

A SURVEY OF SOCIALISM TODAY

A. D. Shroff
Murarji Vaidya
Prof. C. L. Gheevala



FORUM OF FREE ENTERPRISE

SOHRAB HOUSE, 235, D. NAOROJI ROAD, BOMBAY-1

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

EUGENE BLACK
President, World Bank

A
Survey of
Socialism Today

A. D. Shroff
Muranji Vaidya
Prof. C. L. Gheevala

1961

Forum of Free Enterprise

235 Dr. Dadabhai Naoroji Road
Bombay 1

INTRODUCTION

EVER SINCE the goal of a "socialist pattern of society" was proposed for the country, a debate has raged on the meaning and implications of this phrase. Various attempts at defining this phrase have been made, but no satisfactory definition has yet been given. For all practical purposes, it may be assumed that phrases like this and its variations like "socialist society" and "socialist commonwealth" mean a society in which the means of production, distribution and exchange are vested in the state, and operated by the government in power. In more concrete terms, it means that existing private enterprises are to be nationalised; in course of time, the entire economy should be covered or, at least, dominated by state enterprises (referred to in Government documents as the Public Sector); and the economy is to be operated by centralised comprehensive planning. And, these measures are presumed to promote, to borrow from the doctrinaire socialist jargon, the society of the free and the equal.

In view of lessons of socialist experiments in democratic countries like Gt. Britain, the application of socialism to the Indian situation should occasion serious thoughts. A survey of socialism today, in the particular context of Indian society, is urgent because we cherish our democratic way of life, and it is now becoming clearer that a democratic society and a socialist society cannot be the same; in fact, they are mutually contradictory concepts. The survey is also required because the efficacy of the socialist method to develop the economy is in serious doubt. This booklet makes an attempt to survey socialism. The

article by Mr. Murarji Vaidya reviews state enterprises in our democracy. Another article, by Mr. A. D. Shroff, analyses the socialist comprehensive planning and outlines the alternative of planning for free enterprise and economic progress. The third article, by Prof. C. L. Gheevala, subjects the concept of socialism to a searching analysis, with particular reference to socialist experience elsewhere, to see whether socialist methodology leads the country towards its professed goal of a society of the free and the equal.

Two appendices deal with interesting quotations on socialism, and a list of useful books for those who wish to go deeper into the subject.

SOCIALIST PLANNING VS. PLANNING FOR FREE ENTERPRISE & PROSPERITY

A. D. Shroff

President, Forum of Free Enterprise

OVER THE LAST FEW YEARS, a myth that private enterprise in India is opposed to planning has been sedulously cultivated. It serves the purpose of doctrinaire politicians, but does no justice to truth. This myth needs to be exploded.

When the National Planning Committee was set up by the Indian National Congress in the late thirties, I had the pleasure of being one of the members. The work of the Committee indicated possibilities of planning in an underdeveloped country like India. The first big attempt to arouse the country to the potentialities of planning to raise the standards of living of the masses was made when what is popularly known as the Bombay Plan was presented to the public in 1944. Of the eight industrialists and businessmen who authored the plan, I had the privilege of being one. It is apparent that in fact it was private enterprise which first aroused the country to the need and potentialities of planning.

There are a number of differences with regard to techniques of Planning although almost all are agreed on the necessity of planning itself in an underdeveloped country like ours. The differences arise because value judgements are involved. For instance, the stress one lays on the freedom of the individual has an important bearing on planning.

There can be no better starting point to examine planning in India than to review the experience of planning in the country since 1951. This will bring to light the differences of opinion on the subject of planning in India.

The First Five-Year Plan covered the period between 1951 and 1956. Actually, the First Plan was nothing more than a conglomeration of projects some of which had been initiated even before the attainment of Independence in 1947. The Plan was a success in that at its completion national income rose by over 18% and *per capita* income by about 11%. It is significant to note that the much maligned private sector which had been a target of sustained and growing attack during the plan period overfulfilled its targets of new investment whereas the public sector fell short of its target by about 40%.

The Second Five-Year Plan is an example, in my judgement, of how not to plan in a democracy. The Plan was initiated in 1956 with a proposed investment of Rs. 4,800 crores in the Public Sector and Rs. 2,400 crores in the Private Sector. Before the year was out, the Plan had run into difficulties and broken down on a number of fronts. For instance, the Railway Minister was complaining in Parliament that some of the railway projects could not be implemented owing to shortage of cement. Our foreign exchange resources, which were expected to be depleted at the rate of Rs. 40 crores per year, thus still leaving a balance of over Rs. 500 crores at the end of the Plan period, had almost touched the bottom of the bucket as early as 1958. But for the timely aid of the World Bank and the generosity of countries like the U.S.A., the U.K., West Germany, Japan and Canada, India would have had the misfortune of being branded a defaulter in her international obligations. The price of food and other necessities of life had registered a sharp increase owing to very heavy deficit financing, thus negating the possible increase in individual incomes. It is indeed a sad spectacle that before

the Plan reached its completion, there have been urgent deliberations on ways and means of holding the price line. The basic cause of all these serious deficiencies, which even an unplanned economy does not encounter, is that totalitarian planning techniques, as copied from the Soviet Union, were sought to be applied in the Second Plan.

It is necessary to appreciate some of the salient features of totalitarian planning techniques as applied in Communist countries in order to realise its dangers. Some of the features are:

(a) Totalitarian planning is all-comprehensive. In other words, a Central Board of Planners determines the priorities for development, the initiation of all economic activities, the price policy and all other aspects of economic life. Like the Fascist State of Mussolini ("everything for the state; nothing outside the state; nothing against the state"), in comprehensive planned economies of the Soviet type nothing is outside the scope of the Plan.

(b) Setting up of physical targets and a search for resources afterwards is another feature of totalitarian planning.

(c) Totalitarian planning is biased towards heavy industries to such an extent that consumer goods industries and agriculture are given a step-motherly treatment.

(d) A monolithic administrative apparatus backed by a secret police to brush aside all opposition in a ruthless manner is an essential element in totalitarian planning.

A look at Indian economic realities is enough to convince anyone that communist totalitarian planning techniques are not suitable to India. Let us examine these issues one by one.

The comprehensive structure of the Plan is basically defective even in a totalitarian country because the Planners are not omniscient and they cannot effectively control the activities of the people in a set pattern. In India there

are two additional handicaps to comprehensive planning. The first of these is the lack of adequate statistical data so essential for planning and especially planning of a comprehensive character. Even the slightest error is magnified when projected on a national scale and may lead to disastrous consequence to the country as a whole. A comprehensive plan thus becomes a house of cards. The second handicap is the pluralistic character of the Indian society. Comprehensive economic planning is nothing but an attempt to impose a monolithic solution. This is not possible in a pluralistic society.

Physical planning is also impossible within the democratic framework of the Indian society. The setting up of targets in the first instance and the frantic search for resources later on is possible if there can be an element of compulsion. For instance, the State should be able to resort to compulsory savings on a vast scale in order to mobilise the financial resources; there should be all-round physical controls of commodities and full-scale rationing of consumer goods and food articles. Mobility of labour would be at an end because the State would become the supreme director of labour force. Drastic measures and police surveillance become part of the social structure in order to satisfy all these criteria. A totalitarian regime as in communist countries where there are no human values and even the leadership is subject to purges affords plenty of scope for such physical planning, but not democracy.

The heavy industry bias of totalitarian planning can be overdone in an underdeveloped economy. While it is necessary and desirable that there should be a sound base of heavy industry for rapid and large-scale economic development, it should not be forgotten that heavy industries themselves are not enough. If in the process of building up heavy industries there is resort to heavy deficit financing, there will be inflation which will be accentuated by the fact that industrial production of consumer goods does

not catch up with the issue of currency. Moreover, without consumer goods whose supply suffers when there is undue emphasis on heavy industries, there can be no meaning to the term "standard of living."

Another problem arises with regard to agriculture which comprises an important segment of the Indian economy. The intersectoral balance will be upset when there is undue emphasis on heavy industry. The resulting disequilibrium has adverse effects on economic growth.

The monolithic administrative apparatus which comprehensive economic development requires can be evolved and operated only at the cost of democratic values. The problem of discipline assumes great proportions as the administrative apparatus grows beyond a certain measure. An element of ruthlessness will be required to impose discipline, to retain the efficiency or the semblance of it in the administrative apparatus. At present government employees in India do not possess the right to participate in political activities. One can leave to imagination what would be their fate when they are not only deprived of political liberties but also subjected to ruthless disciplinary measures.

The problem posed by co-ordination is also great and cannot be easily tackled even if the problem of discipline can be. In addition, administration in India suffers from lack of trained managerial personnel and evolution of efficient techniques of public administration to meet the needs of a changing society. These cannot be developed overnight. It will be a task of decades to dismantle the administrative techniques of the British era which have been inherited and to develop new techniques in harmony with the changing structure of society and the impact of industrialisation.

If comprehensive planned development on the Soviet model is unsuited to Indian conditions, the question then

arises as to the type of planning India should adopt. An article of this nature can only indicate in broad outline the type of planning suited to India.

