

**TRUSTEESHIP,
CONCEPTS,
PRECEPTS,
AND
PRACTICE.**



TRUSTEESHIP, CONCEPTS, PRECEPTS AND PRACTICE

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- *Precepts, Concepts and Practice of Trusteeship book is Outcome of 'felt need' of people in the field of education, industry.*
- *Trusteeship — in Indian set up has importance, for Gandhian influence, on Indian masses.*
- *The concept of Democratic in Economic Life is achieved in concept of Trusteeship — hence the concept of Trusteeship must be followed intelligently to success; with cautions and pitfalls; so that there would not be any occasion to blame Trusteeship concept as such. — To this end; this book should help the readers; and that is purpose of it.*



INDEX

	Title	Author
1.	<i>The Unseen Revolution</i>	<i>Peter F. Drucker</i>
2.	<i>A Call for Trusteeship Economy</i>	<i>Jayaprakash Narayan</i>
3.	<i>Gandhiji of Trusteeship</i>	<i>Arvind Deshpande</i>
4.	<i>Theory of Trusteeship</i>	
5.	<i>The Trusteeship Formula</i>	<i>Pyarelal</i>
6.	<i>The Very Stuff of Life</i>	<i>Dada Dharmadhikari</i>
7.	<i>Concept of Trusteeship</i>	<i>U.N. Dhebar</i>
8.	<i>Trusteeship A New Concepts</i>	
9.	<i>Trusteeship The Grand Alternative</i>	
10.	<i>Trusteeship An Overview</i>	
11.	<i>Trusteeship And Comparative Forms of Management</i>	
12.	<i>Trusteeship And Economic Order</i>	
13.	<i>Gandhian Concept of Trusteeship</i>	
14.	<i>Structural Device To Strengthen The Trusteeship Forms In Existing Khadi Gramodyog Institutions</i>	
15.	<i>Trusteeship Idea At Work In Madras Report of "The Seminar On Trusteeship" Held in Madras Under The Auspices of The Trusteeship Club, Madras-On July 28</i>	
16.	<i>The Trusteeship Club, Madras</i>	
17.	<i>Motivations In Trusteeship Economy</i>	
18.	<i>Trusteeship Foundation At Bombay</i>	
19.	<i>Trusteeship Foundations First Unit, Near Pune Maharashtra.</i>	
20.	<i>Trusteeship Units At Khira</i>	
21.	<i>Trusteeship A Phenomenal Accident "Lijjat"</i>	
22.	<i>Trusteeship Idea At Work Khadi Gramodyog Bhavan, Madras</i>	



23. *Trusteeship And Problems of Management*
24. *Trusteeship And Social Audit*
25. *A Hope For Trusteeship Implementation*
26. *The Social Audit A Need of Trusteeship Objective*
27. *Economic Implications of Trusteeship*
28. *Trusteeship The Formulae Analysed*
29. *Trusteeship A Work Force Partnership*
30. *Trusteeship Module*
31. *Draft For Trusteeship Legislation*
32. *Trusteeship Foundation A Document*
33. *Memorandum of Association of Trusteeship Foundation*
34. *Steps Towards Trusteeship For Larger Companies*
35. *Views on Trusteeship* Andrew
36. *Views on Trusteeship* Gandhiji
37. *Views on Trusteeship*
38. *Views on Trusteeship Formula*
39. *Views on Trusteeship* Jayaprakash Narayan
40. *Views on Trusteeship* Schumacher
41. *Views on Trusteeship* Vinobaji
42. *Views on Trusteeship* Dada Dharmadhikari
43. *Views on Trusteeship* Mr. G.C. Shroff
44. *Views on Trusteeship* Shri Babubhai J. Patel
45. *Views on Trusteeship* Mr. Jayantilal Shah
46. *Views on Trusteeship* Mr. H.K. Parangape
47. *Views on Trusteeship* M.L. Dantwala
48. *Views on Trusteeship* Arvind A. Deshpande
49. *Views on Trusteeship* Dr. L.N. Godbole



- | | | |
|-----|-------------------------------------|-----------------------|
| 50. | <i>Views on Trusteeship</i> | <i>Ernest Bader</i> |
| 51. | <i>Views on Trusteeship Abroad</i> | |
| 52. | <i>The Trusteeship Club, Madras</i> | |
| 53. | <i>A Trustworthy Experiment</i> | |
| 54. | <i>Trusteeship Unit</i> | <i>Sabina Sanghvi</i> |



THE UNSEEN REVOLUTION

“..... The great lesson of the American experiment, is that the alternatives today are not those of the 19th century — i.e. “Capitalism” or “socialism” even “Individualism” and “Collectivism”. If the American experiment proves anything, it is that the fundamental conflict in the developed countries.... is not about “capitalism” and “socialism”. It is about POWER. It is a conflict between those who want a decentralisation of power, a society in which a substantial number of pluralist power centres make decisions, thus leaving a meaningful sphere of freedom for the individual, and those who wish for a monopoly of power by a small elite, one which keeps itself in power either by brute force, or by buying through “Transfer Payments” the support of the less productive of non-productive groups.... Pension funds are collectives, but they are “non-governmental” and, in that sense “private”. They offer an outstanding example of the efficiency of using the existing private, non-governmental institutions of our ‘society of organisations’ for the formulation and achievement of social goals and the satisfaction of social needs.”

Peter F. Drucker, “The unseen Revolution”



A CALL FOR TRUSTEESHIP ECONOMY

by

JAYAPRAKASH NARAYAN

Since the Industrial Revolution, economic power has been increasingly a dominant, as also an intractable factor in society. The permanent Technological Revolution of recent years multiplying man's productivity and complexity of the industrial organisation to an unimaginable degree, has greatly augmented that power.

The question of controlling economic power and using it for the benefit of society has been in the forefront of social thought since the early years of the Industrial Revolution. Several answers to the question have been attempted. The answer that took by far the greatest hold of the minds of men particularly those who were victims of that power or whose moral indignation was aroused against it — was that of Socialism — Communism.

The heart of the answer of Socialism — Communism was, and still is, that economic power could be efficiently brought under social control and used for the common weal if ownership and management of economic enterprise were transferred from private hand to those of the State. The experience, however, of such transference (in the welfare democracies) or forcible take over (in the Communist countries) has been disillusioning.

STATE OWNERSHIP

There is a sizable critical literature on this subject in the West. Some of it, no doubt, is motivated by vested interests; but a great deal of it is actuated by deep concern for cultural and ethical values, including the values of Socialism — Communism itself. Briefly the criticism is that State ownership of economic



enterprises as such does not bring the latter under social control except in a formal and legalistic sense. It does not by itself make for democracy in industry and mitigate the centralisation of economic (and therefore political) power. All the fundamental problems remain after the transfer of ownership to the State — to alter the status of the worker and give his work meaning and purpose or open for him any opportunity for initiative, to alter industrial relations and make of the personnel in industry a fellowship or community with a community of purpose and interest; to make industry responsible to those who have a stake or concern in it, namely, the workers, the consumers, the local and the larger community. While private enterprise holds itself responsible only to the share-holders, the responsibility of the State enterprise would also tend to be limited, in effect, to responsibility to the Government.

Gandhiji, as it might be recalled, was critical of State enterprise and thought it to be rather inadequate. His popular saying that while Socialism — Communism wanted to take away the enterprises of the capitalists, he would take away the capitalists too together with their enterprises, penetrated to the heart of the matter. That meant that he wanted to persuade the capitalists to run their enterprises as trustees in the interest not only of themselves and their fellow-owners (the share-holders) but of society at large.

In spite of Gandhiji's inspired lead, there has been less concern with this question here than in Europe. The reason perhaps is that there not only the evils of private enterprise have been known but also the disappointments of nationalisation. Here, while the evils of the first kind have been obvious for many years, the inadequacies and faults of State enterprise are yet to be appreciated.



COMPLEX LAND PROBLEMS

The Sarvodaya Movement, on account of Gandhiji's lead, has shown some concern with this problem. But the concept of trusteeship has been little developed since Gandhiji's time, except perhaps in the case of landed property. There too the development has been not so much in the field of theory as in that of practice. That is to say, Vinobaji has discovered a method by which to bring about a transformation in the pattern of ownership and management of land. But little attention has been paid to all the complex problems that land raises in this country, particularly in the context of the developing and changing economic and social situation.

But that as it may, when we come to the field of commerce, industry, banking, it must be admitted that no progress has been made in spelling out either in theory or practice Gandhiji's seminal concept. An incipient Sampattidan movement did arise for a brief while, but by and large, it signified, both for giver and receiver, not much more than charitable donation. We were unable then to do more than propagate the bare ethical ideal of trusteeship. The theoretical foundations and the juridical and practical procedures and forms for running economic enterprise in accordance with the spirit of trusteeship have yet to be worked out by us.

Also, there is yet to be worked out a Sarvodaya theory and practice of the Labour Movement and Industrial Relations. The INTUC which was expected to break new ground in this sphere, has done no more than (a) tie up the trade unions (in spite of protestations to the contrary) to the Congress Party, and (b) follow the traditional policies of conservative trade unionism of the West. No, fresh thought or experience has emerged from that once hopeful source.



As compared with the situation here there has been appreciable work done in Europe, both in respect of thought and action. Unfortunately, the experience accumulated there has not received the attention in this country that it deserved. The socialist parties (including the Congress Party) are content with the rather stale ideas and experiences of Western Socialism, in spite of all the talk about evolving our own socialist pattern. Incidentally, it is indicative of the same in effectiveness that in spite of the close diplomatic ties between this country and Yugoslavia, the bold political and economic experiments which that country has made with such notable success have received such scant notice in the Congress and other socialist circles in this country, even though several study teams have visited that country in recent years. I wonder if it was the same reluctance to step out of beaten paths that was responsible for the complete lack of interest on the part of the Sarvodaya movement in the report of its own study team led by Mr. R.K. Patil. I do not know of any serious discussion that took place on that report, though there was so much there that deserved serious consideration.

Returning to the subject of trusteeship, one of its practitioners and a friend of Sarvodaya, Mr. Earnest Bader, visited this country a few years back and had discussions with Sarvodaya groups, businessmen, Central Ministers and intellectuals. There was a little stir of interest during his visit, but everything went back to 'normal' again. Some political leaders who had evinced interest and expressed a desire to work for trusteeship soon gave up the effort, thinking perhaps it was too utopian and impractical. As far as the Sarvodaya movement is concerned, much depends upon Vinobaji.

The structure of economic enterprise, both private and public, is considerably different in this country from what it is in the highly developed West. The 19th and 20th centuries co-exist here side by side. Also the trade union



movement is primitive in organisation and outlook. These conditions will require a great deal of fresh thinking and re-adjustment.

KHADI AND VILLAGE INDUSTRIES

There is one form of economic enterprise in this country which I should mention at this point, to which due attention has not been given as a possible pattern for wider application. This has neither the form of a co-operative society, private enterprise, State enterprise, nor is it social enterprise in the Yugoslav sense. This is the form represented by the structure of Khadi and Village Industries organisations. These organisations are run by non-private-profit-making registered societies, and some of them such as the Bihar Khadi Gramodyog Sangh practice strict equality in wages. Nor are these petty organisations doing small business. The annual turnover of the Bihar Khadi Gramodyog Sangh is between Rs. 2 and 3 crores. The Gandhi Ashram of the U. P. has a still larger volume of business. There is no reason why this pattern should remain confined to the Khadi and Village Industries.

This form of enterprise has a serious defect, however. It has no industrial democracy and the sense of purposefulness, community and participation on the part of all the elements engaged in the business is more in word than in deeds, much less in any built in structural devices.

But there is need to devise a proper structure of ownership and management for State enterprise. The Yugoslav pattern of 'social' enterprise might provide guidelines in this field.

The practical steps taken by business men in Europe who voluntarily turned trustees in the Gandhian sense and the systematic studies such as the **New forms of Ownership** and **The Responsible Company** have performed a vital and essential service. They have lifted up trusteeship economy from mere good



intentions and ethical formulations and given it concrete, practical and juridical shape. There is no need to follow their lead literally, but they have done much to clear the way.

VOLUNTARY ACTION

Another notable feature of their approach is that, unlike Socialism — Communism, it is possible even for a single unit of enterprise to undergo voluntary transformation irrespective of the nature of the prevailing economy and State policy and action. Socialism—Communism cannot act even in a single field or unit of industry unless it is in control of the State. Gandhi's whole approach to social action was that he endeavoured to rely on voluntary action (of individuals, groups or of society, as a whole) in order to change society. It was only in matters such as prohibition, where he was sure of overwhelming support of public opinion, that he advocated outright State action. In his philosophy, legislation followed conversion, as he used to say. (In the case of prohibition he felt, and rightly, that Indian Society had already been overwhelmingly coveted).

A crucial question is about to be asked at this point: wherefrom will come the motivation to work for a trusteeship economy and how can that motivation become a social force (such as Socialism —Communism) so as to be able to transform society? The class and power motivations behind Socialism and Communism have been clear enough. But the role of the 'outsider' — the idealist non-proletarian and non-power-seeking participant, nay, leader — has been most decisive in these movements, in that it was pioneering and path-finding role. As Lenin pointed out, the working class left to itself could not have gone beyond trade unionism. It was the intervention of the outsiders that lifted up a mere struggle for better wages and conditions of work to a theory and practice of social revolution on an international scale. The outsider (Marx, Engels, Lenin



and the others) was not driven into it by any class or economic or power motivations, but by emotional identification and intellectual conviction.

Likewise, the drive towards trusteeship economy, the pioneering and path-finding efforts, should come from idealist outsiders — intellectuals and persons with a social concern — whose passion in life was to bring about a more sensible, ethical and satisfying economic order than both private enterprise (of the 19th or the 20th century) and State enterprise (Communist or Democratic Socialist). The moment should soon be joined by such business, management and technical men as have a quickened sense responsibility and are critical of the present methods of both kinds of enterprise. Workers should not be found to be much behind in rallying the new movement attracted by the vision of new status and significance and the new fellowship.



GANDHIJI OF TRUSTEESHIP

Arvind Deshpande

Gandhiji was a multi-dimensional man. There was hardly any aspect of our life to which he did not give deep thought and come out with original observations. We accept that technology answers all our problems. In the event, we had almost stopped asking the right questions. Gandhiji's greatness lay in raising pertinent questions on the technological and industrial society we are creating. His other concern was to consider the moral position of the “rich” man. And Gandhiji knew that technology and industrialisation would make any skilled and talented man rich, and a time would come when a poor villager may question the basis of higher wages of not only capitalists but also the manager or the organised industrial or bank worker as is happening in our country. Thus when Gandhiji was asked. “How would you, in a word, describe the rich man’s legitimate position?” he replied, “That of a Trustee”. He advised the rich, the talented, the skilled, “Take what you require for your legitimate needs and use the remainder for Society.”

It may be true that Gandhiji did not get enough time to spell out all the implications of Trusteeship or what it meant in concrete terms. Yet he was sure that one had to introduce the basic concepts of “Swaraj” which means self-discipline, self-rule and “Ahimsa” which means non-exploitation in the economic and industrial field. Without having democracy, participation, equality and fraternity in the economic field, you cannot sustain democracy in the political field.

The Trusteeship formula that has been handed down to us was derived from a draft prepared by prof. ML Dantwala, the noted economist, in which Gandhiji made a few changes. It reads as follows:



1. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.

2. It does not recognise any right of private ownership of Property, except so far as it may be permitted by society for its own welfare.

3. It does not exclude legislative regulation of the ownership and use of wealth.

4. Thus under state-regulated Trusteeship, an individual will not be free to hold or use wealth for selfish satisfaction or in disregard of the interest of society.

5. Just as it is proposed to fix decent minimum living wage, even so a limit should be fixed for the maximum income that would be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable, from time to time, so much so that the tendency would be towards obliteration of the difference.

6. Under the Gandhian economic order the character of production will be determined by social necessity and not by personal whim or greed.

Although this formula was approved by Gandhiji in 1942, nothing was done to promote the concept of Trusteeship till 1965 when Mr. Jayaprakash Narayan organised an international seminar on Social Responsibilities of Business followed by another on Responsibilities of Trade Unions in 1966. Between 1965 and 1972 J.P. made many efforts to persuade the large business houses to subscribe to social obligations by requesting them to include a clause in their articles of association and submit to social audit but without much success. The late Dr. Ram



Manohar Lohia tried in 1967 to get a bill on Trusteeship passed by the Parliament but the then Congress Government discouraged all such efforts.

Thus in 1973, under the inspiration of J.P. the Trusteeship Foundation was started in Bombay to introduce into our public life and in the field of commerce and industry the Gandhian principles of Trusteeship, non-exploitation and self-discipline.

In a poor country, to be employed is to be privileged. Thus all those who have received education and been employed have to act as trustees of the hopes and aspirations of the vast millions of the unemployed and under-privileged. Trusteeship in public life means that all those who hold positions of office like the ministers, administrators, teachers, journalists, professionals conduct themselves as trustees of the community.

Secondly, with a view to increase production and productivity, to ensure millions of our countrymen freedom from want and the right to work, we must aim at making our industrialists, managers and workers aware of their social obligations to the society and the consumer apart from their share-holders and employees. Employers will have to be persuaded to accept a sharing with labour, responsibility and decision-making both in work-related and interest-related issues. An enabling legislation needs to be passed to let those companies who wish to go in the direction of trusteeship to practise it.

Besides this, companies will have to be persuaded to help rural development and employment by offering financial and managerial help and train their workers to assume positions of responsibility.

Trusteeship has made remarkable progress in England through common-ownership. There are over 200 companies in England which are owned by the workers who employ “capital”. In the United States, Spain and some other



countries also Trusteeship is being accepted as a way out or the answer to problems created by capitalism or state ownership (communism). In England there is an Institute of Management which teaches its students that “The Gandhian Concept of Trusteeship will in time change not only the structure of industry but the structure of society as a whole.”

It is necessary to grasp the true nature of the worldwide crisis which is due to the fact that technology and large organisations have assumed specific structure and position which often stand in a highly disrupted relationship to the needs of human being and human relations. While the Trusteeship concept finds acceptance to a degree at the intellectual level, there are some hurdles at the operational level. They may be categorised as (a) management prerogatives, (b) managerial attitudes (c) managerial remuneration and incentives (d) statutory constraints.

There is a bill before the British Parliament which brings the interests of workers of a company within the scope of directors’ duties and places, the interests of employees at the same level as that of the share-holders. Even this may be considered as potentially syndicalist. Those who subscribe to Trusteeship in England are trying to persuade their Government to include a General Objects Clause in the Memorandum of Association of public limited companies which sets out the management's responsibility in terms of the overall Trusteeship they bear. This overall Trusteeship should also regard the obligations to the consumers and the community. Our efforts should be to give a stake to the workers in the enterprise by not only giving him participation in equity and decision-making but also in the company’s obligations to the consumers and the society as a whole. It would be worthwhile for our Government to amend the Company Law, to make every ‘Socially’ responsible.



A separate legislation may be framed to enable existing or new enterprise to practise the principles of Trusteeship as and when they wish to do so.

The Union Government which is committed to decentralization may also think of running the 'sick' units it has taken over, as Trusteeship units i.e. owned and run by workers with the help of professional managers. This would lead to introducing in the field of industry, the principles of participatory democracy and sharing of responsibility.



THEORY OF TRUSTEESHIP

Supposing I have come by a fair amount of wealth — either by way of legacy, or by means of trade and industry — I must know that all that wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community.

I enunciated this theory when the socialist theory was placed before the country in respect to the possessions held by zamindars and ruling chiefs.

They (the socialists) would do away with these privileged classes. I want them to outgrow their greed and sense of possession, and to come down in spite of their wealth to the level of those who earn their bread by labour. The labourer has to realise that the wealthy man is less owner of his wealth than the labourer is owner of his own, viz., the power to work.

Man has been conversant with violence from the beginning, for he had inherited this strength from the animal in his nature. It was only when he rose from the state of a quadruped (animal) to that of a biped (man) that the knowledge of the strength of Ahimsa entered into his soul. If this knowledge were to penetrate to and spread amongst the poor, they would become strong and learn how to free themselves by means of non-violence from the crushing inequalities which have brought them to the verge of starvation.



THE TRUSTEESHIP FORMULA

Pyarelal

On our release from prison, we took up the question where we had left it in the Detention Camp. Two senior members of the Ashram, Kishorelal Mashruwala and Narahari Parikh, joined. Professor Dantwala from Bombay had sent the draft of a simple, practical Trusteeship Formula which he had prepared. It was placed before Gandhiji, who made a few changes in it. The final draft, as amended by him, read as follows:

1. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.
2. It does not recognise any right of private ownership of property except so far as it may be permitted by society for its own welfare.
3. It does not exclude legislative regulation of the ownership and use of wealth.
4. Thus, after State-regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction, or in disregard of the interests of society.
5. Just as it is proposed to fix a decent minimum living wage, even so a limit should be fixed for the maximum income that could be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time, so much so that the tendency would be towards obliteration of the difference.



6. Under the Gandhian economic order the character of production will be determined by social necessity and not by personal whim or greed.



THE VERY STUFF OF LIFE

Dada Dharmadhikari

What is this idea? What is this trusteeship?

It is not merely a principle, not even a philosophy. Trusteeship is the very stuff of life, the material of which life is made, because life ultimately consists of relationships.

There is no life without relationship. Relationship is the essence of life and trusteeship is calculated to promote relationship among men whose interests and whose roles seem to be conflicting. That, to my mind, is the very fundamental truth about trusteeship. In this view, trusteeship is the very condition of our existing together, of existing with our neighbours.

I am reminded of the story of Caine and Abel in the Old Testament. When Caine was asked why he killed his brother, he answered: “Am I my brother's keeper?” The answer to this question came later when St. Paul said we are all members of one another. That is the idea on which the scheme of trusteeship is based.

It is not merely neighbourliness in certain walks of life; because in Gandhiji's concept, life could not be divided into watertight compartments. Life has been conceived as a whole.

So trusteeship is not merely for business relations but for all relationships of all men in the everyday affairs of life.

CHANGE OF HEART

Then there is another aspect of trusteeship — trusteeship as a means of radical social change. We have had traditional methods of social change. In the economic field there is the idea of expropriation which has been propagated by



Marxist revolutionaries. There is the method of confiscation of all property by the State. Then there is the accepted method of taxation, which has been universally accepted even in democratic countries. But all these methods err in bringing men closer to each other.

The process of social change to my mind, is a process of accent, and all accent must ultimately rest on this approach. Trusteeship is designed to eliminate the distance between men and bring them together not only in body, but also in mind, as close as possible. This was Gandhiji's peculiar contribution to the technique of social change. He called it the technique of the change of heart. Expropriation, confiscation and taxation are not calculated to conduce this change of heart.

Gandhiji is often quoted as saying that in the Rama Rajya of his dream, the status of the prince and the pauper will be the same. I think he did not mean that the prince as well as the pauper will exist as prince and pauper. The status of the prince and the pauper can never be the same as long as the prince is prince and the pauper is pauper. The prince and the pauper will come together only when the prince is shorn of his royalty and the pauper is able to lead a richer life.

So Gandhiji's idea of trusteeship should not be linked with the idea of class collaboration. He stood for the elimination of classes with the co-operation of men. The idea of class collaboration is not only vicious in principle but also obnoxious in practice. There can be no class collaboration as long as there are employers and employees.

Even if there is nationalisation, which is but state-ownership, this employer-employee relationship continues. You convert the whole people into a nation of government employees. This is not the idea of trusteeship.



NOT CHARITY

Trusteeship is my being, responsible for my life. This mutuality, mutual responsibility, is real trusteeship. Now who really feels the pinch? It is the underdog who lives a life of perpetual misery, drudgery and humiliation. It is to him that social change is of immediate need and it is necessary that this change should come mainly through his efforts.

Human dignity cannot be preserved on charity. If those who live in perpetual misery are condemned to live on, the sufferance of those who are well to do, I think no vestige of human dignity can be preserved and that such a civilisation will come to an end sooner than later. So this social change must mainly come through the efforts of those who are in misery and who need social change immediately. If this does not happen, I think this idea of trusteeship will lapse into a device of charity — of giving alms to the poor.

The Christian scripture says that the poor shall never cease to be out of the land. Trusteeship does not conceive of a society in which the poor shall not cease to be out of the land. Trusteeship does not conceive of a society in which the poor shall remain poor and the rich remain rich. Both poverty for the many and affluence for the few shall be eliminated. Mutuality and well-being shall be the rule of society, in which men learn to live together in good-will for one another.

That is trusteeship as I understand it and that is trusteeship as I think Gandhiji enunciated. Gandhiji was not an obscurantist, nor did he stand for statism. He believed in Antyodaya, the coming up of the last man.

This truth is very simple, because life itself is simple. Relationship is the oxygen of life. Trusteeship is calculated to promote relationship. That is why trusteeship is the vital breath of all our social relationships, more particularly our industrial relationship.



I am reminded of the words of Daniel Defoe: “Though I do not like the crew, I shall not sink the ship. Rather, I shall do my best and save it from disaster at the cost of my life. You see, we are all in the same craft and sail or sink together”. These words are true both for labour and capital. This is the basic idea, which lies at the root of this scheme of Trusteeship.



CONCEPT OF TRUSTEESHIP

U.N. Dhebar

The concept of property developed with the passage of time and with human consciousness. Circumstances have obliged man to accept limitations on his right to possess and enjoy property. That is how the theory of trusteeship has evolved.

The term trusteeship is a generic term. In the first place it relates only to property and not to human beings who is to deal with property and there is a life outside property about which everyone is so deeply anxious. What is property after all? The subject of property is being discussed ever since man started possessing two arrows in place of one, two bows in place of one, two pieces of wood in place of one, and two pieces of loin cloth in place of one. The human being at that stage of development was not capable of expressing himself as we are capable of doing now for he was not conscious of his rights and duties. But his instinct prompted him to defend what he considered to belong to himself — to be his own. It was mere instinct at work. It reflected the egoistic sense “I” in man. The property, the thing and the possessory instinct gave him the feeling that what belonged to him was his own and there was ample justification for considering it as belonging to him. The quarrels that ensued upon it were fought not with words as much as with stones and arrows. Thus, property and the concept of ownership of property and its use have been the subject-matter of discussion from ages past. Although human beings have advanced and progressed in certain directions and though the nature of property has changed, the human being has not been able to give up his traditional way of thinking, and the egoistic sense and the possessory instinct still play their own part in their relation with property.



PROPERTY, POSSESSION AND ENJOYMENT

If proper analysis is made, therefore, of the concept of property and the concept of ownership and the concept of exclusive use of it, it will be found that the whole basis of the concept rests on man's notion of his relationship with things. This notion provides justification in favour of the right of possession and the right to enjoyment against the whole world. With the passage of time with the development of faculties of logic and argumentation, with the development of jurisprudence and with the development of the people whose business it is to live on law, the human being has moved in the direction of elaborating upon that relationship with the right of possession and of enjoyment of property as also upon the justification for his claims to its ownership and enjoyment. He has invested these with the sanctity of religion. Never has man however taken the trouble to investigate into the fundamental position, whether the notion behind this conception, which he considers to be fundamentally natural, is correct or not.

During the centuries that have followed, elaborate discussions have taken place over two things: the relationship of the man with the things and the right that flowed from such relationship. But, fortunately for mankind, something else has also been intervening and leading to developments in the reverse direction. Circumstances external to man have obliged him to accept limitations upon both his relationship with things and the justification he has provided for it. His instinct to possess things has not undergone much of a change, the notion still persists and the justifications are still given, but external forces are continuously obliging him to accept limitations both in relation to his claim to its ownership and possession as well as to his right to its enjoyment. It is necessary to understand these two processes that are simultaneously at work in opposite directions. On



the one side, the process set into motion by human instinct to possess and secure the enjoyment of things and also from that angle to build up justification for such claim and enjoyment and on the other external circumstances which are continuously placing restrictions upon those rights of possession and enjoyment.

INSTANCES OF MORBID APPROACH

If we were to look into the history of property we shall find that at one stage of history, our womenfolk were considered to be chattels capable of being owned like other material things. What was capable of being owned was naturally capable of being enjoyed at will and the womenfolk were considered to be the objects of enjoyment and used as such, Under the Roman system of jurisprudence and the British Law, a woman could not own any property because she herself was reckoned as property. This went on for centuries. Our system of law, while it did not consider woman as chattel but as a part of the male entity restricted her rights to property from all sides.

Same was the story about the slaves. They were considered to be the property of those who conquered them on the battle fields or purchased them in the market as we purchase cattle. Their conquerors and purchasers had complete physical control over them and could even auction them. If we were to go back into the history of some 2,300 years ago we shall find that great conquerors, even Alexander the Great were not considered to be great because they happened to be very pious or just persons but because they conquered others with big armies and captured slaves numbering hundreds and thousands. The number of slaves they possessed gave them a status in the social and political life of the country. These slaves had also no right to property because they themselves were considered to be property.



Similarly, the countries which were conquered were also, at one stage, of human history, considered to be the property of the conquerors and the people were considered to be the 'subjects' of the conqueror. The term 'subject' itself clarifies the relationship between those who were subjects and those that subjected them.

In the 20th century none would accept, even believe that women were ever considered as chattels. The evolution of human mind is not confined to a group or a section of people or even a country. It is a universal phenomenon. The same development has taken place in the relationship between the conquerors and the conquered soldiers at war. They are no longer considered as slaves but as prisoners of war. Similarly no country that is conquered and humiliated can any longer be treated as the private possession of the conqueror.

LAW AND EQUITY

The scheme of trusteeship is not something new. It has its origin in jurisprudence. But it was so vague and has taken centuries to become clear. It came to the forefront with the development of a branch of justice called 'equity'. Equity is distinct from 'law'. These two branches — the legal branch and the equity branch — are separate branches in law. One decides the question of relationship in terms of statutory laws and another decides it in terms of good consciousness and fairness. It is a very interesting story — the quarrels between the two branches of justice in Britain, between the branch of law which decided the cases according to dry letters of law and the branch which preferred to decide the cases in terms of good conscience and fairness. There were instances when even fights ensued between those who administered justice according to these two branches. Sometimes the judges, believing that a certain case fell within the purview of their authority and demanded dispensation of justice in terms of



statutory laws, rushed with their maces to courts of the other branch and attempted to physically snatch away the files from the other branch and vice versa. The cases relating to trusteeship came within the purview of the authority and the branch of “equity”. It was here that human considerations began to prevail over the claims of the absolute right of ownership and enjoyment, and the courts of “equity” began to impose limitations upon the arbitrary exercise of the rights. There is a long history indeed behind the conception that a right even though accepted in terms of law cannot be used to the detriment of the society or the individuals composing the society. There may be no doubt about the right in itself but it cannot be enjoyed except under limitations imposed on social grounds and considerations of good conscience and fairness. This process took a long time to enforce itself and in the meantime there were quarrels and disputes and uncertainties. But by and by the process became distinct. Even those who believed in the absolute character of their rights began to accept that the rights carried with them certain obligations and while those obligations were no part of law, they were as much legally enforceable as the obligations under the law. They also began to accept the medium of the equity court to enforce these obligations. This resulted in two types of courts in Britain: one was called the King’s Bench Division whose function was to enforce the statutory provisions of law and the other was called the Chancery Division whose function was to enforce the obligations arising from the equities of the case.

At that stage came what is called the industrial revolution. Till that time the quantum of property a person possessed was limited, because the means of production were not so developed. But with the advent of the industrial revolution and development of the means of production and of fuel, power and transport, the opportunities for expansion of wealth began to increase. Industrial



revolution gave a fillip to human instinct to possess more and more and it led not only to the accumulation of vast hoards but the building up of vast empires. Human exploitation became the order of the day and the world was divided into blocks of haves and have-nots. The latter were deprived of not only property but opportunities to own and possess even the few things that belonged to them before the advent of the industrial revolution. This led to the infusion by some of revolutionary ideas and theories and to mass conflicts and bloodshed. There were others, however, who persisted in the paths of evolutionary progress of society and while not giving way to the instinctive reaction, engaged themselves in finding out alternative institutions which while not interfering with the conceptions about property, etc. would yet see to it that the accumulations did not harm the interest of the society or the individuals composing the same. From this grew and developed the institution of trusteeship as is understood in the West.

BIRTH OF TRUST LAWS

Thus, this western concept of trusteeship implies that there should be first of all property. Secondly, that there should be a legal owner of property who has the right to take decisions about the use of such property. He is termed in law as the Author of the Trust. Third, he has to fix, settle and determine the objects of such use. These are called the objects of the Trust. Fourth, he has to decide for whose benefit such property would be used. Those for whom the property is to be used are called the beneficiaries. Fifth, he decides about the trustees and their rights and obligations, their powers and functions. I may repeat the ingredients of a trust as are understood under the system of law which governs trusts. There is first the conception of property. Secondly, there is an owner to property with some exclusive right as to management, possession and enjoyment. Thirdly there



are definite objects of the trust. Fourthly, there are definite beneficiaries and finally there are trustees and their powers and functions. There is one more implication. The State in every such case invariably expected to have the right to enforce the trust and see that the trustees carried out their obligations, and the interests of the beneficiaries are fully protected. The trusts are of different kinds — private trusts and public trusts. The responsibilities are also of various kinds — direct responsibilities, constructive responsibilities and responsibilities under the criminal law involving punishment.

GANDHIAN APPROACH

In entering into this long history of the phenomenon of trusteeship, my object is to make clear how the conception of legal trusteeship differs from the concept of trusteeship as enunciated by Gandhiji whenever he talked about the principle of trusteeship. He did not talk about it from a limited angle. He did not accept the conception of vesting ownership of property in an individual to the exclusion of the whole society. He believed in God being the absolute owner of all property and the only legitimate purpose acceptable to him for which the property could be used was in the service of God. His notion of trusteeship was absolutely of a different kind. It was of a more fundamental character. He thought in terms of property as being merely incidental to the advancement of human happiness and human development. Property, according to him, was to fulfil this objective. It was designed to serve the cause of human happiness and to raise and uplift spiritually the person who managed it. The basic approach to the concept of trusteeship which is a part and parcel of the law of property, is merely to ensure proper use of property for the benefit of its owner subject to certain social obligations. The purpose of our enquiry is however much wider and much more fundamental than this narrow legal conception.



Sometimes it is argued that the transfer of ownership of property to a group of even a society as a whole would amount to trusteeship in this wider sense. I would quote in reply the conception of property in a tribal community. In that world no individual owns any property. The property is owned by the group — The tribal group as a whole and the disposition of the property takes place according to the wishes of the tribal group as a whole. Now what have been the consequences? The consequences have been that sometimes the tribal group has been exploited by the leaders of the tribal community. But there have been even worse consequences. The social effect has been that the size of the tribal group has remained limited to ensure that the property is enjoyed by as few a people as possible. The possessory instinct has affected the tribal mind and moved forward in the direction of restricting its membership in the name of maintenance of purity of blood. The result has been a limited existence.

The same can be said about the Communist conception of property belonging to the Communist State which is also an identifiable social group. Communism is a richer conception than capitalism. It believes in the ownership of property by society but in its functioning it has deprived the human being of his individual freedom, his dignity and creative growth. Communism suffers from the limitations of acquisitiveness.

GANDHIAN CONCEPTION

The Gandhian conception of property asserts that property is only incidental and the real purpose of man's life is man's deliverance from all kinds of limiting factors which keep man tied to earthly notions. It emphasises that the man is not incidental to property nor is there any kind of relationship between him and the property save and except that if he comes into possession of any property he, as a trustee, has to utilise it for the purpose for which it is meant.



From this conception flows an entire philosophy completely new to the systems of law now in existence. We have not yet been able to spell out the consequences of this philosophy or conception fully.

It is true that efforts are made in the West to translate this conception into practice. It is, however, doubtful very much whether all the institutions or groups which have accepted the form of relationship of trusteeship in the West have accepted trusteeship in this sense.

It becomes necessary, therefore, to underline the distinguishing features of this concept. According to this conception (1) the essential purpose of human existence is not riches or wealth, nor even fulfilling few social obligations but upliftment of the human being spiritually, psychologically and physically. (2) The property has a place in that context, but it has nothing to do with the concept of ownership or rights of enjoyment. (3) The purposes for which property exists and the method by which it should be used or enjoyed are not to be determined by any notion of primary instinct of possession but the use of the property has to be related to human happiness and the growth of the individual.

What is important in this context is man, man's spiritual growth and the use of property for the happiness of man. In this scheme of things, dust also has value as much as gold. The purpose however, of both are not determined by their market value but by their utility for human happiness and for the cause of advancement of the individual.

We still use the word "trusteeship" but from the Gandhian angle. The purpose is to express our philosophy in understandable language. To accept the whole concept of trusteeship as is understood, in law or equity would be restricting the meaning of trusteeship as is understood from the Gandhian angle.



What do we mean by human happiness and human growth? Human happiness is quite understandable. It includes providing through use of property, food, clothing, education, shelter and health services. But what is individual human growth? Gandhiji epitomised this by saying that nothing was more important to him than search for truth, through non-violence — not even Swaraj. What is truth? Take, for example, the partition of India. Those who agreed to the scheme of partition of India cannot be accused of being untrue to themselves just as those who opposed the scheme of partition of India cannot be accused of bad faith or untruthfulness. Both were guided by truth as they saw it. But truth is something more than this, every idea that flows from mind cannot be considered to be true in the deeper sense of the term. Truth is truth provided truth emerges from a detached mind. This explains Gandhiji's insistence on certain self-discipline.

UNITY AND DUALITY

What is non-violence? It is again a subject so very difficult for us to understand at our stage of development. Non-violence till Gandhiji came on the scene, was considered to be merely non-killing. Gandhiji injected his own content in the philosophy of non-violence and described it as active love. But what is active love? These are all vague phrases for us and property is something much more tangible to us. I feel so nervous to think of property in the sense of trusteeship as just now I have defined it, because the basic conditions are so difficult of implementations. Active love is self-identification. Non-violence is the end of all conflict. One can never be non-violent so long as there is conflict in one's mind in relation to the ownership or use of property. This stage can be crossed only when a person abnegates himself to the utmost extent. Explained in spiritual phraseology, non-violence is the end of all conflict at human level and



implies complete abnegation of dualistic existence. So long as we feel that there are two separate entities. One of which is ourselves and the other is somebody else, we shall never be able to identify our interests fully with the other man's interests. How to eliminate this sense of dualism? Let us take, for example, the mother and the child. The relationship of mother and child is an ideal example of the working of the law of non-violence or active love. It is so because the child and the mother both feel that they belong to each other. The mother not only feels that the child belongs to her but she also feels that she belongs wholly to the child. After a few years of the growth of the child, however, change begins to come about in that relationship but inconspicuously till the child reaches the age of youth. As the child grows the inconspicuous nature beings to reveal itself. And what was unity in conception begins to be manifested in duality because in reality there was no support of consciousness. The mind of both were conditioned by certain factors connected with this egoistic 'I'. Real enjoyment, however can come to the mother if she can rise above the egoistic sense, shed her personality as independent of the child and work only for the best interest of the child.

The whole process of non-violence, therefore, consists of a unilateral effort to transform human relationship based upon the primary egoistic sense. The most difficult part of the problem for those who believe in non-violence is to lift their minds from the rut of thinking which approaches every problem from this egoistic sense. The external relationship between man and man can change only when this egoistic sense is rubbed out. The basis of trusteeship, as the basis of non-violence and active love, is the elimination of the egoistic sense which gives rise to tendencies by drawing a line between man and the society. This is the foundation stone, if I may say so, of the philosophy of trusteeship as also of the philosophy of non-violence.



TRUSTEESHIP A NEW CONCEPTS

This declaration introduced for the first time the new concept of the responsibilities to the Community. While conflict of interest is taken for granted and given thought to, the more positive aspect, namely, “the Community of Interest” is hardly emphasised.

Two newly connected instruments were suggested to discharge its social responsibilities: (i) Local Meetings and (ii) Social Audit. The latter was to be a factual assessment of the Company's Social Performance by trained and professional observers.

A year later, in 1966, J.P. convened a meeting of Trade Union leaders to discuss the social obligations of trade unions, and the declaration adopted by this Conference, among other things, emphasised the organised workers’ obligations towards the unorganised sector of labour, rural or urban; and the need for workers to join in breaking the vicious circle of poverty, unemployment and low productivity. Without further productivity and greater discipline, democracy cannot function. Without democracy trade unions cannot function, or even survive.

MORAL POSITION OF THE RICH:

As has been pointed out earlier, Gandhiji may not have had the time to spell out in detail all the wider implications of accepting the concept of Trusteeship. But there is no doubt that he did give a great deal of thought to the moral position of the “rich” and to the problems confronting an industrial society.

It is obvious that in an industrial society, every talented and skilled person can become rich, and there would be occasions when his “richness” would also



be questioned as is happening today. Gandhiji warned that in a poor society, there is always a possibility of men of wealth being overwhelmed by envious brute forces.

Besides, when Gandhiji was asked: “How would you in a word describe the rich man’s legitimate position?, he answered: “ That of a ‘trustee’, And yet he was very keen that the capitalist or the entrepreneur should not be done away within any society for, as Gandhiji said: “...we must not underrate the business talent and know-how which the owning class has acquired through generations of experience and specialisation. Free use of it will occur to society under my pan. “Your wealth is not all yours, it belongs to the people. Take what you require, for legitimate needs, and use the remainder for society”.

Gandhiji also asserted that: “My theory of trusteeship is no make-shift, certainly not a camouflage. I am confident that it will survive all other theories. It means the levelling down of the few rich in whose hands is concentrated the bulk of the nation’s wealth on the one hand, and levelling up of the semi-starved naked millions on the other.”

TRADE UNIONISM:

There is a misapprehension among labour leaders that the Gandhian concept of Trusteeship may weaken their rights and bargaining position. It might be useful to not that as far back as in 1932, Gandhiji wrote: “In my opinion, labour can always vindicate itself if it is sufficiently united and self-sacrificing. No matter how oppressive the Capitalist may be, I am convinced that those who are connected with labour and guide the movement, themselves have no idea of the resources that labour can command, and which capital can never command. If labour would only undertake and recognise that Capital is perfectly helpless without labour, labour will immediately come into its own.”



In its own interest, management will therefore have to be persuaded to share with labour, responsibility and decision-making in both work-related and interest-related issues. If this does not come about voluntarily, there must be legislation to help this process. Gandhiji was always in favour of legislation, for which there was a demand from below, as also when there were social compulsions.

There is a bill before the British Parliament which brings the interests of the Workers of a Company within the scope of the Director's primary duties, and places the interests of employees on the same level as those of the share-holders. However, even this may be considered as potentially 'syndicalist'. Those who subscribe to Trusteeship in England, are trying to persuade their government to include a General Objects Clause in the Memorandum of Association of Public Limited Companies, which specifies the Director's responsibilities in terms of the over-all "trusteeship" they bear. Their over-all commitment to trusteeship should not disregard the obligations of a company to its consumers and the community. Our effort should be to give a stake to the worker in this enterprise, by not only giving him participation in enquiry and decision-making, but also in the Company's obligation to the consumer and to the society as a whole.

Gandhiji's Trusteeship aims at the removal of the conventional class distinctions, alienation and other tensions by introducing the idea of the common ownership of all the partners in an industrial undertaking. This means that the existing structure of ownership, production and decision-making needs to be changed, so as to be conducive to the fulfilment of the following three purposes of work, viz.,

- (a) Production of goods and services;



- (b) A chance for workers to develop their potentialities and to share responsibility;
- (c) Ability to overcome class interests when they go against the interests of society as a whole.

SOME HURDLES:

While the Trusteeship concept finds ready acceptance at the intellectual level, there are some hurdles at the operational level and these may be categorised as :

- (1) Management prerogatives
- (2) Managerial remuneration
- (3) Managerial attitudes
- (4) Statutory constraints.

MANAGEMENT PREROGATIVES:

Managers traditionally look upon themselves as representatives of shareholders who are supposed to risk their money, and who have, in theory, employed them. This automatically means that they hold themselves accountable only to their share-holders.

This concept is no more valid, because a very large amount of investment today comes from publicly-owned Financial Institutions owning public money. Even as it applies to long-term stakes in the enterprise, it is obvious that a worker depends on an enterprise for his livelihood much more, and for a very much very little scope for a worker to change jobs as frequently as a manager.

Therefore, at any collective bargaining encounter, the position becomes quite farcical, where a manager who may really have no long-term stakes, acts as



the sole well-wisher of the company's interests. It is obvious that if the company is closed, then the persons who suffer most are always the workers, not the managers. And yet there is a psychological resistance to abdicate the so-called prerogative to manage.

MANAGERIAL REMUNERATION:

In the present situation, Managers at senior levels have salaries and perquisites which may represent the fulfilment of their life's aspirations. They would not like to subject these to direct or indirect scrutiny.

