DANGER OF OUTMODED SOCIALISM TO INDIA'S WELFARE

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

—EUGENE BLACK

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

—A. D. SHROFF
(1899-1965)
Founder-President,
Forum of Free Enterprise.

DANGER OF OUTMODED SOCIALISM TO INDIA'S WELFARE*

By

Murarji J. Vaidya

After 19 years of freedom and 15 years of planning, the country is in the midst of an economic crisis. The shadow of famine has fallen across some areas, food scarcity persists in many others; prices continue to soar year after year to the point where the Governor of the Reserve Bank of India has warned of the dangers of "galloping inflation"; foreign exchange crisis has completed its tenth anniversary and devaluation of the Rupee, decided upon by the Government apparently without adequate forethought or preparation, in June 1966 has proved that what we are living with is not "balance of payments difficulties" which characterise a developing economy, but a "balance of payments" problem; the despondency of the entrepreneurial class and the pessimism of the investing public has spread to the general public whose "Revolution of Rising Expectations" promised to be fulfilled by Five-Year Plans has now become the "Revolution of Crisis and Frustration." In fine, in the words of a noted economist, India's progress has been from "poverty to pauperism," and from some unnecessary and badly administered economic controls to an all-pervasive regime of ill-conceived and undemocratic regimentation of the day-to-day lives of the people in all fields of human activity, from birth to death.

Devaluation of the rupee has not brought about the promised results. The trade deficit for the post devaluation period, June-September 1966, is Rs. 253.25 crores as against Rs. 233.15 crores for the same period in 1965. In terms of exports, the loss is £40.6 million in the first four months of devaluation.

The foreign debt obligations have increased from about Rs. 2,600 crores to Rs. 4,100 crores. The cost of Public and

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Private Sector projects has also gone up, thus pushing up the Plan costs. At the same time, prices have not remained stable. Since devaluation, the price level had gone up by about 3.4 per cent till 15th October, according to the Union Finance Minister.

This tragic turn to our national ambitions of economic development has had serious implications for the democratic way of life also. As inflation is steadily crushing out of existence the most stable element in any democracy, *viz.* the middle-classes, the respect for law and order is diminishing at an alarming rate. Unconstitutional methods and violent agitations are eating into the democratic, republican constitution which this country gave to itself in 1950. An official survey showed that between January 1964 and August 1965, there were, on an average, 36 agitations a week. Of a total number of 2,909 agitations, 592 were violent and resulted in destruction of private and public property. The Central and State Governments seem to be incapable of dealing adequately with flagrant violations of the law by unpatriotic and anti-social elements.

This state of affairs needs to be set right. If the cause of our economic malady is found, then the right remedy can be applied.

The present economic crisis is not an overnight phenomenon. It is the cumulative result of wrong economic policies followed over the years. These policies have flowed from the so-called "socialist" economic ideology adopted by the Government since 1955.

Socialism is a term with strong emotional overtones. Therefore, a dispassionate analysis of it is necessary. Like all ideologies, its objective is human welfare. In theory, on the political side, socialism stands for "freedom" and "equality." On the economic side, it advocates centralised comprehensive planning of the economy by the state and expansion of the Public Sector in the economy by nationalisation of existing enterprises, and starting of new ones only by the State.

In actual practice, however, most of the countries who have adopted socialism as their way of life have done so largely under the compulsion of one-party dictatorial regimes, aided and supported by well-organised, well-armed and ruthless military forces. In effect, politically, the so-called "Peoples' Socialist Democratic Republics" are unadulterated dictatorships of political and military cliques who wrest power from one another, from time to time.

Consequently, wherever the theoretical concept of economic socialism has been sought to be implemented, the objectives of socialists have not been achieved. Communist countries, which claim to practise "scientific socialism," have taught us the lesson that where economic and political power is concentrated in the same groups, freedom becomes the first casualty.