First of all, it is important to remember that the purpose of planning in India is rapid and large-scale economic development to increase the national wealth, to ensure its equitable distribution and to promote a just social order. Certain basic postulates should be respected for this purpose. Realistic planning should first of all start from the premise that human nature is to be taken as it is and not as it ought to be. In other words, individual initiative and enterprise should be given great importance. Ideological slogans and shibboleths have no place in the work-a-day world. Right to private property should be firmly established and respected. Realistic planning should also recognise the harsh realities of economic laws which cannot be mitigated nor altered by legislation however powerful the legislature may be.

The starting point for planning in India should be the recognition of the pluralistic character of Indian society. In the din of slogan-mongering by collectivists like Communists and Socialists, it is conveniently forgotten that planning need not necessarily be monolithic as in the Soviet Union. As a matter of fact, every individual acts on the basis of some plan or the other. He learns to take a view of things and plans his economic activities accordingly. The industrialist who sets up a manufacturing plant anticipates a certain demand for the product, envisages a certain possibility for the development, and in general, takes a view of things which induce him to take the risk of starting the industry. The farmer who sows wheat instead of rice, or cash crops instead of food crops, similarly takes a view of things and acts on a certain plan of his own. The student who studies medicine or law also takes a view of things which induces him to take to those careers. Thus, it is apparent that every economic activity is primarily based

on some sort of planning. It involves some thinking and decision-making. It is millions of such decisions taken every day in the life of every individual and at all levels that make up for the sum-total of economic activity. Modern State planning would be erring on the side of wisdom if it reckons this basic fact, and, instead of trying to impose a monolithic solution, promotes economic development by creating an atmosphere for entrepreneurs and individuals to take economic decisions which would lead to rapid and large-scale economic development. In other words, the State should act as a catalyst of economic development. Instead of substituting individual or co-operative enterprise as manifested in joint-stock companies, the State will supplement it wherever necessary and encourage it wherever possible. This would require some efforts on the part of the State to assess the basic resources of the community in terms of financial resources, man-power, technical skills, managerial ability and raw materials. Then the State would have to set up certain priorities for economic development and encourage development along those lines.

Having set up the targets, which should be reasonable and also flexible to meet the needs of changing conditions, the State should provide the requisite infra-structure for the development of the economy. Such an infra-structure comprises of network of goods roads and railways, ports, hospitals, technical schools and engineering colleges, educational facilities with a stress on civic consciousness, self-discipline and individual development, efficient postal, telephonic and telegraphic facilities, and most important of all, a sound administrative machinery not interfered with by politicians and operating with the minimum of rules and regulations.

Having provided the infra-structure and economic climate for development, the State should ensure competition. The bane of economic development is monopoly,

whether private or public. Instances are not wanting as to how the consumer suffers when monopolies operate. It is, therefore, essential that the State should cease from starting insulated monopolies or nationalising existing industries. It should foster healthy competition among private units, and, wherever in the interests of economic development the State has to enter the field of economic development, then it should compete on a fair basis with units in the private sector.

Such realistic planning should have as its aim the production of adequate consumer goods. The drawback of communist planning has been the denial of consumer goods. No central authority can visualise the multifarious needs of the citizens. At the same time, it is consumer goods which lend meaning to the term "standard of living". It is not a few planners but every individual as a planner who has to decide what he wants. In satisfying his demands economic activity is stimulated on a large scale, employment potential is increased, incomes rise and there is all-round prosperity. In fine, planning should be for free enterprise and not against free enterprise. It will not be like the Soviet planning which a Sovietology expert aptly describes as follows:

"I know men and women without the ability to keep their own household accounts in order, who have no hesitancy in tackling the godlike book-keeping of human destiny."

Realistic planning, it can truly be said, ensures rapidity of economic development and promotion of justice. With the spirit of independence and enterprise which such planning fosters in individuals, there will emerge a nation of freedom-loving people who find not only the satisfaction of their basic needs but also a joy in creation and the satisfaction of noble aspirations in a free society.

★ ★ ★

STATE ENTERPRISES IN A DEMOCRACY

Murarji J. Vaidya

IT IS A TRAGEDY of modern life that the words used to designate some things do not convey the actual connotation and meaning. For instance, the so-called "people's democracies" belong neither to the people nor are they democracies. The Rule of Law does not obtain there, people have no voice in the running of their own affairs, there is no security of either life or property, personal freedoms are non-existent and the power of the state is wielded by one person or a handful in the name of a party which claims to represent the workers but which in actual reality oppresses the workers and denies them their proper wages as also the right to independent democratic trade unions. One can easily see from these facts, which are no longer considered "imperialist propaganda" since the famous Nikita Khrushchev speech at the 20th Congress of the Communist Party of the Soviet Union, that the word "people's democracy" really denotes some thing which is quite opposite to the democratic way of life.

Similarly, in the vocabulary of public discussion in India, there is no word more misleading than "public sector." The State Undertakings, which the word "Public Sector" is meant to describe, are in no sense public excepting that theoretically their ownership vests in the people. They are as much public as the reflection of a person in a river is part and parcel of the river itself! It is necessary to appreciate this fact before there can be any discussion on the so-called public and private sectors in India.

According to the Congress Parliamentary Party sub-committee report on State Undertakings, there are no less than eight varieties of State Undertakings. They are: State Banks, Statutory Corporations, Departmental Undertakings, Control Boards, Commodity Boards, Commissions, Port Trusts and Local Authorities, and Limited Companies.

The problems of these various types of State Undertakings are diverse. But their presence in the national economy raises some fundamental questions which it is absolutely essential for every person who believes in the democratic way of life to consider carefully.

State Undertakings are nothing new. The concept of State Undertakings is not an unique gift of either Soviet Russia's Communism or India's Socialistic Pattern to mankind. In ancient Greece the city-states owned and operated mines. Mints and postal services are traditionally State-owned and operated. But State Undertakings today are not confined either to mines or mints and postal services. They are extant over the entire industrial landscape.

In India, the establishment of the so-called "public sector," which in reality means the State Sector or the politico-bureaucratic sector, has taken place under ideological compulsion. While no person would have disputed the entry of the State into the sphere of Industry in order to add to the growth of an economy or further to stimulate economic development, the ideological colouring raises unnecessary tension and controversies in public life. For instance, legitimate questions and doubts are raised when the Ordnance factories under Defence Department for ideological reasons are made to go into production of trucks while existing capacity in private automobile units lies idle. This is not only a waste of industrial capacity at a time when the prime need of the country is the maximum utilisation of all factors for more production in order to increase the wealth of the country: there is another painful

aspect which the public learns with regret that there is a shortage of arms and ammunition in the country at a time when the Communist imperialism as practised by China is menacing our frontiers and our armed forces need to be fully equipped to ward off this new menace to our young democracy. Thus we see that not only national interest in terms of increased production and wealth suffers but also the very life of the nation is put into jeopardy because under ideological compulsion the ordnance factories are diverted from their proper role. This is but one isolated instance of how the phenomenal growth of the State sector in India without particular care or thought as to national interest has caused apprehension in the minds of citizens who desire to see rapid industrialisation of the country, promotion of equality of opportunities, high standards of living and social justice. The question may then be asked as to what would constitute a justification for State Undertakings. In order to contribute to national welfare and also automatically to preserve harmony in the industrial sector and public life, the following criteria can be considered:

1. Is the move to establish a state undertaking or extend the field of operation of state undertakings merely an ideological one or conducive to the maximisation of production in the country? The former is no justification for embarking on the venture.
2. Is the particular state undertaking a monopoly or semi-monopoly thus being in a position to hold the consumer at ransom and also deny him the supreme right of consumer's preference? If so, it has no justification.
3. Does a particular state undertaking produce goods and services efficiently and economically? If not, it need not exist.
4. Does the state undertaking give a fair deal to the

workers by way of salary, good working conditions and other amenities? Does it cast any disproportionate burden on the community for the sake of satisfying a section of workers? In other words, while the interests of the workers are to be protected, the interests of the community are not to be sacrificed. If this condition cannot be satisfied, then the state undertaking has no justification to exist.

5. Can a state undertaking be freed from political interference and placed outside the purview of exercise of power and patronage and enjoyment of prerequisites by politicians and bureaucrats? If not, the state undertaking has no justification.
6. Finally, can the state undertaking be controlled by Parliament and ultimately by the people? If not, it has no justification to exist.

As one considers all these conditions, in the light of operation of state undertakings not only in India but also abroad the picture which emerges is not rosy. To consider them one by one:

1. The need of the hour in an industrially underdeveloped country like India is maximisation of production. Therefore, the idea of planning has found favour with the generality of the people because it is the common belief that planning makes possible the efficient use of all resources of the community to the best possible extent. Therefore, when we desire to have, for the interest of rapid industrial development, a particular industry or more units in some fields of industry, ideological considerations should not influence the issue. Whether it be the State or private individuals who have come forward with a reasonable scheme to give that particular industry or industrial units to the country quicker and at a lower cost that offer should be made use of. Our experiences like the truck manufacturing case should not be repeated.

