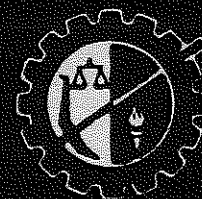


# IS SOCIALISM OUTDATED?

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## I

### THE SHELLS OF SOCIALISM

*By*

**N. A. PALKHIVALA\***

A time of trouble is a time of imbalance and distortion; at such a moment mere words from men in high office can easily sap people's morale and blight public confidence.

Mr. Asoka Mehta's convocation address to Saugar University, described as "his first major speech after joining the Central Cabinet," contained such sweeping pronouncements of economic policies and was imbued with such political undertones that one wonders whether a university convocation address was the appropriate vehicle for conveying to the nation such portentous views of the Union Minister for Planning. If the speech did not reflect the collective thinking of the present Cabinet, it was a grave mistake to give a gratuitous jolt to the capital market, unnerve foreign investors and cast a pall of gloom over the national economy. If it did presage Cabinet action, we can only see ahead even dimmer days and shadows lengthening across the path.

The tragedy of India today is the tragedy of waste—waste of manpower, waste of industrial capacity, waste of talent, experience and the spirit of enterprise which could be harnessed to greater national purposes. The need of the moment is that the Government and the people, the authorities and the business community, should come closer together and work in harmony for the common good. The

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

—Eugene Black

Tashkent spirit should be imported into the economic sphere, the spirit of mutual trust and understanding, mutual respect and consideration. Till then we shall not be able to get out of the quagmire in which we have been floundering so dangerously long. On the other hand, Mr. Asoka Mehta's speech will only serve to widen the chasm between the Government and private enterprise.

Perhaps the most disquieting feature of Mr. Mehta's address was the unveiled threat to commercial banks. He contemplated the possibility of the State being "directly involved in the operation of these powerful bodies," or, in plain words, nationalisation of the banking system.

In other countries, the issue of nationalisation is naturally decided in different ways by different political parties succeeding each other. But in our country, although the same political party continues in uninterrupted power with the same economic objects, fear and uncertainty grip the public mind because of divergent views publicly expressed by different Ministers from time to time. On May 22, 1964 Prime Minister Nehru assured the public that "there was no immediate question of bank nationalisation." On June 5, 1964, Mr. T. T. Krishnamachari announced that "nationalisation should be the last step in any effort to control banks." There was little justification for such State action in 1964; and there is less justification now. If our economy is not to be dogged by a growing feeling of insecurity and instability, it is imperative that on such a basic issue as bank nationalisation individual Ministers should not air their personal views but that the Cabinet alone should speak as a body.

The State Bank of India (which is almost wholly owned by the Government) and its subsidiaries, account for 25 per cent. of the paid-up capital and 32 per cent. of the deposits of all Indian Scheduled

Banks. They extend 29 per cent. of the total credit to the public and own 32 per cent. of all Indian branches and offices of scheduled banks. Thus, there is already a hard core of the public sector in the field of banking. Pragmatism, and not ideology alone, should dictate any further change in the structure of Indian banking.

Under the Reserve Bank of India Act and the Banking Companies Act, the Reserve Bank enjoys as wide powers as are known to the central bank of any other country, for imposing general credit controls and selective credit controls on banks. The Reserve Bank has full powers—which it constantly exercises—of controlling banks' lending policies, the rates of interest to be charged to customers or to be paid to depositors, the size of loans to particular individuals or groups, the creation of reserves, and in fact of controlling all banking activities. It is difficult to envisage what new laws Mr. Mehta has in mind as necessary to promote healthy banking.

Mr. Mehta referred to 650 accounts constituting roughly two-thirds of the total advances of the banking system. That shows that some companies, because of the size of their operations, have much larger requirements for loans than others. It does not prove unfair banking practice. If one looks at the figures of advances by the State Bank of India, which is in the public sector, they would make the same pattern. All successful socialist countries have big corporate bodies, whose borrowings, compared with the borrowings of smaller units are on the scale referred to by Mr. Mehta. India has already priced herself out of the world market and is going through a phase of abnormal inflation. Both these **unhealthy** features would be aggravated but for the functioning of big companies with large bank accounts. The trade unions of the United Kingdom expressly submitted

to the Monopolies Commission in that country that they were in favour of big corporations since such corporations could give security of service, afford to pay better wages and at the same time help to hold the price line.

