Disinvestment: capitalism and public sector

[Government](), [Capitalism]()

DISINVESTMENT – BOON OR BANE INTRODUCTION 1. Public enterprises are neither new nor unique to India. In good old days, Kautilya in his ‘ Arthasastra’ talked of a public sector. A person was made incharge of salt manufacture and fixing its price. Similarily there were people made responsible for mining, coinage and gold, all in public sector. Nowadays there is hardly any country that is not engaged actively and directly in the management of economic and industrial enterprises.

Various names given to these enterprises are ‘ Public Sector Undertakings’ or PSUs, ‘ Public Sector Enterprise’ or PSEs, ‘ Trading Corporations’, State Owned Enterprise or SOEs, Government Owned Enterprise or GOE etc. 2. The role of government in businesses and otherwise has been questioned in the past. Thoreau said , “ That government is best which governs least”. The only purpose of government would be to protect its citizens from force or fraud.

The protection from force, that is, the protection of individual rights, would be achieved through the use of a police force to protect the rights of citizens at home; a military, to protect the rights of citizens from foreign aggression; and a court system to enforce contracts and settle disputes between citizens. It is not government business to do business. The poor performance of government owned enterprises around the world led to a world wide withdrawal of government from businesses and coining of a new term called ‘ Privatisation’.

Privatisation process in India is euphemistically called ‘ Disinvestment’ to make it palatable to those who consider privatisation a dirty word.

Disinvestment or privatisation in India was initiated in 1991-92 by the Chandrashekhar government and carried forward by subsequent governments. AIM 3. The aim of this paper is to study various aspects of Disinvestment so as to conclude whether it is a boon or bane for India. SCOPE 4. The paper would be covered under the following heads:- (a)What is Disinvestment? (b)Capitalism, Socialism, Communism and Market economy. c)Genesis of Government Participation In business. (d)Performance of Government Controlled Enterprises. (e)Objectives of Disinvestment. (f)Genesis of Disinvestment process. (g)The Disinvestment process in India. (h)Advantages of Disinvestment. (j)Disadvantages of Disinvestment. (k)Disinvestment-Boon or Bane. WHAT IS DISINVESTMENT 5. Disinvestment can be defined as withdrawal of state from production of goods and services or transfer of ownership from the public sector to the private sector. CAPITALISM, SOCIALISM, COMMUNISM AND MARKET ECONOMY 6.

Before we proceed further it would be worth our time to understand the concepts of Capitalism, Socialism, Communism and Market Economy. CAPITALISM 7. Capitalism is a political system in which factories, companies, land, etc. are owned privately in order to create profit for the owners. Prices of goods and services fluctuate depending on the desire of the consumer and the availability of the goods (the law of supply and demand). In a capitalist society their will be significant differences in wealth and power between those who have capital (machines, factories, ships, land, etc. and those who do not. 8. No one can say when capitalism first began. Clearly the development of capitalism was not revolutionary like that of communism. Instead it emerged gradually without anyone making a plan of what it should become. However, aspects of modern capitalism such as the stock exchange, banks and great disparity in wealth came about during the industrial revolution. 9. In 1776 Adam Smith, a Scottish university professor, produced a book which described the workings of a capitalist society.

He believed that a country's wealth depends on all people pursuing their own interests. If a person promotes his own interest he or she is unintentionally promoting his country's interest. Smith thought that governments should promote free trade and not interfere by protecting certain industries from competition. The only duty of governments, Smith wrote, was to provide services that couldn't be profitable like the building of roads, schools etc. 10. Capitalism means the complete separation of economy and state, just like the separation of church and state.

Capitalism is the social system based upon private ownership of the means of production which entails a completely uncontrolled and unregulated economy where all land is privately owned. But the separation of the state and the economy is not primary, it is only an aspect of the premise that capitalism is based upon: individual rights. Capitalism is the only politico-economic system based on the doctrine of individual rights. This means that capitalism recognizes that each and every person is the owner of his own life, and has the right to live his life in any manner he chooses as long as he does not violate the rights of others.