2. Economic systems as differing as those of the U.S.A. and U.S.S.R. share the same aim, viz., the raising of standards of living of the people. This phrase "standard of living" becomes meaningful only when the individual as a citizen can exercise his preference in the purchase of articles of daily need. Not only there should be a variety of goods but also differing prices so that he can have his choice. This precious right of the consumer is abridged and consequently the phrase standard of living loses its meaning when a particular industry is in a monopoly position. Not only will the consumer be denied the variety which he seeks but also the price will be such as the monopolist can charge at his discretion. This point should be carefully noted because there is a tendency on the part of the state undertakings in this country not to pay any heed to the consumer and his needs.

In this context, recent events in Soviet Russia become significant. A decree of the Communist Party on October 15, 1959, makes the following remarks on consumer goods:

"The production of many cultural and everyday household items lags behind the constantly growing demands of the population. There is a shortage of television sets; pianos; children's and youths' bicycles; washing and sewing machines; refrigerators; electric irons; food grinders; porcelain, china glass and enamel containers; household chemicals; hardware and other items.

"In several towns, and in some rural areas, it is not always possible to buy the simplest household needs, production of which could be organised on the spot. Very few goods made of plastic and other synthetic materials are being produced."

These complaints arise because the state is the monopolist producer!

3. The issue of efficient and economical operation of state

undertakings is the bugbear of all collectivists, i.e., the Socialists, Communists and Fascists. The theoretically professed feelings of the worker that the State Undertaking is owned by him are no substitute for material incentive or hard cash. Therefore, it is found necessary to give incentives to improve efficiency. But the institutional framework of state undertakings is such that it promotes a sense of irresponsibility in all concerned. For one thing, everybody's business becomes nobody's business. Secondly, the fact that behind the State Undertaking is the exchequer of the state with its immense resources contributed by the tax-payer, who can be legally forced to pay higher taxes, gives a sense of security and comfort to those who work in state undertakings. This complacency leads to utter demoralisation of efficiency. Even in state undertakings like the Hindustan Machine Tools which is said to be an example of efficient working of state undertakings in India, a number of facts set them apart from undertakings in the private field. For instance, the Congress Parliamentary Party Sub-committee report on State Undertakings confessed that Hindustan Aircraft Ltd and Bharat Electronics are two concerns which cannot be categorised with the general run of State undertakings. The report reads:

“There are two concerns about which special mention must be made. They are Hindustan Aircraft Ltd (H.A.L.) and Bharat Electronics Ltd. (B.E.L.) Bangalore. These are, in form, companies under the Companies Act and were so established, but their main customers are the Government and, that too mostly in the Defence Department and, in small measure, in the Railways. These establishments function, as they must, under security conditions and to some extent their working cannot be altogether exposed to public view—even though they are not secret

factories. Their developmental aspects calling for secret processes, and often infructuous expenditures but which are vital to the Nation, must be taken into account in any review of them. They are in fact Defence Factories. Often costs alone cannot be the criterion of production in these places.”

4. It is always claimed that state undertakings should be model employers. Unfortunately there is nowhere a wider gap between precept and practice as in this particular respect. The workers are denied legitimate right of political freedom. The recent Pay Commission report has also endorsed the denial to state employees of the legitimate rights of political freedom guaranteed to all citizens. The Pay Commission has felt that the phase has not yet been reached in India when a State employee can belong to any political group and yet work with a sense of impartiality in his official capacity. It is, therefore, very strange that even when such is the considered opinion of an expert body, the range of state undertakings should be expanded to cover a larger number of people and in the process to deny them their legitimate political rights and negativate democracy itself. Other difficulties which are not at all technical are also found in the operation of state undertakings giving an unfair deal to the workers. For instance, the admitted failure of the management participation by the workers in the Hindustan Machine Tools should be an eye-opener as to the schism between the workers and the management although both profess to belong to the nation and claim to own the factory!
5. Political interference is the bane of efficiency in state undertakings as also the cause of lowering standards of public conduct. Still, such interference cannot be minimised. Therefore, any enlarging of state undertakings will place a premium on political posts like

membership of legislatures and Ministership. A high premium on political life for the sake of power and patronage always accentuates social discord which in turn harms greater industrial production and welfare in the country.

6. Parliamentary control on state undertakings is a vexed problem faced by all democracies with state undertakings. The dilemma is well presented in the following words of an expert on the subject:

“The more independent the nationalised boards, the more they will exercise power without ‘accountability’; the less they are independent, the greater the risks of centralisation and lack of enterprise.”

It is an insoluble problem; how to ensure parliamentary control without interference into day-to-day administration. Anyone who doubts the complexity of this problem has only to read the recent publication entitled “Nationalisation in Great Britain” by R. Kelf-Cohen. The Congress Parliamentary Party sub-committee report is also an indication of how socialists are unable to devise a practical way to solve this problem.

From this study, the picture which emerges is not very hopeful. State undertakings *per se* do not contribute to any of the socially desirable ends. Therefore, ideological considerations should be thrown out and great care should be exercised in the setting up and operation of state undertakings. Only in fields where private enterprise cannot or does not come forth, should the state venture to start undertakings. This would be one of the pragmatic tests for setting up state undertakings. Such a pragmatic approach will not only reduce the tension between the so-called private and public sectors but also help the advancement of the country to the benefit of all citizens instead of to the exclusive benefit of a few politicians and bureaucrats who wield control over State undertakings.

★ ★ ★

IS SOCIALISM OUTDATED?

Prof. C. L. Gheevala

SOCIALISTS TODAY are faced with a dilemma as to the means to be adopted for the achievement of the general objectives which commonly characterise all socialist aspirations. The common objective is to create conditions of equality of opportunity for the large mass of people so that they may have the maximum scope for their self-expression and development. However, there are various schools of thought with profound variations in their choice of means—from Owenites, Christian Socialists, Syndicalists, Guild Socialists, Fabians to Marxists—all of which claim to be Socialists! The true ends which should inspire the socialist faith are being forgotten and the doctrinaire among the socialists are deifying the means into the ends themselves. They seek to identify socialism with increasing public enterprises, nationalisation, Central Planning and bureaucratisation irrespective of the consequences. It is significant to note that even those who talk in terms of democratic socialism appear to be profoundly influenced by certain ideological approach, particularly the Marxian approach and analysis. While affirming that the Marxian thought, which was formulated about 100 years before, will not fit in with the requirements of the present age, they do not seem to be completely free from pervasive influence of Marxism. "Socialists seem to talk one way and act another, with a schizophrenia that has upset themselves, bewildered their friends and played into the hands of their enemies." The technique of economic growth in India, the future of democratic planning and the survival of individual freedom and political democracy itself, all hinge today on

removing the prevailing confusion on the socialist pattern of society and defining our means to reach the objectives set forth in our constitution.

The basis of Marxist analysis stemmed from the technological fact of large accumulation of capital and the social fact that this capital, i.e., the instruments of production, was alienated from the workers and controlled by a separate class of owners. This gave rise to the concept of the exploitation of the worker (appropriation by the employer of the surplus value) and the relationship of the capitalist and the wage labourer. All the other consequences, the political domination of the owners, the class war, the growing pauperisation of the masses, inequality and the rest, spring from this basic separation of labour from capital. Marx built his theory of capitalist collapse and the metamorphosis of the capitalist ruling class on the central fact of the ownership of the means of production being vested in a class in the society. Hence the pattern of ownership (of the means of production) is the main determining principle of socialism in the Marxian approach.

How far our thinking has been influenced can be seen from the following which dominated the discussions at the A.I.C.C. seminar in Ooty in 1959.

- I. There should be a basic change in production relationships:
 - (a) between property and production, implying that the means of production should not be privately owned;
 - (b) between property and income, in removing private income or monopoly in rent;
 - (c) between employment, labour and production, in eliminating employer-employee relationships, which are deemed to be inimical to maximisation of output and providing for self-employment, co-operative or State Employment, and

(d) in production itself being socially orientated.

- II. That there should be no free-play of supply and demand in distribution, i.e., the market should be eliminated in due course; the trade being socially operated, the traders acting, more or less, as agents of the State.
- III. That the Private Sector should not be able to influence either output or price in any given field, implying that the Private Sector will remain on sufferance in the transition period until the Public Sector takes over completely the whole process of production and distribution and owns the means of production.

These are the implications stated as broad guiding principles to attain the socialist pattern; the differences are in emphasis or in the phasing of the means; but about the ultimate goal there does not appear to be any major deviation from the above. Now these implications are derived from the basic assumption that the ownership of the means of production, distribution and exchange determines the character of the socialist pattern of society. The crucial questions to be posed and answered are:

- (i) Whether ownership of the means of production, distribution and exchange is the fundamental conditioning factor to determine the socialist pattern; and
- (ii) whether the transference of ownership from one class in the society to the State is a guarantee for the removal of factors which inhibit economic growth and social equity and welfare.

