

PLURALISM & MIXED ECONOMY
—A BASIS FOR CENTRE-STATE
RELATIONS

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I am deeply grateful to the Forum of Free Enterprise, with which I have been connected for many years, for inviting me to deliver this year's A. D. Shroff Memorial Lecture at Bangalore. Mr. Shroff is one of those rare persons who stand up for their convictions even against the prevailing trends in public opinion. When Mr. Shroff decided to launch the Forum of Free Enterprise in 1956 he was swimming against a strong socialist current which was both fashionable as an ideology and well entrenched in public policy as the committed policy of the then Government.

It required considerable heroism and strength of conviction to plead for free enterprise as a fundamental attribute of a democratic system against the prevailing opinion that the only means by which the State could remedy the evils of an unequal society was for it to take over the means of production to the widest extent possible. The socialist credo was so readily accepted as the answer to the problem of economic inequality and social injustices that its implications for the preservation of individual freedom and basic human rights were not considered as equally important. Those who had imbibed the liberal tradition were no doubt concerned about the problem of reconciling the measures

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"Free Enterprise was born with man and shall survive as long as man survives."

—A. D. Shroff

1899-1965

Founder-President
Forum of Free Enterprise

needed to remedy economic inequalities with the question of preserving democratic freedoms. It was in this context that the believers in socialism promoted the concept of Democratic Socialism as the alternative to the Communist doctrine, which was based upon irreconcilable class conflict as an inescapable feature of the democratic capitalist system and which regarded proletarian dictatorship as the necessary prelude to a Communist society.

It has to be admitted that there is a conflict between the basic egalitarian urges of the democratic system and the tendency towards inequality in an unregulated capitalist system. But this conflict is nothing peculiar to India. In various degrees of acuteness the conflict has appeared in other democratic countries and answers have been found to the conflict within the framework of the democratic system. Britain's Welfare State is one such answer. President Roosevelt's New Deal was another answer within the framework of the American Federal democratic system. Today, in the West European democracies the conflict between democracy and communism is being resolved in terms of an adaptation of the ideology of the European communist parties to the basic requirements of a democratic system. The conflict between Eurocommunism and Communism as it has developed in the Soviet Bloc countries is in essence a reflection of the struggle for the preservation of democratic liberties by avowedly socialist parties which desire to promote a socialist economic system, which enhances the power of the State over the individual, without abridging various fundamental human rights.

In the Indian context, it should be realised that with a population predominantly illiterate and poor, it is not going to be an easy task to preserve the democratic system while pursuing the relentless war against poverty, inequality and illiteracy.

In my view, it is unmarxian to subordinate the ideal of freedom to the goals of social equality or social justice. Marx himself, in the Communist Manifesto, was as much

concerned about individual freedom as about the promotion of socialism. In one of the pregnant passages in the Communist Manifesto, Marx and Engels declared: "In place of the bourgeois society, with its classes and class antagonisms, we shall have an association in which the free development of each is the condition for the free development of all." All genuine democrats would agree with such an ideal, although they might disagree about the methods for achieving it. Those who believe in the democratic system must understand and appreciate the situation created by an increasingly technological society, which results in the concentration of power in fewer and fewer hands and gives rise to a variety of social and environmental problems.

The problem of individual freedom in the last quarter of the 20th Century is much more complex than what the French Revolutionaries imagined when they took up arms against feudalism under the banner of "Liberty, Equality and Fraternity." The rapid advance of Science and technology since 1789 — and particularly during the last 30 years — has created an entirely new situation in which we have to do a great deal of fresh and revolutionary thinking to discover solutions for the problems of a highly complex technological society within the framework of a democratic political system.

The forces ranged against democracy are many and insidiously powerful. Not all of them derive their inspiration from totalitarian doctrines. Some of them may genuinely feel that the slow processes of democracy and the corruption and inefficiency that seem to be the inevitable companions of infant democracies will themselves compel the people to seek other political alternatives. That in their actual working these alternatives may prove infinitely worse than democracy, with its faults, may be discovered after the mischief has been done. This is clearly one of the lessons of the Emergency of 1975-77.

As Prof. Harold Laski pointed out, it is historically true that the masses have been willing to sacrifice liberty for security. Equally, history testifies to the rule of the many by

the few over many epochs. In the long history of political institutions, the story of successful democracies is a brief spell in a long unbroken record of despotism or oligarchy of one kind or other.

