

**ORGANISED CRIME AND
ECONOMIC DEVELOPMENT
IN INDIA**

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

-A. D. Shroff

1899-1965

Founder-President

Forum of Free Enterprise

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Dr. Ajit Kumar Sinha*

The last decade of the century has been a decade of breakdown of the old order and emergence of market friendly approach to development. Market-oriented reforms have been implemented at the policy level in the multidimensional process of development, the desired outcome of which required conducive socio-political environment.

Market can only be developed under effective property rights and lawfulness in the system with protection of life and property from criminal acts. Restraints on arbitrary government actions ranging from unpredictable adhoc regulations and taxes to outright corruption which disrupt business activity and property rights and lawfulness with stability over time lay the foundation of a well functioning market mechanism and pave the ways for higher investment, increased efficiency and innovation in the system. Crime and corruption are curse on the market.

Crime Syndicates : Crime is a global phenomena. In legal terms crime is an act of human behaviour banned by criminal law. Actually not all acts that are penalised under the law are really criminal. When we consider crime from development point of view the white collar crimes/organised crimes emerge as the main limiting factor of development.

The organised crimes are large scale racket run by extensively organised crime syndicates carried on over

*The author is an eminent economist and immediate past President of Indian Economic Association (I.E.A) . The text is based on the Presidential address delivered at the 82nd Annual Conference of the I.E.A. held in Amritsar from 27th to 29th December 1999. The text is reproduced with the kind permission of the author.

long period of time and relying on political corruption for protection from the law. The major differences between ordinary criminals and offenders of crime syndicates lie in the offenders' conception of themselves. They rarely see themselves as criminals. They see themselves as respectable citizens. In addition the usual middle or high social status of these offenders is such that it also makes difficult for the public to conceive of them as criminals. They are usually better educated, often not prosecuted formally by the system of criminal justice and have abundant capital at their command.

With the development in Information Technology and Telecommunication, the physical boundaries of states do not pose any restriction to the activities of the crime syndicates. There is an increase in the activities of the syndicates making use of the advancement in the sophisticated technologies for increasing their activities. The state and the society as a whole suffer from the activities of these crime syndicates.

The growing power and influence of organised crime syndicates, estimated to gross \$ 1.5 trillion a year are of global concern. Crime syndicates have emerged as a major economic power rivalling Multinational Corporations.

Economic Reforms In India : A number of reform measures have been undertaken in India to transform our system into a strong, stable, attractive, efficient, competitive and vibrant economy with a place in the fast changing global economic scenario since July 1991. Dr. Manmohan Singh is the pioneer of the economic reforms in India. The successive governments at the center have followed suit. We have seen that despite of changes in the governments, there has been no change in the economic policy. The commitment for economic reforms has been maintained and the nation is moving towards a Common National Economic Agenda irrespective of political considerations. But the over all

performance of the economy has been much below the expectations. Its rank on the basis of Human Development Index was 132nd out of 174 countries and on the basis of percapita Gross National Product 165th out of 210 countries of the world in the year 1997 and 1998 respectively. The performance of the economy on the front of generating investment the key determinant of development is not at all satisfactory.

There has been an increasing trend in the Foreign Direct Investment (F.D.I.) in India since 1992 but overall rate has been quite low. It was 0.5% in 1992, 0.8% in 1993, 1.0% in 1994, 1.9% in 1995, 1.8 % in 1996 and 2.2% in 1997 of the total FDI in all developing countries including China. But corresponding data for China were 22%, 38%, 35%, 34%, 31% and 30%. It is apparent that in spite of the reform measures India has not attracted FDI in adequate proportion and the marginal increase is not going to have any significant impact. So far as the net portfolio investment flow is concerned there has been a chequered trend in India. It was 6.2% in 1994, 6.1% in 1995, 8.7% in 1996, 5.1% in 1997 of the total net portfolio investment in the developing countries. Hence the overall picture in no way corresponds to the expectations made at the time of launching the economic reforms.

