

# ECONOMICS OF FREEDOM

*by*

**M. R. MASANI**



**FORUM OF FREE ENTERPRISE**

236, DR. DADABHAI NAOROJI ROAD, BOMBAY-1

# ECONOMICS OF FREEDOM

by

M. R. MASANI

*Text of a talk delivered at the  
Rotary Club, Bombay.*

"We are neither omniscient nor infallible, nor are we so rigidly wedded to any course of action as not to alter it if it becomes apparent to us that we are mistaken.

"It is for this reason that we continuously welcome the people of India and our friends abroad telling us when and where they think we are going wrong."

*F. T. Krishnamachari*

**T**HE other day I was talking to an esteemed old friend who holds high office and has a great deal of influence in the ruling party. Talking of the pattern of economic development in this country, he told me that, while he shared my dislike of the system of State Capitalism and State Landlordism as developed in Russia and China and was opposed to its establishment in India, he wanted the country to press forward towards the socialisation of all large-scale industrial enterprises and the establishment of co-operative farming. I was unable to convince my friend that the destruction of free enterprise and of peasant proprietorship must lead in India as in Russia to the same kind of monolithic totalitarian dictatorship as had developed under Stalin. "We shall not allow it to happen," he kept repeating with great sincerity but with what appeared to me to be a singular lack of realism about the fact that human nature is everywhere the same and that Lord Acton's dictum that absolute power corrupts absolutely applies to Indians as well as to other species of the human race.

Now, you must all have had experiences similar to mine with friends among socialists, trade unionists and college professors. I suggest it might therefore be worth our while spending the next few minutes in an effort to ascertain the validity of the assumption that a completely nationalised or socialised economy can co-exist with the kind of political liberty that is guaranteed by our Constitution and that we enjoy in practice today. I would like to discuss this with you, not for the purpose of enlightening you—since you need no such light—but rather to urge and encourage you to join in the enlightenment of the many in our country who are in need of it.

It may be felt by some that this is a somewhat academic exercise since nobody in India has yet suggested the complete socialisation of industry, trade and agriculture. While that is undoubtedly true, I venture to suggest that recent developments and trends do not justify too great a measure of complacency. The encroachments in recent weeks and months on services such as life insurance and trades such as the export of iron and manganese ore on the one hand and the distribution of cement on the other show how constant incursions are being made by the State in unexpected spheres. What is disturbing about these developments is not so much the entry of the State in these spheres, but the fact that in each case a monopoly is sought to be established. Where will this process stop? From the export of ores to the export of jute and from the distribution of cement to the distribution of cloth are not steps as distant as may be imagined. Even today, we have reached a state of affairs where a manufacturer cannot go in for the production of a new article without the permission of Government under the Industries (Development and Regulation) Act.

Alongside of all this, the Government of India has just sent to Communist China a delegation to study the methods of so-called agricultural "co-

operatives" which are known to students of those developments to be nothing but the collectivisation of the land in accordance with the Stalinist pattern, which led in Russia to the liquidation of millions of peasants and is doing so at present in China.

In the light of these developments, I for one would hesitate to disagree with the "Times of India" for writing editorially as it did a few months ago: "The point is whether, under the cloak of an avowedly socialistic pattern of society, the country is not being driven along totalitarian paths to totalitarian targets. . . . Few of us would like to see India converted either into a Communist or a fascist State, but the paths we are treading today seem to lead inevitably to that goal."

Having said this, let me make it clear that to my mind there are hardly any persons in office today or in control of the Congress Party who have any intention of treading the Soviet path. I am not questioning for a moment the democratic 'bona fides' of our planners. I am aware that all they seek to establish is a society fit for prophets to live in but with a marked aversion for profits. What is open to question is whether, by their support to certain policies actuated no doubt by the urge to social justice, they are not creating conditions whereby the liberties guaranteed by the Constitution may be imperilled. Yearning to do good, they believe they can preserve political freedom while hacking away merrily at its economic foundations. They may well be reminded of the observation of Lenin, who was an expert in the manipulation of power: "He who says A, says B".

