Our Calcutta Letter

The Industrial Scene

AT this time of the year discerning eyes turn to Calcutta where the Finance Minister meets influential business interests and enunciates the principal features of current and future economic policy of his Government. 'As background to this policy statement there always is a carefully prepared brief of the spokesmen of industrial interests setting out how they have fared at the hands of Government, labour and consumers, durirng the current year. Sir Paul Benthal in his speech as the President of the Associated Chamber of Commerce presented the case of industry, and it was natural that, true to form, he should speak more in the manner of a seasoned advocate. Industrial enterprises are beset with diverse obstacles and the road te progress is heavily choked. Wage-goods, particularly food, are yet very costly; raw materials particularly jute, are not adequate; state trading hangs over the industrialists' head in imminent threat; workers are showing low output and yet, are favoured by the Tribunal's award; these Tribunals have gone to the extent of interfering with* rationalisation; concessions made to the workers prevent the building up of business reserves, the main source of industrial finance; labour discipline is deteriorating and Labour authorities 'are doing little to prevent the slide. Worst of all, business taxation is heavy and fax-free depreciation allowances meagre. Therefore replacement is seriously lagging behind.

There might be a temptation to dismiss this inventory of industrial woes as the habitual bleating of vested .interest. Such an attitude woulds- however, be unfortunate. Can any one doubt the existence of industrial crisis or the urgency of remedying it? Looked at from whichever point of view—increase in real national income, reduction of unemployment, anti-inflationary policy—industrial output must show up, industrial costs come down. But then how far are the above criticisms correct? How is one to sift truth from special pleading?

Some of the criticisms of Sir Paul undoubtedly ring true. Food is Still expensive and hence dearness allowances are yet standing at the old, even higher, levels. In the same way the raw material position is not quite satisfactory. There is no guarantee that state trading in raw jute would meet the needs of the industry adequately. Also, the attitude of the Labour Tribunals to rationalisation cannot be sustained. If industry is to progress properly, it must surely go in for capital-intensive processes and thereby cause unavoidable if not intentional hardship to workers. Yet rationalisation is only justified (a) when improved capital equipment replaces outworn or out-of-date one, (b) when better spacing of machines, economy of movements and such other internal re-organisation is enforced. However, many factories press for retrenchment of workers when neither (a) nor (b) is in evidence. Does not Industrial Truce demand that workers should be dismissed from jobs only when the logic of costs and efficiency leaves no escape? Indeed the trouble has been that the clause (a) has been inoperative over a wide field of industrial enterprise.

Next, the point about wage bonuses and other concessions is half true. Indeed it goes deeper than the President of the Chamber cared to show. What the nation needs is a concerted wages policy, without which wage-induced inflation is bound to grow apace. The spurious part of the reasoning is about bonuses. The grant of these is quite legitimate as an incentive for further effort and also from the standpoint of economic justice. What may he opposed is the uncoordinated manner of bonus grants; not their very continuance.

The same is held about labour discipline. It is certainly not true that labour disputes, absenteeism and use of violence have increased all round. During the year about to end these have shown a decrease, excepting in cotton textiles. On the contrary the increasing influence of INTUC has reduced the frequency of strikes, lock-out and consequent resort to violence. Sporadic instances here or there should ceitainly not allow us to miss the woods for the trees. The Bombay Strike was a point in favour of what the President said but then it was only a small part of the entire industrial picture.

Perhaps the most important points of Sir Paul's speech, were devoted to the necessity of building business* reserves and replacing worn-out capital equipment from depreciation funds. Never was the urgency of these greater than today; particularly of replacement. Yet what is the record of industry? It is surely not true that,,the transfer to reserves has been stayedi owing to high wage -bill or taxation. For the plain fact is that many enterprises—perhaps most enterprises—stepped up distributed profits, managing agents' commissions *plus* dividends, but made small transfers to reserves or to depreciation funds. Only some big concerns have behaved with foresight and wisdom in this respect. If die quotas had been built up on the basis of war-time prices there should have been no trouble about making replacements today.

And that is perhaps the worst trouble about our industry today. Inspite of tax concessions conditional on higher depreciation quotas, the rate of replacement is showing no sign of going up. Unless this happens there can be no prospect of cost reduction and higher output per man-hour which, let it be stressed, is as much dependent on better equipment as on the skill and intensity of the workers' effort. In the jute industry the rate of replace in en I seems perhaps much lower than in other industries.

In this and other industries where managing agency system has gone deeper, an effective remedy is to enforce a voluntary ceiling to commission as to dividends and to persuade workers to contribute a part of their bonuses to the reserves at attractive rates of interest. Perhaps Sir 'Paul Benthal would agree that there is great deal of scope for industrialists to strengthen reserves and replace capital by voluntary methods. If so, he could with profit give a curtain lecture to the business interests he represents.