So far as "equality" is concerned, equality of income and wealth are not only impracticable to enforce even in a dictatorial regime, but they destroy the incentives so necessary for greater production. A wave of reforms is sweeping the Communist countries. Yugoslavia is in the vanguard of this movement. Speaking in Belgrade in December 1965, President Tito is reported to have "told representatives of 21 economic enterprises that workers should be paid on the basis of their contribution to the enterprises. He opposed the view that 'all have equal stomachs and therefore must have equal pay'. If this was accepted, all would also have 'equal hand and equal brains.' Such views had led to the skilled personnel leaving the country." The flight of medical and scientific talent from India is a consequence of socialist policies. These sections of the public can see ahead of others, and accordingly leave their motherland which does not give them a fair deal under the plea of equality.

On the economic side, socialist planning and policies have led to the food crisis and inflation. Since 1956, i.e. the inception of the Second Plan, socialist planning, or centralised comprehensive planning, has been introduced in India. One characteristic of this is concentration on the industrial, particularly, the heavy industrial sector. In a country which is primarily agricultural, this diversion of resources to the heavy industrial sector starves agriculture of necessary resources. At the same time, to finance industries, the Government resorts to heavy taxation. Indirect taxes like excise are levied on items like kerosene, soap, matches, etc. used by the farmers Year by year, they have to pay higher prices for articles they want while their incentives to produce are destroyed by the Government which resorts to monopoly procurement or levy on farm produce at unremunerative prices to the farmers.

It is no wonder that the food crisis has come to stay. Imports of cereals on Government of India's account since Independence till 1964 amounted to about Rs. 2,800 crores. Unfortunately, this dependence is growing year by year as the import figures show: 1961—3.49 mil. tonnes; 1962—3.64 mil. tonnes; 1963—4.55 mil. tonnes; 1964—6.26 mil. tonnes; 1965—7.45 mil. tonnes; Imports in 1966 would be still higher. Truly did the President, Dr. Radhakrishnan, observe in March 1966 that our "chronic dependence" on others for food was a "sign of economic mismanagement."

Piecemeal attempts such as state trading cannot solve the basic problem, *viz.* greater production of foodgrains. The total loss on account of state trading in foodgrains during 1964-65 was about Rs. 34 crores. These huge losses can be understood in the light of reports like the following one: "POONA, Aug. 2: A case of huge wastage of much-needed foodgrains has been noticed in the station-yard of the Shivajinagar railway station.

"A goods train with about 15 bogies full of imported wheat has been standing, exposed to heavy rains and wind, in the yard for more than three days for want of accommodation at the Poona railway yard... The wheat therein is stinking."

Apart from inevitable wastage, the element of profiteering resorted to by governmental agencies is shocking. The chief Investigator of National Consumer Service revealed in June 1966 that the Delhi Administration sold at Rs. 78 per quintal wheat bought by it in Punjab at Rs. 52! "This is sheer profiteering," he remarked. Citing another instance, the Andhra Pradesh Congress President, Mr. Thimma Reddy, said in July 1966 that the Food Corporation of India was "the biggest middleman" and added "20 per cent to the procurement price." He said that "the FCI is indifferent and inefficient. Neither the producer nor the consumer is benefited. It has failed to discharge its duty."

It is distressing that governmental authorities, instead of viewing the problem in the economic and broad national perspective, have converted it into an opportunity to profiteer —from 20 to 100 per cent. The zonal barriers provide a good instance. A memorandum of the All-India Foodgrains Dealers' Associations, dated April 9, 1966, has pointed out that some State Governments were making huge profits at the cost of the producers and the consumers. Gramdal, for example, delivered by the surplus State of Punjab at prices Rs. 58, Rs. 54 and Rs. 65 per quintal, had been issued to consumers in Maharashtra at Rs. 100, Gujarat at Rs. 80 and Madras at Rs. 128 respectively.