Some of you may perhaps recall in this context the story of the Administrator of Price Controls in the USA during the last war. Someone once approached him with the proposition that the wage-price line need not be held quite so firmly and that just a little inflation would not do any harm. To this,

the harassed official replied: "Well, Joe, you may be right. A little inflation may not do any harm. But the trouble is that having just a little inflation is like having just a little pregnancy—it keeps growing."

## II

Let us now examine the widespread assumption that we in this country can sustain democratic government alongside of a State monopoly of economic ownership of industry, trade and agriculture.

First let us consider the effects of such a situation on the lives of the worker, the peasant, the investor and the consumer and the man in charge of industrial production. Today, the worker has a right to choose and change his job within the limits of his training and capacity. He can withhold or deny his labour, participate in collective bargaining and, if need be, strike work together with his comrades. If he should lose his job or the strike should fail, he finds other enterprises ready to employ him. In a society where the State is the only employer and every citizen willynilly a State employee, to what extent will these precious rights be preserved? Is there any reason to believe that, when there is only one employing authority in the country, it will permit an employee to throw up his job in an economic activity where he is performing a necessary function and allow him to shift at will to some other occupation? Is it likely that a State, exercising a monopoly of production and distribution, will permit its employees to go on strike and thus upset the National Plan?

Or let us take the peasant. Once he is a member of a collective farm or, for the matter of that, of a co-operative farm—the terminology will not make very much difference—is it to be expected that, when he finds the co-operative farm does not suit him and he wishes to withdraw from it, the original plot of

land which he was persuaded to surrender will be restored to him and he will be allowed to go his own way?

As for the small investor who survives, his freedom of choice will be restricted to one of two or more issues of a so-called "voluntary" State Bond to which he will be forced to subscribe. His plight may best be imagined from the report that has just come out from Czechoslovakia, about the finding of an unidentified corpse. The police report said: "Aside from two Government Bonds, no other signs of violence were discovered on the body."

In a free economy, it has rightly been said, the consumer is king. The consumer who today is, within the limits of his income, able to exercise a wide freedom of choice about how much he shall spend, on what he shall spend, and how much he shall save will then be faced with one universal seller from whom he must obtain all his wants. The range of goods offered to him will be decided and the price fixed by the State trading monopoly. If the quality or the price do not appeal to him, there will be no other brand of goods to turn to. To meet his basic needs, he must purchase or perish.

Today, thanks to the law of the market—the law of supply and demand—and the discipline of the balance-sheet, it is the consumer who decides for the entrepreneur 'whether' to produce and 'what' to produce. When a man buys something on the free market, he is casting his vote as a citizen of the national economy. He exercises a free choice which, by affecting the price, influences a decision as to how the economy shall be directed.

## III

The exponent of the socialist pattern of society may concede all this but urge that from then on it

is the people collectively who will decide through parliamentary elections what kind of planned economy they want. Let us examine this claim. Once the yardstick of profit ceases to operate, the question arises as to how those at the helm of the omnipotent State are to determine what goods to produce and what priorities to establish. In the absence of an impersonal economic law such as that of supply and demand, some other yardstick has to be found. What principles will help in the exercise of these wide and arbitrary powers?

In order to direct all our national activities according to a single plan, it will become necessary that every one of our needs is given its rank in an order of values complete enough to enable the planner to decide how many cattle are to be reared, what crops must be sown, how many buses and trucks are to run, which coal mines are to operate, and at what prices soap and toilet preparations are to be sold. When a choice has to be made between more milk for children and higher prices for the farmer, or between employment for the unemployed and better wages for those already employed, nothing short of a complete system of values will suffice. Can this be evolved democratically?

To say that the people will agree by a majority through parliamentary elections that there must be central planning is not enough. An agreement on central planning without an agreement as to social values and ends is rather like a group of people agreeing to take a journey without agreeing on where they want to go. In the result, they may all have to make a particular journey which most of them do not desire. A parliamentary majority may vote clause by clause on a Bill, but would not a parliament voting and amending a comprehensive plan clause by clause make nonsense of the plan? It may be as impracticable to draw up an economic plan in this manner

as it might be to plan a military campaign by parliamentary procedure.

