

SOCIALISM AND POVERTY

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

—Eugene Black

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The subject selected is one for which not a lecture but a series of books would probably be more appropriate. Poverty is something that we in this country have known—rather intimately, unfortunately, for a very long time. Socialism, contrary to what many of our leaders would have us believe, is a very old concept, it is over 100 years old. Like many other concepts, it has evolved. So, with your permission, what I would like to do this evening is to try and delve into the origins of this word to find out what were the central ideas of the early Socialists, and then to try and trace their development to modern times. Having done that, I propose to try and relate it, if a relation is possible, to what is being done in the name of Socialism in our country today. And perhaps from this analysis it will be possible later to draw some conclusions as to the direction in which we ought to take this great and ancient land.

The word "socialism" came into use after about 1825. It was used for the first time in Britain and France and was applied to the doctrines of the early writers who were seeking a transformation of society as they saw it at that time. This transformation was sought to be achieved by the substitution of social for individual control over economic affairs, and the emphasis on social as opposed to

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individual motivation in the life and work of the average citizen.

The founder of British Socialism and, therefore, of Socialist thought throughout the world was a man called Robert Owen. Robert Owen was a highly successful cotton spinner. He was the owner of a very large cotton factory in England and he made this factory the model of ideal employer — employee relations. He denounced the Industrial Revolution which was then going on in the U.K. and the exploitation to which this gave rise. He was also strongly opposed to the theory of competition because, from what he could observe, competition was leading to more and more misery. Robert Owen died in 1858. A contemporary of his was a Frenchman called Louis Blanc. He is well-remembered for the cliché which is used by Socialists everywhere — “from each according to his abilities; to each according to his needs”.

Another well-known early Socialist writer was P. J. Proudhon; he lived from 1809 to 1865. He went one step further than the others: he held that all private property was immoral because, necessarily, he was looking at the scene around him and saw the exploitation that was going on. He was the author of a book called “Poverty is Theft”. However, he laid the main emphasis in his writings not on social control but on freedom of the individual and the voluntary association of individuals. It is interesting to see that early Socialist thought did not really say that society must control all aspects of the individual’s life. Proudhon only sought to free society from the tyranny of what he considered monopolistic property rights. He also wrote a book called “Philosophy of Poverty”, which provoked Karl Marx’s classic rejoinder ‘the poverty of philosophy’.

The last Socialist of the early days that I would like to

name is Ferdinand LaSalle. He lived from 1825 to 1864. He is credited with the discovery of the 'iron law of wages'. This 'iron law', as he described it, said that wages under the prevailing system always tended to remain at the subsistence level; in other words, there was no possibility and no hope of an increase in wages. He felt that the State was only what he called "the consolidated people" and could become an instrument of change and progress. The difficulty was that the franchise in those days was very severely limited. He is, therefore, credited with being the father of the thought there shall be universal adult suffrage in civilised society.

Until about the middle of the nineteenth century, Socialism developed almost exclusively as a British and French concept. It would be more correct to describe it as a 'movement' because it was conceived as a reaction to the exploitation of the Industrial Revolution. This is an explanation that all Socialists accept today.

Now if Socialism was a reaction, what was it a reaction to? What was Britain like in the mid-19th century? Britain was then one of the richest, if not the richest, countries of the world. There was phenomenal growth of wealth and capital, but unparalleled material progress went hand in hand with appalling human misery. The darker side of the Industrial Revolution has, perhaps, escaped the history books, but authors like Charles Dickens have written very eloquently about it. The Britain of great wealth and power was also the Britain of the debtors' prison and the poor man's workhouse. In that society there were no obstacles to the unscrupulous acquisition of enormous amounts of wealth and there were no restraints on employers of labour. Hours of work were limited only by human endurance, wages were determined by what employers were prepared to pay, chil-

dren were employed in coal mines, women were paid only a pittance of the very low wages that were paid to the men. There were no organisations of labour whatsoever. Income-tax had been imposed and had been withdrawn and had been re-imposed, but it was not yet accepted as a permanent way of raising revenue. At no time did the tax exceed 10 per cent, and the theory of progressive taxation had not been born. Society seemed to take a back seat and all the acquisitive instincts of the individual were allowed free play.