Experience of socialist planning in free countries like the U.K., and others and trends in development of thought on socialism based on such experience, strike at the roots of the traditional Marxian dogma. Even in the Western countries, socialism was the product of a historical situation characterised by anarchic capitalism which does not exist today either in India or other democratic countries. No one

can deny the great social progress made in the U.K., U.S.A. and other democracies, in the last few decades with the progressive removal of unemployment, inequalities in income and an assurance of improved standard of living and social security benefits for the needy. All this has been achieved with a limited area of ownership, with the aid of techniques which have no relevance to the means of ownership. As pointed out by C.A.R. Crosland, eminent British Labour Party thinker, there was no evidence even in 1939 that the economic system of the U.K. was at all near the point of collapse as envisaged in terms of the inexorable logic of the contradictions inherent in a capitalist system and the apocalyptic predictions of Marxian analysis; the change in the economic climate is alone sufficient to disprove the basic tenet of Marxian approach that ownership of the means of production is the basic determinant in defining the socialist content and character of society. Whether or not this assumption was correct in the mid-19th century for conditions then prevailing in the U.K., it is clear that socialist thought does not recognise its validity today as a basic principle of socialism.

Ownership of the means of production is no longer deemed necessary for building up a socialist structure. On a very careful review and analysis of the future of socialism, Crosland has aptly concluded that, "Marx has little or nothing to offer to contemporary socialist either in respect of practical policy or of the correct analysis of our society or even of the right conceptual tools or frame-work. Intellectually though a towering giant among socialist thinkers, his prophecies have been almost without exception falsified and his conceptual tools are now quite inappropriate." Thus it is clear that the socialist pattern which seeks to derive its meaning and content from an outmoded dogma will hardly be acceptable to contemporary progressive thought and satisfy the norms of planning under Indian conditions. And yet it is a curious irony that some amongst the demo-

cratic socialists see in the Marxian analysis a science of social change!

The second crucial question is whether public ownership of the means of production, distribution and exchange will result in the establishment of a "socialist pattern of society" as assumed. Here again, experience has to be our reliable guide besides the force behind current views against exclusive or dominant State ownership. In spite of the different conceptions, complete ownership of all the means of production, distribution and exchange was, for a long time, regarded as a *sine quo non* for the establishment of a socialist economic system. The consequences of the experiments in such transfer of ownership to the State in the Soviet Union and later in other Communist countries have shattered the illusion nurtured by the traditional Marxian approach. All economic power has been transferred to the State and the result has been not a society of the free and equal, as Marx believed; but a totalitarian tyranny with political power concentrated in the State without effective restraints at all. The worker has been placed in a much less enviable position at the mercy of the State, with the loss of all individual freedom and dignity of labour, since the State, unlike the private employer, is ubiquitous in the system.

The advances towards common ownership in the democracies, particularly in the U.K. under Labour Government, have also raised doubts as to the efficacy of State machinery in controlling publicly owned industry. Common ownership in a democracy takes the form of nationalisation and there is no longer the confidence that nationalised industries would invariably be run on socialist lines. Parliament does not effectively control and it is not intended to control the internal working of the vast industrial undertakings which the State has created or taken over. It has been admitted that nationalisation has not provided the right answer to problems of development. As pointed

out by Frank Beskrick, "centralised control might well damp down the rate of development. There is no evidence that increased technical efficiency would necessarily follow from State ownership". As further affirmed by Crosland, "a higher working class standard of living, more efficiency, joint consultation, better labour relations, a proper utilisation of economic resources, a wide diffusion of power, a greater degree of cooperation and more social and economic equality—none of these now primarily requires a large scale change in the ownership for their fulfilment." The recognition of these new problems is aptly expressed in the new slogan "Nationalisation is not socialisation."

It would be equally difficult to assert that the nationalised sector works more efficiently or economically. The nett earnings of the nationalised sector in the U.K. have never been excessive. As pointed out by Francis Cassell, in eight years of operation the Transport Commission accumulated a deficit of £.70 millions and at the end of 1955 the Coal Board carried forward a loss of £.37 millions. The Central Electricity Authority and the Gas Boards in the aggregate had a nett annual return of less than 1% on the average fixed capital employed. By any strict commercial standard, such results would be considered utterly inadequate particularly for industries with heavy capital commitments. In this context the working of public enterprises in India has been none too reassuring from the point of view of the performance results. Reports of the Parliamentary Estimates Committee are replete with instances of "bureaucratic mishandling of public enterprises, lack of coordination, inefficiency and waste of public resources."

Experience has thus shown that it is not true that private ownership is necessarily anti-social; On the contrary, (i) private ownership can also be seen as a condition of freedom, (ii) the power of ownership even in public hands may be more dangerous and open to abuse; and (iii) that

ownership is not one indivisible right, but consists of a bundle of rights which are constantly changing and can be modified to the degree that society desires.

While, therefore the keynote of democratic socialist planning has to be its emphasis on maintaining a framework of opportunities which aim at achieving economic security, fair shares and an expanding economy, it must reject, at the same time, the idea of transformation of the economic system through total public ownership because that only leads to totalitarianism. The moment the State seeks to intervene beyond the framework of opportunities, it is likely to invade personal freedom and violate the values on which socialism rests. The function of the State should be one of purposive directing of the economic power towards social ends and with that objective in view it must undertake overall guidance of the economy. It is in this context that contemporary socialists agree that "the socialist economy is not just a planned economy, but a planned market economy." It is also realised that there is nothing inherently socialist about planning, since planning can be as much capitalist or fascist or communist. As affirmed by the Socialist Union, "socialist economy is a mixed economy part private, and part public, and mixed in all its aspects. It comprises private ownership as well as public ownership, private enterprise as well as public enterprise." In fact the socialist thought today has a more pragmatic approach towards problems of industrial organisation. According to it, competition and monopoly are neither wholly bad nor wholly good. Similarly, the dichotomy between private and public enterprise is also false and unreal. Neither public enterprise represents a sovereign panacea for all the economic ills nor private enterprise is all evil personified, deserving damnation. Really speaking, in the context of the mixed economy both have a legitimate and purposive role to play and contribute towards the desirable social ends in view.

Unfortunately, during discussions on planning in our

country, futile and fruitless controversies have raged round the question of the relative roles of the public and private enterprise. At times, the planners appear to have been obsessed with the idea of absolute superiority of the Public Sector and at times they appear to grudgingly accept the role and place of Private Sector in the task of building up the economy of the country. What we need is a healthier approach free from ideological predilections. It would be relevant here to quote the Socialist Union of Gt. Britain on the place and role of private sector as envisaged by them.

“The private sector of a socialist economy is not there merely on sufferance to be tolerated only on grounds of political expediency, with the Sword of Damocles hanging over it in perpetual threat. On the contrary, it has a legitimate and indeed a necessary function to perform. Within the limits of equality there must be opportunities for people to operate as they wish, to own, to initiate and experiment; they must be able to form associations to further their economic interests. In all these arenas the individual must have a chance to act without waiting for the approval of the State.”

Obviously, having regard to the important role which the Private Sector is expected to play, it cannot be hamstrung by a whole network of legislative and administrative restrictions since that would only defeat its purpose. The contemporary socialists have further recognised that private sector has an important legitimate place in the socialist economy because they place a value on individual freedom.

The logic of contemporary socialist thought which, at the same time, lays great emphasis on the basic democratic values, implies that the proper function of a Government in a democracy is to regulate the activities of the Private Sector to the extent necessary to maintain the balance of power in the markets so that conflicting interests are given equal weight. Government intervention has the purpose not

IS SOCIALISM OUTDATED?

Prof. C. L. Gheevala

SOCIALISTS TODAY are faced with a dilemma as to the means to be adopted for the achievement of the general objectives which commonly characterise all socialist aspirations. The common objective is to create conditions of equality of opportunity for the large mass of people so that they may have the maximum scope for their self-expression and development. However, there are various schools of thought with profound variations in their choice of means—from Owenites, Christian Socialists, Syndicalists, Guild Socialists, Fabians to Marxists—all of which claim to be Socialists! The true ends which should inspire the socialist faith are being forgotten and the doctrinaire among the socialists are deifying the means into the ends themselves. They seek to identify socialism with increasing public enterprises, nationalisation, Central Planning and bureaucratisation irrespective of the consequences. It is significant to note that even those who talk in terms of democratic socialism appear to be profoundly influenced by certain ideological approach, particularly the Marxian approach and analysis. While affirming that the Marxian thought, which was formulated about 100 years before, will not fit in with the requirements of the present age, they do not seem to be completely free from pervasive influence of Marxism. "Socialists seem to talk one way and act another, with a schizophrenia that has upset themselves, bewildered their friends and played into the hands of their enemies." The technique of economic growth in India, the future of democratic planning and the survival of individual freedom and political democracy itself, all hinge today on

country, futile and fruitless controversies have raged round the question of the relative roles of the public and private enterprise. At times, the planners appear to have been obsessed with the idea of absolute superiority of the Public Sector and at times they appear to grudgingly accept the role and place of Private Sector in the task of building up the economy of the country. What we need is a healthier approach free from ideological predilections. It would be relevant here to quote the Socialist Union of Gt. Britain on the place and role of private sector as envisaged by them.