Not all the theories of economists, not all the wit of our Planners, can get round the ineluctable law of life—you cannot divide more than you produce. No doubt, rewards must be shared, but first they have to be earned; wealth must be distributed, but first it has to be created.

What one sadly misses in Mr. Mehta's address is that whereas there is no reference at all to the clamant need to increase production in the fields and in the factories, the emphasis is solely on increasing state ownership and widening state control as if that were a sure panacea for all economic ills. Are we sure that the bureaucrat's love of power and zest for more power will be any the less detrimental to economic progress than the citizen's love of profit? What public good is promoted by continuing control on textiles, with six months' stocks accumulated with the mills; and what disasters have followed in the wake of decontrol of steel and cement?

Mr. Mehta referred to the desirability of "curbing the private sector monopolies". This type of suggestion may be politically useful in that it conveys to the ill-fed, ill-clothed and ill-housed citizen that his economic plight is due not to official incompetence but to the anti-social activities of a few business houses; but it is not based on facts and is contradicted by the Report of the Monopolies Commission. In India enterprises can be brought into existence and they can expand and diversify under Government control and licence only; and there can be as much and as free competition as the Government alone wills.

When India faces the most acute food crisis of decades and our food production has to be increased by all proper incentives, Mr. Mehta suggests that the bigger agriculturists are unduly favoured and he favours a "trend towards making ownership of say, over ten acres of irrigated land uneconomic by levying heavy imposts upon such holdings." It is impossible to see how food production will be increased, or what sound agricultural policy will be promoted, by such a levy. There can be no doubt that a heavy impost which would render ownership of more than ten acres of irrigated land uneconomic would only aggravate the food crisis. Does our socialism primarily aim at filling empty stomachs with food, or at filling them with the satisfaction that their neighbours are no less hungry than they are?

Mr. Mehta is reported to have said that, the constitutional guarantee about the right to property made it difficult for "the forces of socialism to operate on the level of a change in the structure of private property". The fundamental right to property at present exists in a most attenuated and abridged form: the adequacy of compensation paid for property acquired by the State is not even justiciable in a court of law. If this truncated right to property stands in the way of "socialism", there must be something wrong with that brand of socialism.

Mr. Mehta referred to "the spectacular tussle between the old capitalistic economic order and the new socialist order in India", and ruefully noted the continuation of "a capitalistic economic order with a powerful hangover of a feudal social framework." Such words are wholly unrelated to reality. So long as the official thinking of our planners is that a mixed economy like ours must tolerate the private sector as a necessary evil, and that the end of the private sector is merely private benefit and the end of the public sector alone is public good, there can be no hope of reviving the comatose economy.

Economic wisdom can never be reduced to an unbending system. Indian socialism, in the true sense, aims at reducing the disparity between wealth and poverty, and raising the standard of living of the people and giving them social security. In that sense, today every thinking mind must be socialist. It is important to remember that the Preamble to our Constitution does not use the empty label "socialist" at all, but uses the meaningful words, "justice, social, economic and political; and Equality of status and opportunity." The concept gets distorted when one stubbornly adheres to state ownership as the only means of achieving the goal. You may adopt state ownership in areas where such ownership affords the only sure and safe launching pad; or you may tap the immeasurable reservoir of the people's response and initiative, energy and endeavour, prosaically called the private sector. Socialism must be elastic enough to promote economic growth by drawing upon normal human instincts and incentives; otherwise, we shall be only planning for poverty and equal distribution of misery. It is trite knowledge that even Russia has awakened to the necessity of absorbing that heresy of capitalism—the profit-motive.

The quintessence of socialism consists not in levelling down but in levelling up. It strives to bring forth "the maximum gifts of each for the fullest enjoyment of all". State ownership is to social justice what ritual is to religion and dogma to truth. State ownership and State control are the shells of socialism which were really intended to protect and promote the growth of the kernel; but rigid shells merely constrict its growth.—(*Reproduced from "Economic Times" of Feb. 7, 1966, with kind permission of the Editor.*)

## II

### WHY SOCIALISM ALWAYS FAILS

By

SIR ALEC DOUGLAS-HOME\*

The reason why Socialism must always fail is that there is a basic flaw in Socialist philosophy. It runs counter to human nature.

