

INDUSTRIAL LICENSING POLICY AND PREVENTION OF CONCENTRATION OF ECONOMIC POWER IN INDIA—A CRITICAL REVIEW

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THE present paper is an attempt to examine the success of the industrial licensing policy of the Government of India in preventing concentration of economic power in the country till the announcement of the new licensing policy in February, 1970. The materials on the actual working of the licensing system have all been culled from the reports of the Monopolies Inquiry Commission (1965), Hazari Committee on Industrial Planning and Licensing Policy (1967), and the Industrial Licensing Policy Inquiry Committee, (1969).

By concentration of economic power we mean here not industrial concentration measured by concentration ratios but the power over the Indian economy of some seventy-five business groups exercised through their control of almost every line of modern productive activity. The latter has been described by the MIC as 'Country-wise Concentration'.

From an analysis of the available facts we have come to the conclusion that the licensing policy as implemented over the years has been unsuccessful in achieving the objective of prevention of concentration of economic power. The big houses have always stolen a march over their smaller rivals in the matter of securing industrial licences. The former also received 'undue advantage' from the licensing authorities. From a further analysis we have found that much of the failure of the licensing system may be attributed to its extremely flexible nature and absence of a set of well defined principles to consider applications for industrial licences. The loose system left much scope for the officials to act on discretion.

Next has been made an analysis of the new licensing policy to see how far it was an improvement over the previous one. It has also been pointed out in the context that in our opinion, industrial licensing alone can do little to check the really menacing aspect of concentration of economic power in this country.