It is very difficult to identify the limiting factors of economic reforms. Political pressure and instability, social tension with caste and communal passions, defence activities and international reactions and sanctions, outdated and irrational tax structure and fiscal federal polity, incomplete banking and financial sector reforms and less attention to the wage goods and social sectors have often been highlighted as limiting factors. But the ground realities have not been duly recognised.

Development depends on investment. Investment policy may have sectoral bias in view of the priority of the economy or generating maximum linkage effect in

the system or may have a bias in favour of balanced allocation ratio in different development paradigms, but the central point has been common i.e. raising the level of investment. The basic goal of reform measures has been enhancement of investment opportunity in the system. But the rise in the criminal activities obstructs the initiatives that create the opportunity. The crime syndicates have very effectively played their game of obstruction in India.

Crime Syndicates in India: The Government of India constituted a committee under the Chairmanship of N. N. Vohra, Home Secretary, with Secretary, RAW, Director, Intelligence Bureau, Director, C.B.I., Special Secretary (Home) as members and Joint Secretary (PP: Home) as Member Secretary, on 9th July, 1993 to take stock of all available information about the activities of Crime Syndicate/Mafia Organisations which had developed links with and were being protected by the government functionaries and political personalities.

In the first meeting itself the Chairman perceived that the members have some hesitation in openly expressing their views and also seemed unconvinced that Government actually intended to pursue such matters. Then the Chairman addressed separate personal letters to each and every member of the committee seeking their well considered suggestions and recommendations. The reply of the Director, C.B.I. and the Director, Intelligence Bureau, revealed the ground realities which have been incorporated in the final report of the committee. I would like to quote some extracts from the report:

- "CBI has reported that all over India Crime Syndicates have become a law unto themselves. Even in the smaller towns and rural areas, musclemen have become the order of the day. Hired assassins have become a part of these organisations. The nexus between the criminal gangs, police, bureaucracy and politicians has come out clearly in various parts of

the country. The existing criminal justice system, which was essentially designed to deal with individual offences/crimes, is unable to deal with the activities of the Mafia; the provisions of law in regard to economic offences are weak; there are insurmountable legal difficulties in attaching/confiscation of the property acquired through Mafia activities.

- DIB has reported that due to the progressive decline in the values of public life in the country, “warning signals of sinister linkage between the underworld politicians and the bureaucracy have been evident with disturbing regularity”.
- Like the Director CBI, the DIB has also stated that there has been a rapid spread and growth of criminal gangs, armed senas, drug Mafias, smuggling gangs, drug peddlers and economic lobbies in the country which have, over the years, developed an extensive network of contacts with the bureaucrats/ Government functionaries at the local levels, politicians, media persons and strategically located individuals in the non-state sector. Some of these Syndicates also have international linkages, including the foreign intelligence agencies. In this context, the DIB has given the following examples:
 - (i) In certain states, like Bihar, Haryana and UP, these gangs enjoy the patronage of local level politicians, cutting across partylines and the protection of governmental functionaries. Some political leaders become the leaders of these gangs/ armed senas and, over the years, get themselves elected to local bodies, State Assemblies and the National Parliament. Resultantly, such elements have acquired considerable political clout seriously jeopardising the smooth functioning of the administration and the safety of life and property of the common man, causing a sense of despair and alienation among the people.
 - (ii) The big smuggling syndicates, having interna-

tional linkages, have spread into and infected the various economic and financial activities, including havala transactions, circulation of black money and operations of a vicious parallel economy causing serious damage to the economic fibre of the country. These syndicates have acquired substantial financial and muscle power and social respectability and have successfully corrupted the government machinery at all levels and yield enough influence to make the task of investigating and prosecuting agencies extremely difficult. Even the members of the Judicial system have not escaped the embrace of the Mafia.