This can have a grave result in the sense that the Company may sooner than later, start planning its activities and make profits not based on compulsion of national economic growth, but on what may be termed as "institutional compulsions". For instance, in an institution, a top man may decide on a particular life-style as a necessity, and then make it a part of the pricing mechanism of the goods the enterprise produces. Under the Trusteeship concept, there would be scrutiny of such institutional compulsions, and there would be a built-in accountability of the management's bonafides.

MANAGEMENT ATTITUDES:

These are reflected in some of the tenets, such as, "Power is indivisible", "responsibilities cannot be shared" etc. Modern organisations are essentially organisations by information. They consist of three key words — awareness, choice and action.

It should be possible to involve a large number of people in creating a general awareness, and in acceptance of choices, although it may be necessary hold only a few persons responsible for action.



What is implied in the change of attitudes, is the acceptance of the democratic spirit.

STATUTORY CONSTRAINTS:

The law structure in most of the countries is designed to take care of the conventional patterns of management. It is necessary to remove statutory constraints and introduce Enabling Legislation to help people opt out of the present system, and work on different experiments.

Use of technology, the rising aspirations of the under-privileged and the need to bring democracy in the economic field, demand that we do not move in the same old groove of prerogatives and privileges. Only a bold departure from our conventional ways of thinking and behaviour will bring peace and progress in industrial relations.

It is, therefore suggested:

- (a) That provision be made in Company Law itself to make every enterprise “responsible” — to subscribe to its social obligations to society, consumers, employees and share-holders.
- (b) That sick units taken over by Government be run on the principle of common-ownership.
- (c) A separate legislation be framed to enable existing or new enterprises to practise comprehensively the principle of Trusteeship as and when they wish to do so and are ready to opt out of the present legal frame-work for limited companies, partnership etc.

ECONOMIC DEMOCRACY:

In conclusion one cannot lose sight of the warning that it is certain that just as it is necessary to give free play to forces of democracy, freedom, and equality



in the political field, to ensure stability, order and progress, it is equally necessary to encourage democracy, equality and fraternity in the economic field as well. Otherwise a non-democratic and authoritarian economic and social structure will continuously undermine the political structure.

Democracy, in the economic field, will only be possible when the people have democratic participatory management and ownership structure consisting of workers and employers, not only with skill and talent, but also with unequivocal moral attitudes and a social conscience to bring a constructive and dedicated spirit to the solution of the nation's problems, and put an end of the confused scramble for personal gain, power and acquisitiveness.



TRUSTEESHIP THE GRAND ALTERNATIVE

Of all Gandhi's ideas and concepts Trusteeship was the most original as it was also the most tentative since he did not have time to experiment with it on a scale that would match the grandeur of the concept. He did not have time enough to even define it precisely, not to speak of spelling out its implications in concrete terms.

Those who have tried to briefly experiment with it did not have much success largely because they did not seem to catch the spirit behind the concept of Trusteeship. Gandhi was attempting to evolve something very big, namely, a comprehensive system which eliminated both Capitalism and bureaucratic statism. No wonder Trusteeship was considered by many dogmatists as most fanciful or as a makeshift. Both the Marxists and the Capitalists considered it as a camouflage in favour of the latter without their realising that Gandhi had aimed at quite the opposite.

The main thrust of Trusteeship is very broad and deep and is thus nor easy to comprehend. There is no historical example of it to go by. Besides full trusteeship cannot be applied in isolated cases. Either the whole or a major part of an industrial economy must be under trusteeship, or it remains only at the experimental level. Since we do not possess experience, we shall be concerned only with it at the conceptual level.

Trusteeship like other Gandhian concepts, is not absolute but relative in space and time and to the needs of the society. Nevertheless it remains an absolute ideal, the full concept of which becomes clear as we reach near it.



THREE BASIC CONCEPTS

Trusteeship is derived from three basic Gandhian concepts: Non-violence, Swaraj and Equality which are all interlinked with one another. He wrote: “A society based on non-violence cannot nurture any other ideal.”

The more we are committed to non-violence, the easier it will be to achieve the goal of equal distribution. And the more we work for equal distribution, the sounder will be the foundation for a non-violent society.

The real economic meaning or content of non-violence was an economy without exploitation. It also implied self-discipline, a basic norm of industrial relations. No Gandhian institution or economic principle is conceivable without some element of self-reliance, that is, either Swadeshi or Swaraj.

Trusteeship implied self-reliance, self-discipline and a certain autonomy for the producing unit. Thus we see how non-violence, equal distribution, self-reliance and Trusteeship get interlinked. It is not possible to have any one without having the other three.

Since there is no finality about trusteeship in the short run, there must be something transitional about it. The general impression created from Gandhi's writings and pronouncements on Trusteeship is that he was groping for something in the organisational field which conformed to an ideal and was consistent with his concepts. That is why Trusteeship is both ends and means. It is put into practice wherever possible. It is something more. Trusteeship is not only an intermediary or transitional institution for something more fundamental and enduring, it is also a part, the only non-violent part through which economic transformation would take place.



Where Gandhi was for the total abolition of Capitalism, he was at once also concerned with two other concomitant requirements: (1) the method of abolition and (2) what Capitalism would be substituted by. He suggested the concept of Trusteeship.

HALL MARK:

It must be re-emphasised that this approach is the hall-mark of the Gandhian approach. In other words, one cannot evolve an adequate approach unless one adopts the triple method of (1) identifying what is to be eliminated, (2) how it is to be eliminated and (3) what it is to be replaced by.

To Gandhi, a State Bureaucracy taking over from the Capitalist class was no real solution to the problem of ending economic exploitation, though it must be stated, he was not totally averse to accepting it to a limited extent as a step, towards having a higher form of economic organisation.

Gandhi's famous quotation of the state as an expression of concentrated violence is often quoted out of context, and he is wrongly described a philosophic anarchist. Anyone who does not see in the state bureaucracy the right instrument of economic organisation does not become ipso facto a philosophic anarchist. This however is not the only kind of distortion that Gandhi has been subjected to... Like the socialists he temporarily accepted the negative aspect of the State but he did not reject its positive role for a short period of the intermediate stage.

DEFINITE POLITICAL APPROACH

At a higher plane Trusteeship can be taken as the grand ideology of a new economic order. This is so not merely because its principles apply to all major economic areas and relationships, such as industry, agriculture, commerce etc. It is so because Trusteeship is a definite political approach to economic problems



and this approach can be sharply distinguished from other ideologies such as the Socialist, the Capitalist etc.

If Trusteeship is an ideology, then it involves an ideological struggle. Struggle which takes the purest form in satyagraha, is central to the Gandhian system or approach. Therefore, if either the State or the capitalist or both become recalcitrant and neither accept Trusteeship nor end exploitation in any other way, there must follow an ideological struggle for Trusteeship through Satyagraha.

Therefore there should be no mistaking Gandhi's approach. He starts from objective reality, tests it in terms of his basic principles, and if he finds the two contradictory and requiring change, he accepts the required change as well as suggests the method of change, all of which must be consistent all along. But he would not wait for the ideal situation to arrive at some fixed time.

He would work for it right away in achieving the ideal. Having confidence in his overall method and approach, he would not deny exception and intermediary situations. This later attempt often brought him the charge of contradictions. But for him, life was inconceivable without its passing through numerous contradictions.

Satyagraha and Trusteeship together constitute the objective and the method of achieving it.

The central idea or motive behind Trusteeship is a kind of non-violent transformation. It may even be described as a non-violent dispossession, most preferably voluntary, but, if necessary, by law. This transfer, and non-violent character of this transfer laid the basis for Gandhian conditions of equality.



CO-ORDINATION

Somehow the impression created was that the capitalist would convert himself into a trustee and there the matter would end. But once the capitalist surrenders his wealth, he is no longer the sole trustee. He is, to say the least, a joint-trustee with others who are also engaged in the process of production. Indeed, in one sense, Gandhi's trusteeship was an answer to what Marxists called the irrevocable conflict between labour and capital. Gandhi acknowledged the conflict of interest between labour and capital under capitalism. He wanted to avoid class war, but he was surely not for class collaboration under capitalism as some half-witted Marxists accused him of being. Gandhi aimed at what he called "co-ordination between labour and capital", not under capitalism but under Trusteeship. It is one of the basic principles of Trusteeship that both capitalists and labour would be trustees, though neither would be the owner. Gandhi wrote, "In fact capital and labour will be mutual trustees, and both will be trustees of consumers."

The Trusteeship theory is not unilateral and does not in the least imply superiority of the trustees. It is, as has been shown, a perfectly mutual affair, and each believes that his own interest is best safe-guarded by safe guarding the interests of the other. "May you propitiate the Gods and may the Gods propitiate you and may you reach the highest god by this mutual propitiation", says the Gita. "There is no separate species called Gods in this universe, but all who have the power of production and will work for the community using that power are god's labourers less than the capitalists."

....Gandhi's idea of Trusteeship cannot be taken as a static system in which once and for all change takes place from the capitalist owner turning himself or



being turned into a trustee on behalf of all concerned—the owner, the worker, the consumer and, above all, for posterity.

Nor is it a choice—as a middle course—between the selfish capitalist owner and an equally selfish bureaucrat running a nationalised industry. Dynamically, Trusteeship is a movement towards social self-management of industry, whether private or publicly owned. It is not merely an economic arrangement, but a socio-political arrangement; both the stifling of the exercise of power by the state and exploitation by the capitalists.

STATE POWER

Gandhi's great indictment of state-power, its soullessness and its concentration of coercive power, etc. have been used by many a clever writer to twist the argument in favour of the private sector in the unending debate between the private versus the public sector. First of all it is a mistake to equate coercive state power with the public sector or even suggest correlation between the two. One cannot universalise from the limited experience of Communist countries. The distortion of Gandhi's ideas in this respect has been quite suitable; so has been the twisting of the concept of Trusteeship.

Initially, it is admitted that Gandhi was opposed to both capitalism and communism, but it is added, since he was against state power he must have been for a modified private sector. In reality, Gandhi's philosophy was not only heavily weighted against the private sector, it was positively for the public sector, if and when Trusteeship failed to function or even when it was needed as an instrument for establishment of trusteeship. Gandhi wrote, "I will be very happy indeed if the people concerned behave as trustees; but, if they fail, I believe we shall have to deprive them of their possessions through the state with the minimum exercise



of violence”. He added, “Conversion will be our weapon of choice. Conversion must precede legislation”.

Surely, these statements not only are heavily weighted against capitalism but are positively in favour of relevant state action. On top of it, there is no guarantee of absolute non-violence. This is one of those many things which Gandhi himself cited as exceptions to his concept of non-violence. If the capitalist resists, there may be some violence, minimum though, either through legislation or otherwise. Gandhi was no absolutist.

SPECIALISATION

Trusteeship is also a method for the socialisation of or communalisation of wealth. After whatever is considered socially necessary or legitimate, and owner of wealth will have to relinquish all personal claims on the remainder. In the very first instance of giving up, the wealth given up belongs to society, and not to any other individual.

That is why Gandhi applied the trusteeship principle not merely to industry but to the entire economy. This is not surprising because all economic social transformation Gandhi proposed were instruments of the struggle and not of state action. This point is often missed. But Gandhi had no reformist illusions of which the Marxists often accuse him.

CULTURAL DIMENSION

Like many other schemes and suggestions of Gandhi, Trusteeship too had a cultural dimension. It went beyond economic and political requirements. In one sense it opted for the kind of philosophy of life and organisation which gave new thrust to the method of management and the system of interpersonal



relationship. The partnership and equalitarian aspects of Trusteeship symbolised a kind of movement against authority, riches and monopoly of decision-making.

Gandhi wanted to build a new cultural inheritance of man, not merely on the basis of economic equality, but of psycho-social equality. For him psycho-social evolution was not a part of a super-structure, but it had an autonomy that was more fundamental than many other aspects of Trusteeship. The basis of all this was, of course, the various concepts mentioned in earlier chapters. The cultural reconstruction that he wanted was based largely on three principles—equality, non-violence and morality—and these three enduring principles laid the foundation for Trusteeship. That is, Trusteeship is not a makeshift formulae either for capital or for labour, or even for both.



TRUSTEESHIP AN OVERVIEW

Mahatma Gandhi was a thinker who combined idealism and pragmatism in many spheres of social action. Trusteeship is perhaps the greatest of his contributions. It was a veritable trial of the thought process to bring about a conciliation between the two major social orders that man has constructed in the last 200 years, namely Capitalism and Socialism. Each system had its share of abuses as much as its achievements. Capitalism stood for individual liberty which Gandhiji held so dear, but exploitation of the weak became its inevitable concomitant. Socialism as propounded by Marx promised a new and fair deal to its followers which again was Gandhiji's ultimate goal; but the way this was sought to be achieved — namely through force and struggle in the physical sense — was opposed to Gandhiji's ideology which held means as important and righteous as the end.

Marxian Socialism preached over-throw of capitalism by violence and predicted a dictatorship of the Proletariat. Gandhiji would not countenance violence, whatever the glory that is to come out of it. He said: "Let it be remembered that physical force is transitory. But the power of the spirit is permanent, even as the spirit is ever-lasting".

Gandhiji disagreed with State Ownership replacing private ownership even though Marx had said that the State would "wither away" after the transformation from socialism to communism is complete. He said, "I look upon an increase of the power of the state with the greatest fear, because although while apparently doing good by minimising exploitation it does the greatest harm to mankind by destroying individuality which lies at the roots of all progress."



GANDHIAN SYNTHESSES

Applying the same Marxian Adaptation of Hegelian dialectics of thesis-antithesis-and-synthesis, Gandhiji brought about a synthesis between the thesis of Capitalism and the anti-thesis of Socialism. Keeping the essentials of Marxian Socialism namely, building a classless society, an egalitarian social order and abolition of private property intact, Gandhiji propounded his new social order which he called Sarvodaya.

In Sarvodaya there will be no classes, it is true; but there will be full scope for free-play of individual freedom and initiative for development. Classes will be destroyed, but not individuals. Private property will cease to exist by and large; but that property will become the property of the community as a whole, and not of the machinery of the State. Thus the state cannot function as a Leviathan restricting individual freedom. The equality that will ensue will be not of an arithmetical kind. While guaranteeing a reasonable minimum for all, all will have to work and there will be equality in status and opportunity. Love and co-operation will replace power and aggrandisement; reason and persuasion will replace coercion and violence in social relations.

The theory of Trusteeship is a basic and important component of the Gandhian Social Order. Firstly, while Gandhiji believed in the inevitability of the end of Capitalism, he did not hold that it should result in the total loss of the entrepreneurial and managerial skills, talents and services of the capitalists as individuals. Provided that they develop a reformed attitude towards society, holding themselves as Trustees of the economic enterprises entrusted to them, rather than as possessive owners, capitalists should still have a role to play in the new social order.



Private property, if allowed to exist, will not be for exclusive and unfettered private enjoyment. It shall be allowed only to the extent that it promotes society's welfare. Gandhiji was fond of repeating the oft-quoted verse from Gita which says: "All land belongs to Gopal (God); where then is the boundary line? Man is the maker of the line, and he can therefore unmake it."

The concept also spells out a dynamic income policy for society which will narrow down the gap between the rich and poor by fixing a floor and a ceiling on income. What the difference between the maximum and the minimum should be in quantitative terms, is a matter for detailed investigation, discussion and decision. All that can be said is, it has to be reasonable, equitable and variable from time to time. It is strange that 30 years had to pass before the wisdom of this could dawn on us in the form of the recent Committee on Income, Wages and Prices, popularly called the Boothalingam Committee. It is proposed by the Committee to reduce the ratio of difference between the highest and lowest income from 1 : 9 in the Public Sector and 1 : 16 in the Private Sector to a common standard of 1 : 4 or 1 : 15. It will indeed be a dream come true if this can be achieved.

Finally, Trusteeship theory envisages the determination by society of the pattern of production in the economy. Thus luxury articles may not be produced at the expense of necessities; manufactured goods to the neglect of basic necessities of food, clothing and shelter. Even the size of enterprise and choice of technology, and forms of collaboration may be decided by society. In a word, ethics should guide and determine economic goals.

HUMAN NATURE

But is human nature amenable to change? Leave alone a volte face? Gandhiji's faith in human nature is so profound that he held that man is capable



of this mental transformation. Man's nature no doubt changed over the years. But it took thousands, if not millions of years, to do so. Even here it has not been smooth or consistent. There were violent throwbacks at times when man almost lapsed into his primordial and predatory character.

A pragmatist, Gandhiji was quite mindful of this. He therefore added that legislation may be resorted to establish the Trusteeship Order. Gandhiji like Proudhon held that all accumulation of wealth, beyond one's legitimate requirements was theft; and does not theft call for regulations? He was emphatic that every vested interest must be subjected to scrutiny and necessary penal action.

There indeed has been legislation towards this goal since independence. Land ceiling Laws have now been extended from agricultural lands to urban lands. To arrest growth of monopoly power, the Monopolies and Restrictive Trade Practice Commission Act was passed. "Licencing Policy", has also been modified to ensure wider dispersion of industrial control. Workers participation in management is another positive approach.

POOR RESULTS

But the result achieved so far is far from encouraging. States are reluctant to enforce land reforms legislations. Antimonopolies Act is helpless. The large business houses find ways and means of achieving unhindered bulging. Even the Public Sector is reluctant to decentralise. Workers' participation in management exists only on paper. Where modest attempts were made, they tended to be abortive. Evidently neither the people nor the legislature seem to be capable of appreciating the spirit of trusteeship.

This, however, does not mean that the Gandhian way of Trusteeship should be given up. On the contrary, it needs to be taken up with all the greater



vigour. Of course the dimensions and approach to the scheme should be in keeping with the realities of our time and situation.

Big private concerns may not find it feasible to adopt this concept what with their high cost of investment and the keen competition involved. Often they pay a tribute to the ideal of Trusteeship when they talk of “Social Responsibility of Business”. But there it stops. We have not produced either a Schumacher or a Scott Bader in Gandhiji’s land, although we have numerous instances of near-Fords and near-Rockfellers who rose from humble beginnings to the top of echelons of industrial captaincy. However, new small units, particularly household industries, can be encouraged and even assisted to try the concept of Trusteeship. The idea of big units adopting sick units which was talked of recently, is also worth encouraging, provided the entire operation is informed by genuine faith to implement the Trusteeship doctrine.

However, for a large-scale propagation of this principle, the Public Sector should take the lead. Claiming as it does when it is in the red, that it is not guided by profit motive, the Public Sector ought to be able to succeed. It can set an example of cordiality, understanding and fairness between all sections of employees from mazdoors to executives. Once this is made possible, the Private Sector also may be asked to emulate this noble concept. To start with, let us decide to invite the top executives as well as top leaders of labour unions to a free-for-all discussion course on Trusteeship. If we succeed in doing that, we will have begun something that would have stirred Gandhiji’s soul to fulfilment.



TRUSTEESHIP AND COMPARATIVE FORMS OF MANAGEMENT

MEANING OF OWNERSHIP

Ownership means possession of a title in a property. It connotes certain rights, viz. (1) a right to possess, (e.g.) the owner of a pen has a right to have it with him; (2) a right to use or enjoy the fruits of the property, (e.g.) the owner of a house has a right to live in it, (3) a right to lend; (4) a right to transfer by gift; (5) a right to mortgage or pledge; (6) a right to destroy; (7) a right to sell, and (8) right to bequeath.

FORMS OF OWNERSHIP

Ownership may be of three forms, namely, (1) Individual or personal ownership (2) joint ownership, (3) corporate ownership and (4) public (or state or communal) ownership.

INDIVIDUAL OWNERSHIP

Individual ownership is the most common form of ownership. Ever since the institution of private property came into existence, people enjoy individual ownership. The right to own private property has been given to man by nature or rather by the creator Himself, both in order that individuals may be able to provide for their own needs and those of their families and also that by means of it the goods which the creator has destined for the whole human race may truly serve this purposes. Almost every state outside the Soviet Union and Communist China recognizes the right to private property. Even in the Soviet Union and Communist China, a limited right to private property is recognised. An individual can own dwelling house, household articles and articles of personal use and comfort. The right of inheritance of such personal property of citizens is also protected there by law.



The rationale of the right to property is widely questioned. Without its abolition equality is impossible. The right to property tends to develop extreme selfishness. It leads to exploitation of one by another. On the other hand it is argued that the power to acquire wealth supplies an incentive to work. W. S. M'Kechnie, in his book, "The State and Individual", says that 'a right to property is needed for the development of personality'. 'Property must be possessed in order that a man may be his best self' so says H. J. Laski.

JOINT OWNERSHIP

Joint ownership arises either out of inheritance or out of contract. Sons of a person acquire joint ownership in the proportion inherited from him. Their respective shares are determined by the law of inheritance. Partners of a firm have joint ownership in its properties.

Their respective shares are determined by their mutual agreement. Joint ownership is contingent on the mutual consent of the co-parceners or partners. It may be split up into individual ownership at the instance of co-parceners or partners, as the case may be.

CORPORATE OWNERSHIP

A corporate body like a joint-stock company or a co-operative society also owns properties. It acquires such properties and wealth as are required for carrying on its objectives. For instance, an industrial company acquired building, plant and machinery, tools and raw materials to carry on its industrial activities.

Corporate body's rights to acquire, use and transfer properties are not as absolute as the rights of an individual to his private property. Its rights depend on its constitution.



PUBLIC (or state or communal) OWNERSHIP

Government possess certain properties such as public buildings, roads, dock and harbours and public enterprises. Such communal wealth and industries are owned municipally or nationally and maintained and managed in the common interest.

PRIVATE ENTERPRISE

Private enterprise is based on the institution of private property. It is an enterprise carried on for the benefit of a private individual or individuals. It is based on profit-motive. Persons of capital resources start enterprises individually or jointly to earn profits and multiply their wealth. They tend to exploit their employees and consumers of their products or services.

There are Four main forms of organization of private enterprises, viz. (1) Sole proprietary concern, (2) Joint-Hindu family firm, (3) Partnership and (4) Joint-stock company.

SOLE PROPRIETARY CONCERN

It is one man's concern, i.e., individual-ownership concern. It is owned and managed by a single person for his exclusive benefit. The entire capital is contributed by the single proprietor. He is himself the organizer and manager. He enjoys all the profits earned. He has also to bear the whole risk of loss, if any. He has incentive to work hard and to take personal interest and initiative in his business to run it as efficiently and economically as possible.

PARTNERSHIP

It is the relationship between persons who carry on a business in common with a view to profits. Capital is contributed by partners in agreed proportions.



The business is carried on by all or any of them acting for all. The profits are shared by the partners in agreed proportions.

JOINT HINDU FAMILY FIRM

It is a firm belonging to a joint-family. It is a peculiar type of partnership. It arises not from contract but from status. It is managed by the head of the family. It descends with other properties through the heirs of the family.

JOINT-STOCK COMPANY

It is a body corporate. It may be described as an artificial person created by law with a perpetual succession and a common seal. It is registered under the Companies Act with its Memorandum of Association and Articles of Association. Memorandum is its constitution. Articles contain the rules for internal management.

A company may be a public one or private one. A public company may offer its shares to public. Its shares are transferable. Its management is centralised. It is vested in a Board of Directors who are elected by the shareholders.

CO-OPERATION

It is an alternative form of organisation to capitalism. It is a voluntary and democratic association of human being based on principles of equality and equity, for promotion of their economic interests. It is a business unit organized for the purpose of satisfying the common economic needs of its members. It enables economically weaker sections to protect themselves from the exploitation of stronger parties.

Ordinarily there is conflict of interest in an economic activity. For instance, in trading, the buyer is interested in buying at a cheaper price, while the seller is interested in selling his goods at a high price. Therefore there is always a conflict



of interest between buyer and seller. This leads to exploitation of the weaker party by the stronger. This conflict is resolved in a co-operative enterprise. An identity of interest is established. In co-operation, the buyer and the seller is the same person; and the borrower and lender is the same person. So there is no element of exploitation. Further co-operation is based on distributive justice. Its surplus is distributed in proportion to the members' loyalty. This equitable distribution tends to correct the present inequalities of wealth. This is a great socio-economic corrective.

It upholds democracy and trains its members in a self-government. It "aims at the production of fine human beings".

PUBLIC ENTERPRISE

It is an enterprise owned by the Government or local authorities to serve the larger interest of the community as a whole. It is an enterprise of the people for the people and by the people.

The object of public enterprise is two-fold — first, to eliminate private profit which is the main cause for inequality of wealth, and secondly, to provide quality products or services at cheaper rate. Service is its motto; social welfare is its goal.

A COMPARATIVE STUDY

1. OWNERSHIP:

Sole proprietary concern is one man's concern, while a joint-Hindu family firm, partnership firm, joint-stock company and a co-operative enterprise are joint concerns. Public enterprise, on the other hand is owned by Government or a local body. While the first five forms of organizations are owned privately by



one or more persons, public enterprise alone is a social enterprise and it belongs to the society at large.

2. CAPITAL

The capacity of sole proprietary, partnership and joint-family firms to raise capital is very limited, whereas that of joint-stock company is very extensive. Capital mobilisation capacity of a co-operative society is moderate. But public enterprise can raise any amount of capital.

3. NATURE

A joint family firm is created by the operation of law and arises from status; partnership arises out of contract; but a joint-stock company and a co-operative society arise out of associations of persons and a public enterprise is a creation of Government or a public body.

4. CONTINUITY

A sole proprietary concern, and a partnership firm lack continuity, as they are dissolved by the death, retirement or insolvency of the proprietor or a partner, as the case may be. Further they have no separate legal existence apart from the persons composing them. On the other hand, a joint-stock company and a co-operative society have the advantage of perpetual life and separate legal existence. Also they are less dependent than the sole proprietary, family and partnership concerns on a continued supply of “family brains”, since they can buy the services of able executives.

The case of public enterprise is different. It is not so stable. Its continuity is contingent upon the Government's policy which changes as and when party-politics changes. When a leftist party is in power, it favours public enterprises,



but when a rightist party comes to power, it may de-nationalise public enterprises.

5. FORMATION

The formation of sole proprietary, joint-family and partnership concerns is very easy but elaborate legal formalities are required to be observed in floating a joint-stock company or a co-operative society and a public enterprise.

6. SIZE AND SUITABILITY

Sole proprietary, joint-family and partnership concerns are small concerns and they are common in agriculture, retail trade, small scale industries and professions. Joint-stock companies are large concerns and are common in large scale manufacturing industries, import, export, transport, banking, insurance and warehousing. Public utility works are railways, postal services and public works in almost all countries. Co-operative Societies may be small or large and are organised by weaker sections — farmers, artisans, workers and consumers — to protect themselves from the exploitation of stronger sections.

7. NUMBER OF MEMBERS

Any two or more persons may form a partnership. Its maximum number of members is limited to ten in the case of banking business and to twenty in other lines of business. In the case of a public limited company, the maximum number is unlimited, the minimum being seven. In the case of a private company, the maximum is fifty and the minimum two. In the case of a co-operative society there is no upper ceiling, and the minimum is ten.

8. LIABILITY

The Liability of a sole proprietor and partners to the debts of their firms is unlimited. They become fully liable for losses up to the limit of their resources.



The liability of members of joint stock companies and co-operative societies may be limited to the amount unpaid on shares held by them or by a guarantee. In the case of a public enterprise, the concerned Government or public body is liable for its losses.

9. TRANSFER OF SHARES

A member of a partner cannot transfer his interest in the firm without the consent of all other partners. Similarly, the shares of a private company and a Co-operative Society are not transferable. But the shares of a public limited company are transferable.

10. RISK BEARING

Every business involves risk of loss. Who has to bear it? In respect of sole proprietary, family and partnership concerns, risk is borne by one man and a few persons respectively. Hence burden falls on a few shoulders. On the other hand, in respect of a joint-stock company and a co-operative society, risk can be spread over a large number of persons. In the case of a public enterprise, risk is borne by the public at large indirectly.

11. INCENTIVE

Men need an incentive to work hard. An incentive is a stimulus or an inducement which invites one to action. It is a factor, material or non-material, which will impel, urge or encourage a person to perform tasks and to strive for achievement. The primary effect of an incentive is a psychological reaction. By nature, people respond in certain ways to stimulate to which they are subjected.

The right to the unhampered use of one's gains supplies such an incentive in sole proprietary, family and partnership concerns. Their proprietors are amply rewarded for their hard work. The case of a joint-stock company is different. In



it, ownership is divorced from management, and management work is mainly carried on by paid employees. Paid employees have no personal incentive and initiative as proprietors have. Hence they do not work so hard as the latter do. The same is the case with big co-operative societies and public enterprises.

12. MANAGEMENT

Management is a social process. It is essential for every organization. It is necessary for directing and unifying group efforts towards a common purpose. Management is defined as “a social process entailing responsibility for the effective planning and regulating the activities of an enterprise in relation to its procedures, and to the duties or tasks of its personnel.” Management is a creative force. It creates a result that is a bigger whole than the sum total of efforts put in by the group. As Urwick and Brech have rightly observed, “No ideology, no ‘ism’, no political theory can win a greater output with less effort from a given complex of human and material resources than only sound management.”

Management involves two main aspects, viz., (1) policy making and (2) execution of policy.

In sole proprietary and partnership concerns, the proprietor or partners both makes or make policies and executes or execute them. In a family concern, the head of the family is both a policy-maker and an executive. Thus the management of above concerns is decentralised. The case of a joint-stock company and a co-operative society is different. Their management is centralised. All the share-holders or members do not take part in the day to-day affairs. They elect a few representatives from among themselves and entrust to them with the direction of the affairs of the company or the society as the case may be. These elected representatives constitute the Board of Directors. The Board of Directors, as the title implies is the body “entrusted with making out the



road to be followed and checking up periodically to see that the journey is being continued according to plan". The Board determines the policy and it is executed by paid executives and staff.

Public enterprise is managed in different ways. Enterprises like Postal service, Railways and Forestry are managed by Government departments.

Enterprises which are akin to private business are managed by private agencies on contract basis. For instance Eastern Shipping Corporation was managed by managing agents. Management through an autonomous authority is another form of management. This authority may be a joint stock company or a public corporation created under a special act. For instance, the Sindry Fertilizer Factory is run by a company registered under the Companies' Act. Damodar Valley Corporation and the Industrial Finance Corporation are examples of public corporations.

The Directors of Public Enterprise are nominated by Government, and the over-all policy to be adopted by them is determined by Government.

13. CONTROL

Control goes with ownership. In the case of sole proprietary and partnership firms, the ownership and control are both vested in the sole proprietor and partners respectively. Partners exercise control through their mutual decisions. In the case of joint-stock companies and co-operative societies, control vest in the general body of members. They exercise control through their voting rights in general meetings. However the nature of control exercised by the share-holders of joint-stock companies is different from that of members of co-operative societies. Company share-holders' control is capitalistic, whereas co-operative society members' control is democratic. The voting rights of company share-holders generally are in proportion to the shares held by them;



preference share-holders may not have the right to vote, and some classes of ordinary shares may carry much heavier voting powers than other categories of ordinary shares. In this way control of the company may be vested in a restricted group of share-holders. But in a cooperative society, members have equal voting powers, irrespective of the amount of share capital paid by each. One member, one vote is the rule, and no proxy system is allowed. Hence the members' control is highly democratic. In a public enterprise, control vests in the State or some public body. But there is the danger of this control becoming rigid and bureaucratic due to the red-tapism of bureaucratic civil service.

14. ELEMENTS OF EXPLOITATION

An element of exploitation is inherent in sole proprietary, partnership and joint stock concerns, as they are capitalistic organizations based on profit motive. With a view to maximise their profits, they tend to extract more work from their employees for less wages and to exploit consumers by charging high prices. They also resort to adulteration — more often harmful — and underweight and measurement. On the other hand there is no such element of exploitation in a co-operative society, as it is not based on profit motive. It is meant not to exploit others but to prevent exploitation. It enables the weaker sections — consumers, or craftsmen or farmers or workers — to protect themselves from the exploitation of stronger sections.

In a public enterprise also, there is no element of exploitation. The danger of exploitation for the capitalist's private profit does not exist in it, as it is meant for promoting social welfare. However, when it is not run efficiently, as is the case often, the consumer may be exploited through high costs and undue wastage involved in such inefficiency.



15. CONCENTRATION OF WEALTH AND ECONOMIC POWER

The development of capitalistic private enterprise covering sole proprietary, joint-family and joint-stock concerns has resulted in misdistribution of income. While a few capitalists realise very high profits, thousands of workers get only low wages. This has resulted in unjust distribution of the wealth, i.e., in excessive inequality of wealth income and opportunities also. Besides, there is also in-security. This is the consequence of the wage system of private enterprise. The wage system, according to G.D.H. Cole, abstracts labour from the labourers, so that the one can be bought and sold without the other. Consequently wages are paid to the workers only when it is profitable to the capitalist to employ his labour. The worker becomes a 'wage-slave'.

On the other hand, co-operative enterprise is based on the principle of equity. It promotes distributive justice. Surplus is distributed in proportion to the degree in which the members made use of the society. It aims at equitable distribution of wealth. This will ultimately reduce the vast inequality of wealth and correct the misdistribution of income.

State enterprise may also be a tool for establishing an equitable system of distribution. Its profits may be utilized for the welfare of the weaker sections.

Concentration of power goes with concentration of wealth. The private enterprise results not only in concentration of wealth in fewer and fewer hands, but also in concentration of power. The joint-stock company facilitates such concentration by ease with number of firms may be brought under common control. The Tata group of industries and Birla group of industries are such examples.

Co-operative enterprise being a decentralised one, aims at wider dispersal of economic power. There is no competition nor monopolistic combinations in it.



But in the case of state enterprises, with its growth, economic power gets itself merged with political power implying possible threats to economic and political freedom. Hence state enterprise is not free from the danger of concentration of economic power. State enterprise by itself does not replace industrial despotism by industrial democracy. All the fundamental problems — the problem of changing the status of the worker and giving him more wages and opportunity for initiative and incentive, etc. remain the same even in the public enterprise.

TRUSTEESHIP ECONOMY

Hence it is clear that the transfer of ownership and control from private hands to those of the state in itself is not a solution for problems of exploitation, concentration of wealth and power and lack of distributive justice. What matters much is not ownership, but the attitude of mind. Whether the wealth is used mainly for personal advantage or for social welfare depends on the attitude of mind of its owner. If he is very selfish, he uses for his exclusive benefit. If he is unselfish, he uses it for the benefit of the society at large. So what is required is change of heart. Everyone should realize that everything belongs to God and is from God. Therefore it is for His people as a whole not for a particular individual. When an individual has more than his proportionate portion he becomes a trustee of that portion for God's people. This is the right type of attitude that everyone should develop. This is the solution for all evils of modern society. This attitude implies the development of such spiritual values as truth, love (i.e., non-violence), chastity, non-stealing, contentment, self-restraint and self-sacrifice.



TRUSTEESHIP AND ECONOMIC ORDER

There are only two chief economic orders presently tried in the world today — capitalism and socialism.

Capitalism is a kind of economic arrangement in which we have, on the one hand, the discontented and pauperised wage-earners, and on the other, a small group of ever-wealthy owners of wealth. The conflict between the interests of the two sections of this productive force, tends to create endless strife in industry, trade and commerce, which culminates into economic crises.

Here, it is the few who are in absolute control of the economy, and therefore too powerful to be overthrown even by a strong revolutionary movement. “Wealth at all cost” is the motive of this order, and violence the order of the day in such an economy. As for the wage-earners, discontent kills their initiative, retards productivity, and draws over the society a dark carpet of social and economic insecurity.

Socialism was born of this discontent among the workers and the poor, who wished to end the power of ‘capital’ over production, with the help of the State. In this new order, the means of production are said to be socialised. The entire power of regulation and control rests with the State, which in actual working, is represented by a small group of powerful bureaucrats. In socialism, the original conflict between ‘capital’ and ‘labour’ does not exist; but it has submitted itself to suppression of a different kind. The discontent of the wage-earners is not totally ruled out even in this set-up. They have been able to keep their demands alive through the organisation of a strong trade-union movement, which is in virtual control of the production process.



A new situation therefore arises, in which planning and execution is left in the hands of a powerful bureaucracy, who have little insight into the specific needs of society, and the potentiality of the working forces, and which has little interest or initiative in the material efficiency of production or the promotion of social good, consistent with liberty, equality and justice.

The fact remains, therefore, that neither Capitalism nor Socialism has been able to solve the problems of production and distribution. The much promised equality of Socialism remains a dream. The State merely enters the arena with its own variety of Capitalism, mildly termed as “State Capitalism”. The concept of ‘the State withering away’ has been a myth. No State armed with such power is ever willing to wither away! It only tends to concentrate more and more political power. In such a State, labourers and managers have to work under regimentation.

Capitalism cares for the welfare of the few. Socialism insists on the welfare of the many, and aims at the liquidation of the few. The former places wealth in the hands of the few while the latter places it in the hands of the State, hoping that the Government would set the evils right. Experience has belied these hopes. Both these orders are based on violence. Under Capitalism, the Government is in the hands of the few who are prosperous, while the Socialist order leaves the entire power in the hands of the State, which is represented by a few bureaucrats. Under both systems it is the few who always rule.

THE THIRD WAY

We have therefore to find a third way. Gandhiji devoted sufficient thought to the evils of these two orders and gave us the third way. He wanted a synthesis of both Capitalism and Socialism by eliminating the basis of violence, which



ruined both. He therefore founded his new social order on the foundation of non-violence.

He did not want the capitalist to be liquidated, nor the workers and peasants to suffer under the strain of capitalism. He did not approve of regimentation, even if it comes from a democratic state. He wanted the truth to be appreciated, that Capital without the willing co-operation of 'labour' can never produce wealth. So he asked the capitalist to 'renounce' the fruits of his labour and his position for the sake of society. He did not want a third party distribution of wealth, even if it be through the State. He wanted the capitalist directly to look after the welfare of his workers, by becoming a co-partner in the enterprise and dedicating it to the society. This, he called, 'Sarvodaya' – the welfare of all.

DECENTRALIZATION OF POWER

Let us now see another aspect of the Third way. In the two earlier orders — Capitalism and Socialism - the society moves greater and greater towards concentration of economic, and thus of political power. The rich are in possession of this power in abundance and use it against the poor in society. The Industrial revolution was the starting point of this concentration and the recent trends in technological development has given this 'concentration' a permanent character.

It is often thought that greater centralization would lead to greater efficiency, and would thus make for greater productivity, and for the ultimate prosperity of the human race. In this pursuit of greater efficiency and productivity, technology seems to be stumbling from crisis to crisis, and on all sides we hear prophecies of disaster and we begin to see some visible signs of break down.

It must, however, be conceded that the modern world has been shaped by technology and a system of education suited to tend, develop and propagate



such a technology. Though a product of man, technology tends to develop on its own. It has no effective short-cuts to growth and development, but promises to do just that.

In fact, man who is an inseparable part of nature, finds it difficult to tear himself away from it even with the help of technology, however well-developed and sophisticated it is. There are areas where technology develops in conflict with nature's laws, and Nature tends to reject such extraneous growth.

Yet, man alone has made this technology in all its sophistication. It has given the few who control it, a new hope of prosperity and betterment! They foresee that technology will one day lead to the solution of most of man's problems and place at his disposal abundance of material wealth and well-being. But the experience of the last quarter of a century clearly shows that the problems created by technology are greater in number, and deeper in character, than the problems it sought to solve, and has left unsolved.

ONE INSTANCE

It is claimed that technology makes it possible to produce more in lesser time. The application of this technology therefore relieve more hands from 'work', and put them on 'leisure'! We are thus faced with the problem of unemployment everywhere. We have in India more hands to work and more mouths to feed, than can possibly be employed by any technology. Social scientists and Economists call this enforced leisure exploitation, which is the root cause of poverty and unemployment.

It may therefore be observed that there is nothing in technology to suggest that it can really help us to end exploitation, or alleviate poverty and want, or to solve the problems of unemployment, or to give man a sense of security in society. All that it can do is to increase exploitation by 'the few' who control



technology, of 'the many' who are eager to participate in the production process with less sophisticated tools but with their creative brain and hands.

Those who control this new source of economic power are able to wield it tremendously against the dumb millions only to add to their own already rich possessions. To talk of prosperity for the Indian masses as a result of technology seems meaningless in this context. All that it can do is to enable 'the few' to wield greater influence and assume greater importance in a world tending to move towards absolute materialism.

ILLUSION AND REALITY

The fact that technology draws its motivation chiefly from illusion — for its promises are illusory and results highly transient — proves that it cannot take root in the soil Nature, and cannot therefore offer any permanent solution to the problems that face man — exploitation and violence — which manifest themselves in the present-day society in the forms of poverty and unemployment. It is beyond one's comprehension, how illusion can make for reality, and how technology based on such an illusion, can set inequalities right or establish peace. We all know that peace and violence are terms in contradiction!

We can go on to prove that technology is not only violent, but also inefficient as far as production is concerned. It "cripples" man and renders him the least productive among resources, as technology has no use for the poor man's brain and hands, however creative they may be. It deprive man of one of the most-cherished forms of enjoyment — creative useful work. Man lives not by bread alone, but by the very things that go to give him initiative, responsibility and sense of security.



Further, technology which tends to concentrate economic and political power in the hands of a few, cannot equitably distribute wealth in a society, which alone leads to greater liberty, equality, honour and justice.

FUNCTIONAL TECHNOLOGY

It therefore becomes imperative to reverse this trend towards concentration, and gradually decentralise it. We should place the tools of production in the hands of the masses, who would use them to produce primarily what society urgently need.

As there are more hands to work than there is capital to be invested, decentralized production is the only answer. We produce wealth, while at the same time, ensure equitable distribution of wealth.

The poor in the country cannot be helped by mass production. Mass production based on sophisticated, highly-capital-intensive, high-energy-labour-saving technology, presupposes that we are already rich; for it requires a great deal more of capital investment to establish a single workplace which can offer gainful employment for a few.

Further, the quality of training which technology expects from the few who seek employment in these workplaces is so high, that an average Indian may be ill-suited for such jobs.

What we have in abundance is human skill and labour, which when mobilised and geared to a common production programme, will remove concentration of wealth and power in the hands of a few, and make for equitable distribution of wealth to the many. The problem of distributing wealth equitably is thus solved to a great extent!



It should not be concluded that we wish to do away with technology altogether. Technology will be there, but with a newer emphasis, which ordinary human beings can manage, which will remain within the reach of the intelligence and capacity of the average producer, and serve him as a tool of production and not as a means of exploitation. We may call this functional technology, for it will place more productive power in the hands of the producer, but will not make him an instrument of exploitation! The tools he would employ will be such that will integrate the human being, binding his skilful hands and creative brains in the productive process. It would mitigate exploitation and help millions who are under-employed today to work for their legitimate survival and well-being.

The nature of such a technology has not yet been conceived, much less appreciated. There are also various concepts involved in evolving such a technology, which modern thinkers think, are 'complicated'. Research in this functional technology has not yet been fully initiated, though the need for a change has been felt in under-developed countries.

GUIDE LINES

An examination of the theory of production is introduced here, only to focus attention on some basic concepts which the Gandhian economic philosophy envisages. The following points become relevant to the forms of Trusteeship Organisations:

- (a) Trusteeship does not recognise centralization of production, but essentially supports decentralised production and consumption.
- (b) It does not again view 'labour' as a commodity to be bought at the cheapest price in order that production costs could be kept down.



- (c) It emphasises that Capital should play only a supporting role in industrial development. All who promote and work for the cause — investors of capital, workers, managers, clerical staff (all investors of labour), producers of raw-materials, distributors, and consumers — are to be considered equal partners in the enterprise.
- (d) It views income of 'rent' from land, and 'interest' on capital as unearned benefits, which the beneficiaries are not strictly entitled to. In its place, only a service charge will be made in a Trusteeship organisation.
- (e) Trusteeship will work for a progressive decentralisation of functions on a democratic basis, as 'growth' and 'progress' are relative terms. These can have no meaning until the two are inter-related to the over-all well-being and development of human beings.

These are our guidelines of approach to the consideration of what forms of organisation Trusteeship Institutions — new or converted — will preserve, and promote the principles underlying Gandhiji's idea of Trusteeship.

FORMS OF ORGANISATIONS

While trying to find out what forms of organisation Trusteeship should take, let us divide them into two:

- (a) Conversion of the present forms to suit the new ideology.
- (b) Establishment of new enterprises totally on the basis of Trusteeship.

CONVERSION OF EXISTING FORMS

In India, enterprises in Trade, Industry and Banking can largely be classified into three categories — Private enterprise, State enterprise and Co-operative enterprise. In all the above, 'capital' is pre-dominant and 'labour' subservient. In



the co-operatives, the element of State control is greater than the participation of its members. Incessant class-war as class-tension between 'capital' and 'labour' is a significant phenomenon in all these enterprises. Neither 'Private Capitalism' nor 'State Capitalism' is devoid of the evils and inadequacies that lie deep rooted in this malaise.

State ownership of economic enterprise as such does not bring the latter under social control, except in a formal and legalistic sense. It does not by itself make for democracy in industry and mitigate the centralisation of economic power. All the fundamental problems listed below remain even after the transfer of ownership to the State:

- i) To alter industrial relations and make the personnel in the industry a fellowship with a community of purpose and interest:
- ii) To alter the status of the worker and give his work meaning and purpose or open for him any opportunity for initiative;
- iii) To make industry responsible to those who have a stake and concern in it; — viz., the workers, the consumers, the local and the larger community.