Socialism insists that all men are equal but the fact of nature is that each is different from the other. Try and assert that all are the same—that each is as good as the other—and the pace of society becomes the pace of the slowest.

Man is thus deprived of the benefit of his character and personality and individual prowess. He is stunted and stultified and discontented, and human progress is denied.

Advance for mankind will not be won by the average man. No doubt Socialists sincerely desire the good of all but by their methods they thwart it. From the beginning of time man has required incentive to give of his best.

The motives which inspire him to excel are the provision of food and security for his family and the betterment of the lot of himself and his children. These are practical and honourable goals, and the driving power which gets a man to them is ambition and the expectation of reward for work and skill.

The theory of Socialism is that all the means of production, distribution and exchange should be publicly owned and shared. But nationalisation does not inspire. Man will put forward his best endeavours and sacrifice himself and even die for family and country,

\*Sir Alec Douglas-Home was the Prime Minister of Gt. Britain from October, 1963 until October, 1964. This exclusive article is reproduced with kind permission of INFA, New Delhi. Copyright INFA.

but no one would do so for a share in the public tramways!

In practice, therefore, nationalisation does not deliver the goods. When competition is eliminated, efficiency suffers. When the profit motive is denied, enthusiasm falters—the gap in the reward between the skilled and unskilled narrows and the result is mediocrity. In the modern world no community can afford that.

The Communists at least were right in one matter. They saw that the logical outcome of Socialism was compulsion. They recognised that without the profit motive there must be another incentive and they made it the crack of the whip. They had some success; for a time men can be dragooned but before long human nature prevails and it is doing so now.

The fallacy of Socialism is being exposed as never before, now that people have seen the achievement of capitalism and are consciously demanding its fruits. When wealth was limited and concentrated in the hands of the few, Socialism thrived on discontent.

When poverty was rife, there was a legitimate cry for a fairer distribution of wealth, and Socialism, which promised to take away from the rich and give to the poor, was attractive to many.

But as poverty is being eliminated by the capitalist free enterprise system, a more critical eye has been brought to bear on the crude slogan of "Down with the Rich!"

The simile of the national cake which can no longer be profitably divided, unless its size is expanded, might be hackneyed and over-simple, but it holds a basic truth.

The electors in a democracy have an instinct for survival and a sense for reality and with the recognition that the choice lies between expansion or stagnation, the enthusiasm for Socialist solutions is waning.

The young in particular have too good a conceit of themselves to be herded into a common world and no one enjoys the prospect of less reward for more work which is clearly the only harvest of applied Socialism. Even in Russia, where Socialism was expressed in the form of a bureaucratic state capitalism with all the paraphernalia of central direction and control, the system is changing to cater to incentive and profit and reward.

So it is that Socialism not only has a basic flaw, but in that its doctrine has no relevance to a world of expansion and plenty, it is also out of date.

Where Socialism has been tried in practice thereto has been a sequence of events which has illustrated most pungently the flaws in the philosophy.

Prices have risen, costs have risen, and taxes have been raised. The result has been that Socialism has given a sharp boost to inflation.

In reply to this, Socialists have no other answer but to take the heat out of the economy by still higher taxes. So the prospect is that of an endless vista of austerity. In an attempt to salvage the situation, Socialists are driven to try and control prices and incomes from the centre, and so the weary treadmill goes on.

Just as Socialists used to claim that labour could speak more effectively to labour, so in Foreign policy Socialists used to parade the view that Socialist countries would understand other Socialist countries better and that the result would be a pink and rosy harmony on earth. Their innocence has been rudely disabused by events; so there, too, Socialism has come to a dead end.

Of course, no one has a right to dismiss one political creed unless he can champion another which offers a better deal for mankind.

Conservatism is a complete contrast to Socialism.

Where Socialists elevate the state and central control, Conservatives minimise its role. In Conservative belief the state should serve the individual, not dominate him.