While Government efforts are thus dispersed on distribution, its essential functions, such as ensuring quick and adequate transport services, storage facilities and compilation of accurate statistics are neglected. For instance, according to recent figures of U.N. Food and Agriculture Organisation, 20 per cent of South-East Asia's grain is being destroyed by rats and other pests. The Union Ministry of Health has estimated that 26 million tonnes of grains are destroyed in India by rats and pests. Dr. B. R. Sen, Director-General of FAO, is reported to have told Indian Government officials that crop estimates go wrong by 15 to 30 per cent in India, a discrepancy which does not occur in any other part of the world. That the food problem can be solved if the Government attends to its basic functions of providing agricultural extension service, etc. is indicated by a report on agriculture in developing countries by William Hendrix, Agricultural Economist of U.S. Department of Agriculture. He says, " India ranks relatively low in agricultural output both per agricultural worker and per hectare of arable land. Among the 22 of the 26 countries for which data on agricultural output per hectare of arable land in 1960 were available, India was below all but 3 of these 22 countries. . .Fertilizer applications can be used as a rough indicator of the use of modern technical inputs generally. In 1962-63, Indian farmers used only 3.4 kilograms of plant food nutrients per hectare over the amount of fertiliser nutrients used in the 1948-53 period, but much larger increases in fertilisers and other improved inputs that complement fertilisers are needed in the years immediately ahead if India's agricultural output is to match its rapidly growing food needs."

The communist countries which found themselves in a similar situation of food shortage seem to be learning from past experience. The dogma of state ownership of land is gone: in Yugoslavia, 86% of agricucltural land is owned privately by 5 million small holders. The Speaker of the Polish Parliament, Mr. Czeslaw Wycech, disclosed in Delhi in February 1966 that 85% of arable land in Poland was owned by individuals, and these peasants continued to be the backbone of agriculture. Moreover the Polish Government was devoting more attention and resources to agriculture. In Soviet Union, support to private farming plots is an important measure to raise standard of living of the people, according to Communist Party's journal, "Kommunist". The role of price incentives has also been recognised. An article on the recent bumper harvest in USSR, by Nikolai Ansimov, explained: "Purchasing prices of grain and other agricultural products were raised. Another important circumstance is that the products which collective farms sell to the state above plan are paid 50 per cent more. This is advantageous and it stimulates agriculture."

Persistent rise in prices has harmed the public as much as food shortages. While governmental authorities urge that the price line should be held, and measures like departmental stores have been adopted, it is overlooked that inflation is inevitable in socialist planning. It is a part of the strategy of development. Planners lay down ambitious targets much beyond available savings in the form of taxation, public borrowings, foreign aid and profits of state enterprises. The gap is made good by deficit financing which in the ultimate analysis results in increasing money supply beyond the needs of the economy. In the Second and Third Plans, deficit financing amounted to about Rs. 2,100 crores. Although the planners had ostensibly set a ceiling of Rs. 550 crores in the Third Plan, the actual deficit financing was Rs. 1,150 crores. Since the beginning of the Fourth Plan period, i.e. April 1, 1966, money supply has increased still further. But goods and services have not increased proportionately. The result is that: (*a*) people in fixed income groups save less, and thus are forced to cut down consumption; (*b*) government is a big beneficiary in that its obligations on account of pensions, provident fund, government loans, small savings, and on account of the state monopoly of life insurance are reduced. It receives "higher-priced" rupees and returns "lower-priced" rupees when its obligations mature. The magnitude of this transfer can be gauged from the price rise. According to the "Report on Currency and Finance" of the Reserve Bank of India, the general price level increased by 35.2% over Third Plan period (1961-66) on top of an increase of 30% during the Second Plan (1956-61).