“The private sector of a socialist economy is not there merely on sufferance to be tolerated only on grounds of political expediency; with the Sword of Damocles hanging over it in perpetual threat. On the contrary, it has a legitimate and indeed a necessary function to perform. Within the limits of equality there must be opportunities for people to operate as they wish, to own, to initiate and experiment; they must be able to form associations to further their economic interests. In all these arenas the individual must have a chance to act without waiting for the approval of the State.”

Obviously, having regard to the important role which the Private Sector is expected to play, it cannot be hamstrung by a whole network of legislative and administrative restrictions since that would only defeat its purpose. The contemporary socialists have further recognised that private sector has an important legitimate place in the socialist economy because they place a value on individual freedom.

The logic of contemporary socialist thought which, at the same time, lays great emphasis on the basic democratic values, implies that the proper function of a Government in a democracy is to regulate the activities of the Private Sector to the extent necessary to maintain the balance of power in the markets so that conflicting interests are given equal weight. Government intervention has the purpose not

of depriving people of their right to take decisions and accept responsibilities, but to alter the distribution of power in a way that no private interest is privileged. Within the perspective, it accepts the role of Public Sector at strategic points in the economy as a regulatory factor, resulting in a partial participation in the economy. From the point of view of ends of democratic socialism, the case for Public Sector does not rest on any doctrinaire grounds. As in the case of the Private Sector, it is to be judged as a means to an end. "There is no virtue in public enterprise in itself, but it is essential if the Government is to plan for economic security and an expanding economy. What is needed is not just more and more of any of these, but more to be used towards clearly defined ends. The first question is never 'How Much?', but 'What for?'. Public Sector has, therefore, to be selective, it must be purposive; it must be innovating; it must even be charged with a sense of mission. There is, therefore, not *a priori* case for any absolute expansion of the public sector. Its significance lies in no more than a partial participation in the economy. No one denies the importance of participation by the Public Sector at certain strategic points particularly in an underdeveloped economy, so as to quicken the pace of economic growth. It may provide the essential economic overheads such as nuclear or hydro-electric power, or rail and road development; it may again usefully provide a network of industrial research and training centres. All this would be readily accepted as its necessary and useful role vitally contributing to the rapid economic progress of the community, without in any manner curbing the initiative, enterprise and freedom of the citizen. There is thus room for both Public and Private Sectors both functioning with a definite purpose in the overall framework of the economy. Private Sector, in addition, is looked upon to serve both as a check and a challenge to the public sector. To quote the Socialist Union again, "As long as an independent sector remains, it can act as a perpetual and very effective

check on the State's activities. If there continue to be private employers and independent Trade Unions, and bargaining between them produces good results, there will be no escaping the insistence of the Union on similar conditions from public employers. If public enterprise is less efficient than private, if it gives less satisfactory service to the consumer, the comparison will be there for all to see and public opinion will not acquiesce for long. If private investment meets the nation's needs there will be no call for public investment. At every point the nature and efficacy of State activity can be directly challenged."

The best *via media* that has been suggested in this context has been that of a competitive public enterprise approach. The Government need not take over any of the existing units, but try to set up, if conditions warrant, new Government owned plants to compete with the existing private units. This approach not only saves the community from the dangers of over-centralisation and bureaucratisation but provides the necessary milieu for a healthy functioning of the Public Sector, since it will have to justify itself on grounds of performance and efficiency. It is essential that the competition between the units in the Public and the Private Sectors should be just and fair, free from any discriminatory treatment, in the allocation of resources, raw materials or labour. As stated by Crosland, "comparative performance must be the sole test. If public companies cannot compete on equal terms—they do not deserve to be set up." In the name of "common good", the State Sector cannot claim a right to go wrong, to work inefficiently or to fritter away national resources. Shorn off its ideological trappings, it cannot *ipso facto* assert any superior moral claim over the Private or the People's Sector except in terms of its actual performance of the functions it is expected to fulfil. The Public and Private Sectors must, in the last analysis, be judged by the contribution they make in their respective spheres to the realisation of the

objectives of planning, viz., rapid industrialisation of the country, expanding employment opportunities, raising the standard of living of the people and bringing about a reduction of the inequalities in income and wealth.

It is obvious to any student of contemporary planning, particularly in totalitarian countries, that the pattern is largely based on their classical formula for industrialisation —priority for development of heavy industry at the expense of the consumer goods industries, coupled with collectivisation of agriculture so as to extract surplus capital for financing industrial expansion. It is a matter of common knowledge that consequent on this strategy of planning, people in the totalitarian economies had to undergo endless privation and sufferings, coupled with the liquidation of hundreds and thousands of persons who would not readily fall in line with the collectives and communes. In fact, experience has shown that lopsided development of heavy industries at the cost of agriculture and consumer goods industries leads to a great deal of discontent and even revolt as seen in the case of Poland and Hungary. As has been aptly pointed out by Mr. Roderick MacFarquhar, such a process must inevitably end up with full-fledged totalitarian system *via* economic revolution, just the opposite way of Russia, where “Leninist political revolution passed over into the Stalinist economic revolution.”

It is, indeed, true that Rostow's theory of “Stages of Growth” poses a direct challenge to the Marxian materialistic interpretation of history. Instead of being pre-determined in a fatalistic manner in terms of a monistic principle of economic motivation human society is visualised at each stage in its development by a complex of forces interacting on each other, cultural, social, political and religious. The Indian planners talk in terms of having reached or being on the threshold of the “take-off stage” which may lead to “self-sustained” growth, moving next to the stage of technological maturity and finally to that of the “mature nation”

or stage of "high mass-consumption". While accepting the richness and the realism of this new analysis, David Howell points out that the theory is at its weakest, when the author accepts Communism as one of the methods—however inhuman and undesirable "by which pre-conditions may be marshalled in preparation for the 'take-off' into self-sustained growth". Rostow accepts that under-developed economies may have to take chances with this method during the transitional stage. Historical experience, however, does not bear testimony to the withering away of the State with the drive to maturity in a developing economy. The theory errs on the side of mechanical simplicity and a type of determinism. Rather than depend on democracy and humanity asserting themselves somehow at some stage of development, it is fundamental that we seek to strengthen democracy at the grass-roots, right at the beginning, by stimulating individual initiative, freedom and creativity. We must make an irrevocable choice between "growth through tyranny" and "growth through freedom."

The problem, therefore before an under-developed country as ours, which has to face the challenge of totalitarian techniques and methods in promoting rapid economic growth by democratic means, is one of striking a mean between the two approaches; viz., (i) capital-intensive investment with a heavy industry orientated bias, and (ii) the marginal productivity approach, as exclusive adoption of any one of the methods taken singly will be unsuited to our requirements. The former method, leading to concentration of heavy and basic industries, seeks to create industrial nuclei or islands of advanced and relatively capital-intensive technology in the hope that these will constitute strategic points in the economy, which will lead to a take-off phase in economic development and finally to a stage of self-sustained growth, generating spontaneous momentum towards development in the rest of the economy.

The crucial problem to be faced in the capital-intensive

method is the heavy demand on meagre total resources available in an under-developed economy, the prolonged gestation period required for heavy industries, relative starvation of consumer goods industries in the transition period with consequent scarcity of goods and services, creation of inflationary pressures in the economy and finally the privation and suffering of the people who have hardly any more margin left for further tightening up of their belts. All these create a highly explosive situation which would only lead a nascent democracy such as ours to the verge of a break-down. It is not without significance that among other elements, the communists are the staunchest champions of heavy-industry orientated planning on an ambitious scale advocating simultaneous nationalisation of industries and services, widening the ambit of the state sector, State Trading and agricultural co-operatives. This is a primary and fundamental problem which faces all those under-developed economies which seek to adopt a pattern of economic revolution based on the principle of imbalanced growth.

In fact, it is now being increasingly realised that our strategy in the Second Plan which concentrated on large scale capital-intensive heavy industries and big projects has signally failed to generate any mass enthusiasm which is essential in any scheme of democratic planning. It is only when schemes and projects vitally touch the life of the people at large that we can evoke a feeling of enthusiasm in them and harness the spontaneous release of energy in the task of accelerating the pace of our development. Instead, as has been pointed out above, there has been a wide-spread feeling of frustration consequent upon the development of stresses and strains in the economy. It is refreshing to note that the Prime Minister, despite his fervent attachment to the master-strategy underlying the Second Plan, has recognised the growing imbalance in our thinking and emphasised the need for redressing the same.

“Not only did large projects take long to come to fruition, but failed to reach down to the people or to elicit their understanding or cooperation. On the other hand, they frequently resulted in the uprooting of hundreds of families and thus alienating their sympathy.” It is to be hoped that for the future, there will be a shift in the emphasis and special attention will be given to initiating thousands of small projects and schemes which, because of their direct impact on the lives of millions of people, can ensure better understanding of the implications and significance of planning and thereby evoke real democratic support and cooperation of the people in the great task of development.