(iii) Certain elements of the Mafia have shifted to narcotics, drugs and weapon smuggling and established narco-terrorism networks, especially in the states of J & K, Punjab, Gujrat and Maharashtra. The cost of contesting elections has thrown the politicians into the lap of these elements and led to a grave compromise by officials of the preventive/detective systems. The virus has spread to almost all the centres in the country. The coastal and the border states have been particularly affected.

- DIB has stated that the network of the Mafia is virtually running a parallel government, pushing the state apparatus into irrelevance.
- The linkages developed by Crime Syndicates get generally confirmed when pressure is mounted on the concerned agencies not to take action against the offenders or to go slow in the cases against them. Such pressures are mounted either immediately after a raid is conducted or at the time when prosecution is about to be initiated. Pressures are also exerted whenever corrupt and undesirable officers are shifted from sensitive assignments (personal note of Secretary, Revenue).

- From the above narrated analysis, the following conclusions can be drawn:
 - (i) On the basis of the extensive experience gained by our various concerned intelligence, investigative and enforcement agencies, it is apparent that Crime Syndicates and Mafia Organisations have established themselves in various parts of the country.
 - (ii) The various Crime Syndicates/Mafia Organisations have developed significant muscle and money power and established linkages with governmental functionaries, political leaders and others to be able to operate with impunity.

The startling revelations by the report confirm the seriousness of the situation. The report was tabled in the Parliament in August 1995. In view of the gravity of the matter, the Supreme Court directed the government to appoint a high level committee to examine the allegations referred to in the Vohra Committee Report in March 1997. Under the direction of the court the government constituted a three-member committee with the same N. N. Vohra as Chairman, former Cabinet Secretary B.G. Deshmukh and Central Vigilance Commissioner S. V. Giri as members in September 1997. Hence the government completed the legal obligation but the real attitude of the government can be judged from the following observation of the then Home Minister.

“There is nothing we can do to end the unholy nexus between criminals and politicians, politicians and bureaucrats. All we can do is to pass legislations which can not be implemented. I see no end to the problems in the country, (specially as there are criminals in every section of society.”

Few Confirmation Reports: The Centre for Policy Research had undertaken a study of organised criminal gangs in Mumbai and Delhi and submitted its report in August 1995. The report contained the details

of the Crime Syndicates operating in Mumbai and Delhi under the perfect nexus between underworld dons, politicians and police as cited in the Vohra Committee report.

The Bihar police has identified over 30 organised criminal gangs operating in various parts of the state which are engaged in professional murder, kidnapping for ransom, extortion, robbery and rioting. These gangs have inter-state links and connections. The report has been compiled in response to a Union Home Ministry's query on organised crime in Bihar. The other states would have followed suit, (The Times of India, Patna, 30th July 1999, PI)

A special house committee set up by the Chairman, Bihar Legislative Council, to study the chain of violence and counter violence in central Bihar has also given a confirmatory report. The report says:

"Unfortunately, a large chunk of it is under the shadow of extremist outfits of myriad hues and colours forcing people to inhabit an area of extremely violent and malevolent culture, subjected to loot, extortion, arson, kidnapping, gruesome killings and massacres. The present crisis arising out of violence, brutality and terror has turned life into a potent and dangerous reality. Several areas are said to have been liberated from government controls where extremist outfits levy taxes, hold courts, award punishment with administrative cadres of its own. People pay them for their own survival, while the government's writ runs short. The government established by law and its administrative machinery including the police has not only been unable to tackle the problem, but what is unfortunate is the dangerous liaisons among political personages, parties and extremist outfits." (The Hindustan Times, Patna, August 3, 1999, PI)

The reported cases of kidnapping and abduction excluding workmen and girls have been highest in Bihar.

It was 1231 in 1995, 1375 in 1996 and 1457 in 1997. The obvious reason has been ransom.