The essential nature of capitalism is social harmony through the pursuit of self-interest. Under capitalism, the individual's pursuit of his own economic self-interest simultaneously benefits the economic self-interests of all others.

In allowing each individual to act unhampered by government regulations, capitalism causes wealth to be created in the most efficient manner possible which ultimately raises the standard of living, increases economic opportunities, and makes available an ever growing supply of products for everyone.

The free-market operates in such a way so that as one man creates more wealth for himself, he simultaneously creates more wealth and opportunities for everyone else, which means that as the rich become richer, the poor become richer. It must be understood that capitalism serves the economic self-interests of all, including the non-capitalists. SOCIALISM 11. Socialism believes that the inequalities that exist in our society are unjust and that the minority of the population should not own the vast majority of the wealth.

Socialists do, nevertheless, differ on ways by which this change should be achieved. Some believe that the change should be gradual, achieved through parliament, and others believe that the change should be rapid, brought about through revolution. 12. Karl Marx became the prophet andteacherof socialism whose writings transformed socialist thinking all over the world. Marx was a philosopher and an idealist Marx believed that man should labor not only for himself as an individual but for society as well.

Implied in Marxistphilosophyis the notion that man, being a social animal, has his destiny and his reality inextricably linked with his society. His analysis describes capitalism as the first stage followed by socialism and finally communism. Marx believed that socialism is an unrealised potential in capitalism and once most workers recognized their interests and became " class conscious," the overthrow of capitalism would proceed as quickly as capitalist opposition allowed. The socialist society that would emerge out of the revolution would have all the productive potential of capitalism.

People would be aided on the basis of social needs. COMMUNISM 13. The final goal, communism, toward which socialist society would constantly strive, is the abolition of alienation. A class-less society would be advantageous for the vast majority of the population. Communism, a form of government, inspires some people with the zeal of a religion. Communism in theory stands for total public ownership and rejects private property and personal profit. In practice, however, the state determines how strictly the doctrine is applied in any particular country. MARKET ECONOMY 14.

The market economy idea is based on, or at least explained by, Darwin's theory of evolution. Companies are viewed as organisms in an ecosystem. A company with a successful formula will prosper and grow, spread its formula and ideas, while a company with a bad formula will wither and disappear. A profitable company can grow, or at least survive, while an unprofitable company will wither and die out. 15. Post Karl Marx, The fight against inequality was viewed as a fight by the collective worker class vs the individual entrepreneur. The individual who complements the group was seen as a contradiction.

Some states evolved on this contradiction, wherein an individual was supposed to surrender his individuality and entrepreneurship for the state and the social security provided by it. On the other side of the world this fad for collectivism was viewed as a threat to its existing capitalist system which not only proved successful in the past, but also held promise for the future. It is this clash in ideologies which gave as a bi polar world of communism and capitalism. 16. Contrary to widely held beliefs, capitalism is not a system which exploits a large portion of society for the sake of a small minority of wealthy capitalists.

Ironically, it is actually socialism that causes the systematic exploitation of labor. Since the socialist state holds a universal monopoly on labor and production, no economic incentive exists for the socialist state to provide anything more than minimum physical subsistence for the workers except to perhaps prevent riots or revolutions. Exploitation is inherent in the nature of socialism because individuals cannot live for their own sake, rather, they exist merely as means to whatever ends the socialist rulers -- the self-proclaimed spokesman of " society" -- may have in mind.

