

Low Productivity

An important factor affecting the efficiency of Indian industry is that the productivity of labour is low. To some extent, lower productivity as compared to that of workers in richer countries can be ascribed both to lower capital investment per employee and to some extent to the smaller social investment on the individual worker in terms of his upbringing as well as education. The lack of adequate nutrition, poor housing etc. are also bound to affect a worker's productivity adversely. But taking all these into account, there are enough data to show that there is an increasing tendency for labour at different levels to be less productive. There is increasing indiscipline, absenteeism and poor attention to work. The protection provided by labour legislation as well as the existence of trade unions have added strength to these tendencies. There are also increasing instances of go-slow in addition to stoppages due to strikes and lock-outs. The result of all this is that the productive capacity is poorly utilised. Poor maintenance also leads to breakdowns. When a situation of low utilisation of capacity or frequent breakdowns occurs in areas like power, transport or steel, that affects a large number of other industries. This is happening on a large scale in a number of industrial regions in recent times specially as a result of power shortages. It creates a vicious circle under which industrial stagnation is the inevitable result.

What are the basic factors responsible for this situation ? There is no doubt that the responsibility for this situation must be laid, to begin with, at the doors of incompetent higher management both in the public and the private sectors. While individual managements can do little about factors which affect the whole working force, it is surely the failure of individual managements that appropriate systems of incentives are not devised which would create conditions in which the workers would find it worthwhile to increase productivity. Specially in the public sector there has been far too easy an accept-

ance of traditional methods of wage and salary fixation. There has also been little attempt to create a feeling among employees that they are likely to benefit from the prosperity of the business. There remains a significant gap, social as well as economic, between the managers and the workers even in the public sector where both are ultimately employees. The result is that a situation of mutual confidence and consultation has not been built up.

One of the difficulties which constantly comes in the way of healthy relationship between management and labour has been the nature of trade unionism. In most cases there is a multiplicity of unions and this cannot but lead to instability in collective bargaining and therefore in industrial relations. The difficulty however is that the Government has not made any genuine effort to bring into existence and maintain stable industrial unions. It cannot be overlooked that it was the ruling party which deliberately decided to set up a trade union organisation attached to it because it found that the existing trade union organisation was too much under the influence of other political parties.²⁸ The proposal that the representative character of the union should be decided by a secret ballot of the workers has been resisted for a long time. The result is a system in which increasingly every political party, and even factions of parties, have their own trade union wings and this makes the building up of stable labour relations difficult.

Converting persons who are not accustomed to disciplined work in industrial and such like organisations is always a challenging proposition. In most countries, whether under capitalism or communism, such conversion has taken place under conditions which forced discipline and norms of productivity on workers. In Japan, the old feudal relationships were carried over into industry and workers accepted industrial discipline as a part of a continuing tradition. In the USSR, coercion and threats of punishment together with individual as well as social incentives were used in an organised manner. In India we are attempting to operate a system in which we use neither incentives nor punishments. Moreover while we have a society which provides for free trade unions, at the same time dis-

²⁸ See *Sardar Patel's Correspondence, 1945-50*, (ed. Durga Das), Vol. 4, pp. 93-100.

parities in income and consumption between the management and the workers remain large and there is no genuine effort to reduce them. There is, therefore, nothing in the environment as a whole which would induce or force workers at different levels to put in their best. It is obvious that such a situation cannot last long. We are already finding that it is not possible to have free trade unions and at the same time maintain an untenable structure of wages and incomes. Some fundamental remedies will have to be sought if the vicious circle of low productivity, industrial stagnation and low wages is to be broken.

No Consistent Policy-framework

While a certain approach regarding industrial development has been accepted by the Indian leadership almost from before Independence, its overall logic and implications have not been examined and a consistent policy framework spelt out. The result has been that, through *ad hoc* decisions, the system has got distorted to such an extent that it has ceased to yield worthwhile results. We are following the logic neither of capitalism nor of socialism. The system is being operated without any long-term strategy or policy perspective. Unless a halt is cried to this drift, it is unlikely that the system will survive for long.