While private enterprise holds itself responsible to the share-holders, the responsibility of State enterprises also tends to be limited, in effect, to the Government.

Gandhiji did not want to take away the enterprises from the Capitalists. He would rather take away the Capitalists along with their enterprises. That means that he wanted to persuade the Capitalists to continue to run their enterprises themselves, not however, as sole owners, but as 'trustees' in the interest, not



only of themselves and their fellow-owners (viz., shareholders) but of the society at large.

In spite of the inspired lead of Gandhiji in this respect, there has been less concern in India with this question, than in the West, probably because India has not witnessed the evils of private enterprise as the West has done, nor has India yet realised the disappointments of nationalization. Here the evils of private enterprise have been rather obvious for some years, while the inadequacies and faults of State enterprise are yet to be appreciated.

TRUSTEESHIP – WHY AND HOW?

According to Gandhiji, “Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself”.

Trusteeship therefore introduces new values into all enterprises — be they in the Private Sector, or in the Public Sector. In other words Trusteeship seeks to convert through a non-violent process, private property into social property (a commonwealth). It shall be the joint enterprise of the entrepreneur, the worker and the consumer, all being co-trustees of the enterprise, responsible to the society at large.

The following guidelines may be followed -

- (a) Raw materials shall be purchased, only at such rates and prices, as to ensure a living wage to the producers.
- (b) Natural resources being scarce, their use shall be minimal. Efforts will be made to replace such essential drawals by materials which man can himself make.



It must be remembered that the mineral wealth of the earth belongs to prosperity, and shall not be drawn upon in such a manner as to deplete them in the present or at any time in the near future. The 'Reservoir economy' shall be substituted by a 'Current economy'. All such mineral wealth shall not be paid for at "digging cost", but at rates competent to replace them by other sources.

- (c) Production shall be prompted by demand. Nothing which has no demand in the open market shall as far as possible be produced and dumped into the market.
- (d) Wages shall be paid according to pre-determined rates, bringing the ratio between the lowest and the highest to 1 : 7 in the initial stages, with a view to eliminate the disparity as time goes on.

It shall ensure an honourable living-wage to the lowest paid, and a fairly comfortable one to the highest paid, thus bringing the life-style of the manager close to that of the worker. The criterion in determining the wage structure shall be an honourable living.

- (e) Profit shall not be the motive of the enterprise. Production of goods shall be considered a social duty. The price-structure shall be such as to give as little net profit as possible to cover the overheads and maintenance costs. Temptation to earn profit for capital formation or for future expansion shall be resisted.
- (f) The consumers shall enjoy equal status on the Board of Management. They shall be assured of the quality of goods turned out, and of the reasonability of the price. In-built audit systems shall be established to create this consumer confidence.



- (g) Expansionism or Centralisation shall be resisted, as only decentralisation shall make these units viable and more efficient. There shall however be a net-work of organisations trying to promote a common cause, provided it eliminates unhealthy competition.
- (h) The enterprise shall ultimately be responsible to the larger community – the nation, indeed the whole world — in rendering faithful essential service.

II GUIDELINES FOR NEW TRUSTEESHIP ORGANISATIONS:

All new enterprises should be started only under the new form which Trusteeship envisages. We shall call such an enterprise, 'The Trusteeship Corporation' in the Social Sector. It shall work in the form of a joint family, consisting of capital, management, labour, Consumer and the society, the government standing by to regulate and not to control. The corporation shall function through panels constituted from its own members, for the various aspects of work which are given below.

The capital for such an enterprise shall be found on an interest-free basis. No investor shall be considered a shareholder, except that he shall be considered a co-partner, a well-wisher of the enterprise; and he shall be willing to help in its progress by rendering faithful service in any one of the panels set up. Even the Government, if it chooses to be an investor, shall not expect any interest from the shares, nor shall it assume supervisory or managerial control over the enterprise. The enterprise shall be a 'Commonwealth' owned by all concerned in the enterprise, and responsible to society at large, as distinct from the State.

The following panels may be set up in all Trusteeship Organisations to effectively plan and implement programmes:



- (a) Policy-making, planning for expansion and development, acquisition of property, etc.
- (b) Laying down personnel policy, including recruitment and training, determining the wage-structure, supervising working conditions, cultural and educational welfare and recreation of the workers.
- (c) Purchase of raw-materials, determining production methods, quality control, administering strict economy in production and avoiding wastage.
- (d) Sales organisation and promotion including price fixation, providing a good distribution system in which the consumers' interests will be fully safeguarded.
- (e) Maintenance of proper accounts, determining the distribution of profit etc.
- (f) Training of unskilled and skilled workers in the methods of production, training of employees in management and sales promotion.
- (g) Public relations with the Company at large, the Government and similar Trusteeship Organisations, Consumer Councils and the general public.
- (h) Social audit of business and distribution of profit — especially that derived from increased productivity — generally called in communist states as 'surplus value'.

It is hoped that an earnest attempt will be made to usher in the Trusteeship concept into both existing and future enterprises, for this alone will ensure equality and lasting industrial peace.



GANDHIAN CONCEPT OF TRUSTEESHIP

SOURCES

Isopanishad says, “All that is in the universe is pervaded by God. Renounce first therefore, in order to enjoy. Covet not anybody's riches”. “Sabhi Bhoomi Gopalki”, runs another Indian saying. The saivites declare that their entire holdings belong to Lord Siva. What do these statements signify? Non-possession always leads to happiness. Let man, the embodiment of Love (Ahimsa), realise the trust placed in him and emerge victorious from the gripping hands of ignorance and social tyranny.

We are reminded now of the famous miracle of Five Loaves and Two Fishes of Lord Jesus. His aim was to illustrate to his disciples how voluntary sharing will lead to the satisfaction of one and all. So he said, “Put all you have into a basket and let everyone else do likewise”. Arranging the crowd in rows of fifty each he distributed the collected victuals to the thronging five thousand, each according to his need. Does not this pithy parable exemplify the Theory of Trusteeship in a vivid manner?

WHY TRUSTEESHIP

Man is a social product. His very body is not his own in the sense that it has been acquired through the goodwill and effort of his parents. His tendencies and temperaments are the outcome of heredity and social contacts. Similar is the case with his accumulated wealth. To enjoy it himself becomes thus immoral and violent. Naturally he has to share it with others in the interest of his own salvation.

At this juncture, it is better to understand the difference between ‘Possession’ and ‘Possessiveness’. Possession is not so much an evil in itself, as



possessiveness is. This acquisitive instinct in man can be transmuted into an instrument of social good by the application of the principle of trusteeship. This accounts for Gandhiji's reply to a multi-millionaire friend ready to renounce his wealth and business in order to follow him. He said, "I do not want you to renounce either your millions or your business; I want you to make use of both for the service of the poor".

As we all know Mahatmaji was dead against capitalism and individual hoarding. Nevertheless he was an infallible advocate of individual freedom. According to him, "All men are born free and equal" is true only in the sense that all have a moral right to equal opportunity. Their contributions to the society will vary in consonance with their talents and abilities. So Gandhiji affirms, "I would allow a man of intellect to earn more. I would not cramp his talent. But the bulk of his greater earnings must be used for the good of the State, just as the income of all earning sons of the father goes to the common family fund". Thus the doctrine of Trusteeship is the only answer to the problem of recurring inequalities arising from 'Residuary ownership'.

The accumulation of capital by the individual in the present set up is largely the fruit of exploitation i.e., violence. At the same time Gandhiji does not favour a centralisation of power in the hands of the State which represents violence in a concentrated and organised form. In his considered opinion the violence of private ownership is less injurious than the violence of the State. For, the individual has a soul, but the state is a soulless machine. So he justly points out, "I look upon an increase in the power of the State with the greatest fear, because, while apparently doing good by minimising exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress".



Gandhiji further clarifies his point regarding the State thus. The State can conscript wealth, if it so desires; but, it cannot conscript the talent and good will of the privileged class. On the other hand Trusteeship, giving capitalism no quarter, gives to the capitalists the moral freedom to develop and use their talents for the service of society. It avoids the evils of violence, regimentation and suppression of individual liberty. “Make men free and they become unequal, make them equal and they cease to be free”, is indeed a sane and thought-provoking statement.

TRUSTEESHIP IN INDUSTRY

The idea of Trusteeship holds good even in the industrial sector. According to Gandhiji industry is a joint enterprise of labour and capital in which both ‘Owners’ and ‘Workers’ are co-trustees for society. If the capitalists do not discharge their trust properly, the workers should direct their attack against the corruption, injustice, inefficiency and short-sighted greed of the owners through properly wielding the weapon of ‘non-violent non-co-operation’, thereby enlisting the sympathy of the public on their side. If the capitalists still prove unreasonable by their dogmatic assertion, “Agitation short of violence will then continue till the replacing tenants see their error and make common cause with the evicted tenants”. Usually labour very often fails in the fight against capitalistic exploitation, because labour also desires to seize capital instead of sterilising its inherent power. No wonder then that the better organised and better equipped capitalists use the very aspirations of labour to suppress labour. If the non-co-operative workers acquire skill in a variety of manual crafts, it keeps up their morale during struggle better than any Fund raised. Gandhiji is sanguine of these evils being remedied through the establishment of Panchayat Raj where “public opinion will do what violence can never do”.



In the words of Gandhiji, “The theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories. No other theory is compatible with non-violence. It has the sanction of philosophy and religion behind it. That possessors of wealth have not acted up to the theory, does not prove its falsity; it proves the weakness of the wealthy”. Has not Jamnalalji shown through his enlightened example that, if a capitalist has the spiritual urge in him, he can overcome this weakness and thus become a capitalist of the Gandhian pattern?

To sum up let me write below the final draft on Trusteeship as amended by Gandhiji.

1. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.

2. It does not recognise any right of private ownership of property except so far as it may be permitted by society for its own welfare.

3. It does not exclude legislative regulation of the ownership and use of wealth.

4. Thus, under State-regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interest of society.

5. Just as it is proposed to fix decent minimum living wage, even so a limit should be fixed for the maximum income that could be allowed to any person in society. The difference between such minimum and maximum incomes should



be reasonable and equitable and variable from time to time so much so that the tendency would be towards obliteration of the difference.

6. Under the Gandhian economic order the character of production will be determined by social necessity and not by personal whim or greed.

N.B.: Please consider the following:

1. Institutions started and run by Gandhiji.
2. Bhoodan, Gramdan etc. movements by Vinobaji.

CO-OPERATION:

Co-operation is another form of doing business and so another form of ownership of wealth and assets. The main feature of this type of organisation is that the members of it are the real owners and they are the persons who control it. The main theme of co-operation is promotion of thrift, self-help and mutual help.

This type of voluntary organisation came into existence only in the 19th century in England and Europe. But in India, the co-operative movement was sponsored by the Government only in the early parts of the 20th century.

At first this movement of co-operation was there only in the form of Credit Societies. Only later on, the activity of the Co-operative Societies has been extended to cover other spheres also like production, distribution, Insurance, Housing, etc. The Co-operative Societies may, therefore, be classified as follows:

1. Credit Societies.
2. Producers' Societies.
3. Consumers' Societies.
4. Marketing Societies.



5. Housing Societies.

6. Insurance Societies.

7. Other Societies.

In most of the Co-operative forms of organisation the object will be to eliminate the middle man and to protect the interests of the members. The management of these co-operative organisations is usually vested with a Board of Directors elected in the General Body by the members. The annual profits are usually divided amongst the members, not exceeding a statutory limit and after setting apart for reserve and common good fund, the balance, if any will be to the reserve fund.

The advantages of a co-operative organisation are as follows:

1. The middleman, in all the transaction; is eliminated, which means the profit of the middlemen is also cut off.
2. Over and dead stock-in-trade are avoided, as the requirements of the members are known already.
3. As co-operatives are usually managed by committees who render voluntary and honorary services, the expenses of management on advertisement and publicity is practically nothing as a co-operative unit has got its own customers.
5. The payment of bonus on transactions by the members with the co-operative Society tends to strengthen the relationship between the society and its members.
6. There is no profit for special class of investors, which tends to equalise the distribution of surplus and wealth.



The disadvantages and limitations of a co-operative organisation are as follows:

1. Expansion and development are not possible beyond a limit.
2. Because of the assured market, there is lack of initiative and also slackness in organisation.
3. Expert and experienced services are not easily available.
4. In many cases the controlling committees are inefficient or incompetent as only the voluntary and honorary services of the available persons are utilised.

In spite of these shortcomings and limitations, it is found that the co-operative movement especially consumers' co-operation has enjoyed a continuous prosperity.

This form of business organisation is governed by The Co-operative Societies Act. The salient features of the Act are:

1. It divided the co-operative societies into two classes, Primary and Central.
2. There are three kinds of central societies which are:
 - (a) Societies consisting of primaries for mutual control.
 - (b) Central Banks comprising of partly individuals and partly societies and
 - (c) Provincial Banks comprising mostly of individuals.
3. The two classes of societies further recognised are, credit societies and non-credit societies.
4. The Act lays down that the liability of a society of which the members are registered societies shall be limited, while that of a credit society which



provides credit to its members and of which a majority of members are cultivators shall be unlimited. In all other cases, it shall be optional.

5. The Societies are empowered to set apart out of their profits, not exceeding 10% for charitable and educational purposes after $\frac{1}{4}$ th of the profits had been carried to reserve fund.

The force-runner, in this mode of organisation, as mentioned earlier is the credit society. Agricultural Credit earlier is the credit society. Agricultural Credit Societies are formed for the purposes of (a) providing short term finance for their members and (b) encouraging thrift among the members. Usually such Agricultural Credit Societies cater to the requirements of one village. The capital is raised by share capital contributed by the members, deposits and loans from members and non-members and loans from the Central or Provincial Banks.

The Non-Agricultural Credit Societies are co-operative organisations of non-agriculturist members of ordinary resources. These organisations are formed in small towns, usually not served by regular Banks, by people with ordinary means like artisans and workers. There are various types of organisations under this form. Some of them are:

1. Urban Banks.
2. Artisans' Societies.
3. Societies for Government employees and other employees.
4. Thrift Societies.

The Non-credit Agricultural Societies are Societies formed for the main purpose of improvement of agriculture by supplying seeds and seedlings at the proper time, providing modern and improved implements, etc.



Non-credit, non-agricultural societies normally take the form of consumers' co-operative societies.

Then there are Central Co-operative Banks who mainly act as financiers for other Urban and Rural Credit Societies. In most of the cases the finance of the Central Bank is provided from the following main sources. (1) Share capital (2) Deposits (3) Loan and (4) Reserve Fund. The constitution of these Central Banks consists partly of individuals and partly of co-operative societies. In several instances these Central Co-operative Banks raise deposits from members and non-members which are mostly in the form of fixed deposits.

By experience, it is found to have been not successful. So in all the States, State Co-operative Banks were formed, which are apex Banks, to co-ordinate and control the functions of Central Banks. These apex Banks depend for their working capital largely on deposits of the Central Co-operative Banks as well as the public.

Land Mortgage Banks have been formed to provide long term credit to agriculturists for redemption of old debts.

INSTITUTIONS FORMED UNDER THE SOCIETIES REGISTRATION ACT

Another important Act under which service organisations are usually formed is the Societies Registration Act. The main object of this act is to give a legal status for societies established for the promotion of literature, science or fine arts, or for the diffusion of useful knowledge, the diffusion of political knowledge or for charitable purposes.

Any seven or more persons, associated for any literary or charitable purpose or any other purposes provided under the Act, by subscribing their names to a memorandum of association and filing the same with the District



Registrar, form themselves into a society under this Act. A society is also a separate entity as distinct from the members constituting it.

The property both moveable and immoveable belonging to the society registered under the Act, if not vested in the trustees, shall be deemed to be vested in the governing body.

Every society registered under the Act may sue or be sued in the name of the President, Chairman, Secretary, principal or trustees.

Any number not less than three-fifths of them, members of any society may resolve to dissolve it and there-upon, the society shall be dissolved forthwith, or at any time agreed upon, once the decision for dissolution of a society is taken, then necessary steps must be taken for the disposal and realisation of all the properties and settlement of all the claims and liabilities according to the rules of the society.

The properties whatsoever of the society remaining after the settlement of its debts and liabilities shall not be distributed amongst the members but shall be handed over to some other society, to be determined by the votes of not less than three-fifths of the members present personally or by proxy.

STATE AND INDUSTRY

Some of the business in our country have been Nationalised recently. Nationalisation is said to bring about the following benefits:

1. State ownership prevents the exploitation of the public by the monopolies.
2. State ownership ensures effective control over basic Industries and services on which the economic life and welfare of the community depend.
3. State ownership affords free scope for the development and expansion of the Industry.



4. The surplus profits from the nationalised industry provide an additional revenue for the Public Treasury.
5. The ultimate aim in the administration will be the national economy as a whole.
6. Fullest possible employment of local labour and utilisation of local resources are possible.

The main arguments against nationalisation are as follows:

1. It usually leads to inefficiency.
2. It leads to regimentation.
3. The resources acquired to nationalise a particular industry can be better utilised to develop any other new productive capacity.

It is clear from the policies declared by the Government that its sole object is only to increase the means of production. In fact, the resources of the Government have been utilised only in establishing new undertaking and not in buying up the already existing units.

The Government is only trying to regulate and control the private enterprises to get them into a particular pattern. To ensure that private enterprises will fall in line with the over-all plan for the Nation. The Industries (Development and Control) Act was passed wherein provisions are there for licensing of new Industrial undertakings and also for substantial additions and extensions to the existing units.

The mains forms of organisations of State enterprises are:—

1. Municipal councils or local bodies.
2. Departments.
3. Corporations created by legislature.
4. Companies formed under the Companies Act.



Some of the recent cases of Nationalisation are Nationalisation of The Airways. Life Insurance business and The Imperial Bank. Some of the newly established undertakings of the Government are Indian Telephone Industries, Machine Tools Corporation, Sindri Fertilisers and Chemicals Private Limited, Hindustan Steel Limited, Hindustan Shipyard Private Limited, Neyveli Lignite Corporation, etc.

In conclusion, the various forms of business organisation which have been considered in this 'paper' are as follows:

1. The sole trader.
2. The Partnership.
3. The Companies.
4. Business Combinations.
5. Co-operative Organisation.
6. Societies formed under the Societies Registration Act.
7. Nationalisation and State Ownership.

Subject: MOTIVATIONS FOR A TRUSTEESHIP ECONOMY

1. Concept of Trusteeship Economy
2. Motivations of Trusteeship to Economy
3. Structural changes that should be brought in

COMMITTEE:

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REPORT:

1. Man's purpose in life is the supreme purpose of self-realisation or realisation of his spiritual destiny. Search for Truth, seeking God, working for salvation and all these great Ideals come under this spiritual purpose.

2. This requires certain Material aspect of Life upto a point. The proper rational of materialism can be understood only in the context of man's supreme purpose in Life. Our economic ideas and programmes can get the proper perspective only when we integrate it with the spiritual objective of Life.

3. Gandhiji developed his economic Ideas as an integrated programme of this supreme spiritual objection. His economics is based on Truth and non-violence. The establishment of Truth in the economic world requires putting stop to exploitation, inequality, competition, greed and other evils.

4. For this he gave the following fundamental Ideas like (1) Limitation of human wants (2) the organic necessity to simplify life (3) the harmony there should be between Nature, Man and Society, in the matter of economic activities (4) The necessity to base on economic activities more and more on what is called renewable economy and not on reservoir economy (5) The idea of Bread, Labour to eliminate exploitation (6) The idea of self-sufficiency (7) The Idea of Trusteeship (8) The Idea of decentralisation.



5. The Idea of Trusteeship is only one of the Leading Ideals of Gandhiji which is an integral part of his economy. So if we are to understand Gandhian Idea of Trusteeship, it has to be taken along with other Ideas.

6. Gandhiji has been influenced by Iso Upanishad, Gita, Bible, Ideas of Ruskin, Thoreau and Tolstoy. He believes God is the only owner of property and man can use it only as a Trustee for his own development and the development of society.

7. Trusteeship has a basic concept. We are the Trustees of this universe and whatever we have, have to be used for Society.

It has also certain temporary significance. This aspect covers the Idea of allowing the existing owners of the means of production to accept the trusteeship.

8. Legislation and Satyagraha are included as the necessary phases for the proper functioning of Gandhian economy.

9. The Gandhian economy of Trusteeship is the counter-part of the Dictatorship of the proletariat in the scheme of Marxism. We give an opportunity to the Capitalist class to voluntarily liquidate their exploitation and become the actual producing class. But if this does not happen we have to take up the alternative of Satyagraha to set right matters.

10. Gandhiji believes that the problem of bread and liberty of man is an integrated problem. Concentration of wealth and power has to be tackled in an integrated way. Capitalism and Communism are partial in their solutions. Gandhiji shows a programme of Synthesis.

11. The concept of Trusteeship has been put down in the following way by Pyarelal. We can accept it for all practical purposes.



(a) Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.

(b) It does not recognize any right of private ownership of property except so far as it may be permitted by Society for its own welfare.

(c) It does not exclude legislative regulation of the ownership and use of wealth.

(d) Thus under state-regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interests of society.

(e) Just as it is proposed to fix a decent minimum living wage, even so a limit should be fixed for the maximum income that would be allowed to any person in Society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time so much so that the tendency would be toward obliteration of the difference.

(f) Under the Gandhian economic order, character of production will be determined by social necessity and not by personal whim or greed.

MOTIVATION: The fundamental motivation is the spiritual motivation of establishment of Truth. This wants the creation of a new social order. We have to organise the Idealism that will spring up in the human heart when once it is roused to the real dimensions of life.

The Elemental urges of security of Life and primary necessities of life in the context of hunger are there giving us the proper motivations.



But these elemental urges should be regulated and guided by Dharma. Economic motivations and other elemental desires should be regulated by Dharma which is Truth. Consciousness of Truth will give us progressively altruistic motivations for the creative of a more and more progressive Society.



STRUCTURAL DEVICE TO STRENGTHEN THE TRUSTEESHIP FORMS IN EXISTING KHADI GRAMODYOG INSTITUTIONS

At the outset it must be conceded that the strengthening of the concept of Trusteeship requires an all-round effort, in not only one field of activity but all spheres of Human-Endeavour, which alone can create the climatic conditions of Growth of the Trusteeship concept and a pioneering spirit in its devotees. This means that isolationist, puritanical concepts of Exclusion and Exclusiveness of any type will not help, but may rather hinder the process. Trusteeship organisation has got as much function in the field of Politics as in the fields of Economics. Nay it has its functions in Science and Sociology and equally so in sports and recreation.

Secondly, we must insist on the fact that our concept of Trusteeship does not end with a device to own property. For Gandhiji the firm total of the well-being of society depended no less upon the contribution made by Labour or by the intellectuals, as it depended on capital. Hence, the concept of Trusteeship not only implies certain values in the management of wealth but insists upon a fair total for the multifarious talents that are brought to play in any proactive or distributary work, with a serious orientation towards service. Hence, this attitude has to be fostered not only in the minds of a few entrepreneurs but also in the vast masses who are engaged in production no less than in distribution nor even in consumption of wealth.

The biggest stumbling Block to a Trusteeship psychology from becoming contagious is Money itself. Money as a medium of exchanges has little to do with money as a measure of social status and money as a hoarder or a store of value. Unless we neutralise money as a store of value, capable of being used hoarded, and make it capable of being used as a tool, as a servant, but hardly as a substitute



for human value, it will be the biggest dis-incentive to our concept of Trusteeship. Human values can hardly co-exist with the market values, which such a mercurial quick changer as Money mean.

But we cannot device overnight checks and counterchecks enough to neutralise the undesirable effects of the Existing money Economy. We have yet to go a long way before we can do that. Nor can refuse to enlist the use of Money to do many, may be, cumbersome processes in Economic intercourse, as long as we have not evolved other, safer substitutes for it. The safest substitute for Money in this respect being Body Labour, a fair assurance of success for Trusteeship ideas and ideals presupposes a fair share for Labour in any scheme of Production or Distribution. This again requires that the concept of Trusteeship has to evolve itself in the minds of not only the few, who intellectually are capable of accepting it, but also in the minds of the many whose Labour alone can produce the wealth that goes round the Community to meet its needs.

Hence, the very concept of Trusteeship can assure real meaning, when the total socio-Economic endeavour comes out of an all-round participation in the effort by all those that contribute to it.

Having mentioned the three sine-qua-nons of a Trusteeship form we can straight away proceed to spell out certain structural safeguards to strengthen the Trusteeship concept in existing institutions. These safeguards being necessary to assist those who strive to walk the uncharted paths to pioneer into further fields than hitherto explored by us.

Most of these institutions are registered under the Societies Registration Act (1860). This Act creates an institution out of a collection of individuals, who themselves prescribed for themselves their Rights and Duties. A mere affirmation by anyone can make him the member of a vast organisation. A dissent can



absolutely free him from all the liabilities. But this was the legal frame work which provided the Giants of Social Revolution in India raise wonderful Institutions like the Servants of India Society and Gandhiji's Mighty Sociological Laboratory, the All India Spinners' Association.

The Spinners' Association was not a relief organisation alone but a power medium of a Continuous Determinate Change in the Politico-Social structure of the Nation. It did some crores worth of business even before the advent of freedom.

Hence, we cannot accept the outcry that the Registered Institutions, patterned on the model of A.I.S.A. and Registered under the Societies Act are bad. There are bad Institutions galore springing up under very many Good Laws. Hence, the Law by itself has little to do with the defects themselves. The defects must be traced to the men. If they fail it is not because the law fails but the men themselves fail, to accept the rules of the game.

Hence, certain constitutional structural safeguards can be incorporated into the Law itself to provide for a legal safeguard which an Act as old as a 100 years old must surely have developed.

Some of the safeguards that have been spelled out in the Certification rules of the Khadi and Village Industries Commission, which have been evolved by the Charkha Sangh can be straight away incorporated into the Law itself.

The following can be done:

1. The fundamental Right of a Spinner and a Weaver for an assured work at an agreed level of real income in terms of the Primary needs of Life as distinct from money may be insisted on being incorporated as a special clause in the Memorandum of Association as well as Rules and Regulations of Every Society,



registered under the Act as a Society proposing to do Khadi and Village Industries Work.

2. That a fair price at a no profit no loss basis should be charged to the consumer flows from it. This also can be insisted upon being incorporated into the Memorandum of Association and Rules and Regulations of the Institution.

3. That only a fair overhead just to cover the elementary requirement of managing the business should be charged to consumer on prime cost flows from the above i.e., non-profiteering.

This also can be insisted upon by Law to be incorporated into the Constitution and Regulations.

4. The Freedom of the Society to revise its own objectives, Rules and Regulations may be restricted to certain type of changes, except those, that may be called the fundamental Declarations etc. of Rights.

5. A fair wage or a living wage to the producer demands that the Disparities of Income Scales, among the various constituent Sections of the organisations do not vary enormously. The maximum emoluments can be insisted upon by Law prescribed by constitution with a minimum disparity if not allowing for disparities at all. The disparity seems to be reasonable at around 10 times. If possible it can be thought of at 5 times, may be impossible at present. This will ensure social justice internally.

6. Then Key members of the Institution, may be either obliged by Law to retire in rotation and new members taken in regularly at short intervals of two years or 3 years tenures to ensure equality of opportunity to all.

7. The Law can insist upon an official Auditor to be appointed by the Trustees as the Societies Auditor and prescribe his duties in the Memorandum of Association itself.



8. The Law must provide for an Annual General Meeting and an Annual Budget meeting of the Society — whose proceedings should be filed with the Registrar of Societies with the copy of the Budget if it is a Budget meeting and with a copy of a Balance sheet certified by the Auditor, if it is an Annual General Meeting.

9. Public Accountability must be written down as a fundamental obligation of the Institution and the Registrar of Societies should be provided with enough supervisory staff to go around and inspect Societies and report upon the conditions of such societies periodically.

10. The Registrar himself can be empowered to cancel Registrations under certain risks and doubtful conditions after proper inquiry.

11. 90% of the surplus profits of the Institution should vest in a new Regional Central or state level organisation, who will be corporately empowered to utilise such surplus, in certain prescribed manner. It shall not be the right of the surplus producing Institution to treat it as its own unless this surplus profits administration allows it to do so.

12. Similarly, the permanent properties of the Institutions shall vest in an organisation other than the one which is working the Economic Programme. The organisation implementing the Economic programmes shall not own any property in its own name. This function must be separated and vested in a new ownership organisation.

13. The fundamental Declaration of the Memorandum of Association must declare that 90% of the surplus profits will be utilised with the consent of the surplus profits administration in the interests of the welfare of the Artisans and the consumers or on promotional or developmental Activity properly budgeted, controlled and extended.



14. Failure to appoint an Auditor, failure to call for statutory meetings, failure to file annual returns may all be deemed as sufficient grounds to suspend Registration.

15. The artisans by their right of labour can become member by the contribution of a day's Labour as their membership fee and shall be suitably associated with the managerial functions of production, processing and marketing at appropriate levels.

16. The Management Boards must be changed by constitutional provision once in 3 or 4 years. Rotation of jobs are possible. But extensions must be discouraged by provision of Law to prevent development of power Positions and Group accretions.

17. A Council of Management at appropriate levels be constituted by all the members of the place, consisting of all the spinners, weavers of the locality and all the consumers may be organised, which should be meeting at least one in 3 months, This meeting must discuss the programmes, problems and proposals of the Institution and forward their own recommendations to the Managing Committee.

18. Certain minimum conditions of labour like provision of sanitary facilities, drinking water, washing facilities, reasonable waiting rooms etc., developed as a code of conduct may be insisted upon as the minimum that the Certification Committee will insist as irreducible. These may be enforced by suitable staff also.

19. Urban values, again is a disincentive to Trusteeship. Anonymous Trustees and unknown beneficiaries can never build up a Trust. Hence, the Trust can be of a size in which the Trustees and the Beneficiaries know each other intimately. This requires that Trusteeship Institutions can flourish only at the base



in small Groups and Communities. Hence, the Sine Qua Non of a real March Forward in Trusteeship must be the Decentralization of these huge centralized Institutions to small Panchayat, Panchayat Union, or Block level Institutions at the Base and a servicing cum co-ordinating Union of Trusts at the District Level for Marketing and Socio Economic Services. The District should ultimately become the biggest single Unit of a Trust. Beyond that no Trust should be allowed to be registered for Economic enterprises normally.

20. The Last safeguard will be to devise a way of separating the Managerial Functions into two Distinct Classes of Trusts and Levels of organisations : —

- (a) A Capital Management organisation which will own all the Capital, own properties and dispose of them.
- (b) An (Enterprise running) Entrepreneurial Trust which will run the business.

Democratic Integration at the entrepreneurial Level shall be achieved by making the members engaged in all the process full, equal members of the partnership. This level will deal with the Capital Administration.

In short, the structural devise shall be such, that it will not be either possible to profiteer nor own riches.

21. The Members of both the Entrepreneurial Trust as well as the Capital Management Trust shall declare their Private holdings of property and their Bank Accounts as a psychological precondition to the evolution of a proper personal attitude in the members to strive to become Trustees in its all- pervading implications.



TRUSTEESHIP IDEA AT WORK IN MADRAS – REPORT OF “THE SEMINAR ON TRUSTEESHIP” HELD IN MADRAS UNDER THE AUSPICES OF THE TRUSTEESHIP CLUB, MADRAS – ON JULY 28

I. 1. Enough has been spoken about Trusteeship. While recognising that there was a general need to enlarge the Trusteeship concept to cover not only “... wielders of Wealth ...” but also “... wielders of intellectual and other powers ...” but also out by Prime Minister Morarji Desai, the consensus was that at the present stage, it would be necessary to limit experiments in Trusteeship to production-oriented agricultural and industrial activities.

Having consolidated experience thus gained, it could then be extended to other areas.

I. 2. The prime need was identified as building one or more INDIAN MODELS based on the Trusteeship idea. These models would serve as laboratories to test the validity of Trusteeship Tenets in our times.

II. This necessitated:

- (a) Clearly identifying economic areas prima-facie amenable to effective Trusteeship management.
- (b) Experimenting with forms of organisation suited to the application of Trusteeship principles.
- (c) Learning from successful experiments both in India and abroad.
- (d) Skilled dissemination of ideas of Trusteeship to create favourable Public Opinion that would eventually culminate in Legislative support from the Government.

III. 1. While accepting in principle that every field of economic (indeed human) activity could be brought under the ambit of Trusteeship organisation



and management, for the purpose of meeting the specific objectives of the Seminar, two broad avenues were explored in some depth.

- (a) Taking over Sick Mills and revitalising them, using Trusteeship management models.
- (b) Starting new units based entirely on Trusteeship principles.

2. Due to limitations of time, only aspects of Marketing, Technology and Resource Mobilisation were examined critically.

IV. MARKETING

1. It was clearly recognised that the output (products or services) of Trusteeship units should avoid, at least in their infancy, competitive confrontation with the better organised sectors now holding sway over the Indian market. This was considered necessary, as in their early stage, they may not be able to cope with the sophisticated, expensive and not always ethical Sales Promotion Advertising and Distribution techniques developed by these sectors over several decades.
2. Products and services predominantly bought by units of the organised sector should be given low priority when planning. Trusteeship concerns, as outright rejection or delay in payment would result in extinction of the new units. This has been the experience of several entrepreneurs in the small scale sector.
3. Commodities and services meeting the essential needs of the lower economic strata of our society would be ideally suited to the constraints within which Trusteeship concerns would have to function to begin with.
4. Khadi-based products; the processing of cheap, nutritive foods, and beverages; the common man's foot-wear; low-cost housing and materials



consumed in the provision of low-cost housing: cheap packaging — were some of the items identified.

V. TECHNOLOGY

While there was nothing against using modern machines and processes, it was generally agreed that the technology choice should be by and large employment-oriented.

Maximising labour-inputs and minimising machines, except in so far as machinery was considered basic in choosing technologies for Trusteeship models in the context of the environment of poverty and unemployment in our country.

VI. RESOURCE MOBILISATION

1. Financial resources, it would appear, was the least of the problems to be faced. It was boldly spelt out that there are innumerable good souls among the middle classes, prepared to forego interest and even profit on small deposits (that would of course be guaranteed) returnable to them in 5 to 10 years, only participate in the noble cause of promoting a non-exploitative socio-economic order.
2. This necessitated a massive publicity campaign for educating the community about the value of Trusteeship concept and asking for financial involvement almost door to door. Only thus can public support and sympathy be ensured.
3. The creation of a Loan Fund on the lines of the Fund created in the United Kingdom by the Industrial Common Ownership Act of November 1976 was considered essential, but it was realised that this would need some time.

VII. SICK MILLS

1. Taking over Sick Mills has both advantages as well as disadvantages. On the plus side the Mill has assets like land, buildings, machinery etc. But alongside, there are the liabilities and prior commitments.



2. Only sick mills capable of shedding all previous shackles were considered feasible for take over.

3. Working sick mills involves operating on larger scales and the implications also need to be examined very carefully.

VIII. EXPERT STUDY TEAM

1. An expert team should be set up to study all possible areas where Trusteeship can be implemented. The functioning of this body should be continuous.

2. This team could also be charged with the responsibility of studying and evaluating all successful models working on Trusteeship principles.

IX. ORGANISATION

1. The Indian joint Family Model was studied. It had a lot to commend itself, being in tune with the culture and religion of the nation.

But the blending of paternalism with participation could create serious problems.

2. As such, this model would have to be structured to enable more open communication — upwards, downwards and horizontally — effecting decision-making and the use of more sophisticated technology.

3. Whatever the basic structure, it must incorporate : —

- (i) a mechanism to tap, monitor, assess and respond positively to the interests and welfare of Consumers, the Trade, the locality, the Community at large and the Government.
- (ii) a meaningful pattern of participative management (this is basic to the Trusteeship concept.)



- (iii) a salary-wage structure narrowing disparities in the Gandhian tradition of reducing human wants particularly at higher levels of the organisation, and
- (iv) a system of Social Audit to ensure that the unit functions effectively and that profits (essential to economic enterprise) are distributed equitably.

4. The unit must generate attitude aimed at enriching the status of every employee, thus motivating him/her to give of his/her very best.

Innovation and initiative should be built into every aspect of the functioning of the unit.

X. MODELS

Successful models both in India and abroad were examined.

1. KHADI GRAMODYOG SANGH, MADRAS.

This is a tested model with a history of successful growth and diversification and profitability. It needed to be studied in depth so that the success it had achieved could be placed before the public for emulation.

Special note was made to the decision-making process, wherein ... even if there is one dissenter to any proposal, it is not implemented until such time as the lone voice of opposition gets convinced and is willing to change his stance....”

This was recognised as a unique feature of this institution and was attributed to the moral stature of its leadership.

The narrowing of salary discrepancies from the initial 1 : 10 to 1 : 3 was noted and commended.



2. BHOODAN GRAMDAN

Essential features noticed were:—

- a. production patterns suited to the needs of the community and not based on maximising profit for the individual producer.
- b. allocation of surplus for Community Development purposes.

By doing this, profit as a corrupting aspect of economic motivation was automatically elevated to the hallmark of economic stability and growth, to be utilised, in the final analysis, for the common good.

3. THE POONA EXPERIMENT

Mr. K. Arunachalam outlined the essentials of the Poona Experiment. A group of educated youngsters had launched a food processing scheme based on the Trusteeship concept. Low-priced, nutritive cooked food was sold to the poorest strata of society on a minimum-profit-pricing formula. The turnover of this project had gone up to Rs. 19 lakhs last year.

The success of the project was due to:

The product catering to the basic requirements of the poorest strata of society. Low-priced nutritive food met a basic human need.

As such there was scant competition from the organised sectors.

The productivity of the workers (mainly destitute women) was stepped up by training and motivation.

The low-standard of living the promoters had willingly and cheerfully accepted. Salaries were in the range of Rs. 350 to Rs. 500 per month.

This was a model of a low-technology labour-intensive concern catering to a basic human need, and using the most enlightened man-management techniques to maximise productivity and thus reduce costs.



4. ABROAD

The worker-shareholder model of the U.K. that had, over the years, flowered into the Industrial Common Ownership Act of November 1976 was examined.

To what extent could workers in an under-developed economy be prepared for share-holding?

It was compared with:

- (i) The two-tier participative model of West Germany and the Industrial Democracy style of Yugoslavia.
- (ii) The shop-floor Committee models of Sweden and France.
- (iii) The Pension Fund Trusts dominating corporate share-holding in the U.S.A. with powerful lobbies dominating Annual General Meetings in that country.

These models could serve a very useful purpose when working out a suitable Indian model.

XI. Legislative Support

1. The primary importance of preserving the self-reliance of Trusteeship units was recognised. One of the distinguishing features of the Trusteeship concern would be its capacity to stand on its own, as compared to the Public Sector or State Capitalistic concerns dependent on the Government for their survival and growth.

2. However, in the context of the environmental realities of our times, sooner than later, the Trusteeship movement would have to be accelerated by legislative back-up.



3. Trusteeship, as the philosophy of the Social Sector, and as the Gandhian challenge to conspicuous consumption characterising the Private Sector, empire-building enshrined in the Public Sector and bureaucratised centralism which was the corner-stone of State Capitalism faced opposition from even more quarters.

It would have to be supported by legislation in terms of:

- (i) Cheer credit by banks and Financial Institutions.
- (ii) Priority in the allocation of infra-structural facilities like sheds in Industrial Estates, roads, water, power, etc.
- (iii) Preference in allocation of scarce raw-materials.
- (iv) Special Labour Laws designed to promote the Trusteeship concept.

XII. PUBLIC OPINION

Such support would follow experiments in building Trusteeship models. There was no question of enacting legislation before the actual problems surfaced in the wake of implementation of the Concept all over the country.

One of the primary requirements would be to ceaselessly work for favourable Public Opinion using all the tools and techniques available in the country including lobbying in Parliament, State Legislatures etc.

XIII. DEDICATION

In the final analysis, the success or failure of Trusteeship would depend on Managerial leadership of the highest moral calibre. Trusteeship in essence is dedication. It is giving one's very best and receiving back from society only one's barest minimum requirements. It means accepting at highest managerial levels the standard of living of the common man in India. It all adds up to creating a new value system where social status devolves on the worker who gives his best and receives the least.



THE TRUSTEESHIP CLUB, MADRAS

I. GENESIS :

The Trusteeship Club, Madras was registered in April, 1973 under the Societies' Registration Act of 1860 with Dr. B. Natarajan as Chairman and Sri A.N. Rajan as Secretary. Among the members are Prof. Ignatius Absalom (Vice-Chairman) and Sri N. Sivaramakrishnan (Treasurer) and Sri R.K. Baratan, who actively participate in the various activities.

II. OBJECTIVES :

The constitution lays down the following objectives :

- (i) Education public opinion in favour of Trusteeship and the values it upholds, and working for its universal acceptance;
- (ii) Working towards the implementation of the Trusteeship idea in economic enterprises;
- (iii) Creating new models to serve as multipliers for those who would opt to adopt the Trusteeship theory in economic ventures;
- (iv) Striving to persuade existing owners of industries to convert their enterprises as per Trusteeship norms; and
- (v) publishing literature — books, leaflets, periodicals and such other means of communication, to disseminate knowledge on the basic values of Trusteeship and their practical application.

III. ACHIEVEMENTS :

In furtherance of these objectives, we launched our major campaign, as a first phase, for educating intense public opinion in favour of the Trusteeship idea, in June, 1973 through a 3-days Seminar at the Gandhiji Museum, Madurai This



Seminar was presided over by Dr. B. Natarajan, our Chairman, and was inaugurated by Sri T.P. Meenakshisundaram, former Vice-Chancellor of the Madurai University, and was attended by many distinguished personalities. The Seminar dwelt elaborately on the three major aspects of Trusteeship: viz.,

- (i) The why and how of the egalitarian society, and the place and use of private property in it;
- (ii) The difference between the minimum and the maximum income permissible in society according to trusteeship, the production-norms and priorities, and the necessary vigilance and audit mechanism;
- (iii) The role of legislation and the rules necessary to regulate socio-economic relations in keeping with the Trusteeship ideals.

As a second phase of the campaign and to emphasise the aspect of practical implementation, a Conference was held at Madras in July, 1978. This conference considered the following vital topics in relation to Trusteeship :

- (i) Forms of organisation based on the models and structure provided by Gandhiji, viz., the Khadi institutions;
- (ii) Identification of economic activities and resource mobilisation modalities to induce voluntary participation;
- (iii) International experiences and accounts of experiments from which one can draw guidance.

One of the findings of the conference, was the acceptance of the follow-up action suggested by Dr. Natarajan that all segments of economic enterprises — the executives, the Union leaders and the workers and owners — should be invited for a free-for-all discussion course on Trusteeship. It was keenly felt at the



conference and endorsed by all sections of the participants, that a model project should be set-up to serve as a demonstration unit within the next one year.

IV. THE IMPACT:

The impact of these Seminars resulted in the emergence of a few Trusteeship Cells in Industrial and Educational centres in Tamil Nadu like, Madurai, Trichy, Coimbatore and Madras and a backward area like Joura in the dacoit-infested Madhya Pradesh. At the Gandhi Ashram, Joura, in Madhya Pradesh, engaged in reclaiming and rehabilitating the backward people of that area, and in training youth against the recurrence of the dacoit-menace, the Trusteeship cell has come out with a creative innovation of interest-free term-deposit scheme for mobilising social capital.

The Gandhi Peace Foundation Centre, Agra is organising a milk-project called the Chambal Milk Project, with capital raised on the basis of interest-free deposits. A top police-official and a sitting judge with their enthusiastic associates have offered to participate in promoting this noble revolutionary venture on the basis of a non-violent, non-profit-making structure. At Madurai, an experiment on a modest scale has been launched since December 1978 for manufacturing coconut-shell-powder, as filling material and for processing activated carbon for industrial use.

THE TRUSTEESHIP MESSAGE:

A monthly journal, “Trusteeship Message” was started in April, 1979 to serve as a focal point of all information on Trusteeship and “**ethiconomics**”, and to motivate the establishment of new Trusteeship enterprises.



Every letter in the word “MESSAGE” has a special significance. It denotes : Motivative Economic Social Sector Auto-Genous Enterprises. Valuable contribution find a place in it and the response is encouraging.

V. FUTURE PLANS :

We have not yet created the public opinion needed for the formation of the Social sector devoted to Trusteeship. While this programme will continue during the coming years, it has been planned to execute the following programmes also :

- (i) To set up at least one Model Demonstration Unit in each of the 5 zones of India;
- (ii) To set up innumerable cells in all parts of the country to create public opinion and to motivate action in this direction;
- (iii) To celebrate the Diamond Jubilee of Gandhiji’s Commonwealth Concept and of Trusteeship Management, as pro-pounded and developed in his first experimental unit — the Phoenix Settlement — in 1904. The celebrations will begin from the 24th of December 1979, the date in 1904 on which Gandhiji started the new experiment. An appeal to this effect has been made to all Gandhian institutions to seize the occasion and promote the cause.