Where Socialists advocate state ownership of industry and create large centralised monopolies, Conservatives believe in the virtues of free enterprise, competition and choice.

Where Socialists believe in the individual being the servant and the tenant of the state or public authority, Conservatives work for the extension of the private ownership of property.

By and large, Conservatism consists of a pragmatic approach, that is, doing the right thing at the right time, and, therefore, does not lend itself to slogans, but one which we are proud to have coined and sponsored, is that of the property-owning democracy.

It means trusting the individual and giving him responsibilities and relying upon him while working for himself and his family to serve the interest of the nation.

Conservatism gives the individual his head and relies on his self-discipline to make him a good member of the community. Only then is he a full man and only then is society dynamic.

To sum up, then, Socialism is on the decline and nothing can arrest it because it has no message to give to the individual who seeks success in a world of opportunity.

Opportunity is the key—equal opportunity in the field of education—opportunity to earn reward commensurate with enterprise and skill—opportunity to own property—opportunity to save—freedom of choice.

### III

## WILL LIBERALISM SURVIVE SOCIALISM ?

By

M. R. MASANI M.P.\*

There is an idea afoot that liberalism came before socialism and therefore must fade out before socialism. I would like to examine that assumption and suggest looking fifty or a hundred years ahead to consider which is the more likely to survive, and which is getting outdated today.

When I went to London as a student, I met a Conservative Member of Parliament, who happened to be a friend of my father's. He was very nice to me and entertained me to a meal. He casually asked me: 'Young man, what are your politics?' I said: 'Sir, I am an ardent socialist.' The old Tory patted me on the back and said: 'Very good, my boy. That is exactly what you should be at your age. You see, if at 21 you are not a socialist, you have no heart. But if at 41 you are still a socialist, it means you have no head!' It is interesting that by the time I was 41, I wrote a book called *Socialism Reconsidered*, in which I renounced socialism and declared my liberal and Gandhian faith. I remembered the old Englishman, who had by then died. How right he was!

Now, our great leader, Mahatma Gandhi, used to say that consistency in political affairs is "the virtue of an ass". He was himself a very inconsistent

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person, who moved from position to position as he developed and the world developed. The point I am making is that it would be very stupid for anyone to hold on to a point of view or a dogma, disregarding what is happening around him.

Now, Gandhi taught us two things, basically. One was that ends and means are interlinked, that you cannot produce a better society by methods that are not clean and decent, that the end does not justify the means. By the time your means, which are dubious, are practised, your end gets vitiated. In other words, to cite the Soviet Union, by liquidations and butchery, by distortion and lying, you cannot produce a more fraternal society. You have only to look at the kind of men who have ruled the Soviet Union to realize that this is not a more fraternal society: Stalin, Molotov, Vishinsky, Khrushchov. These are not the embodiments of a more brotherly, free and equal society.

The other thing Gandhiji taught us was that the State in the 20th century is no longer a great friend of freedom and progress, that perhaps the biggest threat to human freedom comes from the State. This Gandhi repeated a hundred times in different ways, by saying that there is no violence as evil as the violence of the Government. All other violence can be forgiven, understood or controlled, but when the Government becomes violent and dominates and oppresses the people, that is the most foul kind of violence.

Gandhi phrased his test of any system in this way. He said: "I will give you a talisman. Whenever you are in doubt, or whenever the self becomes too much with you, apply the following test. Recall the face of the poorest and the weakest man whom you have seen, and ask yourself if the step you contemplate is going to be of any use to him. Will he get anything by it? Will it restore him to a control

over his own life and destiny?" In other words, Gandhi being a lover of the poor man, to him any "ism" or any system was to be tested on this touchstone: what does it do for the lowest, the poorest, the least privileged? This, I think, is a very good test for all liberals to accept.

Let us get our definitions right about socialism. Let us consider whether the methods of socialism lead to the aims of socialism being achieved. I start with the assumption that all of us want to see an end of poverty, that we all want to see an end to glaring inequalities of status and opportunity, that we want to see people free and happy in a fraternal society. That, I think, is basic to liberalism.