The proposed Fourth Plan, with an outlay of Rs. 23,750 crores, unfortunately follows the socialist planning techniques of the Second and Third Plans. Lessons of Second and Third Plans have not been learnt. The fallacy that each plan should be twice as big as the previous one persists. Even though the Third Plan targets are not yet fulfilled, still more ambitious targets are set for the Fourth Plan. The resources position is based not on economic realities, but imaginary calculations. On top of all this, the Planning Commission misleads the lay public by trading on its ignorance of technicalities of public finance. For instance, the "Fourth Plan Outline" declares that "It is, therefore, imperative that a close watch is kept on all avenues of deficit financing" (page 32). On page 80, in the estimates of financial resources, an item called "unfunded debt" provides for Rs. 565 crores. This is nothing but deficit financing!

The following warning issued by the Economic and Scientific Research Foundation of New Delhi in one of its recent studies should be heeded by the public: "It is found that a 10 per cent increase in government spending (excluding defence) is accompanied by a price rise of 2.6 per cent and a 10 per cent increase in defence spending by a price rise of 1.7 per cent. On the other hand, an increase of commodity output by 10 per cent induces a *fall* in price level of 0.7 per cent only. Since government spending (plan outlays and current expenditure) doubles every five years while real output rarely increases by more than 25 per cent during that period, the obvious net result is inflation, which therefore, seems to be built-in into our planning system.

"On the basis of the above coefficients, it is possible to say that the Fourth Plan will also result in a sharp price increase. The wholesale price index is estimated to rise from an average of 165 in 1965-66 to 220 by the end of the Plan. It is doubtful, however, whether the increase in real output over the plan period will exceed 25 per cent."

Socialist strategy of centralised comprehensive planning is undergoing a rapid change even in communist countries. They are relying progressively on the free market mechanism of prices, incentives and profit motive.

Dr. Radivoj Uvalic, eminent economist and Yugoslav ambassador to India, said at a press conference in February 1966 that, " I do not think that the existence of a free market and operation of competitive forces of production is against socialist theory. What is important for socialist economy is not to exploit others and to have better generation of income. To have competition for improving general conditions of production is not unsocialistic."

The greatest changes, however, are taking place in Soviet Russia. The Libermann Thesis of " profit motive," enunciated in 1962, has proved successful in the experimental stage. The proceedings of the 23rd Congress of the Communist Party of the Soviet Union frankly recognise the previous shortcomings and indicate new directions. The principles of the new economic policy " consist in giving a greater role to economic methods and stimuli in running the economy, radically improving state planning, extending the economic activities and initiative of factories and collectives and state farms, and making factory staff more responsible for and materially more interested in the results of their work."

That the detailed administrative controls over the economy under centralised planning are hampering greater production and growth of the economy in India is now fortunately being recognized even by the Government. A study team of the Directorate-General of Technical Development found that on an average, it took 145.5 days to dispose of applications requiring consultation with the Licensing Committee as against the specified time limit of 35 days! A World Bank Mission found that there was no redeeming feature in controls. It neither prevented build-up of excessive capacity in some industries, nor could help diversion of resources to sectors where there was a shortfall. Controls only served to delay the growth of the economy, and led to irrational allocation of resources which planning was meant to avoid! While controls thus hamper and penalise the honest, the scope for activity beyond its bounds by the dishonest is indicated by the swelling volume of black money, and cases like that of a shoe-shine boy in Bombay who reportedly amassed a fortune of Rs. 1.5 crores in four months through gold smuggling!

The Governor of the Reserve Bank of India rightly warned in July 1966 that, "In the ultimate analysis, there is no substitute for economic discipline. Economic Laws respect no national desires. The call to discipline is no less urgent in that it is being accompanied by a dismantling of some of the administrative and physical controls that have outlived their utility."

A hard look also needs to be taken at the other economic ingredient of socialist planning, viz., the expanding Public Sector.

When a reference is made to the Public Sector, it is necessary to bear in mind that all modern states should have a Public Sector. But it should consist of the infrastructure facilities which private citizens cannot provide for by themselves, and without which economic activities cannot be carried on efficiently. When, however, the concept of Public Sector is extended to industrial and trading enterprises owned and run by the Government, very serious questions as to economic justification of such a Public Sector arise. The Indian experience of an expanding Public Sector confirms this.