It is however my contention that the approach of adopting a system of State sponsored development with private enterprise having scope for operation in many areas, including industry, is not necessarily inconsistent with the requirements as well as the possibilities of the situation at the present stage of our industrial development. For such a system to succeed, however, it is necessary that the rate of growth should be high enough so that it can make a perceptible impact on the poverty prevalent in the country. Secondly, in the process of development, the system should get so reorganised as to secure increasing justice and equality. This also has to be rapid enough to make the maintenance of democratic and peaceful change an acceptable proposition to the large sections of presently distressed and handicapped population. The system as it has worked upto now has succeeded in neither of these two essentials and, in recent years, the situation has been fast worsening. Even sympathetic observers who

were looking with hope to India as a more peaceful and democratic alternative to China are fast losing faith.²⁹

One of the essential pre-requisites of development is that the potential economic surplus must be realised and suitably invested. If the surplus is not realised or if it is not properly invested, the result is economic stagnation. In a country like India, with a large under-employed and unemployed manpower, it is obvious that the strategy of development must make sure that as full a use of this manpower is made as possible. At the same time, the economic system should be so organised that the surplus resulting from the use of resources is to the maximum possible extent saved and utilised for investment. The implication is that undue consumption by non-productive elements such as rentiers and middlemen, and even by productive elements which consume much more than is their due, must be restrained. At the same time, direct and indirect means must be used to make sure that investment is channelised into the most productive uses. Where capital is invested, it is necessary to ensure that it is best utilised; non-maintenance of capital equipment and its inadequate utilisation are phenomena that are specially to be deprecated in a capital-starved poor economy.

If the above approach is accepted as the basis for future growth, its implications need to be understood in the Indian context. On the one side it involves partially returning to Gandhiji's ideas about the use of labour intensive industries based on local resources to cater to local needs and markets. On the other hand it implies a drastic reduction in the present inequalities of income and consumption, which in large measure are dys-functional.

²⁹ e.g., See J. K. Galbraith: *A China Passage* (1973), pp. 22, 126. Myrdal's disillusionment with India is specially indicated in his *The Challenge of World Poverty* (1970); for an overall appreciation of the Chinese effort by a non-radical economist, see Wassily Leontief: "Socialism in China", *The Atlantic Monthly*, March, 1973, pp. 74-81, and especially the following passage:

"The unique accomplishment of socialist China is the establishment and, for the time being at least, effective maintenance of a social and economic order in which, in spite of a very low average per capita income, abject poverty has been virtually eliminated. Despite the modest material returns for their labour, all men and women capable of work appear to be fully and productively employed. Moreover, they seem to be performing the duties assigned to them with diligence and good cheer."

Labour Intensive Methods

The reason why labour intensive techniques of industrial development have not been adopted in India are many. In my view the most important ones are two. One is that there was a significant gap between the decay of India's traditional industries and the development of modern ones.³⁰ This resulted in the new industries being organised by persons who were essentially traders or financiers, and not those who had any professional or traditional background in the particular industry. Similarly, the persons who organised public enterprises, or even undertook the task of encouraging small industries under Government auspices, were civil servants who had no background of industry. Most of the technology introduced in India was also therefore imitative based on the methods introduced from the West.³¹ There being no continuity of the old technological tradition, there was no attempt to use modern science to develop old technologies, adapt them and undertake production based essentially on locally available resources for satisfying local demand. The experience of China suggests that, given a proper lead, considerable use can be made of local labour including trained talent, local material and adapted techniques for meeting local demands.³² The policy of labour intensive methods being widely used will however not succeed unless there is a complete change in the attitude at the top echelons of our society and the spirit of self-reliance, or what used to be called *Swadeshi*, is genuinely revived. A situation in which foreign goods are increasingly looked upon with favour even by common people, and

³⁰ See, D. R. Gadgil : *Industrial Evolution in India*, Chapters III and IV. For some examples where a degree of continuity was maintained, Ch. XIII; regarding the class of persons who controlled modern Indian industry, D. R. Gadgil : (ed.) *Notes on the Rise of the Business Communities in India* (mimeo.) 1951.