Democratic socialism has to address itself to the wider and more fundamental question of dangers of centralisation and bureaucratisation to individual freedom and initiative. It can ignore these vital issues at its own peril. The serious consequence of a policy of nationalisation, implying an absolute expansion of the Public Sector, would be the setting up of vast bureaucratic corporations with large accretions of power. Such organisations can only be remotely responsible to Parliament and, in reality, will constitute a veritable threat to the freedom of the individual. As pointed out in “Twentieth Century Socialism”, “in such a system, there is no freedom to experiment with ideas which have not won State approval. The man who wishes to risk or dare is a misfit or worse. To eliminate all private capital is to open the road to totalitarianism.” Instead of realising the objectives of a democratic socialist order, it will create problems arising out of a undue concentration of economic power in the political hands and bureaucracy. R. H. S. Crossman, the British Labour M.P., observing the socialist experiment in the U.K. which sought to subject the economy to public control in the name of freedom and democracy, candidly posed the dilemma: “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?"

There is thus a need for restatement of socialist aims, not in terms of a demand for change of ownership of the means of production, distribution and exchange, but in terms of social equality, social welfare and planned development of the economy. Ownership is no longer the clue to the total picture of social relations; nor does State planning depend exclusively on ownership. What are the objectives of a truly socialistic pattern? And what are the means for achieving the same? The hard core of socialist idealism is always the concept of equality in its meaningful expression of equality of opportunity, irrespective of class, or barriers of privilege. Everything that is really distinctive in socialism springs ultimately from equality of opportunity to express one's own personality which enables people to live in freedom, fellowship and to enrich the content of life. To isolate socialism from the personality of the individual is to ignore the basic ideal of equality and be concerned with a mechanical sharing out of what is. In the historical context, the ideals of a socialist society can emerge only on the fundamental principles of liberty, equality and fraternity, guaranteed under the Constitution. These, therefore, postulate the continuance of a strong and full-fledged political democracy. The socialist pattern of the 19th century Marxism is inconsistent with the growth of democratic values. In the significant words of Mr. Nehru, "We want to produce material goods of the world and to have a high standard of living, but not at the expense of the spirit of man, not at the expense of his adventurous spirit, not at the expense of all those fine things of life which have ennobled man throughout the ages."

India has launched upon a unique experiment in economic revolution to meet the challenge of fighting the problem of poverty of four hundred millions of people living under pitifully low standards of living. Simultaneously,

India is pledged to fight this problem within the framework of a democratic constitution without in any way sacrificing the basic democratic values of life. India thus symbolises the only experiment in the democratic world where economic planning has been undertaken on a vast scale. The attention of the world is naturally focussed on this bold and massive undertaking since on the success or failure of this experiment hinges the future of the nascent democracies in the Asiatic countries which have been already down under pressure of socio-economic compulsions.

Let those who have undertaken the task of ushering in a "socialist pattern of society", while preserving at the same time the democratic values of life, rid themselves first of the characteristic schizophrenia of talking in terms of democracy and acting under outworn Marxian dogmas. The world expects India, with her rich heritage of spiritual past and Gandhian ideals, to strike a new path to evolve a new technique and a new approach for transforming the present social structure. It is necessary to realise that basically socialism is a way of life, representing certain ethical values which cannot be imposed from above by dictates of Government or by merely nationalising industries. That way lies the road to State Capitalism and eventually to an authoritarian monolithic State.

Neither *laissez faire*, nor State capitalism, nor any totalitarian system can provide an adequate answer to the challenge. What is necessary is a new creative synthesis which provides a technique of economic growth, which, while achieving rapid economic changes, provides, at the same time, maximum opportunities to the individual for the fullest play of his initiative, enterprise and capabilities.

Will India successfully work at this new creative synthesis and prove to be a sheet anchor of faith and hope to the underdeveloped nations of the world?

★ ★ ★

good by minimising exploitation, it does not
destroy individuality as it was
human nature as it was

Human Nature

IT IS IMPORTANT to understand certain things about socialism. As originally conceived, it was not merely a political and economic programme; it was, in its ultimate sense, a philosophy of society, a way of life. It aimed not merely at correcting the economic shortcomings of the pre-1939 economic order and at the removal of manifest social injustices; it provided not merely a political programme by which it hoped to accomplish these objectives; it also had in view the acceptance by society of a new set of values, based on what it called the service motive. It aimed at replacing a society which it claimed was inspired mainly by personal profit by a society motivated by the ideal of personal service. It aimed, indeed, at a transformation of human nature itself. Thus it proposed the nationalisation of industry not merely because it held that public enterprise would be more efficient than private enterprise, but because it would assist the subordination of the motive of private gain to that of public service. In this sense socialism was a revolutionary movement. Its ultimate aim was not just to improve, but to destroy entirely, the old structure of society and to replace it with a new edifice founded on a different set of values.

Of course there has never been any doubt that a world in which self-interest played little or no part and in which the desire to serve their fellow humans was predominant in men's hearts would be a far better world than any we have seen yet. The question to which the socialists never gave sufficient thought was whether you had to take human nature as you found it; whether you had to base your eco-

India is pledged to fight this problem within the framework of a democratic constitution without in any way sacrificing the basic democratic values of life. India thus symbolises the only experiment in the democratic world where economic planning has been undertaken on a vast scale. The attention of the world is naturally focussed on this bold and massive undertaking since on the success or failure of this experiment hinges the future of the nascent democracies in the Asiatic countries which have been already down under pressure of socio-economic compulsions.

Let those who have undertaken the task of ushering in a "socialist pattern of society", while preserving at the same time the democratic values of life, rid themselves first of the characteristic schizophrenia of talking in terms of democracy and acting under outworn Marxian dogma. The world expects India, with her rich heritage of spiritual past and Gandhian ideals, to strike a new path to evolve a new technique and a new approach for transforming the present social structure. It is necessary to realise that basically socialism is a way of life, representing certain ethical values which cannot be imposed from above by dictatorial Government or by merely nationalising industries. That way lies the road to State Capitalism and eventually to an authoritarian monolithic State.

Neither *laissez faire*, nor State capitalism, nor any totalitarian system can provide an adequate answer to the challenge. What is necessary is a new creative synthesis which provides a technique of economic growth, which, while achieving rapid economic changes, provides, at the same time, maximum opportunities to the individual for the fullest play of his initiative, enterprise and capabilities.

Will India successfully work at this new creative synthesis and prove to be a sheet anchor of faith and hope to the underdeveloped nations of the world?

★ ★

APPENDIX A

Socialism and Human Nature

IT IS IMPORTANT to understand certain things about socialism. As originally conceived, it was not merely a political and economic programme; it was, in its ultimate sense, a philosophy of society, a way of life. It aimed not merely at correcting the economic shortcomings of the pre-1939 economic order and at the removal of manifest social injustices; it provided not merely a political programme by which it hoped to accomplish these objectives; it also had in view the acceptance by society of a new set of values, based on what it called the service motive. It aimed at replacing a society which it claimed was inspired mainly by personal profit by a society motivated by the ideal of personal service. It aimed, indeed, at a transformation of human nature itself. Thus it proposed the nationalisation of industry not merely because it held that public enterprise would be more efficient than private enterprise, but because it would assist the subordination of the motive of private gain to that of public service. In this sense socialism was a revolutionary movement. Its ultimate aim was not just to improve, but to destroy entirely, the old structure of society and to replace it with a new edifice founded on a different set of values.

Of course there has never been any doubt that a world in which self-interest played little or no part and in which the desire to serve their fellow humans was predominant in men's hearts would be a far better world than any we have seen yet. The question to which the socialists never gave sufficient thought was whether you had to take human nature as you found it; whether you had to base your eco-

nomic and social institutions on human nature as it was, rather than on something that it clearly was not. Socialism represented an idealized rather than a practical conception of society. The great Canadian political philosopher and humorist, Stephen Leacock, gave the classic retort: "Socialism means everybody working along with everybody else for everybody's good, in cheerful co-operation and equality, instead of each selfishly working for himself in a world of inequality and injustice. The idea is grand. I'm all for it. But I'm not fit for it. At least I might be, but I doubt you other people. I'd hate to give up my house and my shares in my latest get-rich-quick gold mine till I'm a little more sure of the rest of you". (*An excerpt from an article titled "October 8" appearing in the "REVIEW" published by the Institute of Public Affairs, Victoria, Australia.*)



MAHATMA GANDHI ON DEMOCRACY AND STATISM

"Gandhiji defined democracy as 'the art and science of mobilizing the entire physical, economic and spiritual resources of all the various sections of the people in the service of the common good of all.' It would be a negation of democracy, he said, if the Government did everything for the people and people did nothing, or if the Government prevented them from doing anything they wanted to do. A Government worth the name had to show the nation how to face the handicaps of life through their own collective effort instead of its being effortlessly helped to live anyhow." — (*From an article by Pyarelal in "Hindustan Times" of Oct. 2, 1958*)



"I look upon an increase in 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 is at the root of all progress.

“The State represents violence in a concentrated and organised form. The individual has a soul, but as the State is a soulless machine, it can never be weaned from violence to which it owes its very existence.