According to a statement by the Union Finance Minister in Parliament in November 1966, the Public Sector industries had incurred a loss of Rs. 111 crores till end of 1964-65. According to Audit Report (Commercial) 1966, the investment in 60 Central Government companies till 1964-65 was Rs. 1,808.82 crores. Even Hindusthan Machine Tools, generally described as the most efficient Public Sector unit, could not declare a dividend in 1965-66.

The plight of the enterprises run by state governments is worse. In West Bengal, in November 1966 the Finance Minister admitted that the failure of state enterprises had considerably affected the resources of his Government. On an investment of Rs. 140 crores, the gross return was Rs. 10 crores including depreciation fund deposits. It is surprising that inspite of this sad record the Fourth Plan investment in Public Sector industries is placed at about Rs. 4,000 crores! The

Public Sector has become a major element in aggravating the inflationary situation and in causing a paucity of capital resources for the people. If capital resources had not been siphoned off from the pockets of the people, they would have resulted in fruitful private investment.

In the light of this sad performance, the Prime Minister, Mrs. Indira Gandhi, declared in June 1966 that there was no meaning in Public Sector unless it satisfied the final test of profitability, service and growth. She catalogued the ailments of the Public Sector as follows: faulty planning with regard to the concept, size, location, raw materials, design, choice of process, equipment, personnel, contractual arrangements, supervision, co-ordination and time schedules. Other ills she listed were: over-capitalisation, overstaffing, incidentally adding to township costs, inadequate work study, lack of delegation, application of secretarial codes and procedures to commercial undertakings, the system of financial control and audit and the lack of well thought-out personnel policy.

Reports of the Parliamentary Committee on Public Undertakings, Audit Report (Commercial) put out by the Comptroller and Auditor-General of India and Press reports furnish ample evidence of all this. To cite but a few instances: with regard to the alloy steel and coal washeries projects, " it is apparent that a sense of emergency has been lacking. The Government decided to set up the project without obtaining data on its economic viability, cost of production or profitability." (Report of Parliamentary Committee on Public Undertakings). A production adviser was appointed 20 months after the need was pointed out. There were as many as eight revisions of capital cost from Rs. 38 crores to Rs. 73.21 crores. The Committee deplored that " with the experience which the Government had acquired in launching Public Sector projects by 1961, specially the three steel plants, there is no reason why the original estimate should have omitted basic items."

A Press report in November 1966 said that an additional expenditure of Rs. 1 crores had to be incurred on re-laying portions of Barauni-Haldia product pipeline as those sections had been located in colliery areas, where there was risk of accidents.

The Traco Cable Factory at Ernakulam took seven years to start production after the licence had been granted in 1958. The performance of a government factory in Indore is more astounding. Established in 1959, it took four years to produce seven table fans as against a capacity of 7,200 table fans and 2,400 ceiling fans during that period. The Madhya Pradesh Public Accounts committee, giving these details, said that the factory set up at a cost of about Rs. 7½ lakhs was also expected to produce 2,400 fractional motors, but had produced only 600. Of these it had sold only 90. In one year, the sale proceeds amounted to Rs. 9,000 while salary and allowance bill was Rs. 72,000.

The Parliamentary Committee brought to light in April 1966 several shocking items about the Bhilai Steel plant. Surplus stores of Rs. 5.5 crores on completion of one million ton stage and Rs. 2.5 crores in 1964 " is a matter of serious concern," it observed. Valuable foreign exchange had thus been unnecessarily spent. As against project estimate of 7,300 persons, over three times that number had been employed: 26,512. Although Russian diesel locomotives had proved unsatisfactory earlier, 37 more were bought. Their operational cost was Rs. 80,000 as against Rs. 13,000 on others.

The Government approach to labour and consumers needs considerable revision. For instance, while private enterprises have to pay a minimum bonus of Rs. 40/- even when they run at a loss, in the case of a Government managed textile mill, the workers' demand for bonus was bluntly turned down on the plea that the Government had invested large amounts to restart the closed mill to provide employment to workers.