³¹ It has thus been observed that, even in a field like architecture, Indian engineers tend to imitate foreign techniques. They have failed to develop architecture which would make the best use of local material for meeting local requirements in the most economical manner. See, Government of Kerala : *Performance Approach to Cost Reduction in Building Construction* (1974); also "Institutional Resistance to Innovation," *Economic and Political Weekly*, June 8, 1974, pp. 893-895.

³² In this respect, the example of China is of far greater relevance to us than that of Japan. The latter being a small island economy had inevitably to think in terms of foreign trade for its development. Countries like China or India have to think far more of the domestic markets. For information on this aspect of China, see E. C. Wheelright and Bruce McFarlane ; *The Chinese Road to Socialism* (1973), pp. 212-214,

where a foreign trade mark is a valuable gimmick for ensuring domestic sales, does not conduce to encouraging local technology.

Even a more important aspect is that regarding the comparative cost of labour and capital. In India today, capital is comparatively cheap while labour in any kind of organised employment is becoming costly. Present rates of interest and wages in organised industry are both artificial prices which have no relation to India's economic reality. With savings being as low as they are as compared to the requirements of capital for investment, the structure of interest rates should be such as to reflect this scarcity. We have been almost encouraging wasteful use of capital by keeping interest rates low. At the same time, by permitting unduly high standards of consumption for the elite sections of the population, we have permitted an atmosphere to grow where persons in organised employment have to be given remuneration which, however low it may be by absolute standards, is unduly high in terms of their opportunity costs. The result is that methods of production that would involve a great deal of labour are found to be uneconomical, and capital intensive and almost automatic techniques are favoured. There could be nothing more perverse in our context. Centralised production and distribution of industrial products based on capital intensive systems of transport become economical only in such a topsy turvy system. If we put a proper price on capital, there is no doubt that labour intensive methods of production, and development of industry on decentralised lines, would be found to be more economical and suited to meet our requirements. This does not imply that there would be no need for certain capital intensive industries. There would inevitably be industries such as metallurgy, mining, heavy chemicals and machine-building which will require large investments. But with a proper price put on both capital and labour, the approach to industrial technology will undergo a change. There would be maximum economic incentive to invent or discover technologies suited to the more rational relative prices of labour and capital, and this would lead to a more rapid increase of employment on the one hand and production on the other. The unnecessarily expensive industrial and urban conglomerations will also be found to be out of tune with the new prices for labour and capital. The whole approach to industrial and urban development will thus undergo a transformation along more desirable lines.

One objection normally raised to labour-intensive techniques or the attempt to adopt 'intermediate' technology is that this will merely perpetuate inefficient industry and thus the backwardness of the economy. Intermediate techniques do not necessarily have to be out-dated; they can be modern and new — but adapted to a situation of comparatively less scarcity of labour.³³ An attempt to introduce capital intensive technology in all industries not only involves a difficult balance of payments problem as, at least in the initial stages, most of such machinery has to be imported, but the concentrated locations of such industries also involves heavy transport and urbanisation costs. It also creates — as we witness in India — a small labour aristocracy employed in large industrial establishments, amongst a mass of rural unemployed and underemployed poor. This cannot make either for rapid progress or even for peaceful development.

Reduction in Inequalities

The reduction of personal inequalities is a *sine qua non* for the success of State sponsored development such as we are envisaging in India. This has been recognised in theory right from before Independence; but in practice the elite groups in the country have shied away from its implications, and the situation to-day is probably worse than it was at Independence. It has to be realised that a very large part of the incomes presently enjoyed by the upper income groups, whatever the functions they are performing, are in the nature of economic rent which they are able to extort because of the vagaries of the present economic system. Any rational economic policy will have rapidly to eliminate such rental elements in personal incomes. The pattern of income and consumption set by foreign personnel employed in foreign enterprises together with that set by the pre-Independence — largely foreign dominated — civil services has come to be accepted as the appropriate pattern by the higher echelons of