Inequality is and progress are directly linked and progress always causes inequality. To reach for something high, we would have to stand on one another and not together on the same platform. GENESIS OF GOVERNMENT PARTICIPATION IN BUSINESS GOVERNMENT PARTICIPATION IN BUSINESS WORLDOVER 17. Before considering the need for disinvestment and why disinvestment, it is relevant to consider the main reasons for rise of state power world over. The following are few reasons for state power:- (a)Great depressionof 1930s, unemployment and hardship. b)Rebuilding war-torn economies. (c)Redistribution of income, protection to the needy for ethical reasons. (d)Developing countries do not have markets in which individuals can operate and ill-developed private enterprise. (e)Rise of non-economic objectives (sanctions against apartheid policies, or restraining ethnic minorities dominating an economy). (f)Protect employment or ensure good working conditions. (g)Total lack of faith in markets and private ownership. (h)Cold war, wars among developing countries and border disputes. j)State investment in and the control of the strategic sectors of the economy was necessary for the economic development of those sectors and the security of the country. (k)Government stepping in to rescue certain enterprises, whose closure could result in significant loss of jobs. (l)An economic consensus around the world accepting public enterprises as an integral part of the economy, particularly to manage natural monopolies as also the core industries, like infrastructure, which in turn would promote rapid economic growth and the pace of industrialisation.

GOVERNMENT PARTICIPATION IN INDIA 18. Before independence, there was almost no " Public sector" in Indian economy. The only industries worthy of mention were Railways, The Post & Telegraph. The Port Trust, The Ordnance and the Aircraft factories and few Government controlled undertakings. 19. In the 1948 Industrial Policy Resolution, the manufacture of arms and ammunition, production and control of atomic energy, ownership and management of railways became the State monopoly. Six basic industries viz. iron & steel, coal, aircraft manufacture, ship building, mineral oils, manufacture of telephone, telegraph and wireless apparatus were to be developed by the State. All other areas were left open to private initiatives. 20. Within a decade of laying down the policy parameters in 1948, another policy statement was issued in April 1956 by the Government to give a new orientation to the " mixed economy" concept. The passage of Industrial

Policy Resolution of 1956 and adoption of socialist pattern of society as the national economic goal of the country built the foundation of the dominant public sector as we see it today.

It was believed that a dominant public sector would reduce the inequality of income and wealth and advance the general prosperity of the nation. 21. The main objectives of setting up the Public Sector enterprises as stated in Industrial policy Resolution of 1956 were:- (a)To help in the rapid economic growth and Industrialisation of the country and create necessary infrastructure for economic development. (b) To earn return on investment and utilise generate resources for development. (c)To promote redistribution of income and wealth. (d)To create employment opportunities. e)To promote balanced regional development. (f)To promote import substitutions, save and earn foreign exchanges for the economy. 22. The 2nd Five year Plan document clearly stated that " all industries of basic and strategic importance, or in the nature of public utility services should be in the public sector. Other industries, which are essential and require investment on a scale, which only the state, in the present circumstances, could provide have also to be in the public sector". If further emphasized that, " the public sector has to expand rapidly.

It has not only to initiate developments which the private sector is either unwilling or unable to undertake, it has to play the dominant role in shaping the entire pattern of investment in the economy". The investment in public sector enterprises has grown from Rs. 29 Crore in 5 PSU on 01Apr 51 to Rs. 2, 52, 554 Crore in 240 PSU on 31Mar 2000. PERFORMANCE OF

GOVERNMENT CONTROLLED ENTERPRISES 23. What was the outcome of government investment in business. Over a period of time, the States failed in achieving thegoalsand results for which State Owned Enterprises had been created.

The following are some of the reasons for the same:- (a)Politicians govern the state and they serve group interest and not public interests. (b)Bureaucracy operates to maximise budget of individual departments, their own prospects and perks. (c)Expansions of state control resulting in the loss of economic and freedom and thereof-political freedom as well. (d)Regulation by state tends to serve the interest of regulated. (who capture regulators) rather than public. (e)Costs of regulation tend to exceed benefits of regulation. f)Supply by public authorities is inherently costly, inefficient usually in over supply, with less choice for consumers. (g)Developing countries have weak institutional structures for governments to operate services efficiently. (h)Public enterprises or state owned enterprises tend to be monopolistic, have no risk of closure and are liable to political and bureaucratic manipulation. (j)Property rights and transferability with gains or losses are important if owners were to demand information and make the enterprise really accountable and efficient. 4. During the last ten years, the Tax-payer has had to give about Rs. 80, 000 crore directly or indirectly to the public sector, so that it could survive. During 1999-2000 alone, the CAGs report on PSUs for 1999-2000 indicates that the tax-payer has taken a huge burden in one year alone which amounted to Rs. 23, 140 crore for supporting PSUs. OBJECTIVES OF DISINVESTMENT 25. ‘ Is the business of government business? ’- Easily the million-dollar question that plauged the minds of policy makers, intelligentsia and the public alike.