Where state enterprises are monopolies, consumer interests are utterly neglected. The delays and inefficiency of the Indian Airlines Corporation has become proverbial. Recently, there was an amusing incident of a member of the Planning Commission " thanking " the IAC for its " efficient " service which could not bring the Deputy Chairman of the Planning Commission to a meeting in Bombay.

Another giant state monopoly, Life Insurance Corporation of India, has consistently refused to reduce premia rate even though longevity has gone up. Its poor service continues to vex its hapless customers ; frequent staff troubles and agitations even by officers show that it is far from being a model employer. In addition, its general attitude towards the public has drawn strictures from impartial courts of law several times. Recently, for instance, a member of the Motor Accidents Claims Tribunal, Bombay, observed during the course of a judgment : " I am really surprised that a responsible organisation like the Life Insurance Corporation of India, advised by a reputed firm of attorneys, should take up this thoroughly untenable defence, and that too against a minor boy seriously injured by the negligence of one of its employees."

In view of these things, it is a matter of gratification that there is rethinking in the country on Public Sector and nationalisation. There is considerable public opposition, for instance, to nationalisation of commercial banks. Even the Governmental authorities are having second thoughts on Public Sector and in some cases have taken the right steps. The West Bengal Government took a bold decision in February 1966 to abolish the West Bengal Development Corporation. Set up in 1957, it had not been financially viable enough to raise even a single loan. On an investment of over Rs. 10 crores, Calcutta State Transport Corporation was incurring continued losses (Rs. 17 lakhs in 1962-63, and estimated at Rs. 32 lakhs in 1965-66). In November 1966, the Government took the bold step of allowing 240 private buses in Calcutta. The Chief Minister, Mr. P. C. Sen, declared that the Government was " no worshipper of any fetish " and would not hesitate to increase the number of buses to even 750. The sole aim was to facilitate public transport. A press report said that for the public " the private buses were most welcome, particularly during office hours."

The Union Minister for Industry, Mr. D. Sanjivayya, likewise supporting the experiment in cement decontrol, stated in Parliament in July 1966 that " when we think of nationalisation or a project in the Public Sector, we must take into account the availability of resources."

A comparative study of Public and Private Sector enterprises shows that the latter is more efficient. A Calcutta report in September 1966 said that the Indian Airlines Corporation incurred an expenditure of Rs. 1,150 to Rs. 1,200 an hour on its

Dakota freighter service between Calcutta and Agartala. But when it hired private operators' mechanics, it paid Rs. 760 per hour including the profit of the non-scheduled private operator! In loading operations, IAC's better-paid 8 porters loaded 2,500 kilos in 46 to 60 minutes whereas 6 porters of private operators loaded 3,000 kilos in 20 minutes!

A statement compiled by official sources in April 1966 showed that performance of private sector industries, particularly engineering industries, was distinctly better than Public Sector industries in the Third Plan. A Press report said: "It is also noteworthy that a sizable shortfall has been registered in those industries, normally reserved for the Private Sector but where the setting up of public units has been talked about in recent years."

The flight of officials from Public to Private Sector is another indicator. According to figures collected by the Government, 14,063 officials had left 56 Public Sector undertakings to take up positions in private firms. The average of 2,000 changes per year in 1961 and 1962 had gone up to over 3,000 lately. One reason was stated to be 100% better salaries and emoluments in private firms.