The future of democracy in India is of supreme significance to the world today because if the experiment fails here—where the conditions for its success have been more propitious than in any of the newly freed countries after World War II—the democratic ideal may suffer a setback all over Asia and Africa.

It is in this context that I would suggest that all leaders in India should explore solutions for the country's myriad problems, not in terms of one or other monolithic "isms," but in terms of a pluralist approach. The acceptance of the pluralist approach, in my view, is not only implicit in the principles on which the Indian Constitution is based, but is the basic condition for preserving the institutions of democracy in India.

There are many Articles in the Indian Constitution which are relevant and meaningful only in terms of the pluralist approach. There is, of course, the basic structure of the Constitution, which envisages a fairly well-defined division of powers between the Union and the States, though the residuary powers vest in the Union and the Centre has the power, in the event of a breakdown of the constitutional machinery in a State, to impose President's rule over it. There is much in the distribution of powers between the Centre and the States in our Constitution which suggests that it is only quasi-federal and that there are strong elements contributing to a unitary State.

The fact that in the first sixteen years, the Governments of the Centre and in the States were composed of members of the same party also helped to sustain the impression of a unitary State. The overwhelming effect of the 1967 general election was to emphasize the federal features of the Constitution and bring into a new focus the problem of relations between the Centre and the States.

The inherent diversity of the country and the inescapable logic of diversified development in a country of different languages and regions with cultural, economic and other differences is already proved by events.

Whatever the future of the party system in India, it is clear that as long as the democratic system operates freely, we shall have in the country a pattern of Governments in the States which reflects the diversity of regional differences and development. The problem of co-ordinating the relations among the States inter se and integrating the relations between the Centre and the States will have to be solved in a context very different from that before 1967.

Nor is this a calamity or an undesirable development. Where previously these problems were solved within the councils of a single dominant party, in terms of its party interests or through temporary compromises, they will have to be solved in future on the basis of well-defined principles or mutually acceptable compromises evolved by open discussion.

Such a situation need not necessarily result in increased tension and conflict between the Centre and the States. In my view, the matters on which the Centre and the States in India have to work together are so many and so compelling that only a perverse desire to use the big stick on the part of the Central Government or a totally irresponsible move to force a showdown with the Centre for political reasons would bring about an irreconcilable conflict between the Centre and a State. It is not that the Centre and the States can always have identical views on common problems. Differences in approach and in views are bound to exist. But given accommodating and responsible attitudes on both sides, these differences can be ironed out.

There is a view that during the past thirty years too much power has been concentrated in the Centre, especially with regard to economic policy relating to planning and development, and that it is necessary to divest the Centre of

some of its power and give more powers to the States. From the pluralist standpoint, which essentially demands a rich diversification of the Centres of power and decision according to the diversity of the interests concerned, it would seem that a greater decentralisation of authority is desirable. But it is one thing to ask for more powers for the States in the areas in which they are legitimately entitled to operate and quite another thing to aim at a weak Centre, clothed with the minimum of powers.

Basically the distribution of powers and responsibilities made in the Constitution is sound and any attempt to reduce the power of the Centre will mean weakening the one authority through which national unity and integration can be achieved. At least till our political system has stabilised itself and the grave external threats have been eliminated, we cannot afford to weaken the Centre.

But without weakening the Centre by clipping its powers, much can be done to give the States greater power and responsibility for carrying out the duties assigned to them by the Constitution. How far the sense of responsibility of the States for fulfilling their developmental tasks has been whittled down by their dependence on the Centre for grants and loans is a matter for debate. But if new financial arrangements can be evolved by which the States are assured of specific items of revenue, adequate for their needs, and they are made to depend on their own devices for financing their programmes within the resources allotted to them, they are bound to develop a greater sense of financial responsibility and discipline than they have shown hitherto. If the States take their stand on more autonomy and less interference by the Centre, they must logically accept the position that they cannot indulge in financial improvidence and expect the Centre to underwrite their deficits without limit.