³³ It has also been said that, as a minimum wage must be paid to all engaged in industry, large consumption of wage goods is unavoidable as compared to non-industrial employment, and disguised unemployment. Those transferred from disguised unemployment do not bring their own food. (See Paul A. Baran : *Political Economy of Growth* (Indian Edition), p. 341; also M. H. Dobb — *On Economic Theory and Socialism*, 1955, pp. 138-154). So intermediate technology cannot help. But this argument assumes that industry will be located in urban areas away from the places of disguised unemployment. If small industrial units are developed in rural areas, to cater to local needs, the additional wage goods required would be marginal.

our society. This will have to be firmly set aside and a pattern of income and consumption more suited to our own economic conditions will have to be adopted. The Joint Sector will be one major instrument for effecting this change — because the standards of high remuneration, including perquisites of various types — are set by the largest enterprises in the private sector. Physical bans on the creation of further capacity in certain luxury industries and high excises on their products, together with the enforcement of austerity policies in matters like business expenses and travel abroad will be among the other instruments. Such a change in the incomes and consumption of the elite groups, it needs to be emphasised, will make a major impact in that administrators, political leaders, managers and even intellectuals will again come to have an element of moral leadership in society which they have lost by insisting on standards of consumption which are unjustifiably higher than those enjoyed by the common people.³⁴ This will also create the possibility of enabling a wage pattern to be adopted which will make the use of that most important resource which the country has — unemployed and under-employed labour — worthwhile. It will also make it possible for economic surpluses to be effectively used for accumulation and further investment. Incidentally, such a change would also release a number of important raw material and other scarce resources such as transport and power for more essential uses; at present a not inconsiderable proportion of such resources are being used to feed the luxury consumption of elite groups.

A further implication of this approach is that a significant part of the investment to be made in the organised sector will be channelled through public institutions and the whole approach to economic policy can be based upon such an assumption. While private savings will continue to play an important part in the investment made by

³⁴ cf. "Every society needs a morality which suits its economic development, as Tawney argued in *Religion and the Rise of Capitalism*. Britain had Adam Smith's 'Invisible Hand' of self-interest as the mainspring of its industrialisation, which was regulated by competition so that "private vice became public virtue", as Mandeville put it. For China, Mao presents himself, and the socialist morality he preaches, as the visible bond linking decisions and motivating producers". Wheelright and McFarlane *op. cit.*, p. 18. Regarding the motivations underlying Japanese development, see "A Special Strength", a Survey of Japan, *The Economist*, March 31, 1973; also Herman Kahn: *The Emerging Japanese Superstate*, (London, 1971), esp. Chapter 3.

self-employed individuals and small and medium industries, most of the new investments in large industry would be through public financial institutions. Even to-day a very substantial part of private savings flow into institutions like banks, the LIC the UTI, and through these, to various industrial organisations in the private sector. The logic of this system implies that it is not necessary to permit large income inequalities for the purpose of encouraging private savings and investment. At the same time, as public financial institutions increasingly become substantive owners of the equity in a large number of industrial undertakings, there would be no reason to frown upon these undertakings making profits, as the profits would increasingly go to benefit the public at large and State institutions, and not a few individuals.

Industrial Licensing

I have stated earlier that a new strategy for industrial development could have been evolved as a part of the changes that were attempted to be introduced in the period between 1969 and 1971. The recommendations of the Dutt Committee together with the MRTP Act could have provided the basis for such a strategy. However, not only was this not done, but it appears that there is an attempt at restoring *status quo ante*; this would not do.

The Industrial Licensing Policy adopted in 1970 has been criticised as holding up industrial growth. It should be remembered that the Dutt Committee itself had indicated that the main burden of reducing concentration of economic power will have to be borne by other instruments such as the MRTP Act. It had also suggested that, except for the purpose of keeping out Larger Houses from the non-core sector of industries, industrial licensing should be practically free for all industries where the investment involved was not very large. It had also suggested that there should be a system of banning capacities for a sizable period regarding the products where it was felt that further capacity should not be created. In implementing the policy, this approach was considerably changed by Government. Licensing was continued in full vigour, the applications of Larger Houses being delayed or rejected even in core or heavy investment industries. In important areas of industry, unknown individuals, firms or State Government Corporations who had no experience or resources were granted licences. As could have been expected, many

of these licences did not fructify and industrial capacities were not created in key areas such as cement and paper. The result now is that there is a hue and cry about inadequate production resulting from non-creation of required capacity and this is favouring a reversal of policy for licences to be freely granted to Larger Houses. It appears as if, after some populist radical slogan-mongering, the old approach is being readopted. In the meanwhile, little effort has been made to break the concentration of economic power represented by the Larger Houses and only lip-service has been paid to the ideas about convertibility of loans into equity and the development of an effective Joint Sector. The idea of long term bans especially on luxury industries has not been accepted.