While the Private Sector performance is thus decidedly superior and has benefited the country by better use of scarce resources, the treatment meted out to it is step-motherly. There is virtual nationalisation of financial resources. The Reserve Bank control on commercial banks, extending even to minor matters like proportion of money to be lent to industry and trade by various banks, is but one instance. Similarly, the curb on individuals depositing their hard-earned savings with private companies is an unjustified encroachment on individual freedom, and is meant to deprive the Private Sector of badly needed resources. Government's policy of heavy taxation, controls and other restrictive measures have already led the stock markets to a dead end. Therefore, private enterprises have become increasingly dependent on governmental and semi-governmental financial institutions. Unforunately economic considerations and merit are not always the criteria by which these institutions consider applications for loans. One interesting outcome of this state of affairs is that small and new entrepreneurs are at a disadvantage, which goes against the democratic requirement of broadbasing the economy in the shortest possible time.

An objective analysis thus shows that socialist planning has not only failed to deliver the goods, but has also landed the country in an economic mess. This ideological approach should be given up.

The alternative is not to give up planning, but to adopt a new strategy. The Planning Commission has become, as rightly aniticipated by a former Finance Minister, the late Dr. John Matthai, a "super cabinet." Contrary to democratic traditions, it enjoys power without accountability; its shifting membership surprisingly enough is determined on political basis and not on economic competence. Its approach to planning and decisions are thus vitiated by ideological considerations.

First, the Planning Commission should be made a purely advisory body, membership of which should be determined on non-political and technical considerations. Leaders of business, industry, technology, science, agriculture, trade unions and other sectors of life should be associated with it in a consultative capacity. It should broadly indicate directions of growth, and leave it to the initiative and enterprise of the public to attend to economic affairs, within reasonable regulations by the State. The Planning Commission's most important job is to draw up a plan for the provision of the infra-structure of the economy which only the Government can provide, and without which the smooth functioning of the economy is impeded. These essentials are :

(1) A good administration which maintains law and order, touches the life of citizens at as few points as possible and is responsive to their needs.

(2) A good network of ports, air terminals, railways, water transport, national highways and rural roads. It is a poor commentary on the work of the planners that after 19 years of independence, the Fourth Plan outline records: "At the end of the Third Plan, the national highways system will have no less than 100 kilometres of missing road links, more than 50 major bridges still to be built, nearly 18,000 kilometre of one-lane roads, a number of narrow and weak culverts

and bridges and other deficiencies. Road crusts originally meant to carry mainly light traffic are unable to stand the heavier traffic and the greater volume of movement which have developed in recent years. The country is still far from having an integrated road network. . ."

A spillover of Rs. 50 crores from Third Plan indicates how grossly this important sector has been neglected in spite of allocation of funds.

The plight of villagers is illustrated by the following from among numerous reports: " HYDERABAD, June 10, 1966 —Dr. K. L. Rao, Union Minister for State for Irrigation, yesterday lost his way while travelling in a jeep along with other officials in Nandigama area and had to spend the night at Kambhampadu village.

" But then his experience in the village has been an eye-opener. He learnt that 20 villages, having a population of more than one lakh are cut off for six months during the monsoon, because they are living in an island formed by the two drains—Muniyeru and Wyra.

" No Minister, no Collector, no Revenue Divisional Officer or for that matter no tehsildar has ever visited these areas, the residents told the Minister.

" There are no roads, no sanitation in these villages which have no physical contact with the neighbouring areas. The economic condition of this upland area is the lowest and the living conditions are primitive."

Another report from Gujarat said: " According to a survey by the State Bureau of Economics and Statistics in 1963, 6,259 villages (one-third of the total number in the State) had no approach roads. Besides, out of 8,175 having such roads, construction of bridges and culverts was required on the roads in as many as 3,927 villages at an estimated cost of about Rs. 3 crores. During the next 15 years, it will be necessary to construct more than 12,000 miles of rural roads in order to bring the villages within a reasonable distance of the main system of roads."

(3) Provision of efficient postal, telegraphic, telephone and telecommunications facilities is another obligation of the State. Shortage of postal stationery is frequently reported from different parts of India. For instance, a Jaipur report in December 1965 said that inland letters were so much in short supply in Rajasthan that they had to be rationed !