“It is my firm conviction that if the State suppressed Capitalism by violence, it will be caught in the coil of violence itself and fail to develop non-violence at any time.

“What I would personally prefer, would be, not a centralisation of power in the hands of the State but an extension of the sense of trusteeship; as in my opinion the violence of private ownership is less injurious than violence of the State. However, if it is unavoidable, I would support a minimum of State ownership.

“What I disapprove is an organisation based on force which a State is. Voluntary organisation there must be.”

— *Mahatma Gandhi*



“Individual freedom alone can make a man voluntarily surrender himself completely to the service of the society. If it is wrested from him, he becomes an automaton and society is ruined. No society can possibly be built on a denial of individual freedom.”

— *Mahatma Gandhi*



“Self-government means a continuous effort to be independent of government control whether it is foreign government or it is national. Swaraj government will be a sorry affair if people look up to it for the regulation of every detail in life.”

— *Mahatma Gandhi*

“To me political power is not an end but one of the means of enabling people to better their condition in every department of life. Political power means capacity to regulate national life through national representatives. If national life becomes so perfect as to become self-regulated, no representation becomes necessary. There is then a state of enlightened anarchy. In such a state everyone is his own ruler. He rules himself in such a manner that he is never a hindrance to his neighbour. In the ideal State, therefore, there is no political power because there is no State. But the ideal is never fully realised in life. Hence the classical statement of Thoreau that that government is best which governs the least.”

— *Mahatma Gandhi*



NATIONALISATION—WHAT BRITISH SOCIALISTS SAY NOW

“I disagree with the view that nationalisation or even public ownership is the be-all and end-all, the ultimate first principle and aim of Socialism.”

— *Mr. Gaitskell, M.P.*



“I have little doubt that the Labour Party would greatly strengthen its prospects of office if it could disconnect itself once and for all from the idea of further nationalisation; and, for that matter, from any forms of interference with the ordinary citizens’ liberty that were made necessary by the shortages of the years just after the war. What contribution might still be made by public or common ownership, or by social accountability, I cannot stop to inquire. I must confine myself to meeting the objection that by throwing away nationalisation we should be ‘pouring out the baby with the bath water.’

“To put it crudely, should we not be liquidating the very essentials of Socialism? To that I return an unhesitating ‘No!’”
— *Lord Pakenham*, former Minister of Civil Aviation



“Take that line of nationalisation cans down from the shelf and let’s have a look at them. A bit dusty. Not selling so well as they used to. Where did they come from? In fact, 1918 is the date when nationalisation first appeared, although it was made in Germany rather earlier by Mr. Marx. ‘Common ownership of all the means of production, distribution and exchange’ is the slogan on the tins.

“I have no doubt at all that we must scrap nationalisation. That is politics—‘Government of the people, for the people, and by the people,’ and the people have spoken. They want no more of the Labour Party’s stale lines....”

— *Mr. F. J. Bellenger*, M.P., former Secretary of State for War.



“It is no good just bashing away at nationalisation like a dinosaur. We all know what happened to him: he had a large body, I am sure a large heart, but he had a pin head, and he is extinct.”

— *Mrs. Eirene White*, M.P.



“It is humbug to argue that a nationalised concern is necessarily more efficient than either an old-time East End sweat-shop or a great modern combine such as Unilever.”

— *Mr. F. Beswick*, M.P.

NATIONALISATION LEADS TO THE SLAVE STATE

“Nationalisation as an end in itself is something to which my government is certainly not wedded to. We realise and we have seen that nationalisation on a large scale of the means of production, distribution and exchange, undoubtedly leads not to the enlargement of freedom, according to my concept of a progressive measure, but ultimately leads to the denial of freedom and the ushering in of slavery on a large scale. It was possible to arrive at that conclusion as a mere matter of theory, but our theory is strengthened by the fact that we have seen it happen and we have seen the consequences. To my mind, if a society in which the concentration of wealth and consequently power, in the hands of a few is inequitable — as it should be — the concentration of all power and wealth in the hands of one omnipotent body, the State, is more inequitable. It leads undoubtedly to the serfdom of the community to the State. In short, the ushering in of a slave State. Therefore it does not reconcile with my conception of a progressive measure. Although my definition of a progressive measure is entirely my own, I must confess that these two are irreconcilable. The path to a freer society; the path to a more just society; the path—shall I say—to the normally accepted socialist society; does not lie through State-ownership as an end in itself, but by the ownership and management of the affairs of the community by the community at large. That is by a dispersal of ownership and a decentralisation of functions. In such a scheme of things, I can assure you, in all sincerity, that I visualize a most important phase for the private sector. — (from a speech by Mr. Dudley Senanayake, the then Prime Minister of Ceylon, on March 26, 1960)

NATIONALISATION CREATES ECONOMIC BUREAUCRACY

Shrirampur, May 3, 1961

“The Sarvodaya leader, Shri Jayaprakash Narayan, said here on Tuesday that nationalisation of big industries would not solve India’s economic problems nor would it achieve the general well-being of the society.

“Such nationalisation would only create an ‘economic bureaucracy, in addition to the other administrative personnel that would get high salaries without looking after the interests of the common people, he added.

“Addressing a public meeting here he said that although the railways in India were ‘Nationalised,’ that step did not give any satisfaction or power to the people at large. Only a few high-salaried officers wielded power.” — (from the “Free Press Journal” dated May 4, 1961)



BURMESE PREMIER U.NU ON STATE ENTERPRISES

“We must now review the extent of State participation in economic activity with strict reference to these limitations.

“Let me at the very outset make it clear that I am not advocating that because of our past experience the State must now abstain entirely from participating in economic activity. The days of economic theorists who advocated complete abstention are long past, and there is no country in the world today, no matter what its political character, which does not participate to some extent or other in economic activity. I believe strongly that in underdeveloped countries like our own the government must participate actively and directly in economic development if we are to bring to the common man a much larger degree of econo-

mic prosperity and freedom than he had ever enjoyed in past history.

“There is no question whatever about this.

“But we must at the same time recognize that there are definite limitations under which a government must operate, and that failure to recognise these limitations inevitably leads to frustration, and to defeat of the objective itself. The principle of State participation must be conceded; but its extent and nature must be clearly determined with reference to these limitations, and in particular to the conditions prevailing in one’s own country.

“Let us now explain what these limitations are, and to what degree the conditions of our own country should modify the extent and nature of government participation in economic activity.

“The first and most important of these limitations arises from the fact that for a government to play a dominant part in economic activity and succeed:

“(a) it must either be a totalitarian State; or

“(b) if it is a democratic State, it must have an extremely efficient and numerically very strong civil service with a capacity to apply its talents to business operations with the same facility as it does to government administration.

“We are not of course a totalitarian State; neither is our civil service numerically strong enough for the purpose. Our mistake therefore lay in embarking on large-scale State participation without either of these conditions being fulfilled.

“The position is no different today.

“We are firmly pledged to avoid totalitarianism and one-party rule; neither can we develop in the foreseeable future a civil service with the strength and ability needed to run State enterprises on an extensive scale. The inevitable

conclusion therefore is that we must restrict the scope of State participation in economic activity, and regulate it strictly in accordance with our man-power resources.

“Our policy must therefore be one of gradual withdrawal of the State from economic activity until its scope becomes narrow enough for our available man-power resources to handle it with efficiency, or alternatively to strengthen our civil service to the required extent. In concrete terms, we propose during the next four years that we shall be in power not to embark on any new State enterprise without paying specific attention to the limiting factors I have described above, and in particular, not to nationalize any existing industry or enterprise which is in private hands. We propose accordingly to hand back to private enterprise such of the existing State enterprises and organisations as after due enquiry appears to be incapable of efficient operation by State agencies.” —(*Excerpts from a policy speech delivered by Burmese Premier, U. Nu, before the Chamber of Deputies on April 5, 1960*)



STATE ENTERPRISES & UNECONOMIC IMPORTS

Although State Enterprises technically belong to the people, even as the Estimates Committee of Parliament once pointed out it is difficult to get information regarding their working. The citizen has to depend on the statements made by Government spokesmen. Sometimes these statements do not convey an accurate picture of state enterprises. In this context, the following letter to the editor of the “Amrit Bazar Patrika” (of Calcutta) dated March 30, 1961, on the working of the State Trading Corporation (S.T.C.) provides ample food for thought:

ARE S.T.C. IMPORTS REALLY CHEAPER?*

Sir:

Inaugurating the meeting of the Import Advisory Council in Delhi on February 13, Shri Lal Bahadur Sastri said *inter alia* that the prices of commodities imported by the S.T.C. had risen by only 3%, whereas in the case of the private sector it was 33%. He cited mercury and other non-ferrous metals imported by established importers. Shri Sastri also said that the S.T.C. would import those items which were not readily available and whose prices were high.

