

**A GRAMMER OF PUBLIC ENTERPRISES: Exercises In Clarification** By Ramaswamy R. Iyer (Rawat Publications, Jawahar Nagar, Jaipur – 302 004, India)

In terms of the Industrial Policy Resolutions and the country's five year plans, the Public Sector in India has been assigned a specific role for scaling the commanding heights of the economy. But despite their phenomenal growth and achievement in some quarters, public enterprises have come on for sharp criticism sometimes without reason. They have been constantly under the gimlet eyes of the press, private industry and even the legislature. It has been pointed out that their efficiency is not up to the mark and that they have been losing heavily, thereby draining the scarce resources of public exchequer. In fact, there is a tendency on the part of the many to make such sweeping general comments on the performance and problems of public enterprises and to suggest measures which are not based on a proper understanding.

Fortunately, it is in this context that the present book seeks to remove many fallacies and misconceptions and to provide the right perspective for policy clarity. Its purpose, as the sub-title of the book clearly indicates, is not the provision of information but the promotion of clarity. Towards this end, the author, who was formerly a member of the Public Enterprises Selections Board, formulates certain basic questions and then examines them in detail, the aim in each case being to facilitate clarity of thought and clear understanding rather than to provide historical and statistical information.

At a first glance, the book appears to be a collection of articles and papers written by the author at different times. But as one delves deep through the papers, one will find the book well-structured. For example, the author opens up his discussion with the rationale of public enterprises and ends with the privatization debate. The other issues discussed in the volumes

are: the question of corporate form, the relationship between the government and public enterprises, the legal views of Public Enterprises as 'estate', the profitability of public enterprises, accountability and evaluation of public enterprises; and public enterprises and the CAG.

To day, it is no denying a fact that the growth of public enterprises has also been accompanied by certain weaknesses and deficiencies. The basic question is therefore: What should be the future governmental policy towards public investment? The author argues that direct public investment should be regarded not as a preferred instrument of planned development, but as an instrument of the last resort to be used only if alternative means of securing a given objective are not available or have failed.

Though the author concludes his discussion on the question of the corporate form with the view that "the logic of corporate form must be respected and that public enterprises should be allowed to function as far as possible with the freedom of management and flexibility characteristic of the private sector," he clarifies his views further when he deals with the complexities involved in the relationship between public enterprises and the government and the implications of the legal view of public enterprises as state. Infact, the question of corporate form will not be complete without a consideration of the implications of the judicial rulings in a number of cases regarding the nature of public enterprises. The judicial view has evolved over the years that originally, corporate public enterprises (whether corporations or companies) were not regarded as 'estate' as defined in Art. 12 of the Constitution; but subsequently, certain criteria were applied in different cases, and progressively, bodies performing quasi-governmental functions, statutory corporations and finally even government, companies have been held to be 'estate' in terms of that definition.

Taking up this question from legal, managerial and also from political-economic point of view, the author is of the opinion that the only solution to this issue is "to persuade the Supreme Court to review the matter." Of course, this can be done if a new code were to arise and provide an occasions for a review. But at the same time one does not know when this will happen.

It is also to be noted at this point that the rulings of the Supreme Court represent a major difficulty in the way of reforming the public enterprises which is a matter of the greatest importance. The Supreme Court thus lends its support to those who advocate the privatization of public enterprises on doctrinal grounds.

Quite obviously, the question of reforming the public enterprises has been dealt by the author in details when he discusses the relationship between the government and public enterprises. Professor Iyer feels that "a change in the existing relationship between the government and public enterprises in this country will have to be one of the important elements in any

package of reforms that may be worked out for bringing about substantial improvements in the performance of public enterprises." And this will be facilitated by the system of Memorandum of Understanding MOU provided the MOU is the prime determinant of the relationship and is not merely one more element added to a complex and multi-strand network of relationships."

It is true that there has been an enormous outpouring of public enterprise literature. But most of the studies are becoming repetitive without throwing much light on the subject. Professor Iyer's is a different done. Providing a wealth of ideas and new ways of working at public sector management, this new book will enable academicians, policymakers, civil servants and professional managers to gain exposure to the key issues of public sector management.

- Tridib Chakraborti