It has been decided that Larger Houses and foreign companies should be permitted — even encouraged — to go into difficult projects such as core industries, and industries to be developed in backward areas or for export purposes. What is happening is that the last two considerations are merely becoming gateways through which these concerns can be permitted to undertake developments from which they would otherwise be precluded. Regarding their going into core industries, this suggestion of the Dutt Committee was tied up with its idea that all large companies in the private sector would be speedily converted into Joint Sector units and then there should be no objection to their growth. It was obviously not intended that a textile unit should be encouraged to develop, say, metallurgy, or a tobacco manufacturer to develop, say, fisheries, just to enable them to develop somewhere. A much better approach is speedily to bring about such changes in ownership and control as are desirable and then permit the units to develop according to the logic of their capabilities and technical inter-relations.

Regarding foreign companies, and collaborations, it is obvious that the Government's approach has been far too lax and that this is not justified on any grounds. A stricter scrutiny of collaborations and a speedier change in the ownership and control of foreign companies should form a part of the industrial strategy if it is to be internally consistent.

Joint Sector

The proper policy in this regard would be one which was suggested initially by the Dutt Committee, namely, the development of the Joint

Sector. As mentioned earlier, a significant part of the investment required by most large projects has been and is being financed by public financial institutions. By adopting a policy of converting a substantial part of these loans into equity, for suitable cases in the past and invariably in the future, a substantial part of the equity in all important companies would come to be controlled by these institutions. It is also to be observed that, specially with the large holdings of the LIC and the UTI, the public financial institutions hold a sizable proportion of equity in most of the key concerns in the private sector. This should enable these institutions to be able to have an effective say in bringing about changes in the control and management of these companies wherever and whenever necessary. There are provisions in the MRTP Act under which groups of interconnected undertakings or other forms of conglomerates can be broken up if they are found to be operating against public interest. If necessary, the Act could be amended to make it easier to break up dysfunctional conglomerates. A purposeful use of these mechanisms would enable Government to bring about a speedy change in the structure of Indian industries. Groups of undertakings which have developed as interconnected for historical reasons, including the operation of the managing agency system, but which have no contribution to make to the further growth and operation of the concerned industrial units, and whose continuance because of concentration of economic power in private hands can create harmful effects, can be broken up into functional units which would be economically and technically optimum. The equity control of financial institutions can be used to make sure that the family controlled managements are replaced by professional managements as early as possible and a new orientation given to the approach and policy pursued by these large enterprises. Thus all key enterprises in the private sector could be brought effectively under State control and management without a formal act of nationalisation with all the messy problems such as compensation and immediate reorganisation that such an act involves. At the same time, wherever professional managements exist in these enterprises, they may not only be maintained but further strengthened because they will no longer be answerable to the controlling family. Extraneous considerations arising out of family control will no longer interfere with the pursuit of the basic enterprise objectives of efficient operation and dynamic growth. There would then no

longer be any necessity to be afraid of the growth of these key enterprises on the ground that this would merely add to the existing concentration of economic power. As some of these enterprises have excellent technical and managerial resources and experience, after such conversion into Joint Sector units, they would be able to operate with renewed vigour as important growth points for the further development of the concerned industries.³⁵

Even in respect of public enterprises, there has been some fresh thinking as indicated by the organisation of the Steel Authority of India. The original idea behind SAIL was to have the future development of steel and related industries planned and executed by a professional agency, the detailed direction of individual plants being left to the plant managements to which most of the managerial powers were to be delegated. This has unfortunately not yet been done partly because of the special difficulties that some of the steel plants have been facing. Our discussion of the difficulties faced by public enterprises does however indicate that the way out of their present difficulties does not lie in persisting in their present organisational and operational pattern. They will have to adopt more flexible and decentralised methods of functioning. Subjecting these enterprises to the accountability of the profit and loss account is far more important than Parliamentary accountability.