When in 1959 mercury was imported by the S.T.C., with also small quota licences to established importers, the price rose to about Rs. 4,000/- per bottle of 75 lbs. against the landed cost of Rs. 1,000/- per bottle approximately. Subsequently, the S.T.C. stopped imports of mercury and quotas to established importers were substantially increased, with the result that the prices dropped down to about Rs. 1,600/- per bottle, which was the rate in August, 1960. Immediately after the Import Advisory Council's meeting held on August 27, 1960 in Delhi, when Shri Sastri announced that the S.T.C. would again import mercury, hinting that no licences would be granted to established importers during Oct./March-61, the price started moving up, and to-day it is around Rs. 2,400/- per bottle.

During the current period (Oct.-60/March-61) mercury has been totally banned to established importers and the S.T.C. has been granted a licence. It is reported that 350 bottles of mercury have already been imported into Bombay from Hungary and that the selling price to consumers has been fixed at Rs. 1,800/- per bottle.

* A letter to the editor of *Amrit Bazar Patrika*, Calcutta, dated March 30, 1961.

The landed cost of mercury in such a bulk shipment, if imported direct from the origin, i.e., Spain and Italy, would be about Rs. 1,000/- per bottle. It is, therefore, surprising that the S.T.C. should have fixed as high a selling price as Rs. 1,800/- per bottle which represents 80% profit!

Now the question is — who are sharing this huge 80% profit? As far as I know, Hungary does not produce mercury, and the fact that 350 bottles of mercury have been imported from that country leads one to think whether Spanish/Italian Mercury is being imported through Hungary as intermediary, due to some trade agreement, and whether Hungary is having a large slice of the profit, resulting in the selling price to the consumers being so high. If so, this is an example of uneconomic imports from Communist countries which have become necessary due to foreign loans required for terrific Plans.

— J. L. SIRCAR
(Calcutta)



STATE ENTERPRISES AND SOUND COMMERCIAL PRACTICES

Among democratic countries, Great Britain has had considerable experience in running nationalised industries. The current emphasis laid there on efficiency and sound commercial practices in nationalised industries needs to be carefully studied in our country where the zeal for nationalisation seems to outrun practical considerations of rapid economic growth. The following excerpts from a report of the British Government on "The Financial and Economic obligations of the Nationalised Industries" (published, April 1961) deserve serious study:

“First, the task of government is to ensure that the industries are organised and administered efficiently and economically to carry out their responsibilities, and that they are thus enabled to make the maximum contribution towards the economic well-being of the community as a whole. Second, although the industries have obligations of a national and non-commercial kind, they are not, and ought not, to be regarded as social services absolved from economic and commercial justification.”



“Although some of the undertakings show general reserves in their balance sheets these are in some cases entirely obliterated by accumulated deficits on revenue account. The total retained income of all these industries taken together (including supplementary depreciation provisions, capital redemption funds and reserves) has not been sufficient to provide for the replacement of assets used up in the production process, and this is also the case in most of the individual industries concerned.”



“Thus the operation of the nationalised industries with an unduly low rate of return on capital is sooner or later damaging to the economy as a whole. It must result either in higher taxation or in greater borrowing by the Exchequer in order to provide for the replacement of their assets and for new development.”



DOUBLE STANDARDS APPLIED TO STATE AND PRIVATE ENTERPRISES

“I have every sympathy for Government in dealing with

wage problems of the type with which we, in the private sector, are confronted. It will, however, be difficult to deny that most of the problems emanate from the pattern of labour policy evolved by the Labour Ministry, apparently functioning independently of other Ministries. It appears that the broad interpretation of the basic philosophy of social justice is sought to be secured by the Labour Ministry through the medium of tripartite Conferences. At these meetings, the vocal elements of labour wax eloquent and clamour, and the representatives of the organised industries succumb to such demands under moral pressure from Government. It is interesting to note that, at these Conferences, the representatives of employing Ministries invariably sit silently, only to have their second thoughts or repudiate later the very principle which the employers in the private sector were made to concede and agree. This tendency is conspicuously noticeable on such important subjects as (i) Need-based Wage; (ii) Participation of Labour in Management; (iii) Code of Discipline; and (iv) Voluntary Arbitration. The *modus operandi* is to twist the tail of the caged tiger, viz., the private employer, in whose case the enforcement of such policies is comparatively easy and is a matter of simple pressure tactics. Thereafter, the Labour Ministry has to fight a lone battle with the model employers, viz., the employing Ministries, who, incidentally, are the biggest employers, and who subsequently find it difficult to give immediate effect to the philosophy of social justice, so easily adumbrated and preached by the Labour Ministry and so difficult to practise by Government's own employing interests.

“There is no doubt that the question of bonus will create for the employing Ministries one of the most formidable headaches ever faced by Government on the labour front. For years, we have looked upon bonus from different angles. It was originally a voluntary gesture, in some establishments, by way of distribution of profits. In other

cases, it was a matter of *ex-gratia* payment. During the last few years, its concept and connotation have undergone substantial changes. Today, our highest judicial authority seem to regard it as a compensation against sub-standard Wages. In other words, it is a supplemental burden which *all employers* are called upon to bear in order to bridge the gap between the 'living wage' and the emoluments received by the employees. If this interpretation is acceptable to our Government, I cannot see how any public sector employee can be denied bonus. The Railwaymen, the Post and Telegraph employees and all those who work in Central and State Government Offices would, undoubtedly, be entitled to an additional remuneration, if not as bonus, then as a supplemental wage, in order to make good the deficiency between the living wage and the prevailing wage." — (from the presidential address by Mr. N. H. Tata at the 28th general body meeting of the Employers' Federation of India in Bombay on April 20, 1961)

MISCELLANY

"If it is right that it is only possible to distribute what has first been produced, then the first concern of all social reformers must be with that economic order which is most effective. Only after that can other questions be asked. When in any kind of economic order all go equally hungry, then this is neither a solution of the problem of just distribution, nor of security nor any other social question. Nor is it impressive when efforts are made to render the effects of a bad order more palatable by ethical embroideries and appeals to the common interests of all."

— Walter Eucken



"If we desire to guarantee a permanent free economic and social order, then it becomes essential to achieve freedom

with an equally freedom-loving policy. That is why, for example, it is contradictory to exclude from the market economic order private initiative, foresight and responsibility, even when the individual is not in a material position to exercise such virtues. Economic freedom and compulsory insurance are not compatible." — *Dr. Ludwig Erhard, Vice-Chancellor and Minister for Economic Affairs of the German Federal Republic.*



"Now I will be as frank as St. Augustine, and admit that the professed Socialists are also a very mixed lot, and that if joining them meant inviting them indiscriminately to tea I should strongly advise you not to do it, as they are just like other people, which means that some of them steal spoons when they get the chance. The nice ones are very nice; the general run are no worse than their neighbour; and the undesirable ones include some of the most thorough placed rascals you could meet anywhere."

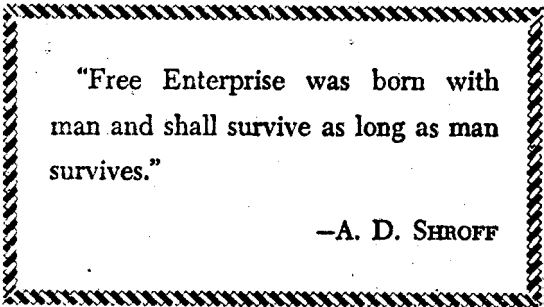
— *George Bernard Shaw*

APPENDIX B

The following books are recommended for study by those who desire to get a further insight into fundamental issues relating to socialism. This list is by no means comprehensive.

1. *The Foundations of Economics* } by Walter Eucken
2. *This Unsuccessful Age* }
(Publishers: William Hodge & Co.)
3. *Humane Economy* by Wilhelm Roepke
(Publishers: Henry Regner Co.)
4. *Prosperity Through Competition* by Ludwig Erhard
(Publishers: Asia Publishing House)
5. *The Road to Serfdom* } by F. A. Hayek
6. *The Constitution of Liberty* }
(Publishers: University of Chicago Press)
7. *Ordeal by Planning* by John Jewkes
(Publishers: Macmillan & Co.)
8. *Nationalisation in Gt. Britain – End of a Dogma* by R. Kelf-Cohen
(Publishers: St. Martin's Press)
9. *Socialism* by Ludwig von Mises
(Publishers: Jonathan Cape)
10. *All Capitalists Now* (Hobart Paper) by Graham Hutton

(Views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise)



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

—A. D. SHROFF

**HAVE YOU JOINED THE
FORUM?**

Annual membership fee is Rs. 10/-
only.

Bona Fide students can get our
literature for a year by becoming
student associates on payment of
Rs. 2/- only.

Published by M. R. PAI, for Forum of Free Enterprise, "Sohrab House", 235 Dr. Dadabhai Naoroji Road, Bombay 1, and printed by P. A. RAMAN at *Inland Printers*, Victoria Mills Building, 55, Gamdevi Road, Bombay 7.

A SURVEY OF SOCIALISM TODAY

A. D. Shroff
Murarji Vaidya
Prof. C. L. Gheevala



FORUM OF FREE ENTERPRISE

SOHRAB HOUSE, 235, D. NAOROJI ROAD, BOMBAY-1