The performance of PSUs world over led to introspection and a need for privatisation/disinvestments was felt. Technologyand W. T. O. commitments have made the world a global village and unless industries, including public industries do not quickly restructure, they would not be able to survive. Public enterprises, because of the nature of their ownership, can restructure slowly and hence the logic of privatisation got stronger. Besides, techniques are now available to control public monopolies like Power and Telecom, where consumer interests can be better protected by egulation / competition. Therefore, investment of publicmoneyto ensure protection of consumer interests is no longer a convincing argument. Disinvestment aimed to achieve the following: - (a)Promote economic efficiency by fostering well functioning markets and competition. (b)Redefine role of the State in order to allow it to concentrate on the essential task of governing and to withdraw from activities, which are better suited to private enterprise.
(c)Reduce fiscal burden of loss-making public enterprises, in order to help regain fiscal control and macroeconomic stability. d)Reduce the public debt.
(e)Release limited State resources for financing or other demands, for example in the field ofeducationand socialhealth. (f)Generate new investment including foreign investment. (g)Mobilise domestic investments and deepen domestic financial development (h)Spread and democratise share ownership by encouraging it among individuals, making employees share-owners and by rising productivity through incentives for holding stock.

GENESIS OF DISINVESTMENT PROCESS GENESIS OF DISINVESTMENT PROCESS – WORLDWIDE U. K (Post 1979) 26.

Although the idea of privatisation has been around for a long time (Adam Smith wrote about it as long as 1762), privatisation has been tried widely since the mid 1970s. Privatisation first attracted world-wide attention in 1979 when the Conservative Government of Prime Minister Margaret Thacher began transforming the ailing U. K. economy by selling public holdings in industry, communications and other service sector areas. Since 1979, over 105 countries all over the world have initiated their own privatisation programmes. Following are the salient features of the privatisation programme in the UK:- a)Privatisation carried out in three phases (i)Phase I: Commercial enterprises (e. g. , British Aerospace) (ii)Phase II: Utilities (involved more complicated structural & regulatory issues) (iii)Phase III: Less commercial industries, mainly those performing socially desirable services and dependant on subsidies (e. g. , the railways). (b)Around 60 major businesses, representing 10% of GDP, transferred to private sector. (c)Fundamental issues addressed were:- (i) Ensuring commitment to the policy from the top of the Government. (ii) Setting clear objectives. iii) Careful planning. (iv) Engaging intermediaries-financial, technical and legal advisers. (d)Regulation & competition effectively used while privatising services and infrastructure. (e)Initially resisted both by consumers and employees. (f)However, consumers benefited from lower prices, greater choice & better service and productivity improved. (g)Employees too benefited in the medium term due to increase in economic activity, though some loss of jobs in the short run as productivity increased rapidly. Offered liberal opportunities to invest in divested shares.

France 27. 8 large groups and 3 medium size banks were privatised. Shares divested to domestic public (about 50%), large shareholders (about 25%), employees (about 10%) & foreign investors (about 15%). 21 companies privatised, including 2 of the largest banks and 3 largest insurance companies. Shares divested to domestic public, large shareholders, employees & foreign investors in. China 28. Market reforms first started in 1978. Corporatisation and then listing on both domestic and foreign stock exchanges favoured for efficient large and medium size SOEs.