There is, moreover, a strong case for permitting the States greater freedom in the working out of educational, agricultural, health, transport and other programmes, which are constitutionally in their sphere, with the Centre carrying



out mainly co-ordinating and advisory functions. The phenomenal expansion since 1950 of the Central Ministries of Agriculture, Health, Education etc., would have been totally unnecessary if the Centre had recognised the primary responsibility of the States in these fields and seen to it that they fulfilled it, with such marginal help as the Centre could give.

Instead of this, what has happened is the almost complete erosion of the States' initiative and responsibility in these spheres and their dependence, both for inspiration and finance, on the Centre. No wonder that very often the States' performance is very much less than what should be expected from the outlay. The States seem more interested in getting money and spending it than in achieving the results expected. If, on the contrary, the responsibility for allocation of funds had been placed squarely on them, they would have taken greater interest in how the money was spent and the results to be achieved.

We may expect that the State Governments, while claiming greater autonomy, will necessarily have to assume more direct responsibility for progress in the fields in which they have a special interest. This is eminently desirable from every point of view. Hitherto the tendency of New Delhi, and even in the Planning Commission, has been to regard every problem from an all-India point of view and to recommend, if not impose, a uniform solution on all the States. While in a country of India's size there is need for co-ordination of the States' activities in different spheres, especially in such fields as power, irrigation, road transport, and even education, it is equally necessary to recognise that neither the pattern nor the pace of the development need be the same in all the States. To let the States develop their programmes according to their needs and resources and the order of priorities called for by their different backgrounds and requirements would be the best way to achieve optimum results.

Greater freedom and responsibility for the States to order their economic and other affairs is not the only implication of the pluralist approach. In a fundamental sense, it has far wider and deeper implications, extending ultimately to the fundamental right of each citizen to minimum encroachment by the State on his freedom. In the current preoccupation with the formidable problem of massive poverty, which undoubtedly calls for a great deal of State-directed economic planning for development, the problem of relating these measures of the State to the maintenance of individual freedom has been either ignored or kept in the background. An occasional pronouncement by the Supreme Court, holding some law or rule as violative of the Fundamental Rights enshrined in Chapter III of the Constitution, arouses a temporary interest in the issue of the citizen's freedom, but this is soon smothered by the concern over development and the fresh spate of economic legislation and new controls over the economy.

It must be recognised that respect for the citizen's freedom and autonomy is not merely a question of ensuring observance of the State's limitations under Chapter III. There are a myriad ways in which one or the other organ of the State can nullify in actual practice any of the freedoms guaranteed under Chapter III without the affected citizen being able to get redress by recourse to judicial remedies or other processes. In fact, in nine cases out of ten, the ventilation of a grievance against a public authority through the press or platform is more likely to bring about quick relief than the prospect of taking the matter to the Courts. In the last analysis, the basic safeguard against abuse of power by the State in a democratic set-up is a strong and lively public opinion and the restraint imposed by the fear of exposure.

What the pluralist approach demands is not merely a recognition of the negative limits on the authority of the State, but a positive attitude of encouraging the maximum of free, voluntary activity by citizens, individually or collectively, to achieve the diverse purposes in which they may be interested. The enormous proliferation of State

activity in various fields which has occurred in recent years is to be deplored, if not dreaded, primarily for the reason that it has steadily narrowed the area of voluntary activity and is threatening to reduce every citizen to a cog in a vast State machine, objectly dependent on a higher authority for every one of his actions.

To the extent that a collectivist philosophy of one type or other dominates the political thinking of those in power — and of those opposed to them — there is the danger that this evil of continuous erosion of the ambit of the citizen's freedom and initiative will persist. It is precisely because socialism of one brand or other has become a fashionable creed, with a certain degree of mass appeal, that those who are concerned about the basic individual freedoms and democratic values should examine the dangers implicit in the continuous enlargement of the State's functions.

We cannot hope to safeguard these individual freedoms by pitting the individual citizens against the omnivorous State. The liberal philosophy which posed the problem of freedom in terms of the citizen against the State is not entirely valid in the complex, technological society in which almost every activity has to be a social operation involving co-operative action by a number of citizens.

The problem of freedom in such a context has to be viewed in terms of different types of groups the members of which are associated for realising certain common objects. It does not matter what these objects are. They may be political, economic, social, cultural, religious, humanitarian or anything else. What is required is the maintenance of a climate in which such group activity, so long as it is not anti-social, is not only permitted, but encouraged as an essential attribute of personal liberty.