That is why, when those who believe in total planning are honest, they concede that parliamentary democracy will have to be suspended for the duration of the plan. Lenin coined the slogan of "the dictatorship of the proletariat." Professor Harold Laski, more gentle, asked the question "whether in a period of transition to socialism, a Labour Government can risk the overthrow of its measures as a result of the next general election." Significantly, he left it unanswered.

Those of us who are in business and administration know that we cannot pull the manager out of his chair every little while, jettison his plans and put someone else in his place with different ideas as to what should be done. The very concept of planning, even in a single business, implies continuity of control. When the management extends over the whole field of the country's economic life, it must become an authoritarian apparatus. The persons who make it up may not want to be dictators, but the economy will go haywire if they do not accept that role.

It is obvious that in such a situation those who may claim to know all the facts, namely, the ministers and even more the experts, would alone be in a position to decide which of the different ends of planning are to be given priority. It is inevitable that in the end they would impose their personal or group preferences on the community as a whole.

In such a context, parliamentary elections become a mere form. When everyone is dependent on the government for his livelihood and the State can starve you to death, nobody dares to criticise. When insurance agents, cement distributors and ore merchants all become dependent on Government for their livelihood and canvass for the ruling party during the elections how may the Opposition be expected to fare?

Patriotism too will be mobilised on the side of the authorities. "Don't rock the boat". "Don't change horses in midstream". These will be the slogans with which the electorate will be intimidated. Only a few weeks ago, the Central Committee of the Communist Party of the Soviet Union answered criticism that had been advanced by foreign Communist leaders against those who had stood by and allowed Stalin to pursue his path of brutal terror and despotism. It explained that "the success of socialist construction and consolidation of the USSR were attributed to Stalin.....Anyone who had acted in that situation against Stalin would not have received support from the people....Such a stand would have been regarded as a blow against the unity of the party and the whole State."

#### IV

Throughout human history, it has been established that only power restrains power. That restraint is expressed through the existence of an Opposition. The existence of a freely functioning Opposition is the acid test of a democracy for, when Opposition is destroyed, there is no longer any limit to the exercise of power by those in whose hands it rests. The right of public Opposition to the rulers of the day cannot, however, be kept alive merely by wishing for it or even by giving it constitutional guarantees. The existence of countervailing power can only be assured when there exist in society a number of what may be described as relatively autonomous "social forces." Such autonomous social forces are industrial management, trade, organised labour, the professions, the peasant proprietors and religion. It is only when these forces are not wholly subordinated to any one social force or to the State that there can be an assurance of liberty. For, only then will there be the mutual checks and balances

that are able to curb power. This conclusion of the political scientists has been proved in practice by the history of the Soviet Union, and there is no example yet known in human history to the contrary. Recently, commenting on the indictment of Stalin, Aneurin Bevan, the British leftwing socialist, took exception to the thesis of the "cult of personality" advanced by Khrushchev. "Stalin", he wrote, "became a tyrant because he was all powerful and not all powerful because he was by nature a tyrant. He grew into tyranny precisely because the character of the Soviet Constitution enabled him to do so." I would add just two words which Bevan's adherence to socialism did not permit him and would say: "Because the character of the Soviet Constitution 'and economy' enabled him to do so."

For, when we go to the root of the matter, is it not the concentration of economic and political power in the hands of those who rule the State that created the conditions for a Stalin, and would do so again? Strangely enough, there is confirmation of this point from none other than Khrushchev. In his speech to the Congress of the Communist Party of the Soviet Union, Khrushchev pointed out how Lenia and even Stalin, right through the twenties, refrained from total terror during the process of eliminating the privileged classes and establishing Communism. He then went on to say: "When socialism in our country was fundamentally constructed, when the exploiting classes were generally liquidated, when the social basis for political movements and groups hostile to the party had violently contracted....'then' the repression directed against them began. It was 'precisely' during this period (1935-1938) that the practice of mass repression through the Government apparatus was born, first against the enemies of Leninism... and subsequently also against many honest Communists."