Foreign investors permitted to invest in various infrastructure and utility businesses, including railways, toll roads, ports and power plants. In 1978, over three-quarters of industrial output was produced by the state sector. This fell to 34% by 1995. The collective sector increased from 32% to 37%, individual sector (small capitalist businesses) jumped from 1. 8% to 13% and others (including all other capitalist enterprises – local and foreign) leaped from 1. 2% to 16. 6%. Thus, the private sector grew at the expense of the state sector. Gradual stage-by-stage approach followed for reforming State Owned Enterprises (SOEs).

According to the World Investment Report 1997, foreign direct inflows to China amounted to US $42. 3 billion in 1996. Some Other Countries 29. Some other countries which have undergone privatisation are :- (a)Eastern EuropeBulgaria, Czech. , Hungary, Latvia, Poland, Romania (b)Latin AmericaArgentina, Brazil (c)Far EastKorea, China, Philippines (d)S. E. Asia

Malaysia, Thailand (e)South Asia Pakistan, Sri Lanka (f)Middle East & AfricaEgypt, Ghana, Kenya, Nigeria THE DISINVESTMENT PROCESS IN INDIA Genesis 30. A decade ago, the concept of privatisation as a catalyst was hardly acknowledged in India.

Not long ago, it was nationalisation that was in vogue. Even international aid-donors such as the IMF and the World Bank had recommended a larger role for the public sector during the 1950s and 1960s and they refused to grant loans to those countries which did not have government-sponsored development programmes. Now, it is just the other way round. The prescription of privatisation is being sold, rather over-sold, as a panacea to cure our economic ills. India, for almost four decades was pursuing a path of development in which public sector was expected to be the engine of growth.

But by mid-eighties their short comings and weaknesses started manifesting in the form of low capacity utilisation, low efficiency, lack ofmotivation, over-manning, huge time and cost overrun, inability to innovate and take quick decision, large scale political and bureaucratic interference in decision making, etc. But instead of trying to remove these defects and to increase the rate of growth of national economy, gradually the concept of self-reliant growth was given a quiet burial. The Government started to deregulate the imports by reducing or withdrawing import duty in phases.

This resulted in dwindling of precious foreign exchange reserve to abysmally low level. The foreign debt repayment crisis compelled Government of India to raise loan from IMF against physical deposit of RBI gold reserve, on conditions harmful to the interest of the country. 31. Thus started the reversal of policies towards PSU. The Industrial policy of 1991 started the process of delicensing and except 18 industries, Industrial licensing was withdrawn. The market was opened up to domestic private capital and foreign capital was provided free entry upto 51% equity in high technology areas.

The aim of economic liberalisation was to enlarge competition and allowing new firms to enter the market. Thus the emphasis shifted from PSEs to liberalisation, of economy and gradual disinvestment of PSEs. A paradigm shift of Government's economic policy orientation originated in 1991 from a foreign debt servicing crisis. Disinvestment Process 32. The Industrial Policy of 1991 limited the priority areas for the public sector to : (a)Essential infrastructure goods and services. (b)Exploration and exploitation of oil and mineral resources. c)Technology development and building of manufacturing capabilities in areas which are crucial in the long term development of the economy and where private sector investment is inadequate. (d)Manufacture of products where strategic considerations predominate such as defence equipment. 33. Congress Government in 1991-92 offered up to 20% of Govt. equity in selected PSUs to mutual funds and investment institutions in the public sector, as also to workers in these firms. The objective was to raise resources, encourage wider public participation and promote greateraccountability. 4. As per Rangarajan Committee recommendations in Apr 93, there were only six Schedule ‘ A’ industries where the Government might consider holding 51% or more equity, namely (a) Coal and lignite. (b) Mineral oils. (c) Arms, ammunition and defence equipment. (d) Atomic energy. (e) Radioactive minerals. (f) Railway transport. 35. The Common Minimum Programme of the United Front Govt in 1996 aimed for the following:- (a)To carefully examine withdrawal from non-core strategic areas. (b)To set up a Disinvestment Commission for advising on disinvestments issues. c)To take and implement decisions to disinvest in a transparent manner. (d)Job security, opportunities for retraining and redeployment to be assured. 36. Disinvestment Commission Recommendationsin Feb 97- Oct 99 aimed for the following:- (a)72 PSEs were referred to the Disinvestment Commission during 1996-99. The Disinvestment Commission gave its recommendations on 58 PSEs. (b)The Disinvestment Commission recommendations gave priority to strategic / trade sales, with transfer of management, instead of public offerings, as was recommended by the Rangarajan Committee in 1993. 37.