The broad conclusion may be drawn from the observation of the Director, National Crime Record Bureau in the preface of **Crimes in India 1997**:

“The year 1997 is important to us as it marks 50 years of India's independence. Over the decades that have passed, the handling of crime and criminals by the state criminal justice apparatus had undergone a sea change. A large number of legislations were enacted to deal with the social and economic issues, each bringing an additional set of penal provisions. Prosecution was separated from investigation. Pendency of the cases with the police for investigation and with courts for trial has been on increase. The conviction percentages have been coming down. These factors combined with many other related developments have led to erosion in the trust in the rule of law. These in turn have further led to increase in the incidence of crime.”

Crime Syndicates And Development In India: Vicious circle of crime is the main obstacle in the way of economic development. It limits the functioning of the market. Free entry and free exit – both are restricted under the system governed by the Crime Syndicates. For entry and longevity the entrepreneur has to be registered at the Syndicate of the area and pay regular patronage/protection tax, called Rangdari tax in some parts of the country. But this is not enough. Kidnapping for ransom, called firauti tax, is the source of additional resource mobilisation for the Syndicate. Entrepreneurs have to oblige the Syndicate by giving regular appointment to their nominees, whose performance can be judged on the basis of their strong background. Entrepreneurs are compelled either to adjust in the system or to leave the market. But even in that case, they have no option but to sell the concern or property to the nominee of the purchasers. Only some other

syndicates may come to their rescue with own terms and conditions and the net result for the entrepreneur would be the same.

Not only the producer's side is affected but the buyer's side is also affected. If you have to purchase a new car or house, you have to pay the tax to the Syndicate simultaneously. They are so kind that if you are going to purchase such durables/real assets on loan and installment, they allow you to pay Syndicate's tax in installments. Those who have paid the tax under Voluntary Disclosure Scheme of the Government of India were found to pay a certain amount to the syndicates in some of the areas.

Where is the relief expected from? Bureaucrats and police constitute the Crime Syndicates headed by Mafia dons of the respective area under full political patronage. In some cases, the politicians and Mafia dons are two-in-one. Some of them have graced the different state governments as ministers. They have occupied not only elected posts, but also nominated posts at the centre and states both, which were reserved for the classified citizens of the society. In fact criminalisation has acquired legitimacy and there is rare hesitation in rewarding persons with a criminal record with high positions. Under this framework even the talk of relief is worthless.

The situation has so deteriorated that a top-ranking police officer admitted. "If we can not touch a police Inspector or an S.P. can not shuffle a Sub-Inspector (SI) what kind of discipline and policing you expect?" The reply from the Inspector's side was equally important, "If the thanas (police stations) go to the highest bidders, we have to earn a bulging purse. And the auction victory is no passport to stay for a fixed tenure. A regular paan-phool in the right quarters is an essential part of our routing and longevity." (The Hindustan Times, Patna, November 24, 1999.)

Naturally anybody going to the police authorities in

search of relief is treated as client and the basic object of the law enforcing authorities is not to give a relief, but to extract money in maximum proportion from both sides. Payment of Greasing/Speed money has been in practice since long for movement of file in police and bureaucracy. But the present situation is much beyond that.

The political economy of the country presents the case for talent and capital flight. A pertinent question has been raised in the HUMAN DEVELOPMENT REPORT 1998:

“ Who wants to invest in a country where a business partner may turn to be a gangster who settles arguments with a gun? Who in the international community will want to be seen supporting a government mired in the corruption to which unchecked criminal activity so often leads? ”

The impact of the crime syndicate is not only confined to the market sector activities. The state sector activities are equally affected. Crime Syndicates effectively operate in misutilisation of allocated resources. Even the amount allocated to the social sector especially for the poor sections of the society have been misappropriated and most of the schemes/programmes have resulted in fiasco. It is established in practice that only the members of the Syndicates or their nominees are eligible to take any contracts for public works. The results have been obvious.