It is hoped that these programmes will receive the co-operation of all concerned.

The Trusteeship Club deems it a dutiful pleasure to co-sponsor the publication of the valuable compilation entitled, “Trusteeship — The Indian Contribution to a New Social Order.”

A.N. RAJAN Secretary



MOTIVATIONS IN TRUSTEESHIP ECONOMY

Trusteeship economy is only a via media between capitalism or private ownership on the one hand and socialism on the other. It says that a person can earn and own wealth but, he should understand that it is not his or for him alone. It belongs to the people. He can take what he requires for his legitimate needs and use the remainder for society. Of course this has its own merits and weaknesses. But, we must examine whether it is conducive for the present when more than half of the world population are having an economy superior to trusteeship on the one hand and a political form — democracy — to which economic equality is inevitable on the other. Moreover Trusteeship, is of course a good and attractive theory. But being attractive is not a proof for accepting a theory; it should be practicable and to a large extent fool proof. It should apply to all men, irrespective of his moral calibre almost mechanically with success. Considering all these points, trusteeship is a very delicate concept fraught with dangers and failures. For example, take our temple trustees. They are misusing the Property placed under their control. This is the case with “receivers” in Law Courts and other types of Trustees. Either the property is used for the purpose other than it is intended or only a negligible portion is expended for the purpose. Therefore instead of having individual trustees, we can accept the community or the state as the trustee and do things.

Accepting the community or state as trustee, let us examine the question whether it can work successfully without any incentive or if at all there will be incentives or motivations, what are they? Generally, people have become slaves to the time in which they are living. They are not able to penetrate their eyes and see the past or the future. Accustomed to capitalistic economy, they think that possession or ownership of wealth in the form of money, land or otherwise, is



the sole driving force for doing work or for making efforts. This idea is utterly false. Human history presents an entirely new picture, diametrically opposite to this view. For example, take the pre-historic periods. Then also, men worked, made efforts, otherwise we could be uncivilized beings at present too. If so, what made them work? Was it money or any other form of wealth? Nothing of that sort, because, nobody possessed anything or considered anything as wealth at that time? But, they lead more brisk life than we do now. Then, what might have been the motivations? Was it fear, hunger, thirst, sex or other human feelings? If so, they exist now at present also. Did they not appreciate the hero, the good, the person who sacrificed his comforts for others, the person who served others and so on. Did they not fight for the right? Did they not desire to be honoured by others? Did they not like prestige? Did they not long for exhibiting their ability or talents or to gain influence, popularity or name? Surely, they did. All the activities which are generally going on now in the human society went on then also. It was a time when there was no idea of possessing any wealth or money.

Even during the Prehistoric period, men were motivated not by the wealth or money but by the devotion to Gods, piety, aspirations for higher and nobler ideas and position, sense justice, self-respect, honour and sacrifice. Examples are many to illustrate and prove all these points in our epics and other writings. We need not even go to the past to prove my proposition that money or wealth is not at all a point for motivation for human action. It is like a mushroom grown due to yesterday's rain and it will die tomorrow. Then, if not wealth, what will contribute as motivations and under what circumstance?

See, this is a capitalistic society. Those who possess wealth (land, money etc.) are considered to be great. It was not so in the past. It is not entirely so even at present, because we know, people begin to honour a good songster, a dancer,



a plat-form speaker, a social worker or politician who are penniless more than the rich. To speak the truth the rich is ashamed or afraid of to call themselves rich, because, the public begin to shun them. This situation proves that money or wealth has lost its power or attraction to act as motivation. Not only wealth, even the power Governmental, individual or group has ceased to be motivations. For example, take the election contested by the Justice Party which symbolised educational qualifications, honours, richness, power, both Governmental and otherwise and the Congress, a poormen's party of the general public. Who won? Congress.

If this is the case in the Capitalistic set up, what will be the case in a society of trusteeship economy? Values will be changed beyond recognition in a diametrically opposite way. In a society where there is no haves and, have nots, who will care for wealth? A situation, however much we dislike, may arise where, instead of richmen being honoured, the ex-richmen, land-lord etc. will be shunned by the people and conversely, the ex-poormen who worked for the emancipation of the exploited and the poor will be honoured. There will be no caste in the Trusteeship economy. So the castes which are hitherto uncared for will be given the pride of place. Hitherto extra honour was shown to the intellectuals. But, here afterwards, the labourers will be given that pride of place. Likewise, a complete transformation will take place in the sphere of values.

The sense of possession or private ownership is not at all a source of motivation in any other setup but the capitalistic one, because there will not be any such thing as private ownership of wealth in a trusteeship economy. We saw that men had motivations in the early history of men even though they had no wealth as such. Even at present we cannot say that men are not being motivated into action in Kibbutzim of Israel or in Russia, or China where there is no wealth



for any individuals, To the contrary, it is there where the production is on the increase; it is there where the people are working harder and it is there where the man grows to his fullness. It is there where every one works while in countries where there is private possession, there are people who do not aspire for anything but stealing, begging and things of that sort. Generally too, the source of motivation varies from time to time according to the socio-economic set up. For example, the history proves that the source of motivation in the past was Might. The King personified the Might. Then religion took the place of Might. Then intellect and then the wealth. But now, a new factor has come into existence. That is, Labour – a true Labour or service to the public. This gives enjoyment and desire to work further.

It means, motivation will be many instead of being limited as in the case of capitalistic economy, to engender men and women to resort to do more work and plunge into action in all spheres of life in order to get the happiness, peace, the ultimate aim of human life on this earth. Thus due to change of values, motivations, increase, and the truth. “The old changeth, yielding place to the new.”



TRUSTEESHIP FOUNDATION AT BOMBAY

Under inspiration of Mr. Jaya Prakash Narayan, the **Trusteeship Foundation** was started as early as 1973. It is a Public Charitable Trust and a Registered Society. The Government of India has recognised this Foundation as an approved organisation for the purpose of Tax Exemption under Section 35 CCA of the Income Tax Act of 1961.

The principle objective of the Foundation is to propagate the concept and ideal of Trusteeship advocated by Gandhiji. Eminent economists, industrialists, Trade Union leaders, social workers and professionals have been associated with this endeavour.

GOALS

- (a) The ultimate aim is to introduce in our public life especially in the field of business and industry, the Gandhian concepts of self-discipline and non-exploitation and to propagate the idea that an enterprise be run on the basis of consensus and with the participation of all partners, such as, Capital, Management, Labour. It would also be the Foundation's endeavour to bring into the process the Local Community and the Consumers.
- (b) To view the national need to increase production and productivity and to ensure to millions of our countrymen freedom from want and the right to work. The Foundation aims at making every section of our society aware of its Social Responsibilities and to look at, and solve problems with the help of Gandhiji's insights.



- (c) To achieve the above aims, the Foundation will try and promote a continuous study of the Concept of Trusteeship by professionals, academicians, intellectuals, journalists and students of affairs.

SPECIFIC PLAN OF ACTION:

- (a) To set up Study Groups of economists, professionals and others to help conceptual clarity.
- (b) To help the Government and legislators to draft/frame and promote an enabling legislation on Trusteeship, so that, those who wish to implement it in their units may be encouraged to do so.
- (c) To help evaluation by social scientists, social workers and professionals, of those units which wish to submit themselves to a social audit.
- (d) To help the existing or new units to implement the concept by working out different patterns and models and helping them through consultancy and training of personnel.
- (e) To educate public opinion through national conferences, seminars, public meetings, discussions on TV, radio and in the newspapers.
- (f) To bring together representatives of Capital, Management, Labour and Consumers at discussion meetings, study camps to consider the concept and work out the details with a view to help implementation in phases.
- (g) To publish newsletters, books, pamphlets etc., for dissemination of knowledge and information on the subject and world trends.
- (h) Lastly to help industrial units to express through projects of development for rural areas, their Social Obligations and prepare



project reports and promote necessary study and research in that direction.

This Foundation has as its objective the undertaking of any programme of Rural Development, including any programme for promoting the social and economic welfare of, or the uplift of the public, in any rural area, and the funds of the Foundation would be utilised for the above objectives.

INDUSTRY AND RURAL DEVELOPMENT:

The need for industries and urban intelligentsia's involvement in rural development will be appreciated by recalling some simple facts. Even after 28 years of planned industrialisation, in which we have succeeded in becoming the 8th industrial power in the world, 294 million people still remain below the poverty line.

The Trusteeship Foundation is persuaded that development is essentially a problem of converting a traditional, feudal society into an egalitarian humanist and democratic society, which involves galvanising a whole mass of humanity and introducing into their lives the concept of time, scale and organisation.

It is felt that the consortium approach would be the most sound one. Many industries are desirous of helping, but do not know and where to begin. An organisation that undertakes this task would be a valuable focal point. It could do any or all of the following:

- (a) Receive funds in the form of contributions from private firms for rural development which it could canalise into new or on-going projects being undertaken by voluntary agencies or institutions, or



which it might initiate itself, whether directly or indirectly. This would be a unit trust type of role.

- (b) Provide a focal point where contributions talents of industry could be pooled for a joint effort on a scale and with a degree of technical and other support, which would enable it to take root. This may entail conceptual planning, preparation of project reports, feasibility reports etc. This would be a catalytic role.

A synergistic development of any part of the rural sector will require an inter-disciplinary team or panel consisting of an industrialist, management men, engineers, social scientists, architects, marketing experts etc. The effort of this team would be to select a group of villages, to draw up-a synergistic model for development and also approach the relevant industry to contribute some inputs. This will be a challenge to any management consultancy.

The Trusteeship Foundation has, as its members, industrialists, managers, social scientists and others to constitute a pool or Brains Trust. It is also able to secure the services of bright young people from Institutes of Management, engineers, architects and marketing people who are prepared to give up their usual career to get involved in such work for a reasonable remuneration. Under the general direction of the Executive Council and the Director, these young people would carry through programmes of Rural Development with the help of Brains Trusts.

TRAINING IN TRUSTEESHIP (FOR THOSE WORKING IN RURAL DEVELOPMENT)

The Trusteeship Foundation at its National Conference decided to take up training of workers, managers and others involved in an industrial enterprise and a syllabus was drawn up by a Special Committee on training in Trusteeship and



Industrial Democracy. Here we are concerned with the training of those involved in promoting the Trusteeship approach to develop Community Life generally.

The objective of this training will be:

- (a) To develop a village or a group of villages into a highly autonomous, democratic and true community in which all members perceive their own self-interest as an inseparable element of the group interest. In this sense our villages are not a community today. Here is rather a micro-society divided by internal hostilities where one group sees its prospects threatened by the progress of other groups, and decisions on all matters of development are not taken in a free open process of participatory democracy.
- (b) To inculcate into those involved in the trusteeship approach which means a shared faith in human goodness and values, a kind of concern for fellowmen, a new perception of human worth, and the need to tackle problems without recourse to exploitation, violence and alienation, and the tendency to look at the problems on the proper human scale so that the problem does not become a statistical abstraction that paralyses our imagination and induces a sense of despair or despondency.
- (c) To create an awareness for the need to initiate community action, to provide for the basic needs of food, shelter clothing, relevant education and medical help for each and every member of the community, to make freedom and democracy more meaningful.
- (d) To stress the need for changes in aptitude and behaviour that alone lead to “progress”, and without which, you only have “change”, and in this context, to relate the solutions of problems to a technology



that is appropriate to local resources, physical conditions, levels of knowledge, attitudes and above all to the overall social objectives.

- (e) To create an awareness that development means “liberation”. That all investment of wealth and technology must be related to not only goals of providing directly or indirectly greater productive employment, cheaper goods and services, but also to the enrichment of the quality of life and of the job one was doing. It should lead to real economic growth and not to larger and centralised organisations which may cause the degradation or debasement of the human personality and the vicious circle of institutional compulsions, wider gaps in income, social tensions and violence.

TRUSTEESHIP AND INDUSTRIAL DEMOCRACY TRAINING PROGRAMMES

The Foundation organises three types of courses, viz :

- (a) For a group of employees of the same industrial unit desirous of introducing Trusteeship through industrial democracy — (In company programmes)
- (b) Course for Employee leaders and supervisors from different industrial units (Peer Group Programmes)
- (c) Course for employees of Public Sector/Public Administration/Banks etc.

The principal objectives are:

- (a) To widen the base of knowledge about fundamental concepts of trusteeship in the context of the prevailing economic political and socio-cultural conditions.



- (b) To develop healthy attitudes towards individuals, groups community with a view to understand, analyse and appreciate problems of inter-relationships in organisational and social behaviour.
- (c) To sharpen operational skills in order to accelerate the catalytic process for evolution of industrial democracy leading to trusteeship.

ARVIND A. DESHPANDE

Director



TRUSTEESHIP FOUNDATIONS FIRST UNIT, NEAR PUNE MAHARASHTRA

Following recommendations made at the time of International Seminar in 1979, to promote trusteeship and common ownership units, the first concrete step was taken in July 1980 when a standing committee on promotion of Trusteeship units was set up in Pune with Dr. M.V. Patwardhan, Dr. F.A. Menzes, Mr. H. K. Firodia, Prof. S.G. Bapat, Prof. P. Venkatramaiah, Mr. Yadunath Thatte, Mr. V.D. Mehrunkar, Prof. Prakash Bhonde, Mr. Vilas Salunkhe, Miss Chandra Kirloskar, Mr. N.S. Joshi, Dr. V.K. Bawa as members. From Bombay, Mr. Govindrao Deshpande, Mrs. Indira Doctor, Mr. H.N. Khira, Mr. Mukund Turakhia and Mr. Arvind Deshpande, have been associated with the work of the committee. It has been possible to secure co-operation and help of Mr. Arun Maira, General Manager, Telco, Pune in this endeavour. The project was formally launched at the series of meeting held in Pune on October 2, 3 and 4 and the following Progress so far been registered.

A. Seed Capital and land:

The Foundation has been fortunate in getting through the goodwill and co-operation of Mr. H. N. Khira, Director, Jayanand Khira Pvt. Ltd. and Trustee of Khira Family Trust, an initial capital of Rs. 1 lac and a plot of land at the MIDC Industrial Estate (12,000 sq. metres) for locating a couple of such units as also a research and training centre attached to them.

B. Registration of First Unit:

The first unit has been registered and the name of Khira Trusteeship Projects Pvt. Ltd. has been approved with Mr. Justice N.P. Nathwani, Mr. H.N. Khira as their promoter directors.



C. Personnel:

With the help of Dr. F.A. Menezes of Tata Management Training Centre and his colleagues in the field of behavioural science, it has been possible to select a well-motivated and dedicated group of young workers who would run the first unit. These 20 members with Mr. Prakash Deshmukh as the leader of the team have agreed to work and have undertaken to :

- (a) provides a high standard of product and service to their customers;
- (b) ensure security and a reasonable income for all members of the unit;
- (c) help in organising work in such a way that each individual can use the best of his knowledge, ability and experience;
- (d) help to apportion work in such a way that it is fair and meaningful and become a creative part of their lives rather than just a means to earn a livelihood;
- (e) subscribe to the policy of participative decision-making and once a decision is made to fully ensure its implementation;
- (f) help ensure the personal growth and development of each member;
- (g) be vigilant in seeing that the resources of the unit are being deployed and developed in a manner that is consistent with the aims and objects of the unit and the Trusteeship principles;
- (h) play an active part in collectively managing affairs of the Units;
- (i) maintain and ensure a high standard of integrity;
- (j) create a culture of trust, sharing and good faith;
- (k) ensure equality of treatment to all members irrespective of caste, creed, community, religion and sex and;



(I) lastly, agree to sharing net profits after deduction of taxes on the following lines — 50 p.c. for building up reserves and returning loan of seed capital, 25 p.c. for community, 25 p.c. for distributing equally among those working in the unit.

Memorandum of Association of KHIRA TRUSTEESHIP PROJECTS PRIVATE LIMITED

The name of the Company is **Khira Trusteeship Projects Private Limited**.

The Registered Office of the Company will be situated in the state of Maharashtra.

The objects for which the Company is established are :

The main objects of the Company to be pursued by the Company on its incorporation are :

To carry on business as manufacturers, producers, engineers, sellers, exporters, merchants, distributors and dealers in ancillaries and spare parts of good transport, trucks, buses, three wheelers, scooters, trailers, and all other vehicles of all varieties, types and sizes.

To act as consultants in India or abroad in the matter of manufacture, sale, production and export of ancillaries and spare parts of vehicles of all varieties, types and size.

To carry on the business of research and development in the manufacture, sale and export of ancillaries and spare parts of vehicles of all varieties, types and sizes.

The objects incidental or ancillary to the attainment of the main objects are:

In achieving objects 1 to 3 above, the Company will:



(a) promote and practise or implement the principles of Trusteeship as envisaged by Mahatma Gandhi and to aid institutions or persons including companies, corporate or incorporate carrying on propaganda or other activity in favour of the idea of Trusteeship, by means of loans or grants or in any other way as may appear fit and proper.

(b) create opportunities for self-employment, to inculcate the spirit of entrepreneurship amongst young and educated unemployed persons and to assist them in setting up common ownership projects based on the principles of Trusteeship.

(c) set up and/or establish training-cum-research centres, and to carry on such other activities as will facilitate such training, research and development in the Gandhian concepts of trusteeship in business, industry and professions.

(d) invest such portion of profits as the management may think proper in starting, conducting or in joining in starting or running of a business or industry as a partnership or registered society or limited company or any other body corporate or incorporate for implementing the principles of Trusteeship.

(e) ensure the participation of all workers in :

(i) Management

(ii) Decision making

(iii) Profit sharing, and

(iv) Social responsibility of industry/business/professions to community as well as consumers.

To undertake, carry out, promote and sponsor rural development including any programme for promoting the social and economic welfare of or the uplift of the public in any rural area and to incur any expenditure on any programme of rural development and to assist execution and promotion thereof either directly



or through an independent agency or in any other manner, without prejudice to the generality of the foregoing. “Programme of Rural Development” shall also include of or the uplift of the public in any rural area and assist rural development, and that the words, “rural area” shall include such areas as may be regarded as rural areas under section 35 CC of the Income-tax Act, 1961 or any other law relating to rural development for the time being in force and the company may in order to implement any of the above mentioned objects or purposes transfer without consideration or at such fair or concessional value as it may think fit and divest the ownership of any property of the company to or in favour of any public or local body or authority or Central or State Government or any public institutions or trustees or funds established under any law of the time being in force or approved by the Central or State Government or any authority specified in that behalf”.

To undertake, carry-out, promote and sponsor or assist any activity for the promotion and growth of national economy and for discharging social and moral responsibilities of the Company to the public any or section of the public as also any activity to promote national welfare or social economic or moral uplift of the public or any section of the public and without prejudice to the generality of the foregoing undertake, carryout, promote and sponsor any activity for publication of any books, literature, newspapers etc., or for organizing lectures or seminars likely to advance the objects or for giving merit awards, for giving scholarships, loans or any other assistance to deserving students or other scholars or persons to enable them to prosecute their studies or academic pursuits or research and for establishing conducting or assisting any institution, fund, trust etc., having any one of the aforesaid objects as one of its objects by giving donations or otherwise in any other manner.



The first Directors of the New Company are :

Mr. Justice N.P. Nathwani

Mr. H. N. Khira,

Mr. Govindrao Deshpande

Mr. Arvind Deshpande

Dr. S.G. Bapat

Miss Chandra Kirloskar



TRUSTEESHIP UNITS AT KHIRA

On October 2, 1982, the First Trusteeship Unit namely Khira Trusteeship Projects Pvt. Ltd. completed its first year of existence and operation. Despite several difficulties faced by the unit, managed to break-even. But this was possible only after putting to a severe test workers' determination to overcome all crisis including the financial crisis. Within weeks of its starting operations on October 2, 1981, the unit had to face a sudden fall in the orders for supply of ancillaries, while Telco has taken a long time to place firm orders. Other companies such as Bajaj Auto Ltd. Bajaj Tempo etc. were affected by strikes and lock outs. Since neither the directors nor the banks could bail out the workers from such crisis, the member-workers decided to manage within the resources available. They decided to first honour their commitments to the banks and provide for establishment expenses and then use the balance for their own salaries. This inevitably meant cutting down their earnings and for a couple of months, they worked on almost 50% of the salaries they had expected. A few workers who found it difficult to manage with lesser salaries, worked elsewhere for the crisis period and returned to the unit after it started getting orders from companies affected by industrial unrest. Thus workers showed that given the responsibility and trust they could combine economic viability with social responsibility. The most encouraging fall out of this crisis and the way it was tackled was the impression and impact made on a large body of workers working for Jayanand Khira and Co. Pvt. Ltd.

This evidence of responsible attitude and behaviour made Mr. Himmatbhai Khira, Managing Director of Jayanand Khira & Co. to take the crucial step of taking the workers of his bus body building division into confidence and declare his intention of converting his company into a Trusteeship Unit. This



he announced at a press conference on October 2, 1982. This was followed by a public meeting to mark the occasion which was addressed by Acharya Dada Dharmadhikari.

For Mr. Himmatbhai Khira, this was a dream come true. It will be recalled that at the first National Conference on Trusteeship (Public Meeting) in Bombay addressed by Shri Morarji Desai as Prime Minister of India in May 1977, Mr. Khira had declared his intention to convert his company into a Trusteeship Company and practise its basic tenet of “enjoying wealth by renouncing it”, but he had deferred the decision because his company faced financial trouble and industrial unrest and he was not prepared to hand over a company which was not economically viable.

After waiting for almost five years and after seeing to it that the company was on the rails again, Mr. Himmatbhai Khira decided to merge his larger company into Khira Trusteeship Unit. There are innumerable examples of smaller companies merging into larger ones, but there is perhaps none where a bigger unit merges into a smaller unit. The Jayanand Khira & Co. is a pioneering bus body building industry having experience of decades in this field. With this change, 71 of the workers of Jayanand Khira Co. joined the 16 of the smaller unit and the unit will have a turnover of Rs. 60 lacs and an installed capacity of building 350 vehicles per year. The actual ceremony of workers joining the Trusteeship unit was held on January 3 when the relevant documents were presented to Hon’ble Mr. Morarji Desai. Those who were present and addressed meetings included, apart from Mr. Morarji Desai, Mr. Babubhai Patel, Ex-Chief Minister of Gujarat, Acharya Dada Dharmadhikari, Mr. H.K. Firodiya and many distinguished citizens of Pune attended. For Trusteeship Foundation this was a moment of pride and gratification because it met the demands from several of its members and



sympathisers of showing results on the ground. This would hopefully inspire people in Gujarat and other States to establish many trusteeship units and also demand suitable legislation to hasten progress.

PUBLICATIONS:

The Foundation brought out two issues of its newsletter one of which devoted to the proceedings of Baroda and Ahmedabad conferences. It also brought out a Souvenir at the time of the National Conference which incorporated all the relevant material including the constitution, the Memorandum of Association of the Pune unit and most important views of Acharya Dada Dharmadhikari, Mr. Babubhai Patel, Prof. M.N. Dantwala, Mr. H.K. Paranjape, Mr. G.C. Shroff, Mr. J.S. Shah, Dr. L.N. Godbole on Trusteeship as perceived by them.

PROPOGATION OF THE CONCEPT AND ITS WIDER IMPLICATIONS:

During the year under review meetings and seminars were organised and addressed in different cities of Maharashtra, Karnataka, M.P. Gujarat, Rajasthan and the main emphasis was on talking to a wide variety of people the concept of Trusteeship and its concrete implications such as acceptance of social obligations to consumers and the community and Social Audit.

Many of our members felt that acceptance of Trusteeship involves a radical restructuring of economic and human relations, the Foundation should therefore emphasise and lay stress on the concrete steps that would help a business organisation to move in the direction of trusteeship. Accordingly, meetings were organised in various parts of the country to emphasise the concept of Social Audit and we are grateful to Prof. P.G. Mavalankar, former member of Parliament, who had carried out social audit of TISCO for initiating discussions on this theme. Although meetings in Bombay, Pune, Jaipur etc. were well attended, and



published in the Press, they did not evoke any positive response. No industrial organisation has emulated the example of TISCO and submitted itself to social audit. There are several business houses which have directly or indirectly accepted the wider obligations to the community and the consumer. Yet, apart from the House of Tatas no-other house has thought of submitting itself to Social Audit.

In order to create wider interest and awareness of the concept of Trusteeship, the Foundation chose the broader theme of “Indian Economy in the 80's with special reference to Gandhian insights, alternatives and Trusteeship”, for its national conferences.

Prior to the national conferences, held in September in Baroda and Ahmedabad, Mr. Govindrao Deshpande, Hon. Secretary, Mr. Raman Patel, Hon. Treasurer, addressed meetings of managers, social workers and others in Baroda in April. The Hon. Secretaries also visited several other cities of Gujarat like Rajkot, Bharuch, Ankleshwar, Surat, Bhavnagar, Ahmedabad and addressed meetings on Trusteeship. Shri Govindrao Deshpande addressed several meetings in the country to propagate Trusteeship, like in:

a) Indore, Dept. of Management training. University of Indore, b) The Press Club of Indore, c) Trainees of Kasturba Gram near Indore, d) Citizens’ meeting in Jaipur, e) Members of the faculty of economics, Jaipur University, f) Members of Kumarappa Inst. of Gandhian economics & research, Jaipur, g) A meeting jointly sponsored by Depts. of History and Commerce, Kalicut University, h) Meeting sponsored by Gandhi Bhawan, Jaipur University, i) Kerala State Khadi Organisations’ conference, j) Sarva Seva Sangh — General Body Meeting at Seva Gram.



Mr. Arvind Deshpande, Director also addressed meetings on Trusteeship in Indore, Akhuj, District Solapur, Sangroli, District Nanded. He also addressed the Lion's Club of Shivaji Park on the relevance of Trusteeship in March 1982 as also The Rotary Club of Bombay East. Many delegates attending the UNEP Conference in Nairobi, Kenya were also informed of the work being done by the Foundation when Mr. Arvind Deshpande went to Nairobi to participate in the conference there in May 1982. The NGO Declaration there incorporated the need for accepting Social Audit.

Another encouraging feature was the publication of an article entitled 'The Gandhian Contrast' by Mr. Arvind Deshpande in a special number of the Radical Humanist edited by Mr. V. M. Tarkunde. This was followed by a special number on Trusteeship in the well-known Sadhna Weekly of Pune edited by Mr. N. G. Goray. These two publications took the idea and the concept to a very large number of people including far off villages.

NATIONAL CONFERENCES IN BARODA & AHMEDABAD SEPT. 11, 12 & 13, 1982

It is a matter of deep gratification and pleasure that the one-day conferences organised in Baroda and Ahmedabad proved rewarding and purposeful.

IN BARODA:

The conference in Baroda organised on the 11th September at the Gujarat Mills' Federation Hall was for delegates from Baroda City. The delegates included senior industrialists like Mr. Nanubhai Amin, Mr. Indubhai Patel, Mr. Upendra Patel. Social workers like Mr. Bhogilal Gandhi, Mr. Indubhai Shelat, Mrs. Amina Tyabji, Dr. Pramila Maitra. Besides there were several executives, managers, officers and trade union functionaries from companies such as Jyoti Ltd., Gujarat State Fertilizer Corporation, Mafatlal Engineering Industries, Voltamp



Transformers, Dinesh Mills, Sayaji Iron Works, Bhor Industries, Petrofils Co-operative Ltd. and members of the Press.

The three principal speakers at the pre-lunch session were Dr. P.R. Brahmananda, Mr. Bhogibhai Gandhi and Mr. S.S. Rangnekar, a well-known management consultant and Hon. Director of NITIE.

IN AHMEDABAD:

The conference in Ahmedabad organised on Sept. 12 and 13 was a much bigger affair in as much as over 200 delegates and observers attended the conference. They included 50 delegates from other cities like Bombay, Pune, Calcutta, Guntur, Surat, Ankleshwar, Rajkot and Bhavnagar. The delegates from Ahmedabad included well-known names like Mr. Babubhai Patel Prof. P. G. Mavalankar, Mr. Shrenikbhai Lalbhai, Mr. Arvind Buch, Mr. Kirtee Shah, Mr. Kanikshna Kaji, Prof. K. D. Desai, Prof. Rajit Gupta, Prof. P. M. Shingi, Mr. Yashwant Shukla, Mr. Dhirubhai Desai, Dr. V.G. Patel, Mr. Bhupendra Shah, Mr. Dinesh Shah, Mr. Bhaidas Parikh, Mr. Ramlal Parikh and Prof. Manubhai Shah and a large number of executives, managing directors from companies such as the Nutan Mills, Anil Starch, Ashoka Mills, Aruna Mills, Saraspur Mills, Arvind Mills, Vijaya Mills, Rohit Mills, Maneklal Harilal Co., Abhay Mills, Jehangir Mills, National Textile Corpn., Raipur Manufacturing Co., Ahmedabad New Cotton Mills and so on. The outside delegates included Mr. S.S. Rangnekar, Mr. Justice N. P. Nathwani, K.C. Shroff, Mr. V.G. K. Thathachary, Mr. Raman Patel, Mrs. Indira Doctor, Prof. P. R. Brahmananda, Mr. N.S. Rao, Dr. B. Rudramoorthy, Mr. H. M. Marathe, Mr. Manubhai Pancholi, Dr. S.C. Jain, Prot. Yogendra Parikh, Mr. D. A. Anandpura, Mrs. Sandra Shroff, Dr. L.N. Godbole, Mr. V.N. Halbe, Mr. G. Hanumantha Rao, Mr. Modi, Mr. Jawahar Pandya, Dr. S.G. Bapat, Miss. Chandra Kirloskar, Prof. V.B. Kamath and Mr. Prakash Deshmukh.



The main session between 9.30 a.m. and 1. p.m. on September 12, was addressed by Shri. Morarji Desai, former Prime Minister of India, Shri. Babubhai Patel, Ex-Chief Minister of Gujarat, Prof. P. G. Mavalankar, Dr. P. R Brahmananda, Mr. S.S. Rangnekar and Mr. Arvind Buch. Delegates were welcomed by Shree Govindrao Deshpande and Shree Dhirubhai Desai proposed a vote of thanks.

The most significant outcome of these conferences has been an introduction of the work being done by the Foundation to the people in principal cities of Gujarat like Rajkot, Jamnagar, Junagadh, Bhavnagar, Mehsana, Surat and Ankleshwar. Apart from Baroda and Ahmedabad. Trusteeship Groups have been set up in all these cities and these will work for enrolment of members, preparation of literature in Gujarati, involvement of trade and industry in rural development social forestry and creation of entrepreneurial skills in villages for self-employment and setting up of Trusteeship units on the lines of our Pune unit.

INDUSTRY AND RURAL DEVELOPMENT:

The Foundation which has been advocating industries' participation, in rural development as a minimum concrete expression of their acceptance of social responsibilities and trusteeship was instrumental in persuading the then Janata Govt. to exempt payment of income tax on donations to rural development projects and to the institutions implementing such projects. Several of its members such as Excel Industries, Pest Control (I) Pvt. Ltd., Asian Paints, Bhore Industries, were doing laudable work in this field.

With the help of Excel Industries, Asian Paints, Bhore industries, The Foundation has implemented a three-year project at Warkhed in Yeotmal District and a project of development for two villages of Mohori in Bhore Taluk, District Pune. The Foundation sought the help and expertise of NIMID to prepare a plan of integrated development for five or more villages in Bhore Taluk and on



December 4, 1982 it received the letter of approval under 35 CCA of Income tax Act, 1961. The approved programme consists of dairy development, irrigation facility, pilot milk chilling plant, horticulture, nursery, gohar gas plant, pilot oil expeller, agro service centre, extension service, research and development, health care programme and industrial activities, the total cost of which amounts to Rs. 23 lacs over a period of three years. Of this Bhor Industries, their distributors and other donors are expected to contribute Rs. 10 Lacs.

In spite of the initial sluggishness in the response shown by industries, for active participation in rural development, many industrial houses were coming forward to take advantage of tax deduction under 35 CCA but the new budget proposals for 1983-84 have dealt a severe body blow to rural development efforts by voluntary organisations. This section permitted participation efforts by companies, individuals, workers, managers, technical staff and voluntary organisations. Unfortunately, the new budget proposals seems to close this avenue. It would have been better to publish a critical evaluation of the efforts made by industry and organisations for Public enlightenment before deciding to withdraw tax exemptions.

FINANCE:

Although the Foundation has received encouraging assistance to its projects like the Trusteeship unit in Pune, rural development projects in Wathked and Bhor, it has always faced difficulties in getting funds for propagation work and for meeting basic establishment's costs. The position has slightly improved because of revenue through advertisements in the souvenir brought out at the time of our National Conference in September in Baroda and Ahmedabad. This amount along with some donations to the corpus and life member subscriptions from around 40 people has enabled the Foundation to build a corpus of Rs. 1.5



lacs and the interest on it will partly meet the establishment cost. Even so, the Foundation needs to create a corpus of at least Rs. 5 to 6 lacs to meet the full costs of office establishment and meetings and seminars and propagation work generally.

The Foundation is grateful to the donors and sympathisers for their help to carry out its activities during 1982. We should particularly mention Mr. George Goyder's generosity in keeping the promise of a donation of £1000 which the late Mr. Ernest Bader of Scott Bader Common Wealth wanted to make.

CONCLUSION :

The year 1982 thus came to a close with several eventful achievements, principally the establishment of a successful Trusteeship unit near Pune and opening up bright prospects of work in Gujarat and other places. This has thrown up some challenges like:

- (a) Co-ordination of work in Gujarat.
- (b) Formulation of legal structure to set up trusteeship companies.
- (c) Providing managerial assistance to prospective units.
- (d) Provision of training facilities, and offering technical services and organisational support.



TRUSTEESHIP A PHENOMENAL ACCIDENT “LIJJAT”

“Shri Mahila Griha Udyog Lijjat Papad is a self-help movement for the ladies, of the ladies and by the ladies. Yesterday, it was an experiment, today it is a reality and tomorrow it may become a phenomenon – an institution that will be a model of self-help, trusteeship and participative movement.” says a handout from this large organisation which has come to be acknowledged as remarkable phenomenon.

The organisation boasts of over 6000 members of which 2500 are in Bombay alone. The organisation began humbly as a women's movement, way back in 1959 when a group of seven women decided to make “papads” on a commercial basis. At that time the only philosophy which inspired them was that of Sarvodaya and the organisation owes its runaway success to this invaluable doctrine.

Members of this organisation are women only and are known as sisters. This egalitarian terminology is adopted to denote that there are no superiors or inferiors among members of the organisation and that members are the owners of the organisation in their own right in profit or in loss. Each member is expected to treat the organisation as a place of worship and is pledged to devotion to hard and sincere work, thereby giving the norms of dignity of labour a high priority.

What began as an attempt at self-help and self-reliance has grown to be an established institution engaged in commercial ventures of great proportions. The turnover as it stands today, is Rs. 7 crores of which nearly a crore is through exports.

The period between 1959 and 1966 was a time of trials and errors for these women. It was only in 1966 that a need was felt to regularise the organisation's



activities and thus they call this year “a turning point”. The most important event was that they adopted a formal constitution on July 25, 1966. The institution was then registered as a “society” under the provisions of the Societies Registration Act 1960, as well as a “Public Trust” under the provisions of the Bombay Public Trust Act, 1950. It was in 1966 itself, that Mr. U.N. Dhebar of the Khadi and Village Industries Commission visited the institution and granted them a recognition by the KVIC.

This recognition by KVIC was both an image and a morale booster for Lijjat. Since then there has been no looking back as far as progress is concerned.

Today, the organisation has more than 20 branches all over the country — though mainly in Western India – which includes some of the remotest villages of Gujarat. The other activities include making of Khakra, Vadi, Match boxes, Agrabattis and leather articles.

The leading light of this organisation was Mr. Chhaganlal Parekh. Under his guidance, the institution could take a definite form and grow to be profit making institution that it is today.

On one main condition, which is considerably emphasised even today by Lijjat, Chhaganbapa Parekh offered all assistance — that is never to accept charity. The initial capital of a hundred rupees also was to be returned with due interest on it. This insistence on non-acceptance of charity from anyone is almost a fad with every member. This does not prevent them from giving charity, as they have done to many worthy causes in the past.

Giving of charity is mainly in the form of awards in the form of scholarships to deserving students, holding essay competition on Vinobaji’s Gitappravachan, etc.



The other rule which Chhaganbapa laid down was of keeping all accounts “clean”. Thus when a KVIC official visited the institution he inspected everything except the accounts thereby meaning that whatever Chhaganbapa recommended had to have clean accounting system.

Good quality products was another condition which Chhaganbapa laid down. The institution is pledged to keep strict vigilance on the quality of its products which means that right from the purchase of raw materials to the standardised packaging a consistent quality and uniformity is maintained.

Women who work as members of this organisation collect their daily labour charges and have free access to the account books. Overall profit is distributed to members either in cash or in such form as gold bangles per member. The division is not uniform throughout the centres. Those centres which are not making much profit have to satisfy themselves with less “vanai”. In this unique system of bonus each centre enjoys considerable autonomy.

The important decisions are taken by an Executive Council members of which represent their respective centres. It takes the decision of nominating a President and other office-bearers of the organisation. There are no elections and no choice by taking out lots. There is no fixed tenure for Presidentship; whenever the Council desires, it can remove the President and nominate someone else in her place. No reasons are given, no resolutions are passed. Similarly, the Executive Council has the right to alter any previous policies as regards the organisation.

Lijjat has its own printing press, its own flour mill and also its own transport and auto garage. It does not hesitate to employ professional management task force and is well aware of the needs of modern marketing. In this regard, they have a sizeable budget of Rs. 35-40 lakhs where their advertising is concerned.



They have resorted to all the modern audio-visual media like the TV and films in this respect.

Prima facie the organisation is an ideal model of co-operation and profit-making business. It aims to uplift that class of society which hitherto had no vistas open for development and prosperity. It has regularised those activities which were confined to the four walls of a home in which a housewife laboured and made papads and also undertook to market them by going door to door. To thousands of such women, Lijjat has come to be a boon.

Lijjat however, discriminates against men as far as membership is concerned. The organisation was started as a women's organisation and even now its logo emphasises on the fact that Lijjat is a symbol of woman's strength. Which is what it truly is.

Any male even if he is capable of making papad or khakra is not acceptable to Lijjat. Asked if members would take such a man as a "brother" member, they replied sotto voce "No". "We can call him our brother but not as a member" said a senior member. Hence, men who work in the organisation are employees only and this fact is underscored several times to the point of irritation of the male employees.

The organisation has many male employees in various cadres. They are paid regular salaries plus other benefits like bonus like most other commercial house pay. But their employment is at the mercy of sisters.

The peculiarity is that any member can "fold" her hands and ask an employee to leave the organisation. No reasons are given, no questions are asked. A KVIC officer who coordinates loans and other business between KVIC and Lijjat said that in the past Lijjat has unfailingly had bad experiences with male employees. Whenever a male employee was trusted too much, he had taken



undue advantage of the members' otherwise non-academic back grounds and cheated them in accounts and other matters. When such malpractices were discovered, even if late, the concerned employee was asked to leave. Thus their bias against the male employees, according to him, becomes justifiable.

Since there are no academic qualifications required for membership, their dependence on educated and qualified personnel, becomes an unavoidable factor. It is here that the risk of being cheated comes the forefront.

Contrary to this, if a member is admitted to the organisation, no one can ask her to leave the organisation unless she voluntarily leaves for reasons of her own. Even if she so leaves, she is persuaded to continue remaining a member.

Mr. P. D. Dattani, who has been with the organisation ever since its inception said that there is nothing like a union of employees. Since the employees form a miniscule part of the organisation, there are doubts if such activity could be of any import. He, however, felt that since men are discriminated against when it came to the membership, the organisation cannot be said to be conforming to the principles of trusteeship. It can be termed as a cooperative movement — an endeavour at common ownership of women only which has succeeded like success.

Many members and KVIC officials feel that Lijjat was an accident. No one in 1959 ever thought that this little movement would gather such a momentum and have phenomenal growth. A member said that if Lijjat was an accident let there be more such accidents — a developing country like India needs such accidents.



TRUSTEESHIP IDEA AT WORK KHADI GRAMODYOG BHAVAN, MADRAS

INSPIRATION:

Of all the programmes of Constructive Work given to the nation by Mahatma Gandhi for building up the inner strength of the people of India, and to create a New Social Order based on altruistic values, Economic Equality is the most significant and perhaps the most difficult to implement. During his lifetime, he formulated and worked out numerous programmes to achieve this objective, which did prepare the ground for the social transformation envisaged. His concept of Trusteeship was to crown them all. Unfortunately, Gandhiji did not have the time to experiment this programme on a scale that would befit the greatness of the concept. He has, however, left behind many models from which we could derive inspiration and guidance. But it requires a great deal of clarity of thought, ability in organisation and courage of conviction to work out this programme, even as a model. A humble beginning was made by the workers of the Khadi Gramodyog Bhavan, Madras, with zeal and enthusiasm, and took up the programme in right earnest, when the opportunity presented itself. The present study deals with the concept, method and impact of the experiment, which is still in a state of infancy.

THE CASE-HISTORY:

The Khadi Gramodyog Bhavan, Madras was first brought into being by the Khadi and Village Industries Commission, as one of the four major emporia in the country in October, 1957. Its sole function was procuring and marketing Khadi and the products of Village and Cottage Industries. Khadi and Village Industries provide the base for rural employment; so marketing of the products provide a vital service to the rural people. After running the Bhavan for about twelve years,



the Commission, in pursuance of its policy, decided to hand it over to the employees, who were running it till then, treating the stocks and furniture on the date of transfer as working capital loan. This was a golden opportunity for the workers to rise upto the occasion.

The workers who were 42 in number including the manager then constituted themselves into a Registered Society called the Khadi Gramodyog Sangh and took over the management on the 14th September, 1969. The value of the total assets handed over was Rs. 21 lakhs.

OBJECTIVE OF THE NEW ORGANISATION:

The Khadi Gramodyog Sangh decided to run this new organisation according to the Trusteeship doctrine of Mahatma Gandhi. The price mechanism of Khadi and products of Village industries is such that profit-making is totally ruled out. The objective of the organisation was therefore enlarged from merely procuring and marketing products of Khadi and Village Industries to working for the larger objective, namely, the establishment of a non-violent social order, as envisaged by Mahatma Gandhi.

COMMONWEALTH:

Though legally the ownership of the properties of the Sangh vests in the worker-community, it is held in trust by the worker-community as a commonwealth on behalf of the larger community; and no one has any proprietary interest in it. In the event of dissolution, the properties of the Sangh, after paying off the liabilities shall not be distributed to any or all worker-members, but will be made over to another service organisation working for similar objectives. Even the worker-community has charge of it only so long as it managed the affairs of the Sangh consistent with the objectives.



ADMINISTRATION:

The Constitution of the Sangh provides for:

- (a) a General Body, consisting of all the permanent employees of the Sangh, and a few persons of repute known for their devotion for the cause.
- (b) a Board of Management elected by the General Body. This Board is in over-all charge of the entire administration of the Sangh's activities subject to the general approval of the General Body.
- (c) An Executive Committee consisting of the office-bearers, the auditor, the local holding trustees, to be in charge of the day-to-day administration of the Sangh.

MANAGEMENT:

Management is of vital importance in a Trusteeship Organisation. There should be no employer-employee dichotomy in Trusteeship. The workers, who are members of the General Body of the Trust should feel that this organisation is their creation, and that they are holding it in trust on behalf the larger community from which the organisation derives its sustenance. It was therefore planned that the management should be broad-based and all the workers must participate in the decision-making processes, and in the efficient running of the organisation. As there is to be no employer-employee dichotomy, the workers perform their daily work, not as mercenaries, but as a sacred duty in a spirit of understanding and belonging.

Functional Committees have therefore been set up to plan and execute the entire work from the grass-roots, viz., procurement of goods, processing, pricing, maintenance of stock, display, sales promotion, accounting, auditing, budgeting and general administration. The functional committee for a particular



department consists of all the worker-members working in that department and representatives of other concerned departments, with whom they have direct relations, and the convenor of the Committee of heads of departments. Every aspect of work is discussed in these committees and ways and means of effective implementation are finalised. It is necessary to mention here that as the institution does not work with a profit-motive, there should be no loss resulting from mismanagement, slackness, inadvertency or lack of planning. The workers therefore plan their work under the guidance of the managers, who do not themselves make the decisions, but offer sane advice as to how a particular item of work should be carried out in the best interest of the organisation.

The managers themselves are not self-centred, hence their advice is also tempered with maturity and a sincerity of purpose. The workers are free to participate in decision-making, although all the workers do not necessarily participate at all levels of decision-making, for it requires special ability, business acumen and experience. However, this provides ample opportunity for the average worker to rise upto the occasion and put forth his ideas, and to accept responsibilities thereof. It also imbibes in them a sense of belonging as in a family.