Much that has been happening in India in recent years seems to be directly antagonistic to the preservation of such a climate. In the economic sphere, the threat is all too obvious. The continuous expansion of the State-owned or State-controlled sector of the economy has meant a progressive narrowing of the fields open to private citizens, individually or acting in concert. What is worse, the creation of State monopolies in several sectors of economic activity such as insurance, electric power, road transport, banking and trade and the constant threat of further nationalisation and setting up of State monopolies, are hardly conducive to the preservation of a climate in which private individual or group enterprise in the economic sphere can develop freely. It is true that occasionally there is a grudging admission of the place of the private sector in the economy. But this is hedged in by so many qualifications and accompanied by so many menacing threats that the admission is hardly an assurance. What is called for is a clear and unambiguous recognition that within the framework of democracy there is no place for a completely or even predominantly socialised economy and that there is an obligation on the part of the State not only to preserve a mixed economy but also to justify every change in the composition of the mixture which enlarges the State controlled sector.

The content of freedom, in its economic aspect, will have little significance unless there is room for the creative activity of the citizens to express itself in as wide a variety of institutional forms as they may legitimately engage themselves in. No sphere of industry, business or trade should be denied to them unless there is demonstrable evidence that the State can serve the public interest better by such exclusion. The onus of proving that it is a better agency for promoting the public interest in any sphere of economic activity should be on those who seek to invest the State with such a monopoly.

What applies to the economic sphere applies with greater force to other spheres in which the case for voluntary co-operative activity is even more compelling. Here the problem may be considered from two different angles. From the point of view of the State — which means every authority from Parliament to the panchayat — the advantage in permitting the maximum of voluntary activity is that it *protanto* reduces the direct responsibility of the State and the burdens and restraints that attach to such responsibility. From the point of view of the citizens, the gains from voluntary action are obvious. Apart from the freedom from coercive and bureaucratic regulation that is implicit in any form of State-controlled activity, the enlargement of the sphere of voluntary activity will lead to that diversity which is associated with the multiplicity of group interests and the different ways in which they might seek to serve them.

Anyone who has watched the working of a venture like the Voluntary Health Service or the Public Health Centre in Madras — both of which represent highly successful and remarkable examples of what creative public spirit can do to meet the specific needs of local communities — or the many charitable institutions set up by Parsees and other communities will realise what immense scope there is in a country of India's size and diversity for an enormous proliferation of voluntary associations to meet the health, educational and social needs of the population. It will not be denied that in most of these fields the major effort may have to be made by public authorities at various levels. But there is no need to make them the sole and exclusive providers of such services. It is in the interests of the State as well as of the public to allow full scope for voluntary effort wherever it is forthcoming.

This implies that the widely prevalent doctrine that the State should function as the sole and universal provider of everything should be given up. It is a doctrine that must necessarily lead to the destruction of democratic freedoms and the creation of a totalitarian State. While it may be difficult in practice to adopt the Gandhian attitude to the

State which was derived from philosophic anarchism and an abhorrence of the collective violence embodied in the State, the Gandhian emphasis on free, voluntary, co-operative activity on the widest possible scale and in every sphere of community life is of infinite value. In a sense, Gandhiji's ideal India, composed of self-sufficient village communities with maximum of self-government, would be the pluralists' paradise. But it is clearly an utopian ideal in a society in which rural isolation is being fast broken down by modern technology, and increasing industrialisation and urbanisation are inevitable. In such a context, the best that those who cherish the values of a free society can hope for is the deliberate diffusion of power among as wide a number of groups as possible and a conscious effort at encouraging voluntary co-operative action by the people in as many spheres of activity as possible.

It seems to me that this aspect of Gandhiji's philosophy has not received the attention it deserves. If it does, we may see a reversal of many trends in the political concentration of power in fewer and fewer hands. We shall then witness a true flowering of the Indian genius in its myriad diversity. The fulfilment of Indian democracy will be found in a free pluralist society reflecting the many interests and aspirations of a vast multi-lingual, multi-religious nation.

*The views expressed in this booklet are not necessarily
the views of the Forum of Free Enterprise*

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

—Eugene Black

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The Forum of Free Enterprise is a **non-political and non-partisan** organisation, started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of Life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, **essay** competitions, and other means as befit a democratic society.

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