The ground realities: Criminal statistics are well known for their unreliability. More over the CRIME IN INDIA or any other report does not provide data or description of the composition and functioning of the organised crimes/Crime Syndicates. To verify the ground realities in the background of the different reports, a questionnaire was circulated to the professional economists. It was circulated only amongst economists because the basic objective was to evaluate the impact of the activities of the Crime Syndicate on

the economic development. I have received the response of 206 amongst them from all the sixteen non-special category states – Andhra Pradesh, Bihar, Goa, Gujrat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamilnadu, Uttar Pradesh, West Bengal, NCT Delhi; six special category states – Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Mizoram, Nagaland and one Union Territory – Chandigarh. The response from the special category states and UT except Assam has been thin and the conclusion related with them have obvious limitations.

93 percent respondents from all the states and UT reported that there has been an increase in crime in their states/UT in recent years. This is in tune with the official statistics. Only 38 percent have reported that payment of Rangdari Tax/Criminal patronage/Protection tax) is essential for opening/running any business/industrial establishments in their state/UT except Goa, Haryana, Himachal Pradesh, Jammu & Kashmir, Mizoram and Chandigarh. Percentage of respondents who have reported the payment of Rangdari tax is very high in Andhra Pradesh (37%), Bihar (81%), Karnataka (45%), Madhya Pradesh (43%), Uttar Pradesh (60%), Arunachal Pradesh (100%), Assam (80%), and Nagaland (100%). This confirms that the element of Rangdari Tax is prevalent in almost all parts of the country barring few exceptions. But its intensity/degree varies from state to state, region to region, area to area.

33 percent respondents have reported that kidnaping of industrialists/businessmen and/or their family members for Ransom (Firauti) is common in their areas. There is no report from Goa, Haryana, Kerala, Orissa, Arunachal Pradesh, Jammu & Kashmir, Himachal Pradesh and Mizoram. The respondents of other states have confirmed the activity in their states. The percentage of respondents who have reported the

prevalence of kidnapping in their states/areas is very high – in Bihar (65%), UP (55%), Delhi (50%), Assam (80%), Arunachal Pradesh (100%) and Chandigarh (100%).

72 percent respondents from all the state/UT of the country except Arunachal Pradesh & Mizoram have reported that Greasing/Speed Money is essential for movement/disposal of investment/business related files in the government offices. The percentage of money respondents reporting the prevalence of Greasing/Speed Money is very high in almost all the states except Karnataka and Madhya Pradesh where only 45 percent and 43 percent respondents have reported the prevalence of Greasing/Speed Money. The respondents in their remarks pointed out that the Greasing/Speed Money doesn't function well in major decisions unless it is paid in the framework of the Syndicates.

93 percent respondents from all the state/UT without any exception have subscribed to the idea that there exists a nexus between criminals and politicians. 100 percent respondents from Bihar, Goa, Haryana, Kerala, Madhya Pradesh, Orissa, Punjab, Rajasthan, Tamilnadu, U.P., West Bengal, Mizoram, Nagaland and Chandigarh, each; 95 percent from Andhra Pradesh, 93 percent from Maharashtra, 88 percent from Delhi, 86 percent from Gujrat and 73 percent from Karnataka have subscribed to the idea. In the remaining states respondents in between 50 to 60 percent have subscribed to the same idea. Hence, there is a near consensus about the nexus between criminals and politicians.

47 percent respondents from all the states/UT from the country except Rajasthan, Haryana and Chandigarh have confirmed that Mafia dons have been elected as the people's representatives in their areas. 100 percent respondents from Goa, Jammu & Kashmir, Nagaland and Mizoram each and 90 percent from U.P. have confirmed to it. 33 percent (Orissa) to 60 percent

(Assam) respondents from the remaining states have confirmed the same.