The budgets and plans for development and expansion for the various departments are also prepared and primarily discussed by the respective committees and then forwarded to the Board of Management for its scrutiny and approval, and inclusion in the general budget. Formation of these functional committees have created confidence in the workers and problems of slackness, indifference and inefficiency are instantly checked. Workers prepare themselves to take responsibilities with confidence.

These functional committees function within the framework of the larger community, the General Body. The important workers are transferred and posted



in other departments by rotation, so that they become conversant with every aspect of planning and execution and develop leadership.

THE WAGE-STRUCTURE:

The Worker-Community consists of wage-earners, salaried employees and managers. Though covered by a scale of pay, the wage-structure is such that the ratio of emoluments between the lowest-paid and the highest paid is not more than 1 : 3. The life-style of the managers is not much higher than the lowest-paid. The scale itself is fixed consistent not with the price-index, but with the normal living standards of the average man. All the workers are paid their salary, dearness allowance, house-rent allowance, city compensatory allowance, washing allowance, and health allowance, besides pension, gratuity and payment of leave-salary in the event of surrender. The managers are not paid any perquisites beyond these common benefits.

The worker community is aware of the fact that “a decent minimum living wage should be paid to all workers, and that a limit should be fixed for the maximum income that be allowed to any person in society. The difference in such minimum and maximum incomes should be reasonable and equitable and variable from time to time so much so that the tendency would be towards the obliteration of the difference.” A great deal has yet to be done in achieving this ideal of Trusteeship.

THE FINANCIAL POSITION:

The Sangh started its work with working capital provided by the Khadi and Village Industries Commission in 1969 and further working capital loan provided according to their rules, and consistent with the annual turnover of Khadi institutions. These loans are interest-free and are retainable so long as the



turnover is steadily maintained at 2 ½ times the working capital. Question of repayment of the loan arises when the Sangh winds up its business.

During the last ten years of its work after the take-over, the aggregate turnover of business has been steadily increasing and amounts to nearly Rs. 20.00 crores, which has yielded a net surplus of Rs. 20.00 lakhs, at the rate of about 1% of the total turn-over. This 'surplus' has been capitalised.

In the coming years, the surplus is bound to be more, with the increase in turnover. The additional capital built from surpluses is also bound to yield more surplus. Hence the worker-community, as trustees, feels that a time has come now for it to call a halt to further capital formation from surplus and that it should now organise its work in such a manner that the surplus is equally distributed among the various constituents of the business.

THE KHADI COST-CHART:

Lest it should be argued that the sale-price of goods can be brought down in order to reduce the surplus in the coming years, it is necessary to explain how the price-mechanism works in Khadi.

The Khadi institution is not a profit-making concern, but is essentially a service-organisation with the triple object of 1) providing work-opportunities to the rural artisans and unemployed; 2) to establish a net-work of agro-industries providing a decentralised base for industry; and 3) to provide goods and services at reasonable rates to consumers.

In the production of Khadi, the institution buys the raw-materials — cotton — in the open market, processes it through indigenous methods and gives it to the spinners' for producing yarn, The spinner uses the Charkha — of which there are many models — which is hand-operated. The yarn produced by the spinners



is bought at a price which assures them a living wage. This yarn is again sorted and given to the weaver for production of cloth, using the hand-loom. The cloth after production is bleached, and according to requirements, dyed and printed and brought to the counter for sale. All the workers — the weaver, the bleacher, the dyer and printer — are given reasonable living wages. The organisation levies only a 'Service Charge', and no profit. The producers at various stages — the cotton-grower, the spinner, the weaver and other workers like the carder, the bleacher, the dyer and the printer are all wage-earning workers who deserve to be given a living wage. The cost-chart has an in-built pricing mechanism, which, while affording a living wage to the workers at various levels, assures the consumer qualities at legitimate prices and checks profiteering. The cost chart is uniformly applied throughout the country in such a manner that the end-product will have the same price everywhere. Except special and rare varieties which have to be brought in distant places on account of geographical variations, most of the Khadi sold in a State is produced locally.

However, if the turnover provides a 1% surplus, it is because even the salaried employees are paid only a decent living wage as mentioned above. The question therefore of reducing the price of the end-product, except by providing sales-rebates, is not within the competence of the selling agency. Having earned the surplus, it becomes the inevitable duty of the organisation, either to capitalise it, or redistribute it among the various constituents, viz., the capital, the worker, the artisans, the consumer, and the larger community which it serves.

Having decided not to build further capital, beyond a reasonable limit, the Sangh proposes, in the next ten years, to introduce, the following measures to redistribute the surplus:



- (1) About 20% shall be set-apart for schemes promoting social security, and raising the standard of life of the members of the worker community, not only by paying uniform higher wages, but by introducing schemes providing a sense of security.
- (2) About 20% shall be capitalised towards expansion and development, consistent with the decentralised nature of the industry;
- (3) About 20% shall be returned to the consumers, by allowing additional rebate during festival seasons when all classes of consumers are likely to buy, or by organising consumer-service-programmes;
- (4) About 20% will be spent on training, research and development, and for the propagation of the ideals behind the movement; and
- (5) about 20% will be spent for providing the artisans engaged in the production of ready-made products, and those of village and cottage industries, social security measures and safeguards against natural calamities.

CONCLUSION:

The worker-community is aware of the fact, that they have a lot to do to make their venture an ideal example of Trusteeship organisation. Yet, they have the supreme satisfaction that they are proceeding towards an ideal, which will ultimately bring peace and harmony in the economic field.



TRUSTEESHIP AND PROBLEMS OF MANAGEMENT

In a booklet published by the Trusteeship Foundation, Mr. Jayapraksh Narayan writes, “It must be admitted that no progress has been made in spelling out either in theory or practice, Gandhiji’s seminal concept..... The theoretical foundations and the juridical and practical procedures and forms for running economic enterprises in accordance with the spirit of Trusteeship have yet to be worked out by us.”

This is a sad, if unassailable truth. For even though the Formula was spelt out as early as 1940, and independent India has seen 28 years of Congress rule, Trusteeship has made little or no headway in India.

Mr. Govind B. Deshpande reminds us that as early as 1965, efforts were made to codify the social obligations of business, and that in 1966 J.P. himself convened a meeting of Trade Unions to discuss the social obligations of Trade Unions towards the unorganised sector, both urban and rural. For all this, the approach is still ‘syndicalist’ with the consumer and the community left high and dry. He points out to the fallacy of managers who have no long-term stake in an industry arguing the case for management, and of even the pricing structure being made to function on the need to support the high artificial life-styles of the Managers.

While conceding that Industries, particularly the larger ones, have the duty to promote the welfare and development of people living in surrounding areas, and giving instances of how the Tatas have gone about doing this, J.R.D. Tata says that little else can be done by big business in India, since, according to him, Economic Power in India has clearly passed on from the Owners of business, either to the Government or to the Unions. To him Trusteeship is a matter of



attitude and he sees greater scope for the exercise of Trusteeship in Small industries that are family-controlled. To him, massive Public Works are the only means for solving the problems of poverty in India, particularly rural poverty.

It is left to George Goyder to trace the total inter-dependability of the various constituencies of business — the Share-holder, the Manager, the Management, the Worker and the Trade Union, the Consumer, the Community and the Government. He says the Limited Liability Company is outmoded and undemocratic, which he feels should now be replaced by the 'Participating Company' in which each of these constituencies will have a forum for the expression of their views and interests. Apart from the shareholders, the workers, the consumers and the community will have representatives on the various organs that comprise the management structure of the Participating Company. He brings in the need for Social Audit of big business to inform the public about the manner in which they are discharging their social responsibilities.

Ramesh Seth clearly spells out the concomitants of acceptance of the principles of Trusteeship, first among which is a simple life style for Managers. He sees in the exercise of all power, a measure of discretion; and says that in the exercise of discretion, the spirit of Trusteeship alone makes for bonafide action. He would not wait for any formal structural change. Right at the work-place he sees enormous scope for the immediate practice of the spirit of Trusteeship.

The four presentations form an excellent mosaic of the practice of Trusteeship.

BUSINESS ACCOUNTABILITY

GOVIND B. DESHPANDE



It is now fairly well-known that Mahatma Gandhi did not have enough time to define 'Trusteeship', or spell out fully its implications and what it meant in concrete terms. One thing, however, is certain. By introducing the concept of Trusteeship, Gandhiji was trying to introduce into the field of industry and business his two basic concepts of "Swaraj" which meant self-rule or self-discipline, and "Ahimsa" which meant non-exploitation, equality and freedom.

It would appear that between 1948 and 1965 little effort was taken to promote the concept of Trusteeship. The first attempt to give a practical shape to this concept was made at an International Seminar organised in New Delhi in 1965 by the India International Centre, Delhi, in co-operation with the Gandhian Institute of Studies, Varanasi. The theme of the seminar was "Social Responsibilities of Business" as probably, Trusteeship was considered too radical a theme for discussion. The Seminar was inaugurated by the then Prime Minister, Lal Bahadur Shastri with Dr. C.D. Deshmukh in the Chair. The proceedings were generally guided by Mr. Jaya Prakash Narayan.

SOCIAL OBLIGATIONS OF BUSINESS:

It adopted a declaration which says: "All life is trust and all power carries with it obligations. The Gandhian principle of Trusteeship expresses the inherent responsibilities of a business enterprise to its Consumers, Workers, Shareholders, and the Community and the mutual responsibilities of these to one another." This multi-dimensional accountability has been reduced to what may be considered a socially responsible Code of Conduct in a declaration of principles which reads:

"We believe that as a responsible business enterprise, we have certain social obligations towards our consumers, employees, share-holders, society and the local community in which we operate. We shall, therefore, endeavour to fulfil these responsibilities to the best of our ability.



TO THE CONSUMERS:

To ensure supply of goods of good quality and standard specifications at a fair and reasonable price.

To ensure that there is no adulteration or artificial shortage of goods.

To ensure accurate weights and measures of goods produced and sold.

To ensure good service and courtesy to the consumers.

To inform the consumers of the correct prices and adhere to ethical advertising.

To ascertain consumer preferences and consumer satisfaction.

To set up a consumer advisory body as a liaison between the consumer and the enterprise.

TO THE EMPLOYEES:

To recognise the workers' rights to a fair wage and collective bargaining.

To provide the best possible conditions of employment for all employees.

To provide all employees with equal opportunities for meaningful work and adequate facilities to develop their abilities and potentialities through training.

To ensure adequate reward or promotion for improved performance.

To encourage and facilitate the increased association of employees in decisions affecting their working lives.

TO THE SHARE-HOLDERS:

To make the company economically viable, provide a sound capital structure; and ensure fair and reasonable dividends to share-holders.



To plough back reasonable percentage of profits for research, innovation and continuous growth.

To provide thorough and adequate information regarding the affairs and working of the company.

TO SOCIETY AND THE LOCAL COMMUNITY:

To behave like good citizens and do our duty by the community. To employ, after careful assessment and scrutiny, professional managers and executives who are men of integrity and high calibre.

To help in preserving, maintaining and improving of the locality in which the enterprise is located and in a pollution of water, air and atmosphere.

To participate in the promotion of civic amenities, rural development and in the general well-being.



TRUSTEESHIP AND SOCIAL AUDIT

In the economy of big business there is much need for a Social Audit which should inform the public about the manner in which a large business is discharging its social responsibilities. Any company could establish a social audit voluntarily by placing adequate information in the hands of four trustees to be appointed by such bodies as the Company, the Trade Union Congress, the Board of Trade and an independent body such as the National Council of Social Service.

The areas of enquiry to be covered should be:

1. The Company's pricing policies as they affect its consumers;
2. The Company's labour policies as they affect the employees and the Trade Union; and
3. The Company's community policies.

The trustees would engage the required staff from the social sciences and economic faculties of the universities and from bodies interested in the social responsibilities of business. The trustees should brief them and publish their report independent of the Company, and place the report before the Annual General Meeting of the Company.



A HOPE FOR TRUSTEESHIP IMPLEMENTATION

THE IMMEDIATE TASKS:

Given the state of mismanagement of the economy, corruption and confusion in the role of the mixed economy of the large private and public sector units and a lack of commitment to any values of economic justice both on the part of the government and the private sector, it may be rather difficult to push the idea of trusteeship. When market, non-market and parallel market all co-exist to exploit rather than to rationalise the economy, it will be difficult to innovate. Therefore it may be more profitable to work for those conditions which create an environment of responsibility and accountability, norm-preservation and an optimising structure of resources and technology as well as guaranteeing some minimum justice to entrepreneurs, workers and consumers. The idea of trusteeship does not stand by itself. It is one part of Gandhiji's large economic philosophy as well as policy and therefore contingent upon existing and many other factors.

The first and most important need is to reverse the galloping trend towards the criminalisation of Indian economy and society. No model, structure, policies, programmes can ever make sense not to speak of succeeding, if criminal activities whether of the lawless government or of the smugglers and dacoits get intertwined with the normal economic processes. The recent scandals about cement, international deals, hoax of income tax raids, widespread arrangement of kickback on government orders etc. are all eating into the vitals of the economy and the government decision making. This trend must be reversed.

The second most important need of the hour is to revive the idea of swadeshi, not in any narrow sense but in the larger sense in which Gandhi talked about. During the last 35 years, we have lost our sense of national pride.



Poor countries are being dominated and controlled through the export of third rate technology while their poverty line remains untouched. One can buy technology at a very high cost and yet one may not get its advantage. In the last two years there has been a mad rush for collaboration which will make each and every aspect of our industry dependent on foreign resources and technology. I need not go further into the details of the swadeshi but it is time that we should resuscitate the idea of swadeshi as coined by Gandhi.

At this stage of our relationship with the developed world, and the mounting balance of payment deficits, we have no choice but to seek export markets but it would be self-defeating and dangerous if in the name of export promotion we pursue policies, which instead of reducing, will enlarge the existing gap. What I am suggesting is that we first give priority to the import of those technologies for which we can develop a base; second we should import those technologies which can optimise our use of domestic resources, and third, we should import those highly intensive technologies which we might need for international competition.

The Government must make a clear distinction between the Indian companies and treat them with discrimination. This is the true spirit of Swadeshi. The experience of FERA companies has proved that most of them are not interested in the economic development of this country, instead of bringing in resources and technology they are taking them away. The dilution principle of 40 per cent has proved to be a camouflage to protect the interests of foreign companies. Not only the foreign companies should be obliged to pay higher taxes, go only into demarcated areas, vacate traditional areas of production, spend a definite percentage in R & D etc. but also export a certain percentage of their products. They must be allowed to operate only if these conditions are



satisfied. The idea is not to create conditions of inequality to avoid competition between Indian and foreign companies but to divorce one from the other and let them function the different areas of production. The foreign companies should be allowed to come up where the Indian companies are not in a position to do so.

Third, the public sector which has ceased to be public in more than one sense is no longer performing any of the original functions for which it was set up, namely (1) controlling the commanding heights of the economy to give direction to the economy; (2) to ensure rational and effective planning; (3) to produce a growing surplus for re-investment and accumulation; (4) to pay down the basis for technological self-reliance; and (5) to become an ideal employer. Whether it is a question of management, R & D or business principles, the public sector has been negating all norms. Now that the private sector is being asked to face competition, the same must apply to public sector. Besides bureaucrats should be replaced by technocrats.

Fourth, we need a comprehensive national policy on science and technology. It is amazing how our scientific establishment have remained divorced from the actual application of technology and its import.

Fifth, the FICCI and the ASSOCHAM are the two highly organised representatives of the industry and trade. They have been in a running debate and conflict with the government on the one hand and the labour on the other. Besides, these two organisations are dominated by big business houses and have seldom cared to look into the difficulties and problems of the small scale sector. There is no collaborative and creative industrial culture in these organisations. In many respects they have shown scant respect for the interest of the community. They have also been pursuing contradictory approaches and policies. A certain



amount of heart-searching is needed among the businessmen before it is too late. The least they must have is (a) a code of conduct for their members; (b) discourage illegal practices; (c) help the weaker groups among them; and (d) open themselves up to social accountability.

Sixth, for the last three decades we have allowed a slow disintegration of rural industries. Although there had been some policies to protect the small scale sector but the recent figures of industrial sickness and impact of recession have revealed an utter vulnerability of the small scale sector as well. Last year, at this time the Government had promised to introduce statutory protection of the small scale sector. Some weeks ago it was reported that the Government had given up the idea because of the opposition from the World Bank or some other international power. Neither Swadeshi nor trusteeship can make headway if we do not protect the small scale sector. The policy which was initiated during the Janata government of demarcating areas for small scale should have been carried forward and large scale units asked to vacate those areas of production. But that was not done.

Seventh, participation of labour in the private sector has become very urgent not only for the protection of workers' interest in the industry or to avoid labour indiscipline but also to ensure that the industry is co-operatively run on commercial principles. We should learn from Japan in this respect. The Japanese have two associations — one All Japanese Management Association and the other All Japanese Efficiency Association. The functions of these two organisations are to monitor efficiency, technology and management in the units. Officials of the Associations visit the industry to see the problems as well as monitor their performance.



Co-determination does imply consultation but the two concepts are not coterminous. Consultation can be formal and meaningless or it can be serious and a source of creating confidence. Under the prevailing circumstances no scheme of participatory industrial democracy can service on the basis of either total class collaboration or total class conflict. In one case it will destroy the essentials of the democracy and in the other it will lead to chaos.

Some developed countries have therefore worked out the intermediate arrangement, the concept of co-determination, explicitly or implicitly. Japan and Germany are two obvious examples. In Germany co-determination has been explicitly accepted and put into operation while in Japan it is almost part of the economic culture without the word 'co-determination' itself being mentioned. In Japan, the word used is consensus which depends on (a) workers' complete loyalty to the firm; (b) workers' willingness to implement any agreement arrived at between labour and management; (c) personal security of the workers; (d) unrestricted mobility, and (e) guarantee of workers' training and upgradation of skills, (f) democratic class making.

In India, unfortunately, co-determination has not even been discussed not to speak of being conceptualised or put into operation.

However, the problem of workers' role goes quite further than that. George Goyders from U.K. and Vice Chairman of Trusteeship Foundation, has made several proposals which are worth considering. First, (i) public companies should make their employees members of the company by giving each employee a share after a fixed period of service. For some purpose e.g. information, holding of one share in a company confers the same rights as a thousand. This would have a profound psychological effect. It will break down the distinction between ownership and employment and will recognise the workers as responsible



members of the company, (ii) Public companies should set aside a small proportion of their annual profits after the shareholders have received minimum but a fair return, to be placed in the hands of the trustees. This has to be compulsory rather than voluntary. What should remain voluntary is the right of the individual employee to add that part of his share of his regular pay to be used to buy the shares in the company. The employee can also be entitled to buy shares at a certain discount. This is what is known as 'save-as-you-earn' scheme. Some tax concessions may be given in order to encourage employees to become shareholders and members of the company. In Mr. Goyder's words: "The basic flaw in capitalism and the reason why the conflict between socialism and capitalism seems irreconcilable lies in the continuing and exclusive rights of control given to shares. This represents a radical injustice. The way to deal with the problem is to require public companies to do what the Finance Act 1980 now empowers them to do: to buy up their shares on the Market and transfer them to a Trust for the employees."

Naturally, the question arises about the limit of the employees holdings in the shares of the company. Under true trusteeship a member would require no limit at all. But since this may create difficulties and even disruption in the prevailing system, some limit has to be imposed for a given period of time. The limit may be between 10 percent or even 20 per cent preferably the latter particularly in companies in which the debt-capital ratio is very high. (iii) The whole company law has to be amended in order to make public companies to become socially responsible institutions. This implies the obligation to maintain the balance in the objects of the company, assurances to employees and shareholders about the protection of their interests and the creation of framework for representations made by the interests affected and finally periodic



Social Audit. Naturally all this would require strengthening of the economic base of a company in order to provide for its own growth and development providing the quality of goods and services and establishing some relations between the company and the community. (iv) Social Audit has become absolutely necessary and will have to be statutorily introduced if a public company is to conform to social objectives. The companies generally go in for financial audit but this has not only proved inadequate but often instrument of legitimisation of manipulation by company directors. In fact in many cases the financial audit is the cover up for all kinds of misdeeds of the companies. To begin with, the social audit will have to be voluntary but gradually it will have to be made statutory.

Some time back Tatas had introduced the principle of social accountability. It was a good exercise but there was no follow up. I think that the Trusteeship Foundation should take up this matter with FICCI, distinguished businessmen, academics, economists and management experts as well as the Government so that we can start with the principle of Trusteeship namely social accountability. This may not be liked by owners of inefficient or corrupt units but those businessmen and non-businessmen who are concerned with the larger problems of the industry should start social accountability as a movement. I am sure there will be much support for it if the movement is guided by some great personality. I can straightway suggest the name of Mr. Morarji Desai and Arvind Mafatlal to take up this method seriously. (v) There should be some provision at the annual general meeting of the companies that the representatives of the community and the consumers be entitled to attend and ask questions not only from the employers but also from the employees and shareholders. This may be rather difficult to organise because in a society in which community institutions are not developed and consumer protection organisations are missing, it may be



dangerous to invite all and sundry to participate in the discussion. But over time, these institutions will have to be strengthened so that the annual general meeting of the company represent all concerned. Finally, (vi) most schemes of profit-sharing have not succeeded because of the fact that whereas one side owns all the shares on which profit payment is eligible the other side i.e. the workers have no share. Therefore, to begin with it may be necessary that workers who have put in a certain number of years of service should be entitled to become members of the company by owning shares. Schemes can be worked out by means of which workers contribute a part of their salary as they do in the case of provident fund along with the contribution from the profit to allot shares to workers. The general idea of profit sharing can be a source of conflict but through the method suggested here both the workers and the management can own shares and thus not only break down the distinction between ownership and work but also create areas of co-operation and responsibility. In fact it may be desirable to put into law that a certain percentage, however, small, of the earnings of the workers be set aside compulsorily for share owning. The only danger in this case which has to be looked into is that a worker does not become benami holder on behalf of somebody else.



THE SOCIAL AUDIT A NEED OF TRUSTEESHIP OBJECTIVE

“Mention the name Social Audit in the Board Rooms of some companies and you run the risk of being carried out on a stretcher. Why should these two words be such an effective trigger of the corporate adrenalin?” That was John Elkington reviewing Business through the Looking Glass.

2. The Tata Iron & Steel Co. Ltd. (Tisco) is not one of these companies, for it took the initiative to invite this Social Audit. It is the first Social Audit ever undertaken by any company, public or private, in India.

3. By a resolution passed on 22nd May 1979, the Board of Directors of Tisco approved the proposal to appoint a committee to go into the question whether and to what extent the Company had fulfilled its obligations under the broad head of social and moral responsibilities under Article 3A of its Articles of Association. The Committee, subsequently appointed in October 1979, consisted of three Persons as follows:

Mr. Justice S.P. Kotval – Chairman

Prof. Rajni Kothari

Prof. P.G. Mavalankar

4. Article 3A was added comparatively recently to the Articles of Association of the Company by a special resolution passed on 28th January 1970. While it speaks of a number of subjects, the Committee was entrusted with seeing whether the Company had fulfilled a limited part of its provisions, as set forth in the following terms of reference:

“The examine and report whether, and the extent to which the Company has fulfilled the objectives contained in Clause 3A of its Articles of



Association regarding its social and moral responsibilities to the consumers, employees, shareholders, society and the local community.”

5. The reference thus speaks of social and moral responsibilities of the Company in five spheres, viz. (i) to the consumers, (ii) to the employees, (iii) to the shareholders, (iv) to society, and (v) to the local community. It was not as if the Company was about to undertake these tasks for the first time pursuant to the resolution passed. Our examination of records shows that the Article merely translates into a legal obligation what the Company had undertaken to do ever since its inception in 1907. Long before he passed away, its illustrious founder, Jamsetji Tata, had laid this down as its policy during his life-time and instructed his heirs and successors to constantly bear it in mind and implement it in letter and spirit. The article thus reflects the dream of a seer.

6. This Committee was for some time unable to meet because of the preoccupations of its members, but individually both the members had met and discussed the procedure and the subject-matter with the Chairman of the Committee at Bombay. Ultimately, the Committee visited Jamshedpur for seven days from the 15th to the 21st February 1980. During this visit, whenever possible, they talked with the workers during their work and with the President, General Secretary and Assistant Secretary of the Tata Workers’ Union and some heads of departments. They also went round the Town and places where the Community Development work in the city and suburbs and much of the Rural Development work outside the city was being carried on. It paid a second visit to Calcutta, Jamshedpur and saw some of the mines from 21st to 26th April 1980.

7. Though social audits have been undertaken in a number of countries, principally the U.S.A. (to which the practice owes its origin), Japan, U.K. and one or two other Western countries, the subject has not yet attained the status of a



science. There is no agreement, much less unanimity, among its most ardent proponents, particularly as to its basic principles or its true objectives. It is only a child of the last decade during which there has been a growing concern with the environment and problems of pollution, consumer-protection, workers' safety and equal employment opportunity have come to the fore as a result of a high degree of industrialisation. Melvin Anshen, an eminent authority on the subject, in editing the book 'Managing the Socially Responsible Corporation', says this of social audit:

"The social audit has been described as an idea whose time has come but which isn't ready to be taken off the drawing board and put to work."

After reviewing the case for and against, he has this to say in conclusion:

"On balance, the skeptics have a case. In both the conceptual and technical areas there are serious unresolved problems that make it unlikely that valid, specific corporate audits can be carried out with currently available knowledge and skills."

For these reasons, the subject of Social Audit is not also prescribed as a curriculum or even as a part of one in any faculty in any University.

8. In the United States, one of its principal authors and leading practitioners is Dr. Clark C. Abt of Abt Associates Inc., Cambridge, Mass. In his book, "The Social Audit for Management", he suggests that a Social should as far as possible be approximated to an ordinary commercial audit; that this should be based on a social balance sheet with a 'credit' side and 'debit' side. He calls them 'inputs' and 'outputs' or 'costs' and 'benefits' so far as the social balance sheet is concerned.

9. So far there would be little difficulty and one may suspend one's scepticism about the basic approach. However, Abt goes on to state that every 'input' and 'output' must be measured in terms of dollars or other currency. "The



basic purpose of a business corporation is to maximise the financial return, earned on its financial investment plus the amount of social return on its social investment. To make rational investment decisions on the social area, it is necessary to know what are the social reports and if we are to assess them by the same measure as for financial investment, this must be expressed in dollar terms". He further assert that sooner or later the social balance sheet must become a mandatory part of the normal commercial balance sheet of the company.

10 For this purpose, Abt has developed the concepts of 'consumer surplus' and 'shadow pricing'. The 'consumer surplus' is the difference between what a consumer would be willing to pay for a given economic good and the actual price charged. If, for instance, during an epidemic, the company supplies a drug to cure malaria at a subsidised price, the 'consumer surplus' would be the market price of the drug less the subsidised price which the consumer pays to the Company. If it is supplied free of charge, then the consumer surplus would be the market price.

11. According to Abt:

"Consumer surplus" is not the only measure of the social value of a product or service to a consumer; there are additional factors to be considered. For example, it is conceivable that a new type of drug might create a fairly substantial consumer surplus by curing the common cold at a price substantially lower than what consumers are willing to pay for it. But the drug might also create toxic side effects in a significant percentage of the persons using it, with enough debilitating consequences to be measured economically in terms of lost working days. In such a case, the 'consumer surplus' (net social benefit to the consumer) would have to be



reduced by subtracting from it the social cost of the unhealthful side effects to produce a net social benefit (or cost) to the consumer of the particular product.

“In cases where demand curves are not available for a particular product or service the consumer surplus concept can still be applied to determine the net social worth of a product to consumers by combining it with ‘shadow pricing’ ”.

12. This may appear somewhat arbitrary but is not entirely so. Abt suggests two bases for ascertaining the ‘shadow price’. Firstly, compare the price intended to be fixed with prices of similar products or services which a similarly placed corporation pays for them or is willing to pay. Secondly, if that data is not available, take a ‘random sampling’ among its own workers as to what they would be willing to pay for such a product or service. On these two bases, form your own estimate of the ‘shadow price’.

13. In Appendix D to his book, Abt illustrates his theory by giving a series of questions put to him by workers of the Kansai Electric Power Company of Osaka, and his answers. For instance.

“Question: How do you handle those social benefits which cannot be translated into monetary terms, such as the degrees of, first, environmental improvement due to pollution abatement measures; second, accident prevention due to safety measures; third, improvement of services to the consumer and constituency; and, fourth, environmental beautification due to tree planting?

“Response: All these can be translated into monetary terms. Environmental improvements are worth as a minimum what they cost or the cost of unimproved environment which they avoid. Accident



prevention is worth the money equivalent of lost man hours, plus the cost of medical care saved. Improved services are worth their market (shadow) price. Tree planting is worth its cost or the cost of an equivalent environment.”

14. A second illustration of Abt’s theory, albeit a little lengthy, is very apposite in the context of what we are about to say:

“A typical corporate action having significant social impacts might be the building of a new factory. Let us assume that for economic reasons the new factory is to be built near a public park and that the factory employs chemical processes that give off a bad odour. The following estimates would be taken by a social auditor, in sequence: First, the population affected by the company action would be determined. This would include all the individuals living in the neighbourhood of the new factory who are subject to the bad smell and all the individuals from the neighbourhood or elsewhere who are accustomed to using the park that is now affected by the bad smell. The next problem is to determine whether the social impacts of the smell on this population are positive or negative. On the basis of simple analogy with past experience, it can immediately be determined that bad smells are overwhelmingly regarded as a social cost rather than a social benefit. The question then is to determine the monetized market-equivalent social cost per person affected so that it can be multiplied by the total number of people affected to yield the total social cost.

“The average unit social cost of the bad smell to those community individuals and park users affected can be determined by what the market worth of a non-bad-smelling air supply is to them.... The differences in



rental rates and land prices yield the market worth of the good-smelling air. This average unit market worth of the good smelling air can then be multiplied by the number of people affected by the bad smelling air to determine the shadow price of the social cost imposed on them by the location of the bad-smelling factory.

“This is not yet the total social cost of the bad-smelling factory because there are probably numbers of users of the park who now suffer a social cost because of the bad smell but live far enough away from the park not to be affected by the social cost imposed on rentals or land values... The social cost of the bad smell to the non-resident park users is the additional cost they have to spend to regain the quality of park use that they had before the factory was built. This can be computed by determining the average unit cost to the park user of travelling to another, probably more distant park equivalent in other qualities and without the bad smell.....

“The placement of a factory is a socially significant action. The physical result in this hypothetical (but typical) case is smell and air the neighbourhood are immediately opposed, first because they anticipate that they not like the physical effect, and then because they suffer direct unpleasant effects. The behavioural result is that some of them move away because they are angry and they don't like the physical effect. The economic result of their moving away is a drop in land value and land price and that drop in land price totalled for all the people affected is the monetary impact or social cost of that social action. One could add the cost of lost trade by local merchants whose out-of-area customers are driven away by bad-smell.



“In every case imaginable, either the direct market price of a particular social benefit or cost can be determined.or where there is no market price involved, the market worth can be determined by shadow pricing.”

We have specially selected the latter illustration because the lovely Jubilee Park in Jamshedpur is within 1/2 or 3/4th of a mile of the Works. It is being affected by pollution.

15. One of the key problems which confronted the Committee at the threshold was whether to apply these and other sophisticated principles of measurement and evaluation to the social performance of the Company. We came to the conclusion that it is not possible to accept this ultra-sophisticated theory for, in the first place, it would be impossible to find, in the words of Abt, ‘comparable neighbourhoods where the only difference among them is the olfactory quality of air — not certainly in the wilds of Bihar. Secondly, as to ‘shadow pricing’, we have to remember the class and category of persons and their education or want of it and other circumstances before venturing on any estimate derived from their replies to a random sampling.

16. An important difference should here be noted and emphasised. In propounding their theories, Abt, as also other theorists, have at the back of their minds, social performance towards their employees, their dependants and/or consumers and others connected with the Company. By consumers, they imply consumers of the products of the Company. But at no stage have they, within their contemplation, a corporation’s social performance towards the public in general unconnected in any way with the corporation. The whole of Tisco’ rural development programme is of this category. They spend on an average Rs. 30 lakhs a year on it. They have earmarked Rs. 1.5 crores for the ensuing quinquennium. We inspected, for instance, the three dams they are building. The



one at Tirildih in the Potka Block with a spillway will irrigate about 150 acres of farmland in the first year and result in the villagers taking two crops a year instead of only one as at present. Though there may be a few employees of the Company who also own farm-land in this area, the dam is primarily meant for use by the villagers in general. This is service to society in general. But the point is that there is no return ('output' or 'benefit') to the Company qua Company. Valuing it, therefore, would be more or less futile but, apart from that, we would have to rely on merely 'shadow pricing'. The Company would not be in a position to assess the value of or even the increase in value of each farmer's crop as a result of the use of water from the dam.

17. As to 'shadow pricing', we have already said that two bases for fixing it have been suggested viz. (i) random sampling or (ii) figures from businesses of a comparable nature. We do not think that either basis can be applied in the present case. Though studies based on random sampling have been carried out in India, to undertake a study of this sort would be excessively costly and the results may not reflect the true state-of affairs. Villages in Bihar are spread out over wide areas and many are situated deep inside the forests. The cost of engaging and maintaining a team during the progress of the sampling would also be very high. As to figures from businesses of a comparable nature, there are hardly any reliable figures available for the reason that, so far as we are aware, no other comparable company has undertaken a social effort of this nature.

18. Secondly, except for the workers in Tisco and other factories and their families some of whom live in villages nearby, the average villager who lives by farming ekes out a very precarious existence and his poverty is something appalling. While we are aware that social welfare is not charity, converting social welfare into a mere financial balance sheet would be to deprive it of its true



nature. Even Abt recommends the drawing up of a balance sheet of ‘inputs’ and ‘outputs’ only in order to assist the management to take decisions as to how best to utilise the moneys which they spend on better social performance. But conditions in this district being what they are — high level of illiteracy, want of education, extreme poverty of the village folk and their visible desire to improve themselves — we do not think that any such calculations are either possible or desirable. The Company must continue to do whatever they are doing to the maximum extent that their finances and other obligations permit, always taking care to see, of course, that the aid is well utilised and that it does actually reach the people for whom it is meant.

19. Fortunately, even in the U.S. and some of the countries of the West, there are socio-economic theorists whose thinking on this subject agrees with our views. In the year 1973, David F. Linowes wrote a book, ‘Strategies for Survival’ in which he does not advocate the drawing up of a social balance sheet as Abt does, but only a ‘socio-economic operating statement’. His objective is “to report to management and to hold up to public scrutiny what a corporation has done for society on the one hand, and what it has failed to do on the other.”

20. On this question, the most incisive criticism of Abt’s system of social accounting is set forth by Daniel H. Gray in his book ‘Inventing the Social Audit’. In the words of Gray. “The reason why the effort to apply traditional business accounting to these externalities seems basically unsound to us is that prevailing accounting is married to, and therefore bounded by, the same limits as the prevailing theory of a market economy. Like that theory, it focuses on the world of transactions. But the very problems we want this accounting to cover have become problems precisely because they lie outside the world of transactions.”



21. The above discussion would show (i) that there is no unanimity among the theorists of social audit, (ii) that Clark Abt's theory of a social balance sheet on the lines of a commercial balance sheet and his concepts of a consumer surplus and of evaluating this through 'shadow pricing' are all too sophisticated to be applied to the social performance of Tisco whose main social welfare schemes are in the city of Jamshedpur and its environs, in rural areas and in the interests of society at large or the nation itself, and (iii) that we should for the time being, therefore, proceed on the basis of something like Linowes 'socio-economic operating statement.' This is specially so when there are no social actions and/or impacts required by law. The Committee has studied the literature on social audit and examined its divers aspects and has come to the conclusion that companies such as Tisco have obligations to its workers and shareholders and to the community in which the Company operates and to the larger society, that these obligations arise from the Company's own understanding of what it owes to society and that such an understanding is based on values and norms that have been traditionally nurtured in India. The Committee has been guided by these values in its evaluation of Tisco's performance in carrying out its various obligations.

22. Thus, while we have been unable to accept the strict theory of taking account of the social performance of a company, we may here observe for future guidance that the Company should make a start as early as possible to gauge for itself the benefits to be derived and which are actually derived from its expenditure on social welfare. A social audit must follow close on the heels of social performance, or else, corporate performance would be merely groping in the dark. As to the future of social audit, Melvin Ahshen says "The imperatives acting on business management will increase in the years ahead and the available



options will decrease. The new social contract for business will be fulfilled, at least in general terms, during the coming decade or two.” (In India it may take perhaps twenty-five years or more, but come it will.) Anshen proceeds to say, “To the extent that initiatives are not forthcoming on the business side, they will almost certainly be generated on the government side by social pressures acting through the political process to create legislative and administrative responses. This is not a prediction with a low order of probability.” The Company has of course moved well in time to order a social audit, and, while the strict theories which we have referred to may not be presently applicable, the Committee would suggest that whenever proposals for expenditure on social work are put up before the allocating committee, the heads of each scheme should be asked to specify what is the estimated benefit which it seeks to derive during the ensuing year from that expenditure. Details of the estimate must be given so that at the end of the year the allocating committee may be able to judge whether the actual performance has been commensurate with the expenditure sanctioned. This would give a fair idea of the “cost” ‘benefit’ ratio. It would also assist the allocating committee when it frames the next budget to determine to which items increased allocation may be made and from which items expenditure may be cut down. For, after all, all items of social welfare are not of the same importance to the employees or the community at large or society in general for which it is allocated.

23. In the end, we may say that though we have freely expatiated on the theory and principles governing the accounting of social performance, we may make it clear that it is the Management which is ultimately responsible to the shareholders for the disbursement of the funds entrusted to them and it is the Management that will have to determine for itself the allocations to be made.



ECONOMIC IMPLICATIONS OF TRUSTEESHIP

“You may say that Trusteeship is a legal fiction..... My theory of Trusteeship is no make-shift, certainly no camouflage.” According to Gandhiji.

What are its tenets? How does Trusteeship differ from Capitalism and Communism or Socialism? Is it different, unique, distinct?

Three eminent economists examine the Doctrine in depth, sharply differentiating it from other philosophies and highlighting some of its many-splendoured attributes.

Prof. Ota Sik points to the galloping rate of inflation in a free-market economy, and how neglect of the growing social needs undermines the Capitalist order. Socialist development based on centralised bureaucratic planning results, according to him, in wasteful production and in the eventual slowing down of growth in per capita income in Socialist countries. He calls for a Third Way, which while ensuring the unfettered growth of the individual which democracy makes fully possible, also aims at humanising Socialism. The model he proposes is based on his enormous experience as Ex-Deputy Premier of Czechoslovakia.

After clarifying the basic differences between Communism and Capitalism, and how Trusteeship is both different and distinct from them, **Dr. B. Natarajan** pauses to wonder if human nature is capable of the sort of mental transformation that Trusteeship demands! He points out that Gandhiji himself envisaged legislation as a means of establishing the Trusteeship Order, but cannot help pointing out the truth as to how legislation has hitherto proved infructuous in the past in India, which re-emphasises Gandhiji’s new call to build public opinion before or at least alongside legislative action.



Dr. J.D. Sethi sees in Trusteeship, a movement towards what he calls the social self-management of industry, whether privately or publicly owned. He feels that Gandhiji's famous quotation of the State as an expression of concentrated violence is often quoted out of context. He is clear that Gandhiji's concept was heavily weighted against the Private Sector; that it was positively weighted for the Public Sector. He is specific that there is no guarantee of absolute non-violence. "If the capitalist resists, there may be some violence, minimum though, either through legislation or otherwise.....". Trusteeship, according to him, involves an ideological struggle that aims at non-violent transformation, at non-violent dispossession, most preferably voluntary, but if necessary, by law to establish Gandhian conditions of equality.

The three presentations give us profound insight into the implications of the Doctrine of Trusteeship.



TRUSTEESHIP THE FORMULAE ANALYSED

Elemental constituents analysed

Each clause of the Trusteeship Formulae given by Mahatma Gandhi has its special significance. Each represents a major fact of Socio-economic relations in the following order:

- Clause 1: Society
- Clause 2: Property
- Clause 3: Legislation
- Clause 4: Regulations
- Clause 5: Disparities
- Clause 6: Priorities

In this examination, for the sake of cogency, they are paired into three inter-related groups:

- I Society and Property
- II Disparities & Priorities
- III Legislation & Regulations

The purpose of this analysis is to lay emphasis on the Social Responsibilities of every citizen — individual and corporate — to focus attention on the unilateral obligation of every citizen to strive towards Objectives I and II, so as to pave the way for Objective III.

Hereby, Voluntary Positive Action is emphasised as a necessary prelude.

Objective I

Society: **The need for total change is emphasised.**



- (1) The society visualised is egalitarian.
- (2) The Capitalist System stands rejected.
- (3) The rich are given a chance to reform themselves.
- (4) The Gandhian belief in the innate goodness of human nature is upheld.

Property: **Stands subjected to Social sanctions.**

- (5) Society will spell out the size of private property.
- (6) This alone can promote mutual class-goodwill.
- (7) Property in excess of socially-determined norms will merge into a Commonwealth.

Objective II

Disparities: **Will first be reduced, eventually eradicated.**

- (8) Seeks eventually to obliterate disparities.
- (9) Insists on a decent minimum living wage.
- (10) Calls for ceiling on incomes.
- (11) Enjoins periodical review to ensure equitable sharing.

Priorities: **Ethics alone can determine policies.**

- (12) Directs that enterprises follow ethical tenets.
- (13) Insists that the character of production must be based on social necessity.
- (14) Rules out totally, both personal whims and human greed.
- (15) Implies inclusion of Local Vigilance, Participatory Management & Social Control as checking devices.



- (16) Requires Social and Propriety Audit Mechanisms for progressive enforcement and dynamic development.
- (17) Envisages the emergence of a Constitution aimed at growth with social justice.

Objective III

Legislation: **a weapon of choice, not coercion.**

- (18) Welcomes legislation only to the extent needed, at the appropriate stages, in the right doses.
- (19) Is specific that the creation of favourable public opinion must precede legislation.
- (20) States that legislation will eventually regulate both ownership and succession, channelling wealth into a Commonwealth, as distinct from private property and public wealth on the other.

Regulations: **Both to check abuses and facilitate transition.**

- (21) Aims at curbing every misuse of economic privilege.
- (22) Safe-guards social interests in all matters.
- (23) Prohibits all selfish and greedy pursuits.
- (24) Outlaws unearned income and wealth.

CONCEPT AND CONTENT IN A NUT-SHELL

Trusteeship proclaims a new revolutionary social order.

Exploitation-free egalitarianism is its ultimate goal.

Provides for a non-violent structural change process.

Non-violent persuasion and voluntary renunciation are its main planks.



It neither scares the wealthy, nor does it spare them.

It offers the rich a chance to make timely adjustments.

In cases of extreme intransigence it advises resistance.

Social action envisaged always conforms to non-violence.

Enlightened public opinion is a necessary pre-condition.

It offers to promote self-owning auto-genous enterprises.

It implies inviting interest-free capital contributions.

Promoters will collect deposits and guarantee re-payment.

It precludes every vestige of un-earned income.

Production patterns will be based on social needs.

Units will form part of a distinct Social sector.

They will submit to social scrutiny and propriety audit.

Greedy pursuits will find no place in these noble ventures.

Success will depend on a pattern of Social Financing.

Conspicuous consumption stands outlawed.

Enlightened custodians will administer these commonwealths.



TRUSTEESHIP-A WORK FORCE PARTNERSHIP

Mr. Philip Baxendale, chairman of Baxi Heating, and his family have sold the entire share capital back to the company as the first stage in a plan to convert it into a workforce partnership.

Yesterday afternoon Mr. Ian Smith, managing director, went round the company's Preston factory telling an enthusiastic 900 strong workforce about the deal, one of the most idealistic in modern company history.

In order to protect job Prospects Mr. Baxendale and his family are selling a company that made £ 5.8m profit last year (and expects more this year) for just £ 5.25 m, about a quarter of its likely worth on the stock market.

Baxi has operated as a private company since Mr. Baxendale's great-grandfather founded it 177 years ago. It became famous for the easy-to-clean Baxi Bumall stove, invented by Mr. Baxendale's father, and has since built a £ 37m a year turnover mainly from a range of gas central heating boilers centred on the pioneering Baxi Bermuda back boiler.

Mr. Baxendale, now 56, decided that his company, which ploughed back all but £ 90,000 of its profit, could not remain private indefinitely, but wanted it to remain independent. "I did not", he says. "want to leave it as a problem in my will". Although he has four children, "I don't believe children should have to go into a family business this size".

He rejected a sale or a stock market flotation because either would probably end up with the company being taken over by a competitor and workers' jobs threatened. The company has run a works council and cash profit-sharing scheme since the sixties and Mr. Baxendale says, "I also believe that the



company is not mine to sell, certainly not in the sense that I would sell and not in the sense that I would sell a car or a house”.