Now let us see what socialism is. I think the aims were best stated by Lenin as "a free and equal society." I think it is a legitimate aim. I would still accept it as a valid ultimate objective. The methods of socialism are spelled out in the Oxford Dictionary, which reads as follows: "The principle that individual liberty should be completely subordinated to the interests of the community, with the deductions that can be drawn from it, namely, the State monopoly of land and all capital." The British Labour Party has as its objective "the nationalisation of the instruments of production, distribution and exchange," which means the State ownership of all industry, all trade, all banking, all land.

Let us consider to what extent, where socialist methods have been tried, these methods have actually achieved, or furthered, the aims of socialism. That is, to what extent does the State ownership of industry, trade and land create a more free and equal society?

The only countries where socialism has been fully tried out are the communist countries. The other countries, which we shall discuss later, may sometimes have socialist governments for a while,



but they still carry on the system of competitive free enterprise, or "capitalism" as it used to be called. The only countries in which socialism has been completely tried out are the Soviet Union, Communist China and the captive countries of Eastern Europe. Let us consider the Soviet Union, which is the classical case, both because the experiment has lasted for 48 years and because it is the fatherland, the leader of the communist world. What are the results of 48 years of practising the methods of socialism or communism? Here are some of the indices.

The rise in the standard of life in the Soviet Union over the last 48 years has been about the slowest in the world. Colin Clark and other economists have provided data showing that the curve of the standard of life of people in other parts of the world has almost uniformly risen more sharply than in the Soviet Union. Now, this is an amazing phenomenon, that the revolution that was made to improve the lot of the common people has resulted in exactly the reverse, the relative absence of progress compared with so called capitalist countries.

This can be measured by simple things—housing, clothes, food, the things people use. In the Soviet Union, housing is about the shabbiest phenomenon. Even today, sometimes whole families have to share a room. Clothes are a notorious weakness. Soviet diplomats and technicians who go back from India often carry half a dozen suits and half a dozen pairs of shoes, on which they make a very handsome profit back home. There is a blackmarket in clothing and shoes.

The quality of goods is appalling. Mr. Khrushchov, who at least had the virtue of being frank, quite often with a sense of humour to boot, said very rude things about Soviet consumer goods. At a diplomatic banquet in Moscow three or four years

ago when he was the boss, a Russian lady went up to him with her menu card, offered her ball pen and asked Mr. Khrushchov to autograph the card. The boss tried to write his name. Nothing happened. He tried two or three times but the ball pen was not working. So he glared at her as if she had manufactured it, and handed it back to her. He took out his ball pen, wrote his name with flourish and said: "Since this is American, the damned thing works."

The saddest failure of Soviet socialism has been in agriculture, which is of more interest to us in India than it may be to those in Europe. If we read the publications put out by the Food and Agricultural Organisation, which give statistics of comparative production of foodgrains and other agricultural commodities per acre throughout the world, we find that the Soviet Union comes, near China, at the bottom of the international scale. In so far as producing rice and wheat per acre is concerned, Soviet agriculture is among the least productive.

What the Soviet Union has done is to produce a great deal of steel. That is about its greatest success in the economic field. Steel and machinery they have produced. The reason they have produced them is militarism. They wanted to dominate the world; and so they produced steel, **which goes** into tanks and jet planes. Another thing that they have excelled in is the space programme.

Now, the Soviet people are somewhat bitter about this distortion of giving to space programmes and militarism what should be coming to them for their own needs and the needs of their children. This bitterness comes out in funny stories, because in Russia the only way you can criticise the Government is by telling anecdotes.

After Mr. Gagarin came back from space and the whole world went into raptures, the Russians told a little story. A foreign correspondent, soon

after Mr. Gagarin's victorious return from space, went to his home to interview him. He knocked at his door and a little girl came out—Gagarin's little daughter. He asked: "Can I talk to daddy?" The girl said. "No, he has gone out to space." "Out to space again? What a pity. How long will he take to get back?" The girl said: "He will be back after four hours." "I will wait, then. Maybe I can talk to your mummy instead?" "No", said the little girl. "Mummy is out too." "Where has she gone?" he asked: "Oh! She has gone to the baker's to get a loaf of bread." "How long will she be away?" The little girl answered. "She will take eight hours, because she is in a queue".