Precisely. The need for terror, according to

Khrushchev, had passed but so, alas, had also evaporated those autonomous social forces through which alone absolute power could have been restrained.

In case some of you should like to think of India as a kind of second Britain rather than Russia, I invite your attention to some significant admissions recently made by Mr. R. H. S. Crossman, British Labour Member of Parliament. Conceding that in the heat of battle the British Labour movement had accepted sacrifices of personal freedom as an inevitable evil forced upon them by the class war, Mr. Crossman frankly states the socialist dilemma. Referring to the socialist belief that "the only way to enlarge freedom and achieve a full democracy is to subject the economy to public control", he goes on to point out: "Yet, the State bureaucracy itself is one of these concentrations of power which threaten our freedom. If we increase its authority still further, shall we not be endangering the liberties we are trying to defend?" Mr. Crossman is candid enough to say: "Actually, the growth of a vast centralised State bureaucracy constitutes a grave potential threat to social democracy. The idea that we have been disloyal to our socialist principles if we attack its success or defend the individual against its incipient despotism is a fallacy." If already, with a mixed economy and in a country with such a deep tradition of democracy and individual liberty as Britain, a leftwing socialist is impelled to strike this note of alarm, how much more imminent must the danger be in a country like ours where that tradition of freedom is a tender plant which needs to be nurtured with great care and caution?

## V

I have come to the end of my thesis, though not altogether, I hope, of your patience! I trust no one will understand this to be a special plea for

capitalism or an objection to all kinds of planning. To guard against such misunderstanding, I may mention that, as far back as 1946, I had delivered, in the series of Silver Jubilee Lectures organised by the Bombay University School of Economics and Sociology, an address entitled "A Plea for the Mixed Economy." That plea was made by me before the mixed economy became the accepted policy of Government and it is sad that I should today have to repeat it a decade later, at a point of time when the balance of the mixed economy is in danger of being destroyed and it would appear as if it is ceasing to be the policy of Government. I still believe that a Mixed Economy, in which Free Enterprise and State Enterprise each have an equal and autonomous role to play, functioning alongside of each other to meet the needs of the people, is the best possible system for this country both from the point of view of increased production and of equitable distribution. That, however, is a matter of opinion.

What is not a mere matter of opinion but a grim statement of fact is that if the balance of the mixed economy is further upset and we drift to a state of affairs where Peasant Proprietorship, Free Enterprise and the free Trade Unionism that stands or falls along with it are destroyed, then, however noble the intentions of those who pursue these policies and however great their love of justice and freedom, blow will have been struck at the free way of life that not even the Constitution of the Republic will be strong enough to avert.

It is not too late to stop such a drift. "It is seldom", said David Hume, "that liberty of any kind is lost all at once." What is necessary for those of us who love freedom and justice is to learn betimes to shift our fire and our aim from one threatening concentration of power and privilege to another in the changed conditions in which we today live.

It was part of the greatness of Mahatma Gandhi that he was early to sense this change. "I look upon an increase in the power of the State", he said, "with the greatest fear because, although apparently doing good by minimising exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress." His greatest living disciple, Acharya Vinoba Bhave, only recently followed up that warning in more concrete terms when he observed: "We cannot say people will be happy under State Capitalism. . . . In the name of the Welfare State, nothing should be done to centralise everything." India's leading socialist, Jayaprakash Narayan, who can hardly be charged with pro-capitalist views, has on his part declared that "the Welfare State under the name of welfare threatens as much to enslave man to the State as the totalitarian. The people must cry halt to this creeping paralysis."

I should like to think that there are many who share the concern I have expressed about the dangers that loom ahead and that they are just as anxious to ensure that our country and our people are protected from them. It is time for such men to act, for we live today in a climate where the passion for social justice and equality burns so strongly in many breasts that it blinds even otherwise intelligent and wise men from seeing where they are heading. One is reminded of the story of the mule that the farmer took to market and sold at a very low price—a good, healthy, upright, athletic animal. When the buyer, however, turned to drive away, the mule ran straight into a tree. "Look here", yelled the buyer, "this mule you sold me is blind". "No, he ain't blind", said the farmer, "he just don't give a damn!"