Respondents from Andhra Pradesh, Bihar, Gujrat, Kerala, Madhya Pradesh, Maharashtra, Orissa, Tamilnadu, U.P. West Bengal, Assam and Arunachal Pradesh have reported that Mafia dons/criminals have been elected to the local self-governments as Mukhias etc. Respondents from all the state/UT except Orissa, Rajasthan, Haryana and Chandigarh have confirmed the election of Mafias/criminals to the Legislative Assembly and Legislative Council in their states. Respondents from Andhra Pradesh, Bihar, Delhi, Goa, Gujrat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Tamilnadu, U.P., Arunachal Pradesh, Assam and Jammu & Kashmir have reported that Mafia dons have been elected as MLAs/MLCs in their states/UT. Respondents from Bihar, Madhya Pradesh, U.P., Arunachal Pradesh, Jammu & Kashmir, Delhi Gujrat, Karnataka, Maharashtra, Punjab, Tamilnadu, Goa, Andhra Pradesh have confirmed that Mafia dons have been elected as the members of the Lok Sabha from their states/UT.

Respondents from Bihar, Kerala, Madhya Pradesh, U.P., Arunachal Pradesh and Jammu & Kashmir have confirmed the elevation of Mafia dons as the members of the Rajya Sabha also. Respondents from Bihar have pointed out that a Mafia don was nominated to the Rajya Sabha.

52 percent respondents from all the states except Rajasthan, Kerala, Arunachal Pradesh and Chandigarh have subscribed that Mafias have graced the state governments as Ministers in their states. Percentage of respondents subscribing to the idea is 100 percent in Nagaland and Mizoram each, 89 percent in Bihar, 83 percent in Punjab, 75 percent in U.P., 67 percent in Goa, 55 percent in Karnataka, 50 percent in Haryana, Maharashtra, Himachal Pradesh, and Jammu & Kashmir each, 47 percent in Andhra Pradesh and 43

percent in Madhya Pradesh. In the remaining states the percentage is in between 19 percent (W.B.) to 40 percent (Assam). When the direct representative is in the Government, the pressure of the Syndicate on the system can easily be assessed.

23% respondents have revealed that Mafias from their states have been included in the central government under different ministries. Respondents of Andhra Pradesh (21%), Bihar (46%), Gujrat (14%), Karnataka (18%), Madhya Pradesh (29%), Maharashtra (14%), Tamilnadu (10%), U.P. (40%), Delhi (38%), Assam (60%), Himachal Pradesh (50%), Jammu & Kashmir (50%) are of the same view.

Average 55 percent respondents have confirmed that police and bureaucracy regularly pay political patronage tax to the concerned M.L.A., M.P., Ministers and other politicians as an important constituent of the Syndicate. There is no confirmation from Goa, Kerala, Arunachal Pradesh, Nagaland and Mizoram. Only 20 percent respondents from Rajasthan have confirmed it. But percentage is higher in Andhra Pradesh (53%), Bihar (84%), Gujrat (57%), Haryana (50%), Karnataka (55%), Madhya Pradesh (57%), Maharashtra (36%), Orissa (83%), Punjab (50%), Tamilnadu (48%), U.P. (90%), West Bengal (25%), Delhi (38%), Assam (80%), Himachal Pradesh (100%), Jammu & Kashmir (50%), and Chandigarh (100%). This is the sad state of affairs of our political economy.

80 percent respondents from all the states/UT except Haryana and Arunachal Pradesh confirmed to the idea that there exists a nexus between criminals and police. 100 percent respondents each from Goa, Himachal Pradesh, Jammu & Kashmir, Nagaland, Mizoram and Chandigarh, 90 percent from Andhra Pradesh, 92 percent from Bihar, 86 percent from Madhya Pradesh, 83 percent from Orissa, 76 percent from Tamilnadu, 90 percent from U.P. and 94 percent from West Bengal have subscribed to the idea. In the

remaining states except Rajasthan, the percentage is in between 57 percent (Maharashtra) to 75 percent (Delhi). In Rajasthan only 20 percent respondents have subscribed to the idea of police-criminal nexus.