In 1998-99, the govt aimed to bring down Government shareholding in the PSUs to 26% in the most of cases, (thus facilitating ownership changes, as was recommended by the Disinvestment Commission). 38. In 1999-2000, the Govt. aimed To strengthen the strategic PSUs, privatise non-strategic PSUs through gradual disinvestment or strategic sale and devise viable rehabilitation strategies for weak units. 39. On 16th March 1999, the cabinet approved classification of PSUs into Strategic and Non strategic. (a)Strategic PSUs: (i)Defence related (ii)Atomic energy related (iii)Railway transport b)Non-strategic PSUs: All other 40. Strategy for Non-strategic Public Sector Enterprises wasReduction of Government stake to 26%to be worked out on a case to case basis, on the following considerations: (a)Whether the Industrial sector requires the presence of the public sector as a countering force to prevent concentration of power in private hands. (b)Whether the Industrial sector requires a proper regulatory mechanism to protect the consumer interests before Public Sector Enterprises are Privatised. 41. In 2000 – 2001, the main elements Policy were:- (a)To restructure and revive potentially viable PSUs. b) To close down PSUs which cannot be revived. (c) To bring down Government equity in all non-strategic PSUs to 26% or lower, if necessary. (d)To fully protect the interests of workers. (e)To put in place mechanisms to raise resources from the market against the security of PSUs' assets for providing an adequate safety-net to workers and employees. (f)To establish a systematic policy approach to disinvestment and privatisation and to give a fresh impetus to this programme, by setting up a new Department of Disinvestment. (g)To emphasize increasingly on strategic sales of identified PSUs. h)To use the entire receipt from disinvestment and privatisation for meeting expenditure in social sectors, restructuring of PSUs and retiring public debt. Utilisation of Proceeds 42. In the Budget of 2000-2001 the Govt. outlined its aim for utilisation of the disinvestments proceeds as enumerated below. (a) Restructuring assistance to PSUs. (b) Safety net to workers. (c) Reduction of debt burden. (d) Additional budgetary support for the Plan, primarily in the social and infrastructure sectors (contingent upon realisation of the anticipated receipt).

ADVANTAGES OF DISINVESTMENT 43. After disinvestments the following would be achieved: - (a)Releasing of huge amounts of scarce public resources locked up in non-strategic PSUs, for deployment in areas much higher on social priority, such as, public health, familywelfare, education and social and essential infrastructure; (b)Stemming further outflow of public resources for sustaining the unviable non-strategic PSUs. (c)Reducing the public debt that is threatening to assume unmanageable proportions. d)Transferring the commercial risk, to which the tax-payers' money locked up in the public sector is exposed, to the private sector wherever the private sector is willing and able to step in. The money that is deployed in the PSUs is really the public money; and, is exposed to an entirely avoidable and needless risk, in most cases. (e)Release of other tangible and intangible resources, such as, large manpower currently locked up in managing the PSUs, and their time and energy, for redeployment in areas that are much higher on the social priority but are short of such resources. f)Disinvestment would expose the privatised companies to market discipline, thereby forcing them to become more efficient and survive or cease on their own financial and economic strength. They would be able to respond to the market forces much faster and cater to their business needs in a more professional manner. It would also facilitate in freeing the PSUs from the Government control and introduction of corporate governance in the privatised companies. (e)Disinvestment would result in wider distribution of wealth through offering of shares of privatised companies to small investors and employees. f)Disinvestment would have a beneficial effect on the capital market; the increase in floating stock would give the market more depth and liquidity, give investors easier exit options, help in establishing more accurate benchmarks for valuation and pricing, and facilitate raising of funds by the privatised companies for their projects or expansion, in future. (g)Opening up the erstwhile public sectors to appropriate private investors would increase economic activity and have an overall beneficial effect on the economy, employment and tax revenues in the medium to long term. h)In many areas, e. g. , the telecom sector, the end of public sector monopoly would bring relief to consumers by way of more choices, and cheaper and better quality of products and services. DISADVANTAGES OF DISINVESTMENT 44. Having seen so many advantages, what do we have on the flip side? Is disinvestments without any disadvantages? Some of the likely disadvantages could be:- (a)Non realisation of actual value of the PSU as the realisation would on unit potential and not assets held.