Instead, the company has bought its own shares, vested in an employee trust, and will gradually pass 49 per cent of them to employees under Inland Revenue-approved employee participation schemes. The company will be run by an executive board responsible to a new executive board responsible to a new partnership council. Mr. Baxendale, will retain influence here as one of three trustees, with employee shareholders electing the remaining members.

This scheme builds on the system used in the John Lewis Partnership, which does not include individual ownership by workers. “In some ways”, Mr. Baxendale says, “the Baxi Partnership can be seen as a continuation of what we have been doing for years. Everybody working together to run a good, efficient company for the benefit of our customers and the people who work for Baxi, and ploughing back most of the profits to make it even better.



TRUSTEESHIP MODULE

Beginning from the Concept of Trusteeship, we have attempted to seek its economic and organisational implications and considered some of the problems of management. We would now like to examine some Models operating on the basis of Trusteeship.

A fair amount of information is available about the Scott Bader Commonwealth of the U.K. It would be impossible to pick a better example of a Trusteeship Company, where all the aspects of the concept have been deliberately and systematically incorporated into its working. Earnest Bader has successfully converted an organisation based on the Capitalist, free-enterprise system of organisation and management into a pioneering Trusteeship Concern. In this connection we have touched briefly on the Industrial Common Ownership Movement in the U.K. and that became law in 1976, and also the revolving fund established in that country to promote Trusteeship organisations.

The Doctrine of Co-determination in West Germany, the revolution in the management of Pension Funds in the U.S.A., a quick glimpse of both Worker's Participation in France and the working of the Basic Law in Yugoslavia have been included. The presentation is both inadequate and sketchy. They have been outlined only to make the point that there are experiments galore the world over to break away from the old models of management and find the Trusteeship path as the grand alternative for a new social order. Readers can follow their inclinations and seek out further information on the experiments taking place abroad.

Even though we boast that Trusteeship is India's contribution to the world, very little work has been done about its implementation in our country. It is



known and accepted that several organisations work on Trusteeship lines. But organisations shy away when information is sought, or the information in fact made available is so vague that it is not useful for research purposes. A lot of things that smack of do-goodism or ad hoc welfare activities masquerade as Trusteeship in our country.

From my personal experience I have outlined an episode that relates to Workers' Participation in Management. I am aware it is highly subjective. It is offered without any padding in the hope that it will throw some light on the problems of professional managers in our country who try out new ideas in our environment.

We went through several organisations that claim to function on Trusteeship lines in our country before deciding to select the Amul Model and the Khadi Gramodyog Bhavan, Madras. In every way they are ideal examples of what can be done in our country.

R.K.B.



DRAFT FOR TRUSTEESHIP LEGISLATION

The concept of Trusteeship had been advocated by Gandhiji with a view to extend it to public and social life in general and to the field of industry and business in particular. This is the application of the basic concepts of life like non-exploitation, self-discipline and sharing. It implies an attitude of mind and a pattern of behaviour which goes far beyond the accepted good business practices. It aims at removal of class distinctions, alienation and other tensions by introducing into the field of industrial relations, the idea of common ownership of all the partners. It follows therefrom that all factors of production, such as, labour, capital, and management participate fully in the running of an industry. It also implies that the existing structure of ownership, of means of production should be radically changed. A new ownership structure will have to be formulated incorporating the fundamental idea as well as the feasibility norms of production.

The combination of these two means a new realisation. It is that work has really three functions, not just one, and that the organisation of work must be conducive to the three purposes:

- (1) Production of goods and services.
- (2) Giving man a chance of developing himself. Each individual has some natural talent and power in him. If he cannot find an expression of his power or talent in his work, he feels frustrated and cannot fulfil the purpose of his life. In fact a man is his work.
- (3) The third purpose of work is to enable a man to overcome his inborn egocentricity, so that he can work harmoniously with others.



The ownership structure of any industry must be conducive to all the three aforesaid purposes of work.

How can we translate this in building a new structure of ownership in industry? Gandhiji's ideas of trusteeship is an answer to this question. Elaborating these ideas, Vinobaji has said that there are five factors of production:

(1) Capital (2) Management (3) Labour (4) Consumers (5) Society.

These factors have to be combined into a partnership so that they will fully share and enjoy the rights of ownership which in turn involve:

(1) Right of decision-making, (2) Right to execute, (3) Right to enjoy the benefits as well as suffer losses arising from their decisions and execution.

The establishment of a family consisting of the Capital, the Management, the Labour, the Consumers and the Society and of Panels as provided in this Bill is considered to be a pattern of structure conducive to the above ideas.

The Prime Minister of India, in his address delivered to a gathering of industrialists, trade union leaders, businessmen, social workers and professionals – at a meeting organised by the Trusteeship Foundation in Bombay on May 5, 1977 observed that “Trusteeship was the only way out for the nation”. This address created a nationwide interest in the Gandhian concept of Trusteeship to which reference was also made by Shri Jayaprakash Narayan some time back.

The Trusteeship Foundation, therefore, held a National Conference on Trusteeship for two days on October 2 and 3, 1977 at Bharatiya Vidya Bhavan, Chowpatty, Bombay - 400007 at which a tentative draft Bill was considered. The consensus was that the enabling legislation should be such that it provides facilities to every individual and organisation carrying on any activity in the field of industry, trade or business, etc., for bold experimenting in implementation of



the Trusteeship concept with an ideal or removing practical and procedural difficulties and hurdles. Trusteeship concept is based on voluntary and self-generating efforts and hence, it is not intend to obtain any special concessions from Government. The enabling legislation should not provide for any facilities which are not available to the society in general and secondly, there should be minimal interference by Government. The draft legislation seeks to give effect to these objective.

A BILL

To provide enabling any person to carry on his trade, business, service, enterprise or activity of any kind whatsoever according to the Gandhian concept of Trusteeship and for purposes or matters connected therewith.

Be it enacted in the — year of the Republic of India as follows, namely:

SHORT TITLE AND EXTENT

1. (1) This Act may be called the Trusteeship Act, 1978.
- (2) It extends to the whole of India.

DEFINITIONS

2. In this Act, unless the context requires otherwise —
 - (a) “Appropriate Government” in relation to a person who is a trading corporation including a banking, insurance and financial corporation, or a corporation, whether trading or not, whose objects are not confined to one State or any person in respect of whom Parliament alone has exclusive power to make laws under the Constitution of India, means the Central Government and in relation to all other persons the State Government;



- (b) “Declaration” means a declaration of Trusteeship made under section 4; and “Declarant” means the person making a Declaration under that section;
- (c) “Family” means the Trusteeship Family referred to in Section 7;
- (d) “Kulapati” means the head of a Family elected under section 8;
- (e) “Member” means a person who represents the Capital, the Management, the Labour, the Consumers or the Society in the constitution of a Family and includes a member of any panel;
- (f) “Person” includes a undivided Hindu family, a partnership, a company, a corporation established under any law for the time being in force, an institution, an agency, an enterprise or organisation, an association or body of individuals (such institution, agency, enterprise or organisation, whether incorporated or not) who are carrying on any trade, business, service, engagement or any activity of any kind whatsoever with the object of acquisition of gain or creating wealth;
- (g) “Registrar” means a person appointed by the appropriate Government for the purpose of this Act, and more than one Registrar may be appointed for the same or for different areas;
- (h) The expression “Trusteeship” and “undertaking” have the meaning assigned to them in section 3;

Explanation: For the purposes of this Act, undertaking includes all property, movable and immovable, belonging to, or vesting in, the Trusteeship;
- (i) The expressions “Capital”, “Management”, “Labour”, “Consumers” and “Society” have the meaning respectively assigned to them in Section 7.



MEANING OF TRUSTEESHIP:

3. The concept of Trusteeship emanates from Upanishadic narration, broadly expresses itself on the theory that a person holds his trade, business service, engagement, enterprise or activity of any kind whatsoever (hereinafter collectively referred to as “the undertaking”) carried on by him in trust jointly with other investors, if any, and the Management, the Labour, the Consumer and the Society with the intention that all of them may share and enjoy equally the right of ownership of such undertaking that is to say, the right to make a decision, the right to execute the decision, the right to enjoy the benefits of any given decision and its execution, and the obligation to share the losses, if any, arising out of such decision and its execution; and for securing these objectives, to erect a new structure of a Family, or convert the existing structure into a Family, as hereinafter provided in this Act.

4. (1) Subject to the provisions of this section, any person may declare himself to be, or convert himself into, a Trusteeship.

(2) Before making a Declaration under sub-section (1),

(a) a company shall pass a special resolution as defined in section 189 of the Companies Act, 1956 (1 of 1956), and

(b) any other person shall follow the provisions of the law, or any instrument or document or any custom or usage under which he is competent to make such Declaration and where such provisions of law, instrument, document, custom or usage do not exist, then the previous consent of the including persons who own the undertaking shall be necessary; and in every such case under this clause, there will be recorded a resolution authorising or sanctioning the Declaration.



- (3) Where shares are held in an undertaking of a person the resolution may provide for conversion of all the shares into a transferable loan bearing such rate of interest as may be fixed in the resolution, and repayable on such conditions only as are determined by the resolution. The resolution may also contain such other matters not inconsistent with the provisions of this Act as may be specified in the resolution.
- (4) The Declaration of any person as a Trusteeship unit shall not affect any right or claim for the time being subsisting against such person, or any penalty for the time being incurred by such person, and —
- (a) for the purpose of enforcing such right, penalty or claim, such person may be sued and proceeded against in the same manner as if such Declaration were not made;
 - (b) any such right or claim and the liability to such penalty shall have priority as against the property of the Trusteeship over all other rights or claims against or liabilities of, the Trusteeship unit.

CONSTITUTION OF TRUSTEESHIP:

5. The Constitution of every Trusteeship shall state that:
- (a) the Trusteeship unit shall be called by the name

_____ Trusteeship;
 - (b) the principal office of the Trusteeship and its subsidiary or branch offices, if any, with their full addresses;



(c) the main objects to be pursued by the Trusteeship
_____ and

1. Here specify name by which a new Trusteeship is to be called, and in case of existing undertaking, the name by which the undertaking is called before Declaration.

2. Here state the main objects.

(ii) the objects incidental or ancillary to the attainment of the main objects and other objects of the Trusteeship, if any, are _____

In carrying out the aforesaid objects, the Trusteeship shall have regard to promoting the physical, mental and spiritual well-being of the community and especially those who participate in the activities of the Trusteeship by reason of employment in, or purchasing from or selling to, the Trusteeship and to assist people in need by any means whatsoever as the Family may decide;

(d) the Trusteeship shall be a body corporate which may sue or be sued by the name referred to in clause (a). It shall have a perpetual succession and a common seal, and shall have a limited liability; and

(e) the Trusteeship shall have power to acquire, hold and dispose of property, to enter into contracts and to do all such things as are necessary for the purposes for which it is constituted, and all such property and assets shall vest the Trusteeship;



- (f) the affairs of the Trusteeship shall be carried on according to the Gandhian concept of Trusteeship as provided in this Act;
- (g) the affairs of the Trusteeship shall be carried on by the Family and the Panels as provided in this Act: and in doing so, the Family shall deal with the property of the Trusteeship as carefully as a man of ordinary prudence would deal with such property if it were his own;
- (h) the Family shall maintain and defend all such suits and take such other steps as regard being had to the nature and amount or value of the undertaking carried on by it, may be reasonably requisite for the preservation of the undertaking and for the assertion or protection of the title thereto;
- (i) the Capital of the Trusteeship shall consist _____ thousand rupees to be contributed by members of the Capital, the Management and the Labour in such manner, by such method and to such extent as the Family may by resolution determine in this behalf, and by such other persons as the Family may determine, regard being had to the activities carried on by the Trusteeship, their development and such other factors;
- (j) subject to the previous approval of the appropriate Government, the Family shall have the power to borrow money for the purpose of the Trusteeship in whatever manner it may determine provided that the amount for the time being remaining undischarged of money borrowed shall not exceed Rs. _____;
- (k) the rate of interest on money borrowed, except on money borrowed by way of bank overdraft or on mortgage from Government or local



authority shall not exceed 6% per annum or 3% per annum above the Reserve Bank rate, whichever is the higher;

- (l) the Trusteeship may receive from any person donations or loans free of interest for carrying on the undertaking of the Trusteeship;
- (m) the Trusteeship may receive any sums of money within the total limit mentioned in clause (j) from any person including persons constituting the Capital, the Management, and the Labour repayable on such notice being not less than 14 clear days as the Family may arrange from time to time;

Provided that such deposits may be received in instalments of not more than _____ rupees in any one payment or more than _____ rupees in all from one depositor;

- (n) the funds of the Trusteeship may be invested as follows :
 - (i) in or upon security in which trustees are for the time being authorised by law to invest;
 - (ii) in such other manner as the Family may, in the interest of the Trusteeship, determine;
- (o) the profits of the Trusteeship may be distributed to and losses shall be shared by the persons constituting the Capital, the Management and the Labour in such proportion and in such manner as the Family may determine;
- (p) Family shall maintain clear and accurate accounts of the property of the Trusteeship including the undertaking and at the requests of any person constituting the Family furnish him with full and accurate information as to the amount and state of such property;



- (q) The Trusteeship may be revoked by the Family :
- provided that, such revocation shall not defeat or prejudice what the Family on behalf of the Trusteeship may have duly done in execution of the provisions of this Act;
- (r) Before revoking a Trusteeship, the Family shall by a resolution determine the rights, liabilities and obligations inter se of the persons constituting the Capital, the Management and the Labour and the person in whom the property and assets of the Trusteeship shall vest on revocation;
- (s) Every member who constitutes the Capital, the Management and the Labour shall contribute to the assets of the Trusteeship in the event of its being revoked in such manner and to such extent as the Family may by resolution determine within a period of ____ months from the date of the Declaration for payment of the debts and liabilities of the Trusteeship contracted before he ceases to be a member thereof, and the costs, charges and expenses of revoking the Trusteeship, if any, so however that the amount of contribution by the members of the Capital, the Management and the Labour does not exceed such amount as the Family may in each case decide.
- (t) The Trusteeship shall keep in its principal office —
- (i) a register containing the names and addresses of members;
 - (ii) a statement of property, whether in loans, deposits or otherwise, held by each member;
 - (iii) the date on which each person was entered in the register as member and the date on which any person ceased to be a member;



- (iv) the names and address of officers of the Trusteeship, with the offices held by them respectively, and the dates on which they assumed office.

Any member changing the address shall notify the Family.

- (u) Except as specifically provided in this Act and in any rules, regulations or order made thereunder, the provisions of any law or any instrument called by any name whatsoever which applied to the Declarant shall continue to apply to the Trusteeship as it applied to such Declarant before the Declarations with such variation or modifications including any exemptions as may be provided by or under this Act.

6. Publication of Declaration and maintenance of register of Trusteeship:

- (1) A certified copy of every Declaration together with a certified copy of every resolution evidence authorisation or sanction to such Declaration shall be forwarded to the appropriate Government within a reasonable time not exceeding 60 days from the date of Declaration.
- (2) The appropriate Government shall publish every such Declaration in the Official Gazette and in such other manner as it thinks fit for the information of the public within a reasonable time as provided in sub-section (1); and such publication shall be due notice to all concerned with the Trusteeship. The appropriate Government shall also direct the Registrar to enter the name of the Trusteeship in the register maintained for the purpose together with the certified copy of the resolution referred to sub-section (1).



- (3) The register shall be maintained in such manner as the appropriate Government may by order direct.
- (4) For the purpose of this section, certified copy means a copy of the original declaration and of the resolution referred to in sub-section (1) duly certified to be true copy thereof by any Gazetted Officer or by any member of Parliament or of the Legislature of a State.

7. Constitution of Family:

- (1) On a Declaration under Sec. 4, there shall be established a Family to be called by the name of _____ Trusteeship Family.
- (2) The Family shall consist of the Capital, the Management, the Labour, the Consumers and the Society.
- (3) The Capital may consist of all the investors and financing institutions, who finance the undertaking, and may include such other persons as the Declarant may specify.
- (4) The Management means all those who are engaged in carrying on the undertaking by using their skill, intelligence, special knowledge, expertise and the like, but not by contributing their capital or manual labour and includes all such persons who may be engaged from time to time for carrying on the affairs of the Trusteeship.
- (5) The Labour means all those who are engaged in carrying on the undertaking by contributing their manual labour or who were bodily involved in such undertaking and includes all such persons who may be engaged from time to time for carrying on the affairs of the Trusteeship.



Explanation:

The decision of the Declarant on the question who are included in the Management or the Labour shall be final and conclusive.

- (6) With a view to limiting the number of representatives for facilitating its smooth functioning, if the number of persons falling under sub-section (3), (4) or (5) exceeds _____, the Capital, the Management and the Labour shall each determine its own number of representatives and nominate them; and these representatives shall constitute the Capital, the Management and the Labour, respectively, for the Purpose of this section;

Provided that, the persons constituting the Capital, the Management or the Labour may, for reasons to be recorded in writing, even if the number of persons does not exceed the number specified in this sub-section determine the number of its own representatives and nominate these representatives; and they shall each constitute the Capital, the Management or the Labour, as the case may be, for the purposes of this section;

- (7) The Consumers may consist of persons not exceeding three as may be co-opted by the Capital, the Management and the Labour from among persons who consume, take advantage or benefit of, the product, service, engagement or any activity of the undertaking of a Trusteeship. The decision of the persons representing the Capital, the Management and the Labour on the question who are consumers shall be final and conclusive.
- (8) The Society may consist of persons not exceeding five as may be co-opted by the Capital, the Management and the Labour from among



(i) selfless, devoted learned and impartial social workers, (ii) educationists, (iii) scientists and technocrats, (iv) social scientists, and (v) persons from the Judiciary or the Bar. The decision of the Capital, the Management and the Labour on the question who are the persons falling under any of the five categories shall be final and conclusive.

- (9) The members co-opted under sub-section (7) and (8) shall be called Associate Members. They shall have such right at meetings of the Family, and in relation to the general functioning of the Family as the Capital, the Management and the Labour may by an order in writing determines.
- (10) On the co-option of members under sub-sections (7) and (8), the Family consisting of persons who represent the Capital, the Management, the Labour, the Consumers and the Society shall be deemed to be duly constituted, from the date on which the last co-option is made.
- (11) For the purposes of sub-sections (7) and (8) the Kulpati shall arrange to draw up from time to time for the approval of the Family, a list of persons who may represent the Consumers and the Society on the Family of which he is the Kulpati.
- (12) Notwithstanding anything contained in this section, until a Family is duly constituted, all the members of the Family may be nominated by the Declarant.



8. Election of Kulpati:

- (1) On the constitution of a Family, the members of the Family shall by a resolution elect from among themselves its Kulpati. The Kulpati shall hold office for a period of one year from the date specified in the resolution.
- (2) Subject to the provisions of sub-section (3), the Kulpati may appoint five persons to assist and advise him in the proper functioning of the Family. The qualifications of such persons shall be such as the Family may from time to time determine. The term of office of such persons shall be co-extensive with the term of office of the Kulpati.
- (3) The appointment of the five Persons by the Kulpati shall be subject to the approval of the Family.

9. Powers of Family:

- (1) The Family shall be the Supreme decision-making body of the Trusteeship. A Family shall have the right to make a decision, the right to execute the decision, and the right to enjoy the results thereof, that is to say, the right to a share in the acquisition of gain, and the liability to a share in the losses, arising out of any given decision and its execution.
- (2) Subject to the provisions of this section, the power to take a decision shall in particular include the power to determine - (i) the remuneration, salaries and allowances including bonus, paid or payable to persons from time to time constituting the Capital, the Management and the Labour, (ii) the share in the acquisition of gain accruing from the operation of the undertaking, and (iii) the extent



of liability to share the losses resulting from such operation regard being had to the then capacity necessary to provide for depreciation, provident fund, payment of taxes and other compulsory dues.

- (3) The proportion in which remuneration, salaries and allowances shall be drawn by persons constituting the Capital, the Management and the Labour shall be determined by the Family so however that such proportion is not be less than 10 : 6 : 1.
- (4) The proportion in which profits may be distributed to and losses may be shared by the persons constituting the Capital, the Management and the Labour shall be determined by the Family, regard being had to such circumstances or factors prevailing in the undertaking as the Family may think fit.
- (5) In taking a decision under sub-section (3) or (4), the associate members of the Family shall have a right to take part in the discussion, but shall not have the right to vote.
- (6) In the interest of the Trusteeship, a Family may, for reasons to be recorded in writing, dissolve itself, and reconstitute according to the provisions of this section.
- (7) Except as specifically provided in this Act, a Trusteeship shall, in its day to-day administration or otherwise, continue to function in the same way in which the undertaking was functioning immediately before the Declaration, and for that purpose, the Family may take such steps or cause such steps to be taken as may be necessary for securing such functioning.



- (8) For the purpose of sub-section (7), a Family shall exercise all such powers and perform all such duties and functions, and enjoy all such rights and shall be subject to all the liabilities of such Declarant as were exercised, performed enjoyed by such Declarant or which such Declarant was subject to immediately before the Declaration by or under any law, usage, custom, instrument or document, decree or order of any court, award, submission, settlement or standing order or other provision whatsoever.
- (9) In exercising its powers a Family should endeavour to ensure that:
- (a) the products of the undertaking, if any, or service of any kind is offered at the lowest possible price;
 - (b) there is no adulteration of goods;
 - (c) goods of poor quality are not produced;
 - (d) fair weight or measure is always resorted to;
 - (e) there is no lack of service;
 - (f) misleading or dishonest advertising is avoided;
 - (g) no fraud or deception of any kind is practised in relation to consumers;
 - (h) customers are always treated with courtesy;
 - (i) smoky chimneys are repaired in time; and trade effluent of any kind is minimised;
 - (j) attention is paid to housing and living conditions of workers;



10. Power to exempt Trusteeship from laws etc.:

- (1) If a Family by a resolution passed in that behalf is of the opinion that only for the purpose of implementing the provisions of this Act, or any rules, regulations or orders made thereunder and for securing compliance thereof, it is necessary to exempt the Trusteeship from the provisions of any law or to apply any law thereto with modifications, or to amend any law or that any agreement settlement award or standing order made under any law applicable in relation to the Trusteeship should be suspended or be applied with modifications, it may make an application to the appropriate Government in that behalf.
- (2) On receipt of the application under sub-section (1), if the appropriate Government is satisfied that in the interest of smooth functioning of the Trusteeship, it is necessary so to do, then notwithstanding any law, usage, custom, contract or instrument, decree, order, award, submission, settlement, standing order or other provision whatsoever, the appropriate Government may, by notification in the Official Gazette, direct that —
 - (a) in relation to the Trusteeship referred to in the application —
 - (i) all or any of the laws applicable to the Trusteeship of any provision thereof shall not apply (and such Trusteeship shall be exempt therefrom), or shall, if so directed by the appropriate Government be applied with such modifications, as may be specified in the notification;



- (ii) all or any of the agreements, settlements, awards or standing orders made under any law applicable to the Trusteeship which were applicable to it before the Declaration shall be suspended in operation, or shall, if so directed by the appropriate Government be applied with such modification as may be specified in the notification;
- (iii) the rights, privileges, obligations and liabilities shall be determined and be enforceable in accordance with clauses (i) and (ii) of the notification;
- (iv) any right, privilege, obligation or liability accrued or incurred before the Declaration in relation to such Trusteeship and any remedy for their enforcement thereof shall be suspended and all proceedings relative thereto pending before any court, tribunal, officer or authority shall be stayed;

(b) the right, privilege, obligation or liability referred to in clause (a) (iv) shall, on the notification ceasing to have force, revive and be enforceable, and the proceedings referred to therein shall be continued.

Provided that, in computing the period of limitation for the enforcement of such right, privilege, obligation or liability, the period during which it was suspended under Clause (a) (iv) shall be excluded — anything in any law for the time being in force, notwithstanding.



- (3) The notification shall have effect from such date as may be specified therein, and the provisions of section 21 of the General Clauses Act, 1897 (1 of 1897), shall apply to the power to issue such notification.
- (4) For the purpose of enabling it to issue a notification under sub-section (1), the appropriate Government may call for any information from the Kulpati, and the Kulpati shall make available to the appropriate Government all such information required by it.

11. Meetings of Family:

- (1) A Family may meet as often as may be necessary, but one month shall not intervene between its last meeting and the date appointed for its next meeting.
- (2) Subject to the provisions of this section, the Kulpati may, with the aid and advice of his five advisors, make rules with respect to the place, conduct, quorum and adjournment of meetings, and generally with respect to the transaction of business thereat. The power to make rules shall include the power to make rules for every matter ancillary or incidental to the manner of calling any meeting and for conduct thereof.
- (3) Every meeting of the Family shall be open to the public including representatives of the Consumers and the Society.
- (4) The Kulpati shall arrange to give due publicity to the venue, date and time of every meeting and to the agenda to be considered thereat.
- (5) All questions shall be decided at a meeting according to the consensus of the members present at the meeting; and failing such consensus, by a majority of the votes of the members present and



voting. Every person including the Kulpati or the presiding member shall have only one vote.

- (6) Record shall be kept of the names of members attending a meeting and of the proceedings at each meeting of the Family in a minute book provided for the purpose which shall be signed immediately after the meeting by the Kulpati or by the presiding member of such meeting; and shall be open to inspection of any person belonging to the Capital, The Management, the Labour, The Consumers and the Society.

12. Constitution of Panels :

- (1) With a view to securing decentralisation and for having as many centres of decision-making as possible consistent with the efficient implementation of the objectives of the Trusteeship, the Family may constitute panels for dealing with all or any of the following matters, which concern the affairs of the Trusteeship, that is to say:
 - (1) social responsibility,
 - (2) finance and loans,
 - (3) accounts,
 - (4) determining wage policy,
 - (5) working conditions,
 - (6) sales and purchases,
 - (7) research,
 - (8) planning and development,
 - (9) cultural welfare and recreation,



- (10) personnel policy and placement,
 - (11) economy and savings,
 - (12) transport and building,
 - (13) price fixation and distribution,
 - (14) environmental, health, that is, anti-pollution measures,
 - (15) creation of suitable public opinion,
 - (16) studies and training of members,
 - (17) the Government,
 - (18) arbitration, and
 - (19) for such other matters germane to the affairs of the Trusteeship as the Family may decide.
- (2) in addition to the number of panels referred to in sub-section (I), there shall be a Supervisory panel and a panel called Supreme panel.
- (3) A Supervisory panel will supervise the working of the different panels and assist them with such advice and guidance as the circumstances may require; and it shall be the duty of every panel to follow such advice and guidance unless it has cogent reasons not to follow such advice or guidance. In the latter case, the panel shall record its reasons in writing for not following the advice or guidance, and submit its report to the Family; and the decision of the Family on the report shall be final and conclusive.
- (4) The Supreme panel shall co-ordinate the work, activities and decisions of the panels and the Family. It shall be duty of the



Supreme panel to assist, and not to interfere in the affairs of the any panel.

- (5) Each panel shall consist of not less than ten and not more than twenty members selected by the Family from among persons who constitute the Capital, the Management and the Labour.
- (6) Each panel shall, in interest of the Trusteeship, meet as frequently as possible, and in any case, every panel shall meet at least once in a month. The decisions of each panel shall ordinarily be made by consensus, and shall be reported to the Family as soon as they are made. On the failure of consensus, all questions shall be decided by the majority of the votes of the members present and voting.
- (7) Unless in the opinion of the Family any decision of a panel is likely to effect the smooth and efficient functioning of the Trusteeship or may adversely affect its finances or its image or is likely to be detrimental in any manner to the interests of the Trusteeship, all the decisions of a panel shall ordinarily be ratified by the Family.

13. Convener:

There shall be a convener for each panel. The convener shall preside over each meeting of a panel. In his absence, the members of the panel shall elect one from among themselves to preside over the meeting of the panel.

14. Power of Family to make regulations for panels:

The Family may make regulations for the efficient and smooth functioning of a panel. The regulations may provide for term of office of members, qualifications, disqualification for being a member of a panel or for



continuing as a member, resignation, renewal, filling casual vacancies, resolving any dispute on points of difference by personal discussion or by obtaining any expert opinion on any matter under dispute or on which there is difference of opinion; and for any matter concerning the functioning of any panel in respect of which the Family is of the opinion the suitable regulations should be made.

15. Committee for social audit:

- (1) The Family shall at its first meeting, or as soon as possible within a period not exceeding 45 days commencing on the date of the constitution of a family, appoint a committee for social audit.
- (2) The committee may consist of _____ members who shall be appointed by the Family from among the persons constituting the Society, but not being persons who are co-opted members of the Family representing the Society.
- (3) The members of the Committee shall be appointed from among persons who hold any degree, diploma or certificate in social science. Such appointment may, if necessary, be made in consultation with any college or university established by law.
- (4) The committee shall review the working of the Trusteeship during any specified period from the point of its social performance vis-a-vis the activity carried on by the undertaking, make recommendations for improving the social performance of the undertaking in any manner specified in the recommendations, and submit them to the Family for taking such action as the Family may determine. Such recommendations may include provisions for training persons from among those who constitute the



Management, or the Labour, for research, for more attention to the development and fuller utilisation of material and human resources in relation to the working of the undertaking of the Trusteeship.

The social audit may refer to or determine:

- (1) The quality of goods produced.
- (2) The quality of relationship between persons, between different groups, between the enterprise & the society.
- (3) Prevention of pollution.
- (4) Contribution towards reduction of existing social, political and economic tensions.
- (5) Health, hygiene & education of its constituents of the nearest community and of the society at large.
- (6) The work done by the enterprise for posterity.
- (7) Work done in the field of research concerning its products, technology, form of energy used and raw material.
- (8) Help rendered to raw material producers and suppliers.
- (9) Contributions towards the general well-being of society.

It shall be the duty of the Family to consider and implement the recommendations of the Committee as are in the interest of the Trusteeship.

16. Tribunal:

- (1) If there is any dispute on any question between the members of a Family representing the Capital, the Management and the Labour or the Consumers or the Society or in any panel or between any panels or any member thereof, and such dispute, in the opinion of the



Family, cannot be resolved by discussion, persuasion or otherwise, the Family may make an application to the appropriate Government to refer such disputes to a Tribunal.

- (2) On receipt of such application, the appropriate Government may, subject to the provisions of sub-section (10), appoint an ad hoc Tribunal for deciding the dispute.
- (3) The Tribunal shall consist of such number of persons as the parties to the dispute may specify. The presiding authority of the Tribunal shall be called its President. If the Tribunal consists of more than one person, the appropriate Government shall appoint one of them to be the President and the other shall be the members of the Tribunal.
- (4) The person or persons constituting the Tribunal shall be the person or persons who are holding or have held any judicial office not lower in rank than that of a District Judge who has held such office for a period of not less than five years.
- (5) The appropriate Government may appoint such officers or servants to assist the Tribunal as it thinks fit and shall fix their remuneration and allowances. The President may, either sue move or on the application of the parties to the dispute appoint an assessor or assessors who have special knowledge, experience or expertise pertaining to the subject matter of the dispute.
- (6) The President may appoint an Assessor for such period as he thinks fit, and he may dispense with the services of any Assessor at any time, regard being had to the purpose or purposes for which he is appointed.



- (7) The President may, if he thinks fit, remove for incompetence or misconduct or any other good and sufficient reason any Assessor appointed by him.
- (8) If any Assessor is removed or dies or refuses or neglects to act or becomes incapable of acting, the President may appoint forthwith a fit and proper person to take the place of such Assessor.
- (9) The President, members and Assessors, if any, shall be entitled to such remuneration, either by way of monthly salary, or by way of fees or partly in one way or partly in the other as the appropriate Government may in consultation with the parties to the dispute may decide.

Provided that, in exceptional cases where the questions in dispute are involved or complicated or technical in nature, the appropriate Government may likewise pay enhanced remuneration or fees as may be specified by it.

- (10) The expenses of the Tribunal including the expenses of the Assessor or Assessors, if any, shall be borne by the parties to the dispute: for that purpose, the appropriate Government may require the parties to the dispute to deposit with it such sum not exceeding fifty thousand rupees as it may specify in this behalf regard being and to the nature of the dispute, the period likely to take to resolve such dispute, the necessity for appointment of an Assessor or Assessors and such other factors as the prevailing circumstances may indicate.

Provided that, the appropriate Government may, in consultation with the President, enhance the amount of the deposit and require



the parties to the dispute to deposit the enhanced amount with it before the Tribunal proceeds to hear the dispute.

- (11) On the parties to the dispute paying the expenses in full as certified in writing by the President in that behalf, the deposit made by the parties under sub-section (10) shall be paid back to the parties without any interest, and such payment shall discharge the appropriate of the deposit.
- (12) If the President certified that the parties to the dispute have not paid in full the expenses of the Tribunal, and specifies the amount to be recovered from the parties in the certificate, the appropriate Government may deduct the amount to be recovered from the amount deposited with it, pay the amount so deducted towards the expenses of the Tribunal which have still remained to be satisfied and return the balance of the amount of the deposit to the parties to the dispute; and such payment towards the expenses of the Tribunal and the payment of balance to the parties shall discharge the appropriate Government from any liability in respect of the amount of the deposit paid to it under sub-section (10).
- (13) If the amount of the deposit is insufficient to meet the expenses of the Tribunal, the appropriate Government may require the parties to the dispute to pay the expenses in full within a reasonable time specified by it. If the parties fail to pay the expenses in full, the same may be recovered from the parties as arrears of land revenue.

17. Provisions relating to Tribunal:

- (1) In exercising the jurisdiction conferred upon it by or under this Act, the Tribunal shall have the powers of a Civil Court for the purpose of



taking evidence on oath, affirmation or affidavit, or summoning or enforcing the attendance or witnesses, of compelling discovery and the production of documents and material objects, requisitioning any public record or any copy thereof from any court or office, issuing commissions for the examination of witnesses or documents and for such other purpose as may be prescribed by rules made under section 23 including any other powers of a Civil Court which may be vested in the Tribunal; and the Tribunal shall be deemed to be a civil court for all the purposes of section 195, 345 and 346 of the Code of Criminal procedure, 1973 (1 of 1974) and its proceedings shall be judicial procedures within the meaning of sections 193, 219 and 228 of the Indian Penal Code. (XLV of 1960).

- (2) In the case of any affidavit to be filed, any officer appointed by the Tribunal in this behalf may administer the oath to the Deponent.
- (3) The practice and procedure of the Tribunal shall be regulated by such rules or regulations made for any Tribunal by the appropriate Government or by its President as the appropriate Government may by order in writing specify; and it shall be lawful for the President to follow these rules or regulations with such variations as the circumstances of the case may require to consider the questions arising out of the dispute referred to him.
- (4) All orders passed by the Tribunal shall be executed in the same manner in which similar orders, if passed by the appropriate Government, could have been executed.



18. Powers of Family to make regulations:

The Family may, for the purpose of the proper and efficient functioning of the Trusteeship make regulations for all or any of the following matters, namely:

- (1) the day to day administration of the Trusteeship;
- (2) the term of office of the members, disqualification, if any, for continuing as a member, their removal, filling of casual vacancies, appointment of any officers and servants and their qualifications, establishments of a provident fund of the employees of the Trusteeship and its utilisation and investment or for any amenities to be provided for the employees;
- (3) constitution of the Trusteeship fund, if any, and the manner in which such fund should be built up, or the manner in which the finances of the Trusteeship may be raised, and subject to any limitations or conditions, the manner in which expenses may be incurred from such fund or finances so raised;
- (4) the preparation of the annual budget and the supplementary budget, if any, and appropriations;
- (5) the manner in which expenses may be incurred during any pressing emergency, although such expenses are not provided in any budget;
- (6) maintenance of accounts and audit thereof including provisions for inquiry, inspection and supervision, by such person as the Family may from time to time decide, and provisions for costs of such inquiry and inspection, and recovery thereof;



- (7) revocation of the Trusteeship including power to take assistance of court for the purpose of such revocation, regard being had to the provisions of the constitution of the Trusteeship in the matter of revocation;
- (8) administration repon.
- (9) any other matter for which in the opinion of the Family, regulations are considered to be necessary in the interest of the Trusteeship. The power to make regulations shall include power to provide for any matter relating to meetings of the Family and for levying fees for the purposes of this Act.

19. Recovery of sums due to Government:

Unless otherwise provided by or under this Act, all sums due from the Trusteeship to the Government may be recovered according to the law and under the rules for the time being in force for the recovery of arrears of land revenue.

20. Bar on jurisdiction of courts:

- (1) No court shall have jurisdiction in respect of :
 - (a) the Declaration made under section 4;
 - (b) any matter referred to the Tribunal for decision;
 - (c) any matter concerned with the revocation of the Trusteeship;
- (2) While a Trusteeship is being revoked, no suit affairs of the Trusteeship shall be proceeded with or instituted against the Trusteeship except by leave of the appropriate Government and subject to such terms as it may impose.



- (3) All orders or decisions made in accordance with the provisions of this Act, or any rules, regulations or orders made thereunder shall be final; and no such order or decision shall be liable to be challenged, set aside, modified, revised or declared void in any court upon the merits or upon any other ground whatsoever.

21. Administration of Trusteeship:

Save as expressly provided in this Act, or in the rules or regulations made thereunder or in any notification under section 10, in every other respect, the laws, the documents including contracts, if any, and all instruments shall apply in relation to the Trusteeship as they applied to the Declarant before the Declaration and the Trusteeship shall be governed according to the provisions of such laws, contracts, instruments and documents.

22. Act to over-ride other laws:

The provisions of this Act shall have effect notwithstanding anything inconsistent contained in any enactment other than this Act or any instrument having effect by virtue of any enactment other than this Act.

23. Rules:

The Central Government may, by notification in the official Gazette and subject to the condition of previous publication, make rules for carrying out any of the purposes of this Act. The power to make rules shall include the power to impose any fees for the purposes of this Act.

24. Provision for laying:

Every rule under section 23 shall be laid as soon as may be after it is made before each House of the Parliament and every notification under section 10 made by an appropriate Government shall be laid as soon as may be



after it is made before each House of Parliament, or as the case may be before a House or each House of the State Legislature, while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if before the expiry of the session in which it is so laid, or the session immediately following both Houses or a House, as the case may be, agree in making any modifications in the rule or notification or any provision thereof or both Houses or a House agrees that the rule, notification or any provision thereof should not be made, the rule, notification or any provision thereof shall, from the date of publication of the notification in the Official Gazette or such decision, have effect only in such modified form or be of no effect, as the case may be; however that any such modification or annulment shall be without prejudice to the validity of anything previously done under the rule, notification or provision thereof, as the case may be.

25. Removal of difficulties:

If any difficulty arises in giving effect to the provision of this Act the appropriate Government may as occasion required, by order do anything which appears to it to be necessary for purpose of removing the difficulty.



TRUSTEESHIP FOUNDATION A DOCUMENT

The Trusteeship Foundation was started under the inspiration of the late Mr. Jayaprakash Narayan. The Foundation is entering its 8th year of activity and is a charitable trust and enjoys tax exemption under Section 80G of the Income Tax Act and is also recognised under Section 35 CCA as an approved organisation for rural development.

The present Executive Council consists of Mr. G. C. Shroff, Dr. J. D. Sethi, Mr. George Goyder U.K. Mr. Govindrao Deshpande, Mr. Sharu Rangnekar, Mr. Arvind Buch, Mr. M. Varadarajan, Mr. V.K. Narasimhan, Mr. Manmohan Choudhary, Mr. Raman Patel, Mr. Jawaharlal Jain, Mr. K. C. Shroff. Mr. R. K. Baratan, Mrs. Indira Doctor, and Mr. Arvind Deshpande.

Those who have been associated with the International Seminar, National Conference and other meetings of this Foundation include Mr. Morarji Desai, Mr. J. R. D. Tata, Acharya Dada Dharmadhikari, Dr. Raj Krishna, Prof. V. V. John, Mr. B. G. Verghese and several other industrialists, trade union leaders, educationists and men in public life.

The Principal Aims Objectives and Activities are :

- A. Propagation of the concept among the privileged, capital management, labour, intellectuals and especially young groups of students from institutes of management, colleges of commerce etc. as much will depend on their attitude to industrial organisation and industrial relations, through meetings, conferences, seminars and the like.
- B. Exploring possibilities of setting up a couple of units on Common Ownership principles.



- C. Dissemination of relevant information through publications; newsletters and articles in the newspapers and debates on radio and television.
- D. Exploring possibilities of International Seminars to consider the basic issues like return on capital and phasing out and redistributing power and surpluses in favour of workers, consumers and community.
- E. Educating the workers to accept responsibility and develop indigenous models of effective participation.
- F. Organising meetings of industrialists to consider the wider implications of acceptance of social responsibilities which involves a commitment to national and community goals. Participation in rural development projects and creating entrepreneurship freer access to information and association of consumers with highest decision-making in improving the standard of service and management.
- G. The Foundation also endeavours to promote passing of enabling legislation to provide a legal frame work for common ownership and trusteeship units.



MEMORANDUM OF ASSOCIATION OF TRUSTEESHIP FOUNDATION

(as amended on 21st December, 1978)

Aims and Objects: —

This foundation and Association which is a Public Charitable Trust is established with the main aim and object of propagating the concept of Trusteeship envisaged by the Father of the Nation, Mahatma Gandhi. In furtherance of this objective the following activities may be undertaken.

1. To try and elaborate the concept of Trusteeship and work out the detailed implications of the idea as applied to different fields of human endeavour.
2. To try and foster the concept and practice of Trusteeship in individuals and institutions; to promote an attitude of co-operation and sharing in economic and industrial enterprises so as to bring about a change in the value system and organisation motives.
3. To organise lectures, seminars, symposia, workshops, and such other programmes to involve the intellectuals, academicians, the men of action and leaders in working out the object stated above.
4. To publish literature, pamphlets, newsletters in various languages, to distribute it and to utilise any donations, subscriptions or money received from such literature, for further propagation of the concept and for other charitable purposes and not treat this as income.
5. To assist existing institutions in their effort at implementation of the Trusteeship concept in varying degree by giving advice, loaning of trained individuals and training the personnel.



6. To establish necessary institutions both consultancy and production oriented, to implement the ideas of Trusteeship and progressively to develop them.
7. To establish and/or assist educational training and research institutions, hostels, libraries, extension camps, etc. to further objectives of the foundation.
8. To carry on all other activities which may be necessary to the fulfilment of the objects of the Trusteeship Foundation.
9. This Foundation has as its object the undertaking of any programme of rural development including any programmer for promoting the social and economic welfare of or the uplift of the public in any rural area and the funds of the Foundation would be utilized for the above object.

This Foundation is a Government approved organisation for the purposes of Sec. 35CCA of the Income Tax Act and also enjoys exemption under Section 80G.

1. Members :-

- (a) Membership of the Foundation shall be open to any adult residing in India or abroad who agrees with and accepts the aims of the Foundation.
- (b) The Foundation reserves the right to reject any application for membership.

2. Types of Members :-

- (a) **Life Members** : — Persons who contribute Rs. 1,000/- or more shall be life members of the Foundation.
- (b) **Honorary Member** : — The Foundation may accept and confer on any person Honorary Membership in its Annual General Meeting.



(c) **Foundation Members** :- Persons who contribute Rs. 25/-per year shall be Foundation Members.

(d) **Institutional Member** : —

- i) Any Company: Private or public Ltd., partnership Firms, proprietary concerns who contribute Rs. 500/- per year shall be admitted as Institutional Members and will be entitled to nominate a representative.
- ii) Any professional institution or association like Institute of Management, Chartered Accountants, Company Secretary, Trade Associations, Chamber of Commerce, Trade Unions, Officers organisations and similar bodies who contribute Rs. 100/- per year shall be admitted as Association member.

3. **Rights and Duties of Members** : —

- i) The yearly membership fee of Foundation Member is payable on the 1st of January every year.
- ii) The Secretary shall be authorised to extend the time for payment of fees upto 2 months - Request for such extension shall be made in writing to the Secretary.
- iii) Any member, who fails to pay his annual fees within the extended time, shall be automatically suspended from his membership and the Executive Council may accept him as a new member on his fresh application for membership on such term and conditions as it decides.
- iv) Each member shall have one vote in the Annual General Meeting.



4. The Executive Council : -

- i) The Executive Council shall comprise of 15 members of which at least five shall be from among Life Members. The Executive Council shall elect the following Office Bearers namely Chairman, 2 Vice-Chairman, 2 Honorary Secretaries, a Honorary Treasurer and Director.
- ii) The term of office for member of the Executive Council and Office bearers shall be three years.