Thus what needs to be done is to emphasise the enterprise aspect of public sector enterprises and, at the same time, bring about such a change in the ownership and control of large private enterprises that they will be working for a public purpose. The idea that this can be achieved by controlling every detail of the functioning of such enterprises from the Secretariat will not do. Our experience regarding the operation of public enterprises as well as of detailed controls of various types on the private sector provide ample evidence to support this conclusion. What is therefore necessary is to create an ownership and organisational structure under which the management of large enterprises will be entrusted to professional managers whose loyalty will be principally to the State and not to families or business groups.

³⁵ This approach is quite different from the other approach to the Joint Sector — supported by business spokesmen and also by some State authorities. For further details about the Joint Sector and its role, see the present author's — (i) "Joint Sector", *Economic and Political Weekly*, Nov. 10, 1973, and (ii) "Joint Sector and the Boa Constrictor", *Mainstream*, Nov. 10, 1973.

Once such a change is brought about, enterprises may be expected to operate largely on the basis of self-regulation within an organisational framework and an operational charter which would guide their managements. Devices such as holding companies can be thought of for various areas so as to keep check on the functioning of these units and effecting such changes as are found to be necessary. It will be necessary to create a cadre of directors who will act as watchdogs on behalf of the financial institutions, and would be responsible to ensure that law is not transgressed and the spirit behind regulations is not ignored by the managements of enterprises. Tendencies such as showing private expenses as corporate expenditure, granting larger than permissible perquisites and avoiding taxation (even excise duties) can be effectively stopped by having directors on the boards of important companies even in the private sector. A further extension of the same approach would be to use nationalised banks as the watchdogs of public interest so as to ensure that enterprises do not operate in an anti-social manner. Bank personnel will have to be specially trained for such work — and the higher managements will have to understand that nationalisation of banks has to serve an important control function on behalf of the State.

Reduction in Controls

Many of the present controls which clog the operation of the economic system and create scope for distortion and corruption can then be either rationalised or removed. In the case of industrial licensing, as the Dutt Committee had pointed out, decisions regarding approving individual projects can be rationally taken only on the basis of detailed scrutiny which itself has to be related to well worked out industrial plans. This is obviously not possible except in the case of a small number of key industries. Industrial licensing can therefore genuinely operate effectively only regarding major industrial projects. For the remaining industries, industrial licensing will mainly have to serve the negative purpose of preventing the creation of capacity in industries where creation of such capacity is not wanted; this will especially include luxury items of various kinds. To the extent that income inequalities are genuinely reduced, there would be less demand for the products of such industries. At the same time, banning the creation of such capacity and the use of heavy excise duties would act as supplementary measures to ensure the rapid dis-

mantling of such industries except to the extent that they can find export markets or can diversify into other lines of production. Reduction in discretionary control would also have an impact on the whole field of foreign exchange and import licensing. It is well-known that this is another area where there is a great deal of inefficiency, corruption and misuse of resources. The use of fiscal and monetary devices rather than physical controls needs to be increasingly preferred so that scope for detailed and discretionary decision-making is minimised. The removal of detailed control in most parts of the economy will enable the entrepreneurial talent that abounds in the country — but which finds at present a more lucrative outlet in speculative trading, and managing Governmental authorities — to play a socially useful role.

Prospects of a Rational Strategy

Having indicated the main ingredients of what in my view constitutes a correct strategy for industrial growth within the constraints of a State Capitalist-mixed Public Sector-private sector-economy, the questions remains: *Will the Cat be Belled?* I shall now try briefly to answer this question.

An unstated assumption behind the economic policy underlying Indian development plans has been that the State is above sectional interests. Others, even when admitting that in a country like India the State cannot but be a bourgeois State, have hoped that, in its own interest in developing capitalism, such a State will play a progressive role. There is also perhaps a lurking hope that State capitalism can be used for a smooth transition towards Socialism.³⁶ After all, Lenin had spoken of State Capitalism as the 'ante-chamber of Socialism'.