The other claim made for socialism is equality. Never mind if we are not prosperous, we at least can all be equal. There again, the results do not justify the hopes some of us had, that socialism would deliver the goods so far as equality is concerned.

The Soviet Union today has wider inequalities than many capitalist countries. The differential between the worker and the manager, between the ruler and the ruled, is wider than in most other countries. In the United States, for instance, the ratio of payment between the highly skilled worker and the non-skilled worker is only 2½:1. The highest skilled technician does not get more than 2½ times the wage of the most unskilled labourer. In India, it is pretty bad. It is something like 20 or 25:1. One would like to see that gap narrowed. In the Soviet Union it is just as bad. In Soviet Russia for the last two decades, they have had millionaires, who own millions of roubles in State bonds. They are known as "Soviet millionaires".

The interesting thing is that they are not taxed. In India the highest income-tax and wealth tax exceed 100 per cent. You are taxed on your capital as

well as your income. Your wealth tax and your income-tax combined can exceed your income for the year. I once made a proposal in Parliament that it should be restricted to 80 per cent as in Sweden, and this was rejected by our present socialist Government. In the Soviet Union, there is only one rate of income-tax for rich and poor alike. This is 13 per cent. Whether you are a millionaire or a worker, you pay 13 per cent of your income as tax. No progression. This would be considered highly reactionary in a capitalist country, but it is considered to be communism in Russia.

Perhaps the most fantastic thing is that there is no inheritance tax. They had it once, but they abolished it. In other words, if you leave millions of roubles for your children, they get the whole lot. **All** this shows that, far from being the country of equality, the Soviet Union is a personification of glaring and gross inequalities and inequities. That is why Milovan Djilas the communist, former Vice-President of Yugoslavia, wrote a book called *The New Class*, in which he described how, under the slogan of socialism, the new class of rulers in Russia, the commissars, the managers of State enterprises and the Red generals, are exploiting the peasants and workers while talking socialism and communism all the time.

So, socialism does not deliver prosperity. It does not produce equality. Does it give freedom? Of course not. The loss of liberty is the most obvious thing in the socialist countries. Lenin was a great man. He was an idealist gone wrong. He imagined that, after a short period of dictatorship, liberty would be restored by the benign Communist Party to the people. The State would "wither away". Now, some of us have been waiting impatiently for this process to start. There are no signs of it yet, either in the Soviet Union or in any other communist country. The State keeps its monopoly of power very

securely in its hands. Leon Trotsky who was himself a great communist said about the Soviet Union that the old motto: "He who does not toil, neither shall he eat", had been replaced in Russia by a new motto: "He who does not obey, neither shall he eat."

Now, all this had been foreseen by a very wise Italian philosopher, Benedetto Croce, who said that in any country where there were no "autonomous social forces", liberty was bound to disappear. By "autonomous social forces" he meant people who own their factories, people who own their shops, people who own their land, people who practise independent professions like lawyers, doctors, engineers and accountants. In other words, when everyone is an employee of the Government, you cannot have freedom or democracy because there is no one to oppose or criticise the Government. It is only when a peasant can say: "This land is mine," that he can stand up to the official. But when you have no peasant proprietors, no businessmen, no free professional people, it becomes a slave State.

Now, let us consider what has been happening in a semi-socialist society like India. We have been practising, or trying to practise, socialist methods for the last 15 years. What is our plight today? We do not have to go to Russia to find out what are the first fruits of socialism. Is there more prosperity? Are we better off than we were in 1947? The answer is "No". Living standards have been stagnant since the British left in 1947. Some classes have benefited, some are worse off.

The Government admits that the real income of the agricultural labourer, the landless labourer in the village, has gone down in the last fifteen years. He does not take home as much as he could in the old days under the British. The real income of the industrial labourer is more or less stagnant, thanks to dearness allowances. Anyone who knows anything

about the middle class knows that its standards have gone down shockingly in the last fifteen years. In fact, the middle class is being ground out of existence today in India. The biggest victim of socialism is the lower middle class, the educated man with a small income, the clerk, the schoolmaster, the shopkeeper.