This, as far as the economic scene of the Industrial Revolution. Economics and politics, as we know to our cost, do go together. Political power in the Britain of the mid-19th century also went along with wealth and privilege. This was possible because, as I have just mentioned, the franchise was severely limited and it was limited to the well-born and the wealthy. It is useful to recall that adult franchise was only an idea at that time. It was not until the early 20th century, it was not until after the First World War in 1918 that women first got the right to vote, and they got it to a limited extent — only those over 30 years of age were held to be mature enough to be allowed a voice in the country's affairs. It was not until 1948 that universal adult franchise, as we know it today, came into being. So this is an important point to remember in considering what measures were available to the early Socialists to change the then prevailing social order.

The scene at the close of the 19th century has been vividly described by Andre Maurois in his "History of England". He talks, and I am quoting him, of "350,000 workers crushed and crowded into damp, dirty, broken-down houses where they breathed an atmosphere resembling a mixture of water and coal. In the mines we saw half-naked women who were treated like the lowest of draft animals.

Children spent the day in dark tunnels, where they were employed in opening and closing the primitive openings for ventilation and in other difficult tasks. In the lace industry exploitation reached such a point that 4-year old children worked for virtually no pay."

Here is another testimony from George Benard Shaw. Now Shaw is well known as an author. It is perhaps not very generally known that he was a leading Socialist; he was one of the early members of the Fabian Society in England. This is what Shaw says in his article "Socialism—Principles and Outlook". This is also the reason why he became a Socialist. He says, "Socialism rises as a revolt against the distribution of wealth" — mind you, the 'distribution' of wealth, not the production of wealth — "that has lost all its moral plausibility. Colossal wealth is associated with unproductiveness and sometimes with conspicuous worthlessness of character, and lifetime of excessive toil beginning in early childhood leave the toiler so miserably poor that the only refuge left for old age is a general work-house purposely made repulsive to deter proletarians from resorting to it as long as they have strength enough left for the most poorly paid job in the labour market".

No wonder then that men of goodwill and character and conscience revolted against this state of affairs. I use the word 'conscience' in its pristine sense, not the sense in which we are accustomed to hearing the word today.

The effort of the early Socialists was to evolve a set of principles, to correct the gross distortions in the society they saw around them. What they did was to condemn the sacrifice of men to money, and to stress instead the universal human ideals of equality, freedom and fellowship.

Socialism then was an attempt to inject humanism into

economics. Its sole concern was with the wrongs done by the prevailing system to human worth and to human personality. But Socialism was only a set of guiding principles; it did not pretend to be an economic doctrine. It indicated not how to create wealth but proposed only how it should be better distributed in the name of our common humanity. I think it is important to stress this when we are told today that all will be well if only we follow the path of Socialism.

Now comes a significant change in the then concept of Socialist thought. Karl Marx appears on the scene. It was left to him to convert Socialism into a rigid economic system and his followers have later raised it to the level of a dogma and a faith. Marx started by first rejecting outright the Socialism that was talked about around him. He dubbed it, and perhaps not without reason, as 'Utopian Socialism'. Surveying the economic scene Marx believed that wages under the prevailing system would never rise and that increasing misery was inevitable. Therefore, he saw violent revolution as the only way to achieve the emancipation of industrial workers. He disagreed totally with LaSalle's view that universal adult franchise could convert the State into an instrument of social change. He insisted with great ferocity that the ruling class would never give up its monopoly of power, as he termed it, and that they would have to be removed by force.

Perhaps Marx's contribution to Socialist thought can be stressed by reference to the concept of class warfare. He held that each class, on coming to power, needed to destroy the State of its predecessor, and to make a new State of its own as an instrument not of progress but of its dictatorship. Industrial workers, according to Marx, must therefore overthrow the ruling class to establish their dictatorship and this,

of course, is the origin of the concept of 'dictatorship of the proletariat'.