The logic is similar to an old Fiat car in Delhi selling for less than what it would fetch as scrap. (b)Short term retrenchment occurs in order to increase efficiency. However, It is offset in the longterm by a profitable organisation creating more employment. (c)It is the wealthy who would buy the PSUs making them wealthier. Therefore, they inequality in society increases. (d)Creation of monopolies may take place. DISINVESTMENT-BOON OR BANE 45. After having seen the advantages and disadvantages of disinvestments, the ast performance of our PSUs, the non accountability of the Public sector to the Tax payer and the consumer we are sure that there is no doubt about the Disinvestment process being a boon for the nation. As the world changed in this era of globalisation, a country living in the past is doomed and economic slavery is not far behind. Proponents of anti-disinvestment campaign have a past record of pushing conglomerate like Coca-Cola out of the country, little realising that it all about creation of wealth by production and not about transfer of wealth to another country.

For the poor to get rich, the rich must get richer and conversely for the rich to get richer the poor must get rich. It this is understood by one and all then the inequalities in the society become acceptable and progress becomes the norm of the day. Going slow on the disinvestments process would be to delay the progress of the country and turning around from it would only prove catastrophic for the economy and the industry. Effecieny is the keyword in the present day world and any thing produced inefficiently is at a cost that the nation has to pay one way or the other.

It is better to give dole than to hire extra people and breed inefficiency. Let the government improve governance before it even thinks of Business. Let not the Pseudo profits earned by monopolistic mineral oil selling agencies like Indian Oil, HPCL etc cloud our vision. We have the example of BSNL, which when faced with private competition is coming out with innovative ideas to lure the customer, while in the past it was sleeping. CONCLUSION 46. Every time utopia is discovered in a system, utopia redefines itself. The process of corruption and correction is continuous.

Same may happen with the concept of privatisation in the future. In retrospect, it is easy to fault the vision our leaders of yesteryears. If we need to fault them, it should not be for creating public owned enterprises but for killing the private enterprise by means of license raj, red tapism, lack of infrastructure, rules and rules for rules, corruption and capacity control. It remind me of a statement made by JRD Tata in one of his lastinterviewand I quote “ It is in this country that I was penalised for producing more”.

I had not heard a sadder statement that day and stayed the saddest statement for a long time to come. Entrepreneur and the worker complement each other and need to co-exist. Today, government as an entrepreneur is passe. Yet, the indiscriminate pursuit of the policy, unmindful of the social setting is not without its failings. For in the interregnum, when the benefits of privatisation have not yet completely trickled down, we need sufficient social security mechanisms to ensure the poor do not turn poorer.

We further need strong regulatory regimes and stronger competition laws concomitant with privatization in order to install the ‘ consumer as king’, and prevent distortions in the functioning of the market by the big monopolistic players. A fine balance of these competing interests, with the ultimate goal of ‘ public good’, which is essentially what the business of government is all about, should be the primary focus of any privatisation agenda.