Then, who has benefited? If the middle class, the working class and the landless labourer are all worse off, who has benefited? The answer is a small number of people have benefited. Because we have a mixed economy, we have a mixed "New Class." They are not all commissars. Some of them are commissars and some are businessmen. What they do is that by means of a controlled so-called socialist economy, where more or less sheltered conditions are created, they share the profit. If I am in power and I give a licence to somebody to produce something with a protected market, he gives me back 10 per cent or 20 per cent of what he makes. So political patronage, operated by dishonest politicians, officials and businessmen, creates a new ring of exploiters which replaces the old system.

Equality? Even the advocates of socialism themselves complain that every time a Five-Year Plan is put across, it creates more inequalities, for the reason I have just explained.

The workers are no longer as happy about socialism as they were fifteen years ago. In those days every trade unionist wanted his industry nationalised because he thought capitalism was reactionary and socialism would be progressive. Last year, on the 4th July, 1964, one of our big bank unions, the Reserve Bank Union, passed a resolution; for the first time a trade union came out openly opposing nationalisation. This is what the resolution passed at a specially convened meeting of Reserve Bank employees said: "This Association is opposed to the

nationalisation of banks since experience shows that nationalisation is not conducive to the interest and welfare of the workers."

The best summary of the situation was given by none other than Mr. Nehru. It is amusing that he gave his judgment in another country than his own. Mr. Nehru was in Kathmandu, the capital of Nepal, in 1959. Speaking from the superior heights of life in India, Mr. Nehru said in Kathmandu, at a public meeting, something that summarizes what I have been saying: "Socialism in a poor country can only mean that it will remain permanently poor."

Now I come to the alternative, the Liberal path. If socialism does not serve the purposes for which it was intended, that is, moving towards a freer and more equal society, is liberalism the alternative?

What is liberalism? Liberalism, according to Hobhouse, the great British liberal, in his book on *Liberalism*, which is a classic, is "a belief that society can safely be founded on the self-directing power of personality, that it is only on this foundation that the true community can be built. Liberty then becomes not so much a right of the individual, as a necessity of society." Prof. Parkinson said in an article recently published in England, "The word Liberal means generous or open-handed. Be generous with what? With freedom and political responsibility."

Now, these are two quite good definitions of liberalism. How do we apply them to the problems of social welfare or social justice with which we are concerned? Their application to the economy means a free economy. What is a free economy? There are many variations of the free economy in different parts of the world, but one thing is common to all of them—the Government plays a limited and restricted part. Liberal economics are the economics of

limited government. Social controls and regulation are necessary, but must be restricted to the minimum. That is one aspect.

The other aspect of a free economy is that "the consumer must be king". What does this mean? Who is the consumer? All of us are consumers. We all buy something or other. Therefore, the whole country is made up of consumers. What does it mean that the consumer must be king? This means that what is produced in a country should be what the people want, should be something for which the people are prepared to pay a price in the market. The pattern of production must be dictated, not by Government, not by a Planning Commission, not by the diktat of anyone, but by the collective will of the people as expressed in the marketplace. This has been well described as "the ballot of the marketplace". The ballot of the marketplace is superior to the ballot of the political election. You can shift your choice from hour to hour and day to day. You can buy one brand of soap one day, change over to another brand the next day, if you do not find it good. You can change your perfume, your shoes, your clothes—everything.

How does this choice of the small man—it does not matter whether he has ten rupees in his pocket or a thousand rupees—affect the pattern of production? It affects it through the profit motive, through what is called the law of the market, which is the only sane economic law—the law of supply and demand. The industrialist or the businessman does not produce for fun or for love. He produces for a profit. He produces what will get him a profit in the market. Any profit is made when the demand exceeds the supply, because when the demand exceeds the supply, then prices go up. But where the supply exceeds the demand, prices drop.

The biggest capitalist has thus to consider what the smallest man in the market wants. This is how

the consumer is king and this is what is called a free market economy. This is the liberal economy, as opposed to the socialist. Socialism says that a group of 5 or 10 or 15 people sitting in Moscow or Delhi will dictate to the people what they shall take. This is 100 per cent true in Moscow and 40 per cent true in Delhi. The National Planning Commission, arbitrarily selected, become God. They decide what you shall buy and what you shall not buy, and at what price you shall buy it. The liberal way, on the other hand, is the way of letting people freely decide what shall be produced for their needs. This is a system which is practised in the whole world, except for the communist countries, in different forms.