So far the nexus between criminals and bureaucracy is concerned, no respondent from Haryana and Kerala has subscribed to the idea that there exists a nexus between criminals and bureaucracy. But 61 percent respondents from other states/UT have subscribed to it. 100 percent respondents from Himachal Pradesh, Nagaland, Mizoram and Chandigarh each, 85 percent from U.P. have confirmed to the idea of criminal-bureaucracy nexus. In the remaining states, the percentage is in between 33 percent (Orissa) to 68 percent (Andhra Pradesh).

Maximum number of respondents have supported the idea of criminal-politician nexus, followed by criminal-police nexus. Criminal-bureaucracy nexus has been subscribed by lesser percentage of respondents. 74 percent respondents from all the states/UT without any exception have subscribed to the idea of broad nexus between Mafia dons/Criminals-police, bureaucracy and politicians. 100 percent respondents each from U.P. Goa, Kerala, Himachal Pradesh, Nagaland, Mizoram and Chandigarh have subscribed to the idea. 84 percent respondents from Andhra Pradesh, 83 percent from Punjab, 80 percent from Assam and Rajasthan each and 78 percent from Karnataka, 75 percent from Delhi, 71 percent from Gujrat and Madhya Pradesh each, 72 percent from Bihar have subscribed to it. The percentage for the remaining states is in between 50 percent (Orissa, Haryana, Jammu & Kashmir and Arunachal Pradesh) and 63 percent (West Bengal). Hence, the credibility of the bureaucracy is higher in comparison to the politicians and police in the eyes of the respondents.

66 percent respondents from all the states/UT except Nagaland have reported that Anti-Development

Crimes, i.e. organised crimes, which obstruct the proper functioning of the market system, have increased over the years. Percentage of respondents supporting the rise in Anti-Development Crime in recent years is very high in almost all the state/UT except West Bengal and Delhi where the percentage is 31% and 38% respectively.

45 percent respondents from all the states/UT except Haryana, Himachal Pradesh, Arunachal Pradesh, and Nagaland have reported that Anti-Development Crimes have resulted in capital flight from their states. 89 percent respondents of Bihar, 100 percent of Kerala, 60 percent of Rajasthan, 65 percent of U.P., 60 percent of Assam, 50 percent of Jammu & Kashmir and 100 percent each from Mizoram and Chandigarh have reported about capital flight from their states/UT.

The value of the rank correlation between rise in Anti-Development Crime and capital flight was 0.94 which reflected very high degree of positive correlation between the two variables.

50 percent respondents have expressed that a nexus exists between the rural Militant Organisations, police, bureaucracy and politicians in the rural areas of the country. 53 percent respondents from Andhra Pradesh, 81 percent from Bihar, 50 percent from Gujrat, 36 percent from Karnataka, 57 percent from Madhya Pradesh and Maharashtra each, 33 percent from Orissa and Punjab each, 14 percent from Tamilnadu, 55 percent from U.P., 38 percent from West Bengal, 75 percent from Delhi, 80 percent from Assam, 50 percent from Himachal Pradesh, Jammu & Kashmir each, 100 percent each from Mizoram and Chandigarh have confirmed the nexus. But there is no confirmation from Goa, Haryana, Kerala, Rajasthan and Nagaland.

The overall impact of militant organisations operating in rural areas is similar to that of the Crime Syndicates. The difference is that the Rural Militant Organisations operate with the ideological framework

without any objective of accumulation of wealth. 51 percent respondents from all the states/UT except Goa, Haryana, Kerala, Himachal Pradesh and Arunachal Pradesh have subscribed to the opinion that Rural Militant Organisations have adversely affected the investment climate in rural areas.

100 percent respondents each from Assam, Nagaland, Mizoram and Chandigarh, 58 percent from Andhra Pradesh, 92 percent from Bihar, 43 percent from Gujrat, 27 percent from Karnataka, 57 percent from Madhya Pradesh, 43 percent from Maharashtra, 50 percent from Orissa, 33 percent from Punjab, 40 percent from Rajasthan, 19 percent from Tamilnadu, 55 percent from U.P., 25 percent from West Bengal, 75 percent from Delhi, and 50 percent from Jammu & Kashmir have subscribed that the activities of the Rural Militant Organisations have badly affected the rural investment climate.