(4) Agricultural extension service, conservation of natural resources, flood control, irrigation and other requirements like drinking water supply. The shortcomings on this score are glaring. For instance, the Parliamentary Estimates Committee found that 22 per cent of the villages surveyed were without any hygienic drinking water supply. "The Committee feels distressed that even in such a vital matter, the Government has failed to enthuse the States to utilise the amounts sanctioned for the purpose." It is not surprising to learn from a report from Andhra Pradesh in April 1966, that on the Kurnool Sector, trains were being escorted by railway protection force after a crowd of villagers had stopped a train, demanding water !

(5) Educational facilities have been expanded, but quality has been sacrificed to mere quantity so far. Typical of this state of affairs is a report from Bombay city in October 1966 saying that there was one school without chairs for teachers and benches for pupils !

(6) Public Health and sanitation have also been neglected so far. Facilities, when provided for, are of no avail to the public in many instances. The plight of people in Punjab can be imagined from the report in November 1966 that as many as 126 dispensaries and hospitals in the State were without doctors. The Health Department required 700 doctors. The shortage had persisted over the years. Even in cities like Bombay and Calcutta, sanitary conditions are increasingly deteriorating, slums are allowed to grow, public places are unclean and the sea-shore and river banks are stinking. Therefore, vigilant supervision of health and sanitary services and improvement in standards of cleanliness are urgently called for.

This new approach to planning is inescapable if the economy is to be revived. In the meantime, the Government should drastically cut down its expenditure, most of which is infructuous and wasteful; utilise to the fullest the facilities created already—for instance, the Estimates Committee of Maharashtra reported in April 1966 that only 45% of irrigation potential had been utilised; reduce the burden of taxation and remove all unnecessary controls, so as to stimulate production.

All these steps would also help the Government to fulfil one of its most fundamental obligations, *viz.* to give a stable currency, a pre-requisite for orderly and rapid economic growth.

The experience of a decade of socialist planning has demonstrated beyond doubt two things: (*i*) that politicians and government officers, who have a valuable role to play in their respective spheres of giving discipline to the community and looking after public administration, are totally unsuited to promote economic development by seeking to administer the economy in great detail; and (*ii*) the laws of economics are inexorable, and assert themselves over a period of time, irrespective of laws passed by Parliaments and ideological economic policies pursued by governments.

The country is at the crossroads today, and the paths are clear: (*a*) either to persist in the ideological errors of the past, to invite more economic chaos and distress for the public and eventually to jeopardise the democratic way of life, or (*b*) to give up ideology and adopt realistic economic measures based on the laws of the market, the Government attending to its basic functions, and creating an environment for citizens to exercise their initiative and enterprise to realise individual as well as national prosperity.

It is essential to bear in mind that the policies pursued hitherto have penalised the honest entrepreneurs and citizens and given an edge to the dishonest. It is time that a break is given to the honest.

The answer to this question and the future of the country will depend on the courage of the rulers to take the right path, and on the will of the citizens to bring effective pressure of public opinion on the rulers to adopt the right path. The people of this great country have the choice, early in 1967, of electing the right type of persons to the Central and State legislatures and of ensuring the selection through the majority of such legislators, men and women of character, honesty, integrity, patriotism, of firmness and wise pragmatism to run the Union and State Governments in the coming five years. It is the duty of the intelligent and thinking sections of the people to give the correct lead and guidance to fellow-citizens in exercising their democratic right of voting for the ablest, wisest, most honest and most patriotic candidates at the ensuing general elections. Only then can the future of democracy be safeguarded and the welfare of the people ensured in the difficult times ahead of us.

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Founder-President,
Forum of Free Enterprise.

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Membership is open to all who agree with the Manifesto of the Forum. Annual membership fee is Rs. 10|- (entrance fee, Rs. 10|-) and Associate Membership fee, Rs. 5|- (entrance fee, Rs. 5|-) only. **Bona fide students can get out booklet and leaflets** by becoming Student Associates on payment of Rs. 2|- (entrance fee, Rs. 2|-) only.

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