The Manifesto of the Liberal International, which was adopted many years ago, is still valid because liberal principles do not change every five or ten years. Among these principles in the Manifesto, there are certain items of an economic nature:

"The right to private ownership of property and the right to embark on individual enterprise; consumers' free choice, and the opportunity to reap the full benefit of the productivity of the soil and the industry of man. The suppression of economic freedom must lead to the disappearance of political freedom. We oppose such suppression whether brought about by State ownership or control or by private monopolies, cartels and trusts. We admit State ownership only for those undertakings which are beyond the scope of private enterprise, or in which competition no longer plays its part. The welfare of the community must prevail and must be safeguarded from abuse of power by sectional interests."

I think this is a very fair statement of what I have been trying to say.

The examples of this kind of a free economy range from the United States, which have achieved the highest standards of life and equality for their

people, Britain, the Scandinavian countries, France, West Germany, with its German miracle produced by Dr. Erhard, a great Liberal, Japan, the one country in Asia which has raised its standard of life to the European level, Australia and New Zealand.

What are the results? One is prosperity. The buying power of the man in these countries is out of all proportion to what it is in the socialist countries. Here are the figures of how long a worker has to work in America and Russia to obtain the same commodity. It is very interesting. It shows you where labour is exploited, and where it is really free. For a loaf of bread—this was valid last year and could not have changed now very much—the U.S. worker had to work for six minutes. The Soviet worker had to work for 36 minutes to buy the same loaf of bread. For a pound of butter the U.S. worker works 19 minutes, the Soviet worker 3½ hours, a ratio of 10:1. For a pound of sugar, the American worker works for three minutes, the Soviet worker for 54 minutes—18:1. For a man's cotton shirt, 1¼ hours in the U.S. and 13 hours in the Soviet Union—again 10:1. The same for shoes, 10:1, 11:1 for a suit: 10:1 for woman's shoes: 10:1 for soap,—and 5:1 for vodka.

Even the Indian worker, under so-called capitalism, is better off than Russia under socialism, since he does not have to work as long as a Russian worker, to get a pair of shoes or some cloth.

I think I have said enough to show that there is no question about the fact that liberal methods lead much faster to the socialist objective than socialist methods. Liberal methods, which are economic freedom or economic democracy, lead to social justice, equality, prosperity and freedom much quicker than the methods of State Capitalism or State-ism, which in France is called *Etatisme*. That is a much more accurate name than socialism, which may mean anything or nothing.

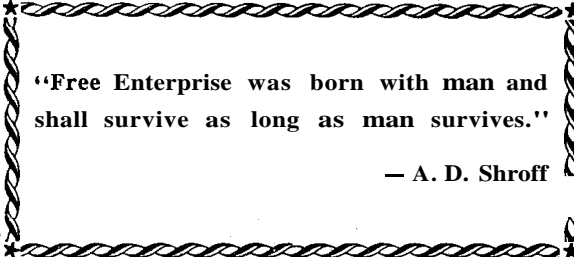
It is interesting that most of the world is beginning to see this. The world trend is away from communism and socialism and towards liberal democracy. This is not surprising because, after all, human intelligence wins in the end.

Even the Communists are now moving away from socialism. Even in Poland, Hungary and the Soviet Union they are edging away, as fast as they can under a dictatorship, from collectivism or Statism. You have only to read the works of Professor Liebermann who, while protesting that he is a socialist, is trying to get away from the dead hand of the past, which is keeping down the standard of life of the Russian people. It is important that we discard labels and look at the facts behind them pragmatically. An American professor has coined a very good phrase on this point. He has said that in our time all "isms" have become "wasms".

There is a great Liberal in the Philippines, He is Carlos Romulo, who represented his country with great distinction in the UN for many years. Two or three years ago he was nominated President of the University of the Philippines in Manila. A group of "Leftist" or communist students went to him and and put to him a question, asking for his declaration of policy. He was asked: "Mr. President, are you going left or right?" Carlos Romulo, a good Liberal, answered: "I am going forward."

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

— A. D. Shroff

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