5. Duties and Powers of the Executive Council : -

- i) The Chairman shall exercise his Executive Powers in the best interest of the Foundation and he shall be assisted by Members of the Executive Council in carrying out the Administrative duties of the Chairman.
- ii) **The Executive Council is empowered : -**
 - a) To raise and manage the funds of the Foundation
 - b) To accept donations and contributions.
 - c) To buy, sell and manage movable and immoveable properties.
 - d) To undertake any other activity which would further the objectives of the Foundation.
 - e) To engage, appoint, hire and. terminate the service of persons required for implementation of the objectives of the Foundation.
 - f) To open and run Bank Account, as necessary.
 - g) To invest monies and the surplus funds in Securities allowed under the Act.
 - h) To borrow sums of money against the Securities for the purpose of the activities of the Foundation.



6. Meetings :

- i) The Annual General Meeting shall be held before 30th June every year to consider the following matters : —
 - a) To adopt the Report of the Executive Council with the audited accounts of the Foundation.
 - b) To appoint Auditor and fix his remuneration.
 - c) To elect Member to the Executive Council, if a member retires under Rule No. 4 (ii).
 - d) To consider any other matter.
- ii)
 - a) 15 days' notice in writing shall be given to all members for the General Meeting.
 - b) The quorum for the General Body Meeting shall be 5 Executive Council Members personally present and 10% of Foundation Members on roll.
 - c) In the event of no quorum at the appointed time of the meeting, the meeting shall be adjourned for half an hour and shall be held again at the same place and such adjourned meeting shall not need any quorum.

7. Financial Year : —

The Financial Year of the Foundation shall be the Calendar year.

8. Accountants & Auditors : —

The Foundation shall maintain regular Accounts and get them audited by an Auditor, who shall be a Chartered accountant appointed by the General Body Meeting.



9. Amendment to the Constitution, Rules & Regulations : —

Any amendment to the Constitution, Rules and Regulations of the Foundation shall be approved at the General Body Meeting, specially convened for the purpose of the members by not less than 2/3 of the members present.

10. The Foundation may wind-up or divert its activities by approved of a Resolution to this effect passed by 2/3 of the Members of the Foundation in their General Meeting as per provisions of section 13 and 14 of the Societies Regulations Act, 1860.



STEPS TOWARDS TRUSTEESHIP FOR LARGER COMPANIES

There are two important steps that could be taken by companies with a workforce of over 1000 which would help them to move in the direction of Trusteeship.

The first step is that each company should work out and adopt a Statement of Objectives which would spell out the obligations it accepts towards shareholders, employees, consumers, the local community and society in general. A model statement is reproduced here below:

We (name of the company), believe that as a responsible business enterprise, we have certain social obligations towards the consumers, employees, shareholders, society and the local community in which we operate. We shall, therefore, endeavour to fulfil these responsibilities to the best of our ability:

(1) To The Consumers:

1. To ensure goods of good quality and standard specifications at a fair and reasonable price.
2. To ensure accurate weights and measures of goods produced and sold.
3. To ensure that there is no adulteration or an artificial shortage of goods.
4. To ensure good service and courtesy to the consumers.
5. To inform the consumers of the correct prices and adhere to ethical advertising.
6. To ascertain consumer preferences and consumer satisfaction.



7. To set-up a Consumer Advisory body as a liaison between the consumers and the enterprise.

(2) To the Employees:

1. To recognise the worker's right to a fair wage and collective bargaining.
2. To provide the best possible conditions of employment for all employees.
3. To provide all our employees with equal opportunities of meaningful work and adequate facilities to develop their abilities and potentialities through training.
4. To ensure adequate rewards or promotion for improved performance.
5. To encourage and facilitate the increased association of employees in decisions affecting their working lives.

(3) To the Shareholders:

1. To make the company economically viable, provide a sound capital structure and ensure fair and reasonable dividends to shareholders.
2. To plough back a reasonable percentage of profits for research, innovation and continuous growth.
3. To provide true and adequate information regarding the affairs and working of the company.

(4) To Society and the Local Community:

1. To behave like good citizens and do our duty by the community.
2. To employ, after careful assessment and scrutiny, professional managers and executives who are men of integrity and high calibre.



3. To help in preserving, maintaining and improving the amenities of the locality in which the enterprise is located and in avoiding pollution of water, air and atmosphere.
4. To participate in the promotion of civic improvement and in the general well-being through projects of rural development, creation of employment and entrepreneurship for self-employment in Trusteeship Units.

In order to give weight to such a commitment, a general purposes clause indicating acceptance of “social responsibilities to the share-holders, employees, consumers, local community and the society and commitment to national and community goals which would include participation in the wider fields of rural development creating entrepreneurship, self-employment and a just equitable economic, social and political order”, should be included in the company's Articles of Association.

The second step is submission to periodic Social Audit.

Social Audit is necessary in order that there should be a way to test the extend to which an enterprise was living upto its obligations. Such a company should submit itself periodically to a Social Audit to be carried out by eminent jurists, social scientists, educationists etc. who should be invited by the Board of Directors to review the company's activities to assure the community and the consumers that the company is abiding by the social responsibilities it has accepted.

At the instance of The Leslie Sawhny Programme of Training for Democracy, Bombay, the Tata Institute of Social Sciences and the Indian Institute of Management, Ahmedabad gave thought to this concept of Social Audit. It however, took a long time for the first Social Audit to be carried out. People not



only in India but even abroad have praised Mr. J.R.D. Tata and TISCO for giving a lead in this matter. It is hoped that other industrial houses will come forward and submit themselves to Social Audit to assure the consumers and the community because this is one concrete way of changing the present atmosphere of unrest, conflict, play of raw power in industrial field.

An ideal team of social auditors would consist of an eminent judge or jurist, an independent M.P., a trade union leader and a judge or jurist, an independent M.P., a trade union leader and journalist. The following tools will be used for carrying out a Social Audit, 1) Questionnaire, 2) Check list of documents/policy statements, 3) Actual observations, 4) Discussion.

It is also agreed that all information provided by a company will be treated as confidential and the company will be entitled to publish the Social Audit Report only in its entirety.

Here we shall deal with only the obligations or the company's behaviour in respect of the consumers and the community.

The Social auditors' efforts could be mainly directed to the four primary areas of behaviour viz. 1. Pricing, 2. quality, 3. service, 4. communication with consumers. In regard to communication with consumers, social auditors will try and find out whether efforts are made to educate the consumers to maximise the use of each unit of product and how the company deals with the consumers' complaints.

So far as the community is concerned the social auditors in analysing the company's behaviour towards the community could focus their attention (a) on the voluntary action of the company, (b) action which effect the local community directly influenced by it, (c) the nation and (d) in relation to social processes and institutions. It may also be useful to find out whether a company uses its



particular personnel skill for the improvement of social institution and development and implementation of state and national policies in regard to education, public health, family planning, creation of self-employment, projects of rural development and environmental pollution.



VIEWS ON TRUSTEESHIP

ANDREW

This then, is held to be the duty of the man of wealth/talent/skill : first, to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgement, is best calculated to produce the most beneficial results for the community the man of wealth and talent thus becoming the mere agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves.

(Adopted from Andrew Carnegie's writings)



VIEWS ON TRUSTEESHIP

GANDHIJI

In this age of wonders no one will say that a thing or idea is worthless because it is new. We are constantly being astonished these days at the amazing discoveries in the field of violence. But I maintain that far more undreamt of and seemingly impossible discoveries will be made in the field of non-violence.

As for the present owners of wealth, they would have to make their choice between class war and voluntarily converting themselves into trustees of their wealth.

We must not under-rate the business talent and know-how which the owning class have acquired through generations of experience and specialization. Free use of it will accrue to society under my plan. Your wealth is not yours, it belongs to the people. Take what you require for your legitimate needs and use the remainder for society.

My theory of trusteeship is no makeshift, certainly not camouflage. I am confident that it will survive all other theories. It has the sanction of philosophy and religion behind it.

A violent and bloody revolution is a certainty one day, unless there is a voluntary abdication of riches and the power that riches give and sharing them for the common good.

I look upon an increase of the power of the State with the greatest fear, because although while apparently doing good by minimising exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress.

If labour would only understand and recognise that capital is perfectly helpless without labour, labour will immediately come into its own.



VIEWS ON TRUSTEESHIP

The Trusteeship Foundation wrote to a few men in public life, industrialists, trade union leaders, academicians and journalists seeking their views on a few pertinent questions on 'Trusteeship'. These were :

1. Trusteeship as perceived by Gandhiji is all embracing. It is an attitude first, then a technique and finally a constitutional form. Would you agree with this interpretation? Do you have any other interpretation of the concept of Trusteeship?
2. Since neither capitalism nor communism has been able to solve problems of power, exploitation, conflict and alienation, do you think Trusteeship can create 'virtue' in the individual and in the organs of society in a more effective way? If not, is there any other way out?
3. Trusteeship expresses inherent responsibility of business enterprise to its consumers, workers, shareholders, community and the mutual responsibility of each to the other. How do we promote feeling of responsibility particularly in the large industry? Would Social Audit serve the purpose?
4. Since business and industry include a wide variety firms, with numbers ranging from a handful to thousands, how do we work out models and where shall we make a start in large; medium or small industry?
5. Would you suggest some concrete steps to be taken to promote Trusteeship and social responsibility such as enabling legislation, code of conduct or a mechanism which would eventually achieve the purpose of redistributing both the ownership, decision making and authority of capital in favour of



consumers and community rather than its concentration in the hands of a few individuals or the State?

We publish here some representative replies received:

Mr. Bagaram Talpule, a highly respected trade union leader, who was also once the General Manager of the Durgapur Steel Plant says: “In my view, the concept of Trusteeship is not a very realistic one in the context of the industrial and economic realities and ethical norms in our society. That capitalism and communism have not solved problems is true. But that by itself, does not make trusteeship realistic. Having abandoned Gandhiji’s total view of social, economic, political and ethical aspects of our endeavours, I do not see how a concept like trusteeship can have any practical meaning in a milieu which is so hostile to it”.

Prof. M. L. Dantwala, eminent economist, who discussed the concept with Gandhiji, wrote back to request that we should publish in full the Trusteeship Formula which he had drafted and which was approved by Gandhiji in 1942.



VIEWS ON TRUSTEESHIP FORMULA

1. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.
2. It does not recognise any right of private ownership of property except so far as it may be permitted by society for its own welfare.
3. It does not exclude legislative regulation of the ownership and use of wealth.
4. Thus under State regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interest of society.
5. Just as it is proposed to fix a decent minimum living wage, even so limit should be fixed for the maximum income that would be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable, from time to time so much so that the tendency would be towards obliteration of the difference.
6. Under the Gandhian economic order the character of production will be determined by social necessity and not by personal whim or greed.



VIEWS ON TRUSTEESHIP

JAYAPRAKASH NARAYAN

Since the Industrial Revolution, economic power has been increasingly a dominant, as also an intractable factor in society. The permanent Technological Revolution of recent years, multiplying man's productivity and complexity of the industrial organisation to an unimaginable degree, has greatly augmented that power.

The question of controlling economic power and using it for the benefit of society has been in the forefront of social thought since the early years of the Industrial Revolution.

All the fundamental problems remain after the transfer of ownership to the State — to alter the status of the worker and give his work meaning and purpose or open for him any opportunity for initiative; to alter industrial relations and make of the personnel in industry a fellowship with a community of purpose and interest; to make industry responsible to those who have a stake or concern in it; namely, the workers, the consumers, the local and the larger community.

Another notable feature of the approach is that, unlike socialism-communism, it is possible even for a single unit of enterprise to undergo voluntary transformation irrespective of the nature of the prevailing economy and State policy and action. Socialism-communism cannot act even in a single field or unit of industry unless it is in control of the State. Gandhiji's whole approach to social action was that he endeavoured to rely on voluntary action (of individuals, groups or of society as a whole) in order to change society.

A crucial question is bound to be asked at this point: where from will come the motivation to work for a trusteeship economy and how can that motivation



become a social force (such as socialism-communism) so as to be able to transform society? The class and power motivation behind socialism and communism have been clear enough. But the role of the 'outsider' — the idealist non-proletarian and non-power-seeking participant, nay, leader — has been most decisive in these movements, in that it was a pioneering and path-finding role.

Likewise, the drive towards trusteeship economy, the pioneering and path-finding efforts, should come from idealist outsiders — intellectuals and persons with a social concern — whose passion in life is to bring about a more sensible, ethical and satisfying economic order.

A combination of these ingredients should prove to be fairly powerful social force.



VIEWS ON TRUSTEESHIP

SCHUMACHER

The most important of all resources are obviously the initiative, imagination, and brainpower of man himself. We all know this and are ready to devote very substantial funds to what we call education. So, if the problem is “survival,” one might fairly expect to find some discussion relating to the preservation and, if possible, the development of the most precious of all natural resources, human brains. However, such expectations are not fulfilled. “Sinews for Survival” dealt with all the material factors — mineral, energy, water etc. but not at all with such immaterial resources as initiative, imagination, and brain power.

Once a process of technological development has been set in motion it proceeds largely by its own momentum, irrespective of the intentions of its originators. It demands an appropriate “system,” for inappropriate systems spell inefficiency and failure. Whoever created modern technology, for whatever purpose, this technology or, to use the Marxian term, these models of production, now demand a system that suits them, that is appropriate to them.

As our modern society is unquestionably in crisis, there must be something that does not fit. (a) If overall performance is poor despite brilliant technology, may be the “system” does not fit. (b) Or may be the technology itself does not fit present-day realities, including human nature.

There are three main forces in society, we call them A, B and C. A are Government people, administrators. We want them with us. How can we find in all this some sympathetic character who would like to join the work? That’s the A factor. But let’s face it, government can’t do anything, really. They can stop



things, finance things, they know the ropes but government is not a daring center of initiative and creativity. So we need a B factor. B is business, after all, business is what does the work. And in business lies the knowhow and also lies the discipline of viability, how to make things so that you can pay your wages on Friday. We must have that particular element on our side. And C are the communicators, the people of the word. They don't actually produce anything like lettuce or bread, but they produce ideas and generally speaking (and I mean this in a very kindly way) they are very playful souls. They fall in love with the problem, they solve the problem, mark it top secret, and file it away, fall in love with the next problem It is of course a resource, but only a resource.



VIEWS ON TRUSTEESHIP

VINOBAJI

Supposing someone shows his readiness to introduce the principle of Trusteeship in his economic affairs, what could be our advice to him regarding the simple way to introduce it? What steps could we suggest him as an index of his having started on the road to Trusteeship?

It seems to me that we should take into account five factors when launching on this venture, as enumerated in the Geeta :

“Adhishthanam— tatha karta karnam- cha pruthak vidham Vividhah cha pruthak cheshta daivam cha atra panchamam.”

In the context of Trusteeship.

- (i) Adhishthanam means the company or the institution concerned.
- (ii) Karta the person who controls the organisation, the final authority or the power
- (iii) Karana stands for the management
- (iv) Pruthak-chehta signifies the productive labour force, and
- (v) Daiva denotes society as a whole.

1. Institution 2. Proprietor 3. Management 4. Labour 5. Society

1. These five must together own the concern.
2. Their role should be determined in a manner which will satisfy both the Company as well as ourselves, the promoters of the idea.
3. It goes without saying that this kind of business organisation will be scrupulously clean in all its dealings.



4. Its accounts shall always be open to public scrutiny.
5. Some machinery will also be designed to see whether all these tenets of a clean economic life are being scrupulously followed.
6. It would not be proper to look to the government for guidance and support right from the beginning.
7. What is due to Government in the form of taxes must be given regularly.
8. Labour must be invited to share in the management.
9. Such representatives of the workers who have worked for three years and received training in management will act not only in the interest of the workers but will also consider the economic well-being of the whole society.



VIEWS ON TRUSTEESHIP

ACHARYA DADA DHARMADHIKARI

We approached the revered Dada, not so much to seek replies to our questionnaire, but to reassure ourselves on fundamentals and find out how he views the depressing feelings, and apprehensions of those who are trying to propagate 'trusteeship' as also of those who are assailed by nagging doubts about its "practicality" and success in a world of real politik, raw violence, subtle exploitation, conflict and alienation of man from his own inner self.

Dada Dharmadhikari is one of the very few living followers 'students' and 'interpreters' of Gandhi, in the sense Rajaji was. His is also one of the most percipient, independent and refreshingly original minds brought to bear on the 'essence' of Gandhi and Gandhian insights. Free from the burden of the ego (which every 'eminent' and successful man in public life must perforce have or at least carry as a cross) his replies to queries and doubts are like a burning arrow shooting straight to its mark. Pessimism and doubts almost appear to be 'untruth' and illusions. Truth is a consciousness of a thing being right.

Dada's pessimism, if at all there is any, is "solar" if you remember how much black there is in the sun. He is sanguine because he is deeply aware of the basic human nature as much as of the perversity, and abundance that springs from the relation of man to the world, to fellow humans, of his legitimate aspirations to wealth, power and vanity. To him it is the pessimism and so-called practicality, realism that appear 'morbid', 'perverse' and 'absurd'. Gandhi's faith in trusteeship to him is an affirmation of health, sanity the spontaneous and innate goodness of human nature. A man has to look for justification and reason for a vice he practises. No one has to or need justify virtue. If a person is asked why he is being 'good' to his kith and kin, neighbour, his community, he will laugh away, the



question as absurd and say that he is being 'good' because that is his 'nature'. There is no absurd or morbid 'why-clause' in man's pact with nature and with fellow human beings. If man is profoundly in love with life, which he indeed is, he cannot avoid 'relationship' and no relationship survives without 'goodness', 'virtue' and trusteeship attitude. Let those who have this inner urge 'change', put the urge into practice and leave those assailed by doubts to explain, justify their futile journey against the natural current/flow and very grain of human nature. We often argue or write to demonstrate something or even a preconceived notion instead of facing bare facts of life. Gandhi would probably say that intellectually arguing against a thing which you deeply feel to be true and right can only mean entering into a competition in vanity. In any case, for those who lose faith in human nature, no place exists, no sanctuary to absorb their melancholy.

With such observations in perspective, Dada chose to answer a few questions in brief.

a) What is Trusteeship? Trusteeship is basically an outlook on life and human relationships generally. It is way of living commensurate with the natural and inevitable progress towards and transformation of the present conflict-ridden ethos towards an increasingly harmonious, sharing social order. Trusteeship is not an ideology. Gandhi was not an ideologue like Marx. He was a seeker after truth about the human situation, predicament and relationships. He was certainly in favour of a classless society. But he did not accept the division of people into 'classes', because caste, denomination are static but a 'class' is a dynamic, fluid concept. A poor man today may become rich tomorrow and need not, indeed does not, become 'evil' by definition. Class differentiation leads to conflict, violence and liquidation of man. What Gandhi worked for is liquidation



of the concept of classes. Only an attitude of sharing, co-operation can eliminate classes and alienation of men from one another. Marx believed in determination of economic factors but Gandhi believed in the law of nature. So he asserted “My theory of trusteeship is no make shift, certainly not camouflage. I am confident that it will survive all other throities.”

b) Who will work for such transformation? Where does one begin, who will be the agents of change?

All revolutions are started by a handful dedicated individuals, individuals who are shaped by and are products of the society and yet become “outsiders” for they suffer much more and have a deep inner urge to change things. Thus, transformation of a society begins with a few individuals who have themselves changed. A person whose own attitude has changed is a revolutionary and he changes the environment, context in which he works. Lenin said that the poor do not make a revolution but they support it in their own self-interest. Revolution is made by those few who have the sensitivity and empathy to feel the injustice, exploitation and violence inherent in a society. Let those who have themselves changed and wish to practise their code of conduct join hands, come together and work with faith. Such faith can move mountains and cannot be combatted either by ridicule or by force.

c) Will legislation and social pressure help usher in Trusteeship? Yes, but only marginally. Change in the social context can be brought about by a) expropriation by force b) confiscation by the State through law and taxation c) voluntary surrender and sharing.

Trusteeship, ideally, will achieve lasting results through individual volition. Legislation, when brought in through a democratic way has moral legitimacy and sanction. But laws can only indicate the desired goals and direction. Legislation



can certainly anticipate and facilitate change, it cannot substitute change of heart, self-discipline, individual's acceptance of responsibility and accountability to the society. Transformation to be true must be a self-generated effort and not coercion and should make forced legislation or stake action superfluous. In the ultimate analysis, the real incentive to goodness is either natural human instinct or social approbation and not money or force or fear of punishment or greed.

d) Why is the progress so slow in India?

The principal reason why some countries in the West have done better than us is that we, as a people, have not left behind the Age of Organised religion and politics and haven't entered still the Age of Science of Spiritually. Our people are largely religious-minded and not spiritually inclined. All 'Religions' speak of the eternally 'poor' and the eternally "charitable". Trusteeship extinguishes the concept of charity, of buying and selling, of the market place (Bazaar) and bargaining. Religious incentives are essential material incentives, never spiritual or relating to the soul. Yet there is no heed for despair and despondency. Gandhi was after all a product of this very society. He was shaped by the Old Testament and the Gita. He realised that at its best and highest, there is no limit to sacrifice or non-possession in this society. For all his faith in God: Gandhi opposed organised religion and emphasised humanism, the greatest good of all, that man as an individual, rich or poor, counts and should not be liquidated. Social awareness, moral earnestness, humanism alone will survive in the age of science, technology and not tradition, superstition or blind beliefs. Those who work for trusteeship must endeavour to create a new consciousness, social awareness and create models and islands of faith, build up a fraternity of concerned individuals who have changed and desire change. They may catch up with the West sooner than they dream. For the present, let them say 'one step enough for me'.



VIEWS ON TRUSTEESHIP

MR. G.C. SHROFF

1. Trusteeship is an attitude. It has to come from within. It cannot be forced from outside. It can never be imposed on people for long. It should not be done.
2. Yes, capitalism and communism have not solved the problems of the world and they can never do so. Trusteeship is the right concept but it requires men of capacity, men of knowledge and strength to be prepared to sacrifice their extra power and work for the upliftment of the others in the society. This is a herculean task and for convincing people to sacrifice. Gandhiji or Jayaprakash or Buddha or Vivekananda are necessary.

Selfishness plays an important role in everybody's life and as such it is not easy to ask them to forego what maximum advantage they can get out of their superior strength.

3. Practice of trusteeship in a big organisation can be of tremendous advantage to the management. It is also advantageous to all the other concerned parties namely workers, share-holders and consumers. But this is possible only if the management is far sighted one and can have control over themselves to forego tremendous power they possess in managing a company or a corporation. If they can do so, it is ultimately to their own advantage, but it will take a long time.
4. As there are large number of business and small industry houses, good models can play an important role. Good models that have shown to others that by practising this philosophy, not only they are prosperous but



they are happy and having no problems either from workers, shareholders or customers.

5. Only the enlightened masses can play an important role.

Consumers or the community leaders have also their own selfishness which plays an important role.

As we have found that workers union are looking to their self-interest only and fighting with the management with the strength of large number of people. They never care, what would be the consequence of their higher demands and the effect of it on the production and price of the commodity.

As mentioned earlier, concept of trusteeship has to be aroused and it is not easy.



VIEWS ON TRUSTEESHIP

SHRI BABUBHAI J. PATEL

1) As I have understood Trusteeship according to the Gandhian concept, it would be the acceptance of the principles that everything that we see in the universe is the creation of God and therefore except him there is no other owner. All are trustees of everything that they possess or come across. This includes their bodily as well as mental and intellectual faculties. Everything has to be utilised for common good and one has to retain only the minimum necessary for his subsistence. Obviously, there cannot be any justification either for exploitation or for concentration of wealth or any other thing produce by nature. This automatically solves the question of Class Conflict, Hatred, War, Violence, etc. Naturally greed has no place in this scheme of things and since everyone is trying to look after the needs of others, Love and Brotherhood might rule supreme according to Gandhiji, as I understand him universal brotherhood and a social order based on the principles of service to all should be the guiding forces which govern the world. This alone can lead to a peaceful progressive social order. Nature has bestowed everything that humanity needs. If it is utilised properly, there will be all round peace and happiness. This is the principle of Trusteeship as I understand it.

2) As mentioned in my answer to Question 1, it will be seen that neither concentration of wealth nor — exploitation due to superior talents nor human subservience under State Capitalism have a place in the scheme of things contemplated by Gandhiji. In fact, these are the evils born out of human greed of wealth and power and unnatural attempts to curb human frailties. The proper course to overcome the frailties would be a just and healthy social order based



upon the principles of service and sacrifice as against attempts to concentrate Wealth and Power in a few hands.

3) Trusteeship in practice would be a matter of willingly accepted approach rather than enforcement of legal or other sanctions except a healthy public atmosphere. If gradually an atmosphere suitable to Trusteeship is created, Industry, Trade, Commerce, Profession, callings etc., would adjust themselves to the prevailing atmosphere which is based on the Trusteeship principles.

4) As I said above Trusteeship is not restricted to the sphere of business and industries only. It is an all-round concept of a social order in which everyone feels like giving his best to the society and feeling happy and contented with whatever little the society is able to provide for the satisfaction of the basic needs. Therefore the question in the matter of business and industries will not be as to whether to begin with large scale, medium or small scale industries but to begin with such trade, industry and commerce etc. that are receptive to this concept. A beginning can be made any where provided the atmosphere is congenial and healthy for reception of this idea. Once it starts going and leads to peaceful energetic successful working, the movement will receive momentum. Just as the Bhoodan and Gramdan movement started by Vinobaji 30 years back received a fairly good response from the country and was followed by necessary enabling legislation, this movement also can get going under the existing legal and economic set up and gradually evolve principles, procedures, practices etc. that can subsequently be given a legal shape. Just as the Co-operative movement is an answer to individual ownership as well as State Capitalism getting rid of the evils of both the systems, trusteeship also can provide an alternative both to Capitalism and communalism.



5) These principles are easy to preach and difficult to practise in view of the human weaknesses and yet just as Gandhiji preached a non-violent approach even for the country's liberation as against the prevailing concept of violent revolutions, so also Trusteeship concept can be gradually evolved and worked out successfully, as Gandhiji's concept of Non-violent, Non-co-operation could overcome an imperialist power. Since we have no towering personalities like Gandhiji and Jaya Prakashji amidst us it will be necessary to have a number of devoted far sighted peace loving idealists to put their heads and energy together to achieve this objective which may take quite some time and yet it is felt that the current social and economic order has to be altered. This is a must.



VIEWS ON TRUSTEESHIP

MR. JAYANTILAL SHAH

1. I confine my observations to 'Trusteeship in Industry' only. This in my mind is a change of attitude first and then immediately comes the next step of creating a working model based on the changed attitude. The working model will not be very satisfactory to start with but still it is 'the' next step and the technique of evolving Trusteeship will be learnt and improve as a part of creation and improvement of working model. My concept of Trusteeship believes in a very strong 'Trustee' right from the beginning. It also does not necessarily mean that 'Trustee' renounces all his rights of ownership. He may do so as an ultimate step. He has to exercise a powerful control and a strong sense of direction at the beginning of a trusteeship enterprises and continue like this till many more people working with him understand and grasp the meaning of Trusteeship in a more concrete form.

A strong Trustee has also to build up his team of co-workers with changed attitude at management level and students interested in grasping this new system of management at the work-force level.

2. We cannot start a Trusteeship unit by assuming it as an alternative to either capitalism or communism. The whole idea of Trusteeship should be experimented by building working models or studying existing imperfect models and the results of the experiment should be communicated to as many people as possible. People themselves will ultimately decide whether it is an alternative for capitalism or communism or evolution of capitalism as a third way running an industrial activity. All industrial units practising benevolent management, import substitution as a part of their patriotism to save foreign exchange for the country, those under-promote export again as a part of their patriotism, those



undertaking rural development, those exposing themselves to social audits are all tending towards Trusteeship to certain extent. It should be the endeavour of Trusteeship Foundation to study these companies (working models), find out their plus points, their positive achievements publish case studies of these companies and also point out to them the direction for future growth.

3. A voluntary social audit would be a welcome step for large industry as a part of the Trusteeship programme. Social education like publishing the book “Responsible Company” and “Responsible Worker” by George Goyder in Hindi or Marathi and explaining the implications of ideas mentioned in these books would also help in creating “Trusteeship” in large industry.

4. There are a number of imperfect working models in small, medium and large industries available for study as Trusteeship units. These units should become starting points for further work. Also the results and conclusions can be drawn and published from time to time from experiments with small common ownership units like the one launched by Trusteeship Foundation at Pune.

5. The idea of enabling legislation and re-distribution of ownership and authority of capital is very remote and should not be brought into the picture at present. It will serve no useful purpose except to frighten away people from coming to Trusteeship Foundation.



VIEWS ON TRUSTEESHIP

MR. H.K. PARANGAPE

Mahatma Gandhi has written so much on various problems including this one that it is difficult to be certain about his precise perception of this concept. It is however necessary to keep two points constantly in view when thinking of his ideas : one that he not only wrote for his time, but was also continuously readjusting his views with experience, and with a change in the situation. “People say that I have changed my view, that I say today something different from what I said years ago. The fact of the matter is that conditions have changed. My words and deeds are dictated by prevailing conditions. There has been gradual change in my environment and I react to it as a ‘satyagrahi’ ”. This statement of his clearly indicates how experimental and evolving his approach was.

Secondly, it needs also to be remembered that he was not a philosopher and a teacher so much as a leader of a movement. Strategy and tactics were therefore important for him in order to ensure the success in the battles and the war which he was leading. In a somewhat out-spoken statement, he had pointed out that he had been able to bring about some change in the attitude of a few capitalists, “it is true that the amount of commissions which they take as trustees is on a royal scale, but by and by, we shall succeed in getting them also reduced When the control of the Government passes into the hands of the masses, all of them (capitalists) will quickly accept their obligations and will be willing to carry out the duties assigned to them. But if we needlessly startle them today, they will just organise themselves and establish facism in our country”. His statement that “one step is enough for me” is well known. It is necessary therefore to remember that he was not laying down a dogma for all times to come and, in any case, he was not suggesting tactics or a strategy which would be valid in 1982. To assume



that what he was thinking long back would be ipso facto valid in the changed circumstances, and despite our experience of over 30 years since his death, would be quite fallacious.

It is necessary to give this long introduction as one sees a tendency among those who profess to follow Mahatma Gandhi's teachings to hold dogmatically to what the Master said. This is a very human tendency, and one finds it not only among religious priests in regard to what they consider to be holy books, but even among so-called Marxists who are supposed to follow a rational and scientific way of thinking. Needless to say that one should use Gandhiji's writings in their proper historical context.

1) To say that Trusteeship is a matter of an attitude of the mind is in effect to say that there are certain ethical values which have always been, at least formally, endorsed by humanity. Truth, non-exploitation of others, honesty, and helpfulness — even generosity — towards others have been such values. Almost all teachers and religions have supported and advocated them. But this has not prevented practically all human beings from deviating from these values for most of their lives. In practice, it is also found that the path indicated by these values is not a straight-forward one. The alternatives are usually complex, and it is difficult to achieve unanimity about what is more important. Moreover, few human beings, groups or societies have been able to resist the temptation of giving high priority to their own interests even when they felt somewhat apologetic about it. All that the later feeling resulted in was some hypocritical acts to cover up the pursuit of self-interest.

The idea that we in India are now going to be very different from what we have been all these centuries, or from the world around us, is based either on enormous arrogance, or what is more likely, great deal of naivety. At least our



experience since Independence should indicate very clearly that, though many of us, at least among the leading elements continue to swear by Gandhiji's teachings, these have had no practical impact on our political, economic or social behaviour. All that concepts like Trusteeship have so far achieved to provide a psychological instrument for the rich and the powerful — to the extent they needed it — for salving their conscience, and for keeping the exploited and the dispossessed to the extent that they were influenced by such teaching — peaceful and, to the extent possible, contented in spite of the injustice, inequality and degradation to which they continue to be subjected.

It is a travesty of Gandhiji's teachings to think that he would have approved of such hypocrisy on the side and abject surrender on the other. On so many occasions he expressed himself against the nonviolence of the weak, against cowardice masquerading as tolerance. He was also quite outspoken against the exploitation of the weak. It is a pity that many of his followers have even thought that peaceful agitation and satyagraha as well as strikes etc. have little place in democratic India.

I am not quite sure what is exactly meant by Trusteeship being a technical or a Constitutional form. If what is meant is an organisation of production units by agreement or by law in a particular manner, what is important to stress is that it is unlikely either that such forms of organisation will be voluntarily adopted in large organisations where too much is at stake or, even if perchance such forms are adopted, there will not be maximum resistance to their effective operation by those who may lose come power.

It will be noted that even those capitalists who have paid much lip service to the concept of Trusteeship have not adopted it for any of their major business undertakings. They have been content to use this as a charitable approach to



developing a few villages, or for setting up a few small scale industries. The fact that no large or medium private sector business organisation has even seriously attempted to ensure workers participation in management along the lines adopted in Germany (F.R.G.) shows how class conscious and autocratic the Indian capitalist still is, not excluding those who subscribe to the Trusteeship ideas. When it comes to the public sector, the refusal of those in power, whether at the Centre, in the States or in local authorities, politicians or bureaucrats, has been sufficiently illustrated by the lack of any successful workers participation in management in these enterprises. Even the record of labour relations in most of these enterprises does not show anything like a spirit of mutual co-operation and support, leave alone an attempt at a joint endeavour.

What is therefore necessary to note is that the idea that the concept of Trusteeship can be introduced just by a kind of pious resolution whether voluntarily in individual institutions, or by passing a piece of legislation for the whole economy, is a mirage.

That the change will not necessarily come about even after a political revolution is also sufficiently well illustrated by the experience of Communist countries. Even though old types of exploitation and property relations are largely abolished in these countries, new forms of hierarchical organisations result in non-participation in their affairs by large numbers on the one side, and exploitation resulting from this situation on the other. New battles have to be fought to bring about a change in these situations, and waging these battles appears to be as difficult if not more than in capitalist economies.

What needs to be emphasised is that Gandhiji's concept of Trusteeship is an attitude or an approach in the sense that it involves a certain way of ensuring a balanced relationship among different productive elements. It goes beyond a



change in property relations, in that the kind of relationship between those who work, and those who direct the work, continues to pose problems even when private ownership of property is removed. This is seen to be so both in the partial removal of private ownership as in many capitalist countries in respect of publicly owned enterprise, and also in Communist countries where private ownership is practically removed from all over. Trusteeship involves a certain responsive attitudes by different elements in the economic system towards each other. Neither the managers nor the workers should forget the necessity to find ways of carrying out their joint functions properly, and especially not overlook their obligations to the rest of society. At the same time, those who direct the economy as a whole cannot overlook their responsibility to the different enterprises and the different productive elements, so as to ensure a just and balanced relationship. As always, Gandhiji was emphasising a basic moral attitude on the part of all.

It is however quite obvious that there was no question of such a Trusteeship form being a substitute for a fundamental change in the capitalist structure of ownership of the economy. There are enough indications in Gandhiji's writings clearly suggesting that if the owners did not give up their ownership and control voluntarily, the State will have to do it, and this would be justified. Any attempt to propagate the idea of Trusteeship as a method of making Capitalism, with large scale private ownership and control, more palatable is completely against Gandhiji's ideas. The maintenance of large inequalities, whether in income, wealth or owner was also anathema to his whole approach. He was not even taking refuge, as Jawaharlal Nehru did, in permitting large inequalities to continue by stating that there was no point in distributing poverty: what was necessary was to develop the economy, increase distributable



income and thus, and only then, try to remove poverty. Gandhi clearly spoke about the inevitability and urgency of reducing the incomes of the rich and improving the incomes of the poor for the purpose of ushering in a more equal society. Excessive consumption was against his basic approach and he would not have supported, like the post-independence rulers of India have, not always openly, done, the affluent consumption of a few side by side the appalling poverty of the masses.

2) It is true that neither capitalist nor communist economies have been able to avoid crises and difficulties arising out of the unequal distribution of power, and the resulting conflicts, exploitation and alienation. It should however be remembered that what one is looking at in practice are societies in transition. It cannot be said that the countries where the rulers call themselves Communist are necessarily what even they would call Communist societies. Marx had after all spoken of the withering away of the State, the society functioning on the basis of a well-adjusted and balanced relationship among productive groups, with the economy operating on the principle of “from each according to his ability, and to each according to his need”. The Communist rulers claim that they have to organise their societies on principles different from these because of the transitional problems involved, and especially because of the existence of other not too friendly, and sometimes hostile and powerful, countries in the world. While the special pleading in this argument is obvious, there is no doubt that there is some justification for such statements.

One should not therefore compare the capitalist or Communist societies as they are operating today with the ideal society based on Trusteeship. As I suggested above, the concept of Trusteeship involves an attitude which can



prevail in productive organisations only after the exploitative property relations under capitalism are removed.

The idea that the teaching of the concept by itself would promote virtue among the individuals operating in such a society is to take too idealistic and almost a utopian view. What is necessary is to think of a structure of ownership and management on the economic side and a pluralist and decentralised one on the political side, which would make it obligatory on the part of different individuals operating in different capacities to work with a certain approach of responsibility towards other elements in the society. Just as the market in an economy provides a certain discipline, laws and institutional structures also provide another kind of discipline. The power balance among different institutions with mutual checks — would also provide a third dimension. It is the impact of all these, together with the acceptance of certain ideas, which would reduce conflict and the resulting exploitation and alienation.

It is also necessary to be quite clear that the approach has to be an experimental one. The idea that all conflicts will be resolved, all exploitation cease and there would be harmony everywhere because of a particular institutional change is to indulge in utopian dreams. All one should expect is that the acute crisis of today may be reduced in impact; perhaps some of them eliminated, and there would be less exploitation, alienation and misery. But it is not unlikely that some other, at the moment unforeseen, problems may emerge. In Gandhiji's words, one step should be enough for us.

3) The history of capitalist enterprises and the capitalist system all over the world should suggest that mere preaching of new ideas or concepts has hardly brought about any change in the attitudes of those who are in positions of power towards other sections in the community, whether they be workers or



consumers. It is only the organised power of the elements, whether through trade unions or through political parties and groups, that has forced changes in attitudes and provided certain relief. Even in such cases, it is only the force of law which has made a genuine difference. Voluntary action has been confined to a few individual capitalists.

The Indian experience is no different. Every step towards the protection of labour, a fair deal to the consumer, leave alone anything like a responsible attitude in the economy as a whole, has been resisted. Legislation to protect labour has been fought, and even now it is evaded wherever the capitalists can get away with such evasion. In fact, with the enormous power that the capitalists and farmers wield in society, they are able to ensure that even the enforcement of law is weakened if not altogether evaded. The failure to implement land reforms, tenancy legislation or legislation to protect labour employed in small enterprises is a good example. So also the obvious defeat of laws like the IDR Act to ensure development of industry according to a plan the MRTP Act to control monopolistic practices, and tax measures to reduce inequalities. The regularisation of illegally created industrial capacities, making the MRTP Act and the MRTP Commission largely ineffective, and conniving at tax evasion and black money transactions, finally permitting black money to become white, are all prominent examples of the power of capitalists and other richer sections over the machinery of the State. Unless the power of these groups is broken, even the State cannot become a largely neutral instrument which will do justice even hurriedly to different elements in the society. The idea that through an occasional Social Audit, there would be a genuine voluntary surrender of power and authority is too unrealistic in this total context.



4) I am afraid, in my opinion, the whole approach of working out “models” is a waste of effort. Persons of goodwill have attempted to set up such models in many countries and at different points of time. These attempts at creating models of good life have invariably proved both short lived and fruitless. It is not possible to create tiny islands of model human relationships surrounded by a vast sea of injustice, inequality; exploitation and mutual hostility. This is even more so when such models are created on the basis of support, including funds, obtained from those who are participating in the perpetuation of exploitation in the rest of the society. In this situation, those looking after the models cannot but feel obliged to the supporters of the experiment, and will not do anything which will go against their interests. The exception to this may be an odd individual of a gigantic stature. But then such individuals are few, and their interest in such experiments is usually partial and short lived.

We have had attempts of this kind in different parts of our economy and society, and it has soon been found that most of them got frustrated within a short time. Co-operative societies of different types, including co-operative sugar factories, were expected by the pioneers of this movement to create the basis for a different kind of socio-economic organisation, with enthusiastic participation by the concerned people and a genuine effort at a new kind of life. Actual experience suggests that, while some co-operatives – including sugar factories — have provided higher incomes to some among the participants, they have also provided a basis for the cheating and exploitation of many including smaller farmers and factory workers, and provided a base for unscrupulous power conflicts and cheating of the members as well as the public exchequer. Even units set up in activities specially connected with Gandhiji’s name such as khadi production units have in many cases been found to be based on the



exploitation of cheap labour on the one side, and with little economic and social betterment and effective participation for those employed there on the other. State owned enterprises may offer a fair deal to workers including facilities like housing, schools and dispensaries, but hardly any have succeeded in creating an atmosphere of genuine vertical mobility from the lower rungs of workers, or of effective participation by them in the working and management of the enterprise. Similarly, even though the importance of decentralised development effort has been spoken about in the Plan documents for 30 years, all development planning and directions continue to be highly centralised. The role of non-official elements in the planning process, never very marked, has increasingly shrunk in the last decade. The attempts at district planning and the effective use of institutions like Zilla Parishads for this purpose has largely remained in the realms of vague discussion. The history of the Wardha District Plan, attempted to be developed as a model with the best sponsorship that one could think of, provides an adequate indication of how, without an overall change in the institutional structure and atmosphere, models prove to be both short lived and failures.

This experience should convince even the inveterate optimist that the setting up of model Trusteeship units, while it may salve the conscience of those who participate in such activity, will do nothing either to throw light on the prospects of such an approach, or to bring about an early transformation of the present socio-economic structure.

The whole idea of models should therefore be firmly discounted. What is necessary is transformation on a large enough scale and affecting enough aspects of the country's life to bring about a massive change in the atmosphere as a



whole. The analogy of a critical minimum effort in mechanics is very much applicable here. A very small effort cannot give even a very small result.

5) What then can be done? Concrete steps cannot, at this stage, consist of training of organisers or preparation of manuals or codes. These will have to be thought of later. The immediate necessity is the education of the people about the utter futility of continuing to support the present system and about the supreme importance of bringing about fundamental changes. Intensive efforts to expose the inequities, injustices, exploitation and stagnation resulting from the existing system need to be pursued. The importance of not relying on any one authority like the State for taking care of everything, the dangers involved in the concentration of economic and political power in the hands of large capitalists as well as centralised State organs, needs also to be stressed as a part of this educational drive. Another important element of the educational effort will have to be the reiteration of the importance of removing the enormous inequalities in our society; especially persuading the leading elements to accept their appropriate role in society without demanding an unfairly high price for playing it.

Enabling legislation to bring about large scale change on the basis of continuing experimentation and flexibility already exists in the country. In the public sector, many of the enterprises are autonomous in form, though no one in authority, cares to observe the conventions by which they could really operate as such. The dividing line between politics and administration, and between administration and economic management, has got so completely blurred that politics and bureaucracy reign supreme. An already more than necessary centralising Constitutional structure has been made almost unitary in practice, with important decisions highly centralised, even to the extent of everyone being



ready to accept the decisions of one person. If the management of public enterprises with ownership vested in Central, State and local governments, are given genuine autonomy in operation, this would itself provide for an excellent opening of an institutional basis for a new kind of atmosphere.

Regarding the private sector, an alienation of the worker is specially marked in the large enterprises. The exploitation of the consumer is also more possible from these. We have already put on the statute-book the MRTP Act which, if operated honestly, could provide a kind of Social Audit of the monopolistic enterprises whenever it was felt that affected person — whether consumers, suppliers of inputs or smaller competitors — were being adversely affected. The trouble is that neither the Government which swears by the Act, nor private business which usually swears at it, have permitted it to operate as it should. The refusal of the Government to subject its monopoly undertakings to be brought within the purview of the MRTP Act is inadequate commentary on the convictions of the Government or of their care for the consumer, which usually consists of very large section of the public as in the case of important public utilities in the fields of transport; power or communications.

An important instrument envisaged for some time to bring about a gradual change in the ownership and management of large private enterprises was the concept of the Joint Sector. I have dealt with this in greater detail elsewhere. Suffice it to say here that the idea was already inherent in the Industrial Policy Statement of 1956. With the increasing reliance by private enterprises on institutional finance for their growth, and insurance and banking largely in the public sector, there was already an institutional mechanism available for gradually converting large private sector organisations into Joint Sector ones. The conversion of large institutional loans into equity (similar to the very popular use



of convertible debentures for financing industry) would have helped further and speedier transformation of ownership. The financial institutions, if genuinely operated as autonomous bodies, would not have been just the creatures of a single government authority, but would have represented the public interest from different angles. Without any upheaval or sudden break with the past, family management would have gradually given way to professional management, with an increasing change in attitudes from private profit seeking to the pursuit of public interest. The change would have been without a formal act of nationalisation and, most important, would have enabled the good aspects of private management to continue both through continuing individual managers of eminence, and the traditions that they had built up.

But this was not to be. All industrial interests waged continuous propaganda against the whole idea, and finally saw to it that it was not implemented. The Government, more interested in a facade and appearances, and hardly having interest in a steady, long term and positive transformation moved from an extreme of hostility (at least on record) to the large private sector of the other extreme of concessions and softness even to anti-social elements and activities in that sector. The result is that, even where the financial institutions hold large scale equity, the concerns continue to be managed without any special public interest orientation, and no special effort is taken to change attitudes whether in respect of dealing with the workers or treating the consumers fairly.