The history of the last twenty-five years suggests that the ruling Congress party continuing to be an umbrella party is subject to contradictory pressures and pulls. The interests of different groups being in contradiction and conflict, the ruling apparatus has come to

³⁶ It is only on such an assumption that the support that many Marxists, including Soviet students, give to the increasing State economic role in India can be explained. See, e.g., R. Ulyanovsky and V. Pavlov — *Asian Dilemma, A Soviet View and Myrdal's Concept*, esp. pp. 90-118. Also see this author's "Socialism or State Capitalism", *Economic and Political Weekly*, Annual Number, February 1973.

have a special status. Under the illusive slogan of Socialism, what is deepening and widening is centralised and discretionary State control, with the apparatus enjoying wide discretionary powers. Those in charge of the apparatus are so operating the system that even capitalist development is not taking place and there is little growth. Non-productive elements are scoring over productive ones. Increasing gains are being obtained not by producing elements but by traders, speculators and their allies in politics and administration. This is the result of the urbanised middle class being in a crucial position in present day India.³⁷ Its populist socialism creates an upsurge among the urban poor and working class elements which makes the pursuit of unhindered capitalism difficult. At the same time, its short-sightedness has led to a kind of economism which obtains short term gains for the middle classes, while neglecting the crucial issues both of social justice and economic development. The result is a kind of increasing paralysis of administration.³⁸

What is necessary is that those in charge of the State apparatus consciously understand the implications of the strategy of growth

³⁷ See in this context, P. C. Joshi : "Towards a Renewal", *Seminar*, June 1974, p. 55.

³⁸ *cf.* "There [in India] the united front of anti-imperialist forces is still — if only precariously — intact, and provides the broad political basis for the Government of the national bourgeoisie. Yet this breadth of the national coalition which accounted for the enormous strength of the Congress Party in the days of its struggle for national independence at present nearly paralyzes the administration that it supports. Although still enjoying the approval of the overwhelming majority of the articulate part of the nation, it encounters unsurmountable difficulties in attempting to formulate and to carry out a programme of economic and social regeneration. Setting out to promote the development of industrial capitalism, it does not dare to offend the landed interests. Seeking to mitigate the most outrageous inequalities of incomes, it refrains from interfering with the merchants and moneylenders. Looking for an improvement of the wretched position of labour, it is afraid to antagonize business. Anti-imperialist by background, it is courting favours from foreign capital. Espousing the principles of private property, it promises the nation a socialist pattern of society. . . . Anxious to reconcile irreconcilable needs, to compose radical differences, to find compromises where decisions are inevitable, losing much valuable time and energy in bridging recurrent conflicts within its own fold, this government substitutes minor reforms for radical changes, revolutionary words for revolutionary deeds, and thus endangers not only the very possibility of realizing its hopes and aspirations but even the very tenure in office. Handicapped by the heterogeneity and brittleness of its social foundations and by the ideological limitations resulting therefrom, the essentially petty-bourgeois regime is incapable of providing genuine leadership in the battle for industrialisation." Paul A. Baran, *Political Economy of Growth* (Indian Edition 1958), pp. 263-264.

which is suitable in India's context and try to adopt measures to further it. The national front which continues to rule in India and its allies in different elite sections need to wake up to the fact that their short-sightedness and narrow selfishness are leading to a situation where the system which they value cannot but break down. The adoption of a consistent framework for industrial growth such as the one suggested here will make it possible for the economy to grow steadily and peacefully. If this is not done, increasing crises and difficulties cannot be avoided and one will have to await the organised pressure of the masses to bring about a dynamic change in the system. Whether those who hold positions of privilege and power in our society will have the foresight and the will to take such a step is more than one can say.³⁹

³⁹ cf. (1) "..... there is quite clearly a possibility or even perhaps a probability that in India there will be neither much evolution nor revolution." G. Myrdal: *The Challenge of World Poverty* (1970), p. 431.