The value of the rank correlation between the activities of Rural Militant Organisations' nexus with police, bureaucracy and politicians and its impact on the investment climate was 0.71 which reflects sufficiently high degree of positive correlation between the two.

In brief, the economist-respondents have confirmed to this idea that Crime Syndicate is powerfully functioning in the county. Nexus between Mafia dons-police-bureaucracy and politicians is a crude reality. The political economy is in bad shape. Criminals and politicians are two-in-one in a number of cases. The effective functioning of the Crime Syndicates like impositions of Criminal Patronage/protection tax (Rangdari Tax) and Ransom (Firauti Tax) in addition to the Greasing/Speed Money have emerged as strong limiting factors in the way to smooth functioning of the market mechanism. This has resulted in to the danger of talent and capital flight. The activities of Rural Militant organisations have created a similar condition in the rural areas in several parts of the country. The over all

scenario is hostile towards market and investment. Consequently, development is the ultimate victim.

Conclusion

Organised Crimes restrict the smooth functioning of the market mechanism in a developing economy. It discourages investment from both the sources i.e. internal and external. In place of raising the level of capital inflow, it helps not only in capital flight but talent flight also to a comparatively safer place. Profit and longevity of individual and institution are the prime consideration for an entrepreneur. How entrepreneurs, from inside or outside the country can dare to invest in such a system where there is no place for inducement and relief? The over all scenario is much beyond the imagination of **soft state** of Gunnar Myrdal. Of course, there are honest and dedicated persons in vast majority in each and every sector of the system. But, unfortunately they feel helplessness before the limited undesirable elements.

Obstacle by the vicious circles of the Organised Crimes to the market mechanism and investment perpetuate the low productivity, low income, low viable employment and ultimately low level of development in spite of a number of economic reform measures. Economic paradigms/reforms in isolation are important, not capable of delivering goods by themselves.

This obstacle is not a consequence of poverty. It has been imposed by the affluent section of the society influenced from the demonstration effect of the capital surplus developed world. The sufferer is the nation as a whole and the poor sector of the society in particular whose cry for viable employment, adequate supply of superior wage goods and social services is unheeded even at the dawn of the 3rd millennium.

Much exercise has been made to evaluate the development issues within the framework of Classical to New Classical, Marxians to Neo-Marxians, Neo

Classicals to Neo-Neo Classicals, Keynesians to Post Keynesians/Neo Keynesians, social sector to directly productivity sector, Capital goods to Wage goods and Sectoral to Balance allocation ratio by the great stalwarts of the profession. It is time to evaluate the political economy of development with more pragmatic considerations to identify the measures to break the vicious circles of crime as a precondition of development. It is time to arise mass consciousness against the crime Syndicates. A crusade for moral generation for change is the need of the hour. If we shirk from our historic responsibility, the future generation would not forgive us. By the way of concluding I would like to quote the observation of John Maynard Keynes:

“At the present moment people are unusually expectant of a more fundamental diagnosis; more particularly ready to receive it, eager to try it out, if it should be even plausible. But apart from this contemporary mood, the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else.”

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

-Eugene Black

FORUM OF FREE ENTERPRISE

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

Membership is open to all who agree with the manifesto of the Forum. Annual Membership fee is Rs. 100/- (entrance fee Rs. 100/-) and Associate Membership fee Rs. 40/- (entrance fee Rs. 20/-). Graduate course students can get our booklets and leaflets by becoming Student Associates on payment of Rs. 10/- per year (no entrance fee).

Write for further particulars (state whether Membership or Student Associateship) to the Secretary, Forum of Free Enterprise, Peninsula House, 2nd floor, 235, Dr. Dadabhai Naoroji Road, Post Box No. 209, Mumbai 400 001.

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