In fact, this set of proposals was made by the Industrial Licensing Policy Inquiry Committee in 1969 with a view to ensuring that a major change in the situation regarding concentration of economic power in the hands of a few large houses can be brought about without resorting to steps like nationalisation which



may disturb the smooth functioning of a large number of key enterprises. Gandhiji's idea of Trusteeship would have been very much furthered if the Government had understood and honestly attempted to implement this recommendation which, on paper, it had accepted. The existing top managements would have continued, though the composition of the controlling boards would have gradually undergone a change, so that family management would be replaced by professional management, and the concerns would have begun to operate more in public interest and less for family and private interests. The lack of perception on the part of Government leaders and the short-sighted selfishness of the leaders of the private sector, were exposed by the failure to implement this approach. If the private sector continues to be hostile to any genuine change, especially one which will curb the power of a few large groups; and the Government continues to be led by persons who have neither any social or ideological commitments nor any understanding of long term institutional changes, no legislative measures are likely to help; fresh legislation will merely provide a propaganda point for a short time. There are adequate instruments available on the statute book and otherwise if a change in control, ownership and management is to be brought about. What is wanted is not so much fresh legislation as an understanding of what is required and the will to do so.

Where fresh legislation may be wanted is in respect of the participation of employees in the management of undertakings. All attempts at such participation would however be futile until the language understood by the common workers also becomes the language used in managing enterprises. Otherwise the language chasm will continue to divide the management from the workers, not only in the private sector but also in the public sector. The indifference of the minority which continues to rule the country since 1974 to any progress in this



direction is an adequate commentary on the seriousness of their democratic convictions, leave alone any idea of implementing the kind of fundamental change which Gandhiji envisaged. An important reason why workers participation in management, or even their direct control, can have some meaning in a country like Yugoslavia is that all their economic, industrial, technical, administrative and even scientific work is done in each of their regions in the respective regional languages, even though some of the languages do not have more than 20 million people speaking them.

It is possible that a beginning can be made in enterprises where a very large proportion of the employees are skilled or educated. One would have thus expected a far more active attempt in nationalised banks or the Life Insurance Corporation to ensure a collaborative management effort; but this has not happened. This only illustrates the point which I have been emphasising, viz., that it may be difficult to bring about a change in attitudes on either side unless there is a widespread almost revolutionary change in the country as a whole.

This really is where I am not in agreement with the idea that a basic change such as what the Trusteeship approach involves can be brought about through mere casual experiments here and there. What is wanted is a massive change, based on a vast educational and propaganda effort, to be followed by a political shift which would bring to power those who are genuinely committed to such a change. Fundamental transformation in property relations, in the distribution of income and wealth, and in the distribution of political and economic power will have to proceed simultaneously with changes in the forms of organisation in different productive sectors. Any other approach cannot but be considered to be unrealistic (what Marx dubbed as Utopian), even though one need not doubt the bona fides of those who sponsor such experiments.



VIEWS ON TRUSTEESHIP

M.L. DANTWALA

I am glad you have published the Trusteeship Formula. My request to you is not to permit its dilution. Do not be influenced by the “Industrialists” who want to riggle out of it, under one pretext or another.

This does not mean that we need rule out progressive realisation, of Trusteeship through steps like Social Responsibility and ‘social audit’ etc. My only submission is that these concepts should not be mixed up with — or substituted for — Trusteeship. You should remind the ‘Industrialists’ of the passage quoted on the front page of the Souvenir. Anyone who lives in affluence should have no right to come anywhere near the Trusteeship Foundation. I may be wrong, but in your anxiety to draw the support for the Foundation and the Industrialists desire to gain respectability through its association with the T.F., we would be making compromises which are repugnant to the basic concept of Trusteeship.

Pardon my outspokenness, but I wish you well and greatly appreciate your earnestness.



VIEWS ON TRUSTEESHIP

ARVIND A. DESHPANDE

Trusteeship as perceived by Gandhi is all embracing. It is an attitude first, then a technique and finally a constitutional form. It tells us that to the extent that we command scarce resources, we are answerable to others. All human rights convey corresponding duties. Thus the Gandhian concept of trusteeship expresses the inherent responsibility of business enterprise to its workers, shareholders, consumers and the community and the mutual responsibilities of each to the other. This is the price of democracy. Without virtue in the individual and in the organs of society, democracy cannot survive.

At the interactional seminar on Trusteeship which took place in Bangalore from October 26 to 29, 1979, the one conclusion that was arrived at was that business & industry includes such a variety of firms and companies with members ranging from a handful to many thousands and that any one model of responsible enterprise can't serve for all there must be a multiplicity of models and the best will emerge through experience. Hence the importance of making a start.

One way was shown by Ernest Bader of Scott Bader Commonwealth who gave his company freely to his employees but retained a life pension and life chairmanship.

Spedan Lawis gave his much larger company to his employees in return for a payment of 1 million a period of time.

Ernest Abbe gave Zeiss to his employees freely but at the same time made sure that a deed of trust would protect the interest of consumers and community alike. All surplus profits went permanently go to the University and town of Gena in which the Zeiss Foundation was situated. Then take an individual proprietor of



a business who ventures his saving in order to create something new. He is also a social benefactor and one to be respected. Now suppose a generation has passed. The proprietor has no heir and has to settle his business. What can he do? Trusteeship tells him that he may execute a deed of trust in favour of his employees and give his shares free or for a payment to be made to his family over period of time.

What about a medium sized company jointly owned. Here the capital formation is critical. If there is equity capital it should over time, — say 50 years — be repaid. Alternatively, the shares can be put up on the open market and put into trust for the employees or converted into fixed interest preference shares. There is no warrant in the moral law for permanent debts and all debts must in time be cancellable or repayable in any society that pretends to respect freedom. This gives the director a way of creating a trusteeship company via share ownership.

Another way is by a declaration of Corporate purpose that can be overseen by an independent group of social auditors.

Trusteeship become essential rather than desirable when we come to larger companies including nationalised industries and multinational corporations. Here the declaration of Corporate purpose and social audit can serve the purpose. Social responsibility is the beginning of Trusteeship. It can be expressed in many ways including sharing power and profits and management functions. It can be expressed in the existence of social purpose and objectives in companies articles and management's role become that of balancing all claims including those of community and the consumers. If the company has no soul, it had better develop one.



Then there is the experience of several British and Spanish common ownership firms. Common ownership is different from cooperative societies because here capital is sought on a loan basis and there is no equity capital.

An enlightened industrialist can, in the Indian conditions, float a private limited company by contributing the seed capital and the balance will come from a public financial institution like a bank. All the other directors will function as trustees and represent different interests like those of the community and the consumers without having any financial stake. The profits after payment of tax will be distribute as follows:

25% to pay back to the bank; 25% to build reserves for the future; 25% to be distributed equally among the workers and 25% to be given back to the community for rural development and other such causes.

The other alternative is to start a common ownership enterprise under Section 25 of the Indian Companies Act. The company will be registered with limited liability under Saction 25 and as a public company. Such a company may be further registered both under the Public Trust Act as well as under Section 12-A of the Income Tax Act and can seek exemption under Section 10 (23) (C) (IV). It can secure exemption also under Section 80-G for contribution to the seed capital and also under Section 35 CCA if it is established in a rural area.

In the context of our situation, acceptance of social obligations not only means acceptance of normal business obligations but a commitment to national and community goals which include participation in the wider fields of rural development creating entrepreneurship and self-employment.



VIEWS ON TRUSTEESHIP

DR. L.N. GODHBOLE

1. When I was a young boy and was hankering after some toy because some other were having it, my father told me that I should bother more about what I “am” rather than what I “have” In retrospect when I think I cannot deny that it was not a farmer's philosophical statement but it was as a wisdom or argument born out of necessity. Still that sentence is deeply etched on my mind.

‘BEING’ OR ‘HAVING’

2. We talk of Trusteeship, Is it a matter of “being” or “having”? I am afraid, most of our talks are concentrated on “having”. Ownership of resources has obsessed our thinking. We have taught ourselves that there are two classes, namely ‘haves’ and ‘have-nots’. Upto a point they are very realistic distinctions if we view these social realities from the point of ownership or property angle. We cannot deny that reality.

3. Once we start viewing it with the coloured glass or blinker of property, then ownership, method of acquisition, method of its distribution amongst the people, practice of inheritance etc. all become very material questions. Our solutions, both theoretical and practical are obsessed with that blinker or glass of ownership.

OWNERSHIP ASPECT

4. The form of capitalism which Karl Marx saw in Europe and England before 1883 revetted his duction. Private ownership, private property become the root cause of social strife and his suggested solution was therefore public ownership or socialisation. Nationalisation or rather statisation became the logical solution.



The experiments of Nationalisation are tried in Soviet Russia, China, India and almost all other countries in the world. What is the experience? :

5. State capitalism in Soviet Russia and China, Public Sector in Britain, India and many other countries, central planning of economy with or without democracy during the last 70 years has clearly shown that social strife does not end with State Capitalism. Transfer of ownership of factors of production to this aspect of ownership of factors of production does not materially change the things managed. The decision making or the ideas about management of resources continue in the same manner/groove.

6. Let us examine our own experiences. Passenger Transport, Rail Transport, Air Transport, Banking, Insurance, Steel, Coal, Oil, Import Trade are all in public domain. Their management practices and methods, attitude towards consumer, pricing policies are materially different from those obtaining in the so called private sector. The attitude of employees towards their workplace, work or management is not at all showing any difference whatsoever and there is no distinction in respect of strikes, lockouts and go-slows. Public Sector units are having commanding heights in Asset Ownership (Rs. 21,000 Crores) but they have not as yet set any such position in Industrial Relations. Employees do not look at their employers differently at all. The managers in one public sector financial institution entertain another public sector institutions for loan sanction of few crores in the same five star surroundings. This becomes a news. Neither the managers nor the employees seem perceive any need for change in attitude due to basic change in ownership by few to ownership by State. After the last two years episodes in Poland even in the Mecca of Communism the things are no better. Why? It is, therefore, time we reconsidered our basic premise, namely that of Ownership as an exclusive basis of social relations and social attitudes.



MANAGERIAL REVOLUTION IN THE WEST

7. After the Managerial Revolution that has taken place in United States of America and with the growth of multi-nationals, their transnational interests, transnational civil service, and centralisation of economic power, which Galbraith calls the industrial state, we have to understand that decision making has passed on to managers, it is no more in the hands of shareowners.

8. Increasingly the professionalization of the management in Private Sector on the Indian scene is bringing about this Managerial Revolution in India.

It is the management of assets rather than ownership of assets that is important for control over the user of resources. These new managers are not big shareholders, but they are virtually a self-perpetuating oligarchy. Their attitudes towards society, equality, exploitation etc. are going to be a very material determinants in our social behaviour. We have to shift our focus from “ownership” to “management of” resources.

IS TRUSTEESHIP FORM OF ORGANISATION

9. Since our focus in Trusteeship is on “having” or “ownership”, when we are talking of Trusteeship we are still thinking of Trusteeship in terms of form of an organisation. We are lamenting for the absence of Common Ownership Act as in England. If ownership of business or industrial unit is our criterion, then we have sole proprietary firm, Hindu Undivided Family Business (co-parcenary), Partnership, Private Limited Company, Public Limited Company, and Co-operative Society as different forms of business.

10. According to Indian Partnership Act all partners share gains or losses equally regardless of contribution to capital unless otherwise agreed to between the



partners themselves. This is the present position in law. Then how does a trusteeship unit differ if common equal ownership is the aim? In case of a company the ownership is proportional to investment. Let us leave that aside as it does not need our equality criterion. In a co-operative society all are equal by definition regardless of their share ownership. Then why do we need a separate form? Co-operative Society is already there. It becomes a political pit, because power play is the predominant factor or consideration in equality based economic organisation. It does not necessarily have a trusteeship bias. The open discussion and fights about the “on-money” will make it clear that the Sugar Co-operative ‘capitalist’ is every inch a capitalist of the text-book variety.

TRUSTEESHIP AND WORKERS’ PARTICIPATION IN MANAGEMENT

11. Very often a suggestion is made that the workers of a company should be encouraged to buy the shares of their companies so that they will feel more attached to their companies. Is there any law preventing them from buying shares? They do buy shares, at least the educated employees in Urban areas do so. But are their investment criterion different from any other non-employee investor? They are not. They invest only in those shares where they believe they get the highest return. And rightly so. Why should I tie up my investment income and wage income in the same basket? That is precisely why the much tauted employee representation on company boards is not taking off the ground. Employees who do not participate in their Unions are hardly likely to participate in their Managements. They will either be labelled as stooges or apologists. They will have to obey economic logic and that may not be saleable in the short run. Who bothers about long run since all of us are going to be dead then, any way? Unions themselves are increasingly becoming highest bidding contractors for



membership loyalty and wage rise agreements bereft of any ideological base or value system.

LOGICAL DEAD END

12. I believe that this logical dead end is due to our blinker of emphasis on ownership aspect. Upto a point and size ownership does play a crucial role in management decisions. But that is not true of large company or public sector unit. That is where the management ethos becomes crucial. The Techniques of Production which we have brought from abroad have culminated in centralised big corporations. That is inevitable result of energy intensive centralising production techniques. The bigger becomes inevitable.

TECHNOLOGY ISSUE

13. Gandhiji emphasised decentralised village industries in order to keep it a human organisation. A big corporation, State, or any type of organisation by the very size of its mass becomes unwidely, impersonal and almost invariably brutal. Individuals are reduced to cogs. They become token numbers or files. A clerk in Provident Fund Office or LIC does not consider the fate of the recipient individuals. If he met the person as individual, he will sympathise with him and his plight due to delays but will not bother to care for the same person's file pending on his table out of sheer lethargy. The individuals have conscience, the agglomerates have none. Smaller the group, more human it is. More personal it is. That clearly points out to decentralisation and "Small is beautiful", Jesus tried an organisation of thirteen and it proved one, too many. For lesser mortals our organisations will have to be still smaller. This again conflicts with our present techniques of production. Hence I wish to point out that the choice of technology of production is a crucial decision in our tomorrow's economic organisation.



HOW ABOUT TRUSTEESHIP AS “BEING”

14. If we say that such a basic change is not immediately feasible, then let us divert ourselves to other aspect of Trusteeship, namely “being” a trustee. This is a battle which we have to win in the minds of men. Anyone connected with industry, whether as Manager or Menial he is an individual. If we take him as our target for Trusteeship idea then we may get some break-through. After all Trusteeship like Equality is an ethical concept. It is not a natural concept. We have to grow into it. The advice of ISOPANISAD or Gita or Quran or Bible is all our social necessity. They are needed because we want to live in a society. In our social life our natural instincts, desire for power and supremacy, acquisitiveness are required to be tempered. Robinson Crusoe could do without them. We cannot.

REAL BATTLE GROUND

15. Trusteeship as an idea we have to plant in the minds of our managers. If we restrict our vision to India then the 20,000 odd managers and 2 crores odd industrial employees are the top 5% of our 70 crore population. They are the elite in this country. They had education, assurance of job and income and all the advantages of infrastructure built during the last 35 years since independence. They are having grievances of their own. Their grievances are inter se their top ten percent bracket. In relation to remaining 90% they are “Haves” even by presently accepted definition. What is their role in Trusteeship?

16. I cannot talk for 2 crore industrial workers as I have not been one any time. As an Industrial Manager I can definitely say about 20,000 Managers. I do not know personally what hunger is. I had not to remain hungry against my wish so far. So also I cannot talk about a worker, since I have not been one. But I can definitely say what I feel as an Industrial Manager.



WHERE TRUSTEESHIP SHOULD BEGIN

17. I am a lucky person in this country. I had education, food, shelter and have a job. I can work as a Trustee. I have to limit my needs. I cannot expand them. I can do my job as a public servant with a conscience while doing my job. My contribution in decision in recruitment, marketing, production, choice of technology, choice of locations; cost consciousness, is a material fact in economic decision making in this country. If I do my job with Trusteeship ethos which will be radically different from our current management ethos, then I can be votary of Trusteeship idea.

NO ADVANCE TO OTHERS

18. I do not consider Trusteeship as something which my Managing Director, or Director has to do and I have to preach. It must begin with me. If I cannot do than let me not talk about trusteeship and be a hypocrite. If I change I can change my immediate surroundings. Positioned as a Manager I am an important opinion-maker or catalyst. Let us start this Trusteeship revolution with us — Managers. Advising somebody else to give up his ownership is easy but not very honest beginning. Let us start with present managers and management training institutes.

19. We can go on talking about Trusteeship with ownership angle till the cows come home. We will really get some break-through if we begin with managers/ourselves. All our management decisions about purchasing, manufacturing, selling, advertising, profitability, technology, selection, recruitment, placement, wage policies, bonuses, location, collaboration will have to be reviewed in the light of Trusteeship concept. It may not be a total Revolution but it will be some change for the better.



SO CALLED 'PRIVATE' SECTOR

20. In my doctoral work (1979) I have qualified that Private Sector (Sample 51 companies) companies are having really private funds of their directors (including their relatives) to the extent of 3.15% in Equity. My sample covered more than 15% paid-up equity capital of all limited companies in India and they are all MRTTP units having their rank amongst Top 151 as rated by Economic Times. For the remaining public funds there is no public control which is positive or productive. All our present control mechanisms are devised as “breaks” or “stoppers” and largely of “post mortem” variety. Once a wrong resource use management decision is taken it stays there. I have suggested a public trustee director as Joint Managing Director.

21. If we have public good in mind we must have managers stepped in “public conscience”. This is the requirement of Trusteeship. We have to think about Trusteeship exposure and create a new management culture. The culture based on private capitalism or State capitalism is out dated. These deliberations should throw up some concrete ideas in this respect.

SOME NUTS & BOLTS

22. What should be a maximum remuneration of a top manager? What should be his total take from the company in terms of salary and all perquisites counted on actual basis (and not on arbitrary Income Tax Rules)? Should this norm be pre-tax or post tax? Should it be static or in relation to current per capita national income? How often this norm should be reviewed; three years? five years? Should it be variable with profit? Should it be related to lowest paid employee's total take in the same organisation? What should be the ratio? How many layers categories should be there in workers? How many in Staff? How many in Managers? What should be our profit expectations? Percentage of Sales?



Percentage of Capital employed? How do we deal with excesses? If you say that these are mundane nut and bolt questions I cannot disagree with you. They are. But I believe, that is where our thought crystallisation is necessary. The answers are not easy. But unless we have at least some benchmark answers we will not really grapple the problems of Trusteeship in action.

MAHATMA HAUNTS

23. I am raising these questions before you also on the inspiration from the Mahatma. Even during the intense political struggles he used to give concrete answers/advice to small questions of small people. That is our legacy.



VIEWS ON TRUSTEESHIP

ERNEST BADER

On Friday, February 5th, 1982 the life of Earnest Bader, Founder of the Scott Bader Company Limited and subsequently the Scott Bader Commonwealth, passed away peacefully in his sleep at Wollaston Hall, Wollaston aged 91 years, he will be greatly missed by his family and all his friends who knew and loved him.

Dr. Bader's passing away, following the death of JP and Dr. Schumacher, is a terrible blow to the Trusteeship Movement. Our deepest sympathies and heartfelt condolences to all those in his country who looked up to him for leadership and inspiration. We are sure his equally dedicated son, Mr. Godric Bader will carry on the noble experiment launched by him and we shall cherish his fragrant memory and derive strength and inspiration for the Trusteeship Movement.

In a tribute to Ernest Bader, The Times, London said, "Born in Switzerland, he immigrated to England in 1912 and became a naturalized British citizen shortly after the First World War. He never lost his love for Switzerland, which he continued to, visit almost to the end of this long and eventful life.

He will chiefly be remembered for converting the chemical company he and his English wife (nee Scott) had started in 1920 in London, into the Scott Bader Commonwealth by a free gift of all the shares in the company by him and his family to the employees in 1951. Unlike many later attempts to develop common ownership under employees' control, the Scott Bader experiment has been highly successful both commercially and socially, and has often been quoted as an example of what can be achieved in radical restructuring of industry.

Ernest Bader was an ardent pacifist, humanitarian and quaker, and worked with unceasing energy to promote his ideals worldwide to the very end of his life.



He was closely connected with the Vinoba Bhave movement in India and Jayaprakash Narayan and was an ardent supporter of Gandhi's industrial trusteeship principles. His remarkable dynamism attracted many outstanding men and women to him, some of whom such as Bob Edwards, MP, and the late Lady Stocks and Fritz Schumacher actually joined Scott Bader and provided practical guidance and encouragement.

A biography of this extraordinary entrepreneur and idealist by Susanna Hoe was published in 1978 entitled *The Man who Gave His Company Away*. In 1980 he was awarded an honorary doctorate by the University of Birmingham.

In 1915 he married Dora Scott and they were together for 63 years until her death in 1979. His son, Godric Bader, is the present Chairman of Scott Bader Co. Ltd.”

Dr. E.F. Schumacher, writing on Ernest Bader and Scott Bader Common wealth and the concept of Good Works said.

“The second link of my little chain is this company called Scott Bader, a plastics company founded by Ernest Bader, a Swiss Quaker immigrant to England before the First World War. He’s now about eight-five Ernest Bader was penniless when started in England. He said, all my life I will have to work for others. What a dreadful system. Well, it didn’t work out like that. He was an entrepreneur and he had a business and in 1951 he suddenly woke up and said, I am now doing to all these people what I suffered from when it has done to me. I am not going to go out of this life with this feeling. No, I must do something. So he got in touch with various people, including myself, and said, I want to put this on a basis that I as Quaker and a pacifist believe in. I don’t believe in what I am doing. And so we worked very hard and hammered out a constitution for this firm. Ernest Bader said, No, I don’t want to have ownership of this company, and so all the capital,



except 10 percent, was vested in the commonwealth doesn't lie anymore with Ernest Bader, it lies with that commonwealth and everybody who works for a certain length of time becomes a member of the commonwealth. Legally speaking the commonwealth is the owner of the operating company. At first the family retained 10 percent founders share, so arranged that they had a majority, not with the intention of using it but as a last resort. Because it is jolly difficult to build something up but it is very easy to ruin it.

When then tried to learn the business. What does participation mean? Can you run the thing so that you actually give people the "absolute" security that if trade is bad we won't suddenly draw a line and say to you, "Out," in order to protect our livelihood? No, this is a livelihood, this is a community, a solidarity. How can it be done? That is the question. Everybody told us it couldn't be done. What do you do if suddenly trade slumps, and your competitors lay off 50 percent of their work force and you have to carry the whole thing? Well, there's no use reading books about these things: one has to feel them on one's own skin. It leads to quite a different kind of management. The demands on management are greater.

We have to think ten times before we expand at the start, because we know once they are with us we belong together in this sense there are no owners and employees; we are all co-owners and co-employees. It was not until 1963, that is, twelve years later, that we felt it worked. The founder's shares were also put into the general pocket of the commonwealth, so it is the administration of the commonwealth that owns the thing. In fact you might say ownership has been abolished. It has not been transferred to any individuals. Because a member of the commonwealth, when he wants to leave, move to another part of the country, or doesn't like it anymore, does not take with him a slice of Scott Bader. Instead of all rights of ownership and all those different rights simply being with



the owner, we now have to ask, what happens with the money? What happens with the management? In free personal capitalism everything is automatically “mine”, it all rests with me as the owner and this makes a lot of sense if I am working owner. But now we have to think it out and distribute it and we learn a great deal. Participation of course, is a hallowed word and we all approve of it, and say, Well, you know, democratization..... What precisely does it mean? People say, Well, we don’t want a hierarchical structure. Well, can you run the thing without some hierarchy?

These questions have now been practiced in reality in the Scott Bader case for twenty-seven years. And one can only use the famous phrase “I have seen the future and it works,” The company has gone from strength to strength.

We imposed upon ourselves a number of what I call “self-denying ordinances”. One of them is. Being of Quaker origin, we will not knowingly sell any of our products if we have reason to believe it will be used for armaments.

The second one is that a sort of parliament of workers is the sovereign body, not the board of directors. And they can, in fact, choose or dismiss directors, and have to approve the salaries of chairman and directors. In that respect, there’s a high degree of democracy. Also, there are constitutional provisions for real participation in decision making.

Another one is that we have settled the maximum spread between the highest paid and the lowest paid; that is, before tax. It may shock many people that, in spite of a lot of good will from all concerned, that spread is still one to seven. There is no pressure from the community that it should be narrowed, because it is understood that this spread is necessary, of course this includes everybody, the lowest paid juvenile compared with the highest-paid senior employee.



The fourth self-denying ordinance is that we are determined not to grow beyond the size of four hundred. Now, you can ask, Four hundred? Why not three hundred and fifty? Just as in nature a cell doesn't expand and expand, but when there is a requirement of growth it splits and makes a new cell, so we have, under great pressure of growth, split and have put into being three new companies totally independent. That requires a bit of brainwork, to determine where you can separate it off. But the primary concern is to keep the human touch.

The final ordinance is that when there are profits—there have always been profit—some money must be put aside for taxation and reinvestment. A maximum of 40 percent is available for distribution. But for every point that we distribute to ourselves, we get one pound aside for some external noble purpose. So up to 40 percent of the profits can be distributed, half to our members and half for some good purpose outside.

The idea was that with this money we wanted to get involved with the requirements of the neighbourhood. But within fifty miles, we couldn't find anything that needed doing, I mean in this little firm, everything that other regions are crying out for has been looked after. The old people are looked after: they get their regular parcels. The boy's club wanted a baseball diamond: they've got it. The association of the blind wanted help with their Braille: they've got it. The embarrassment now is that we can't find any new purpose in the neighbourhood. This is very important: if the wealth is really utilized in the neighbourhood it comes from, they actually, all problems can be solved. The social problems anyway. So we have to go further afield, but just hand it over to some national charity is witless: we don't want to do that. It's a big job. Scott Bader is more than an experiment, it's a life style.



VIEWS ON TRUSTEESHIP ABROAD

Trusteeship and its variations like common ownership are to-day being put into practice in several countries such as the United Kingdom, U.S.A, Spain, Australia, Yugoslavia and Israel.

Common Ownership, in which an enterprise is collectively owned and controlled by the people working in it, believes in people hiring capital instead of capital hiring people. There are about 300 common ownership enterprises in U.K., added every week. There is democratisation of management in as much as the top executive is elected by the workers. The net profit after deduction of taxes are distributed as follows, namely, $\frac{1}{3}$ rd to build reserve, $\frac{1}{3}$ rd to be shared equally by all those working in the unit, $\frac{1}{3}$ rd to be given back to the community for projects of development and welfare. The trustee-directors of such companies include those who have no financial stake but who would look after the interest of the consumers and community.

This movement was started by Mr. Ernest Bader who converted his Scott Bader Company into a trusteeship unit with the help of the late Dr. E.F. Schumacher and others.

In Spain they have the Mondragon Movement. It was started by a Spanish Priest, Father Ariezmeni. He started a workers' bank to provide finance for trusteeship units.

In the United States they have the Community Land Trust and now a Trusteeship Institute.



THE TRUSTEESHIP CLUB, MADRAS

I. Genesis:

The Trusteeship Club, Madras was registered in April, 1973 under the Societies' Registration Act of 1860 with Dr. B. Natarajan as Chairman and Sri A.N. Rajan as Secretary. Among the members are Prof. Ignatius Absalom (Vice-Chairman) and Sri N. Sivaramakrishnan (Treasurer) and Sri R.K. Baratan, who actively participate in the various activities.

II. Objectives:

The constitution lays down the following objectives:

- (i) Educating public opinion in favour of Trusteeship and the values it upholds, and working for its universal acceptance;
- (ii) Working towards the implementation of the Trusteeship idea in economic enterprises;
- (iii) Creating new models to serve as multipliers for those who would opt to adopt the Trusteeship theory in economic ventures;
- (iv) Striving to persuade existing owners of industries to convert their enterprises as per Trusteeship norms; and
- (v) publishing literature — books, leaflets, periodicals and such other means of communication, to disseminate knowledge on the basic values of Trusteeship and their practical application.

III. Achievements:

In furtherance of these objectives, we launched our major campaign, as a first phase, for educating intense public opinion in favour of the Trusteeship idea, in June, 1973 through a 3-day Seminar at the Gandhi Museum, Madurai. This Seminar was presided over by Dr. B. Natarajan, our Chairman, and was



inaugurated by Sri T.P. Meenakshisundaram, former Vice Chancellor of the Madurai University, and was attended by many distinguished personalities. The Seminar dwelt elaborately on the three major aspects of Trusteeship: viz.,

- (i) The why and how of the egalitarian society, and the place and use of private property in it;
- (ii) The difference between the minimum and the maximum income permissible in society according to trusteeship, the production-norms and priorities, and the necessary vigilance and audit mechanism;
- (iii) The role of legislation and the rules necessary to regulate socio-economic relations in keeping with the Trusteeship ideals.

As a second phase of the campaign and to emphasise the aspect of practical implementation, a Conference was held at Madras in July, 1978. This conference considered the following vital topics in relation to Trusteeship:

- (i) Forms of organisation based on the models and structure provided by Gandhiji, viz., the Khadi institutions;
- (ii) Identification of economic activities and resource-mobilisation modalities to induce voluntary participation;
- (iii) International experiences and accounts of experiments from which one can draw guidance.

One of the findings of the conference, was the acceptance of the follow-up action suggested by Dr. Natarajan that all segments of economic enterprises — the executives, the Union leaders and the workers and owners — should be invited for a free-for-all discussion course on Trusteeship. It was keenly felt at the conference and endorsed by all sections of the participants, that a model project should be set-up to serve as a demonstration unit within the next one year.



IV. The Impact:

The impact of these Seminars resulted in the emergence of a few Trusteeship Cells in Industrial and Educational centres in Nadu like, Madurai, Trichy, Coimbatore and Madras and backward area like Jaura in the dacoit-infested Madhya Pradesh. At the Gandhi Ashram, Jaura, in Madhya Pradesh; engaged in re-claiming and rehabilitating the backward people of that area, and in training youth against the recurrence of the dacoit-menace, the Trusteeship cell has come out with a creative innovation of interest-free term-deposit scheme for mobilising social capital.

The Gandhi Peace Foundation Centre, Agra is organising a milk-project called the Chambal Milk Project, with capital raised on the basis of interest-free deposits. A top police-official and a sitting judge with their enthusiastic associates have offered to participate in promoting this noble revolutionary venture on the basis of a non-violent, non-profit-making structure. At Madurai, an experiment on a modest scale has been launched since December 1978 for manufacturing coconut-shell-powder, as filling material and for processing activated carbon for industrial use.

The Trusteeship Message:

A monthly journal; “Trusteeship Message” was started in April, 1979 to serve as a focal point of all information on Trusteeship and “enthiconomics”, and to motivate the establishment of new Trusteeship enterprises.

Every letter in the word “MESSAGE” has a special significance. It denotes : Motivative Economic Social Sector Auto-Genous Enterprises. Valuable contributions find a place in it and the response is encouraging.



V. Future Plans:

We have not yet created the public opinion needed for the formation of the Social Sector devoted to Trusteeship. While this programme will continue during the coming years, it has been planned to execute the following programmes also:

- (i) To set up at least one Model Demonstration Unit in each of the 5 zones of India;
- (ii) To set up innumerable cells in all parts of the country to create public opinion and to motivate action in this direction;
- (iii) To celebrate the Diamond Jubilee of Gandhiji's Commonwealth Concept and of Trusteeship Management, as propounded and developed in his first experimental unit the Phoenix Settlement — 1904. The celebrations will begin from the 24th of December 1979, the date in 1904 on which Gandhiji started the new experiment. An appeal to this effect has been made to all Gandhian institutions to seize the occasion and promote the cause.

It is hoped that these programmes will receive the co-operation of all concerned.

The Trusteeship Club deems it a dutiful pleasure to co-sponsor the publication of the valuable compilation entitled, "Trusteeship — The Indian Contribution to a New Social Order."

A.N. RAJAN
Secretary

The Trusteeship Club,
42/A-1, Harrington Road, Madras-31.



A TRUSTWORTHY EXPERIMENT

Even at the risk of being dubbed a “Gandhiphile”, which I really am not ashamed of being, I intend to project two concepts — Gandhiji's forecast on the labour situation in India and his suggestions to remedy the growing imbalance — in relation to an unique experiment undertaken by the well-known coach-building firm of Jayanand Khira, at Bhosari, near Pune.

More than 50 years ago, Gandhiji predicted that “a violent and bloody revolution is certainty one day.” He had foreseen the growing disparities between the rich and the poor leading to exploitation and disaffection. He went on to complete his frightening forecast: “unless there is a voluntary abdication of riches and the power that riches give and sharing them for the common good.” Here lies the crunch. Who wants to share his or her good fortune for the common good?

According to the 1981 labour statistics, there were 2,829 factories paralysed by strikes and lock-outs causing 37 million mandays to be lost. This is generally the picture year after year and the loss of mandays fluctuates between 25 million and 50 million, but everyone has become so complacent that this colossal loss of productive energy fails to impress, or even to, depress. It is all a part of the Indian milieu.

R.J. Mehta, the Bombay labour union leader, echoes the sentiments of others of his ilk when he says that Gandhiji's concept of sharing “is just a pipe-dream”. The irony is that everyone, including labour, which stands to benefit the most, is prepared to condemn the Trusteeship concept without a trial. An average of four per cent of the workers, according to a random survey, feel, “Yeh jhanjhat kisko chahiye” (Who wants these headaches).



Indeed, what is the “sharing” that Gandhiji talked about? It is actually the concept originally propounded by the eminent economist, Professor M.R. Dantwala, and subsequently endorsed by Gandhiji. Dantwala says that the original letter which contained the six points of Trusteeship and Gandhiji’s endorsement of them, has since been misplaced by the late Loknayak Jayaprakash Narayan. He also says that any experiment that does not fulfill all the six requirements cannot be termed as Trusteeship.

I believe this is a rather strong line to take. Concepts need to be modified, not only to suit changing circumstances from industry to industry, but also to be in tune with the needs of international trade and commerce, which is a necessity we cannot wish away.

However, the six points of Trusteeship are:

1. Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption.
2. It does not recognise any right of private ownership of property except so far as it may be permitted by society for its own welfare.
3. It does not exclude legislative regulation of the ownership and use of wealth.
4. Thus under State regulated Trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interests of society.
5. Just as it is proposed to fix a decent minimum living wage, even so limit should be fixed for the maximum income that would be allowed to any person in society. The difference between such minimum and maximum incomes



should be reasonable and equitable and variable from time to time, so much so that the tendency would be towards obliteration of the difference.

6. Under the Gandhian economic order, the character of production will be determined by social necessity and not by personal whim or greed.

“We are constantly being astonished these days at the amazing discoveries in the field of violence,” Gandhiji once wrote and he didn’t mean destructive military weapons alone, but also man’s ever growing tendency to cheat and exploit, which is as violent to social mores as is armed warfare. In spite of this pessimism, however, Gandhiji had faith and hope in humanity and was convinced that man would one day make “undreamt of and seemingly impossible discoveries in the field of non-violence”.

It was this conviction that motivated Himatbhai Khira to convert his factory and make everyone a trustee. There are 110 employees involved in the experiment which began on January 1, 1983. To begin with, a small, independent unit with 10 employees and four lathes, which was involved in making scooter spares, and which had earlier been accommodated by the Khiras for want of its being able to buy space elsewhere, decided to set up shop on the Trusteeship basis. Their success was so inspiring that, like the paying guest, who lived to usurp the apartment, this small unit was soon to influence the entire Khira factory.

When the idea was first mooted, all the workers were suspicious and a few even left. They simply could not fathom why an industrialist would want to give up his rights and “share” his possessions with all of them. They believed — and the union leaders confirmed this — that there had to be a catch in it somewhere. However, they could find none and when S. Tandel, the works manager, gave the lead by signing the Trust deed, they all signing the Trust deed, they all followed suit.



“We had to use a lot of tact and persuasion,” says Himatbhai, who was till last year the managing director and now is a Trustee director. “We not only had to prove our sincerity, but also to educate the workers about their new role.”

The process of education still continues. After all, as Tandel puts it. “For generations they have been used to working without responsibility. Like all factory workers they would put in their eight-hour duty and collect their pay packets at the end of the month.”

Now, they have to worry about everything — production, productivity, raw materials, resources, finance and the whole gamut of running a factory. To make this easy, they have a working committee and a general body. Each of the seven departments nominates two representatives on rotation to the working committee, which also includes the management staff. At their weekly meetings, they thrash out all the problems and plan for the week ahead. Once a month the general body meets to review the working of the factory and to decide on major issues.

The Trustees have resolved that at the end of each year the profits will be divided into four equal parts. The first will go towards the repayment of seed capital, the second towards future working funds, the third will be shared equally by all the trustees and, the fourth will be used for community welfare projects.

The success of the Khira experiment is a signal to the government to consider amending the Company Law which appears to have no provisions under which such projects can be registered. The Khira Trusteeship project, therefore still functions under the umbrella of Jayanand Khira & Co. Pvt. Ltd.

Govindrao Deshpande, the man behind the Trusteeship Foundation, is convinced that entrepreneurs are beginning to see the wisdom of this concept.



During a recent conference in Gujarat, he found many industrialists willing to try out the experiment.

Says Deshpande: “I don’t expect whole-hearted support from people right from the start. It is a revolutionary idea and is bound to take some time before the people see the wisdom of it”.

He has another unique proposal on the anvil — forestry through Trusteeship. The Gujarat government has agreed in principle to give a few hundred acres of wasteland for forest development provided the central government clears the project. The idea is to make all the villagers who fall within the purview of this project, members of a registered forestry company whose business will be to rear a forest and exploit its potential in a business-like manner.

Some people are prone to dismiss this idea as unworkable, but offer no cogent arguments to substantiate their belief except the doubtful conviction that the Indian Peasant is too illiterate and ignorant to make such a proposition work.

Govindrao feels there is no justification for such pessimism.

By ARUN GANDHI



TRUSTEESHIP UNIT BY SABINA SANGHVI

In an age which has seen both the capitalist and ideologically oriented economics having failed to provide a fuller life for every-body. Gandhiji's ideas on Trusteeship show an alternative that could lead to an ideal society. It is surprising that involved as he was in the national struggle for freedom. Gandhiji devoted some time to propound ideas for organising the economy of India on the basis of love and co-operation.

The organisation of production and distribution of material goods, profitably and justly and the relationship of the haves and have nots have been perennial problems in all human societies. At the time Gandhiji was formulating his ideas on trusteeship the world had two principal methods of economy; capitalism and communism. In both the alternatives he saw shortcomings that would hamper the ideal of setting up a free and just society and instead of rejecting them outright he sought to incorporate some of the good features of both into his plan of trusteeship. He must have felt that the methods successfully resolved problems of society in India and would perhaps provide models to other countries.

Daridra Narayan

Gandhiji sought to wean away the wealthy from their single-minded pursuit of profits and sought to change the attitude of the communists from their narrow outlook. He addressed his advice to both the capitalist and labour alike and whilst doing so he was sometimes rather sharp. He obviously, never meant to hurt, but to warn that if economic problems were not resolved urgently, India would be in a difficult predicament with the widening gulf between capital and labour. One would have hoped that Gandhiji's words would have been heeded



during his lifetime and even after, by the capitalists as he was their friend although he identified himself as one of the Daridra Narayan.

Gandhiji had also foreseen that the unchecked growth of the power of the state would lead to increasing bureaucratisation of society — people would be reduced to mere units manipulated by politicians and bureaucrats. He always, therefore, wanted the state to act on the wishes of the people and to him they were supreme and the individual most sacred. He firmly believed that initiative must come from an individual or a group of individuals not from the State. He further believed that uncontrolled technology of the state over the people were the principal dangers to human freedom in the modern age. His remedy was voluntary action on the part of the people.

Even 26 years after his death, Gandhiji's ideas are most relevant today in spite of the world having changed so much. Trusteeship and its variations like common ownership are today being put into practice in several countries such as United Kingdom, USA, Spain, Australia, Yugoslavia and Israel.

Common Ownership

Common ownership in which an enterprise is collectively owned and controlled by the people working in it, believes in people hiring capital instead of capital hiring people. There are about 300 common ownership enterprises in U.K., an average of one new one is started every week. There is democratisation of management in as much as the top executive is elected by the workers.

The net profits after deduction of taxes are distributed as follows, namely, $\frac{1}{3}$ rd to build reserve, $\frac{1}{3}$ rd to be shared equally by all those working in the unit, $\frac{1}{3}$ rd to be given back to the community of projects of development and welfare. The trustee directors of such companies include those who have no financial stake but who would look after the interest of the consumers and community.



This movement was started by the late Mr. Ernest Bader who converted his Scott Bader Company into a trusteeship unit with the help of the late Dr. E.F. Schumacher and others.

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Trusteeship Foundation

The Trusteeship Foundation in India was started under the inspiration of the late Mr. Jayaprakash Narayan. The Foundation entering its 9th year of activity, is a charitable trust and enjoys tax exemption under Section 80G of the Income Tax Act. It is also recognised under Section 35 CCA as an approved organisation for rural development.

On October 2, 1983, the First Trusteeship Unit namely Khira Trusteeship Projects Pvt. Ltd., situated in Bhosari, Pune completed its second year of existence and operation. Despite several difficulties faced by the unit, it managed to break even. But this was possible only after putting to a severe test workers determination to overcome all crisis especially of a financial nature within weeks of its starting operations on October 2, 1981 the unit had to face a sudden fall in the orders for supply of ancillaries. While Telco has taken a long time to place firm orders, other companies such as Bajaj Auto Ltd. Bajaj Tempo etc., were affected by strikes and lock-outs.

Honour commitment

Since neither the directors nor the banks could bail out the workers from such crisis, the member-workers decided to manage within the resources available.



They decided to first honour their commitments to the banks and provide for establishment expenses and then use the balance for their own salaries. This inevitably meant cutting down their earnings and for a couple of months, they worked on almost 50% of the salaries they had expected. A few workers who found it difficult to manage with lesser salaries, worked elsewhere for the crisis period and returned to the unit after it started getting orders from companies affected by industrial unrest.

Thus, workers showed that given the responsibility and trust they could combine economic viability with social responsibility. The most encouraging fall out of the crisis and the way it was tackled was the impression and impact made on a large body of workers working for Jayanand Khira and Co. Pvt. Ltd.

Crucial step

This evidence of responsible attitude and behaviour made Mr. Himmatbhai Khira, Managing Director of Jayanand Khira & Co. take the crucial step of taking the workers of his bus body building division into confidence and declare his intention of converting his company into a Trusteeship unit.

For Himmatbhai Khira, this was a dream come true. At the first National Conference on Trusteeship in Bombay addressed by Shree Morarji Desai as Prime Minister of India in May 1977, Mr. Khira had declared his intention to convert his company into a Trusteeship Company and practice its basic tenet of enjoying wealth by renouncing it, but he had deferred the decision because his company faced financial trouble and industrial unrest and he was not prepared to hand over a company which was not economically viable.

Merge Company

After waiting for almost five years and seeing that his company was on the rails again, Mr. Himmatbhai Khira decided to merge his larger company into Khira



Trusteeship unit. There are innumerable examples of smaller companies merging into larger ones, but there is perhaps none where a bigger unit merges into a smaller unit. The Jayanand Khira and Co. is a pioneering bus body building industry having experience of aecades in this field with this change. 71 of the workers of Jayanand Khira & Co. joined the 16 of the smaller unit. The unit will now have a turnover of Rs. 60 lacs and an installed capacity of building 350 vehicles per year. The actual ceremony of workers joining the Trusteeship unit was held on January 3 when the relevant documents were presented to Mr. Morarji Desai. The function was attended by distinguished guests from Pune.

For the Trusteeship Foundation this was a moment of pride and gratification because it met the demands from several of its members and sympathisers of showing results on the ground. This would hopefully inspire people in Gujarat and other states to establish many trusteeship units and also demand suitable legislation to hasten progress.

Difficulties faced

Although the Foundation has received encouraging assistance to its projects like the Trusteeship Unit in Pune, rural development projects in Watkhed and Bhor, it has always faced difficulties in getting funds for propagation work and for meeting basic establishment costs. This situation has slightly improved though because of the revenue earned through advertisements in the souvenir brought out at the time of the National Conference in September in Baroda and Ahmedabad. But what is remarkable is that the concept of Trusteeship has made its bearings felt in India and it won't be long before many companies follow the example of the benevolent Khira family !



“My theory of trusteeship is no make shift: certainly not camouflage. I am confident that it will survive all other theories. It has sanction of philosophy and religion behind it.”

- Mahatma Gandhi.

“Trusteeship is basically an outlook on life and human relationships generally. It is a way of living commensurate with the natural and inevitable progress towards and transformation of the present conflict-ridden ethos towards an increasingly harmonious, sharing social order.”

—Acharya Dada Dharmadhikari

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