(2) "In the not-too-distant future, there is bound to be definite confrontation of the actual possessors of politico-economic power in the country, the large business interests, the top administrative and professional groups and the political parties supported by them with the mass of the common people, and such a confrontation would have very serious results for the plan and for the stability and order in the country. Such a situation could be avoided only if political leadership becomes more intelligent and more progressive. The present crisis is essentially a moral crisis. If those in power can regain moral authority, which they can do only by showing some convincing overt signs of their sincerity and sacrifice for planned development of India on democratic lines, the mixed economy may still prove practicable. If not, the last abortive strike of the Central Government employees may prove to have been only the first in a series of disturbances and conflicts that may shake the country." D. R. Gadgil, Foreword (1960) to *Planning and Economic Policy in India* (1972), p. XVI.

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R. B. R. R. KALE MEMORIAL LECTURES

Lecturer	Subject	Year
1. V. G. KALE	<i>Modern Tendencies in Economic Thought and Policy*</i>	1937
2. G. S. GHURYE	<i>The Social Process †</i>	1938
3. B. R. AMBEDKAR	<i>Federation Versus Freedom †</i>	1939
4. K. T. SHAH	<i>The Constituent Assembly *</i>	1940
5. A. V. THAKKAR	<i>The Problem of the Aborigines in India †</i>	1941
6. V. L. MEHTA	<i>A Plea for Planning in Co-operation †</i>	1942
7. S. G. VAZE	<i>The Formation of Federations; Re. 1.50</i>	1943
8. JOHN MATHAI	<i>Economic Policy *</i>	1944
9. S. R. DESHPANDE	<i>A Statistical Approach to Vital Economic Problems *</i>	1945
10. J. V. JOSHI	<i>India's Sterling Balances *</i>	1946
11. C. D. DESHMUKH	<i>Central Banking in India: A Retrospect †</i>	1948
12. D. G. KARVE	<i>Public Administration in Democracy †</i>	1949
13. H. L. DEY	<i>Policy of Protection in India; Re. 1.00</i>	1950
14. M. VENKATRANGAIYA	<i>Competitive and Co-operative Trends in Federalism; Rs.1.50</i>	1951
15. A. D. GORWALA	<i>The Role of*the Administrator: Past, Present and Future; Rs. 2.00</i>	1952
16. LAXMANSHASTRI JOSHI	<i>Indian Nationalism *</i>	1953
17. W. R. NATU	<i>Public Administration and Economic Development †</i>	1954
18. P. C. MAHALANOBIS	<i>Some Thoughts on Planning in India *</i>	1955
19. S. K. MURANJAN	<i>Reflections on Economic Growth & Progress; Re. 1.00 †</i>	1956
20. B. K. MADAN	<i>Financing the Second Five-Year Plan; Re. 1.00 †</i>	1957
21. V. K. R. V. RAO	<i>Some Reflections on the Rate of Saving in a Developing Economy *</i>	1958
22. K. P. CHATTOPADHYAY	<i>Some Approaches to Study of Social Change; Re. 1.00</i>	1959
23. B. VENKATAPPIAH	<i>The Role of the Reserve Bank of India in the Development of Credit Institutions; Re. 1.00</i>	1960
24. B. N. GANGULI	<i>Economic Integration: Regional, National and International; Re. 1.00</i>	1961
25. A. APPADORAI	<i>Dilemma in Modern Foreign Policy; Re. 1.00</i>	1962
26. H. M. PATEL	<i>The Defence of India; Re. 1.00 †</i>	1963
27. M. L. DANTWALA	<i>The Impact of Economic Development on the Agricultural Sector; Rs. 1.50 †</i>	1964
28. PITAMBER PANT	<i>Decades of Transition—Opportunities & Tasks*</i>	1965
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33. RAJNI KOTHARI	<i>Political Economy of Development; Rs. 2.00</i>	1971
34. V. V. JOHN	<i>Education An Investment;*</i>	1972
35. K. N. RAJ	<i>The Politics and Economics of "Intermediate Regimes"; Rs. 3.00</i>	1973

* Not Published. † Out of print. No lecture was delivered in 1947 and 1970 (Postage extra)