Marx's vision was limited to the scene that he saw around him, and he offered only one very rigid analysis of how society would progress. He was exclusively preoccupied with industrial labour but this is not surprising because, as we have seen, this was the age of the Industrial Revolution and scientific progress. Indeed, Marx was contemptuous of the peasantry. In the Communist manifesto published in 1871 Marx compared the peasantry to a sack of potatoes and referred to the 'idiocy of rural life'.

Marx insisted very firmly that he was a Socialist but he termed his new creed 'Scientific Socialism', to distinguish it from the 'Utopian Socialism' that he condemned. Certainly Marx took a very narrow and a very uncompromising view. The assumptions that he made have generally been proved wrong. His blood-curdling prophecies have not come to pass. Professor Parkinson has explained why Marx went wrong. Now, Professor Parkinson has a great reputation as a humorist but his reputation rests on very firm foundations — he is a very astute observer of affairs. In a lecture that he delivered at Hyderabad on the 5th of March this year, he explained why Marx published the book (*Das Capital*) in which, according to him, "false history and obsolete economics lead up through fits of hysterical hatred to prophecies that time has already falsified". Parkinson offers an explanation as to why Marx was led astray. Because, says Parkinson, he was only an intellectual and had no useful experience of any kind. I am quoting Professor Parkinson now, and he says: "A Jew without a country, a scholar without pupils, a politician without public office, an editor without a newspaper, an author without a public,

Marx was all but completely ignorant of the world in which he lived. He had no experience of administration, business, finance or war. He had no trade or profession, no seat on a town council. He did no manual work with either hammer or sickle, spanner or spade. He showed no interest in anything practical, whether in housing, drainage, teaching or health. He did nothing active in revolution or riot, and knew the working class only from newspapers and books". And here is the *pièce de résistance*, as one would say — "He did not even eat his meal regularly. His literary style would have been less constipated if he had".

Now we in this country are familiar with the spectacle of both incompetent and ignorant people telling us what to do, where to educate our children, how much to earn, how much to spend, not to save at all, and so forth. As a cynic has remarked, 'there is no reason to enthrone ignorance simply because there is so much of it'.

Before we leave Karl Marx finally, I think it is important, to be fair to him, that one point should be stressed. It was never Marx's intention to create a finite and all-inclusive concept of the world. This is something his successors have done. Marx, in fact, once said: "One thing is certain — I am not a Marxist".

Another great one-time Communist (I think he still retains the label Communist although in practice he is not because he has shown that he is sensitive and sincere and capable of changing his views) is the great writer from Yugoslavia, Milovan Djilas, the author of the well-known book, "The New Class". He explains this phenomenon. He says, "Marx's successors revealed a tendency as time passed to present his teachings as a finite and all-inclusive concept of the world and to regard themselves as responsible for the continuation of Marx's works which they considered as be-

ing virtually complete". As Djilas goes on to say, "Science gradually yielded to propaganda and, as a result, propaganda tended more and more to represent itself as science".

By contrast, the inheritors of the French and British Socialism of the 19th century did not share the myopic vision of Communism. They seemed to understand better the limitations of their philosophy so that when they applied Socialist thought to practice they did this in the nature of an experiment. To give you one example, nationalisation was very important to the early Socialists. It is not so important to the modern ones, except to those who have decided that they will learn nothing and forget nothing from the economic history of the world these past fifty years and more. Nationalisation was tried as an experiment and the degree to which it was allowed to go was carefully regulated. The modern Socialists took note of the fact that things had changed in the 100 years since the original ideas were propounded. Labour legislation, organisation of trade unions, the acquisition of the right to strike, the right to collective bargaining, and so forth have made nonsense of the original assumption that the wages of industrial labour could not rise.

Yet, even in this comparatively rational atmosphere of England, it began to appear to the Socialists that there was a lot of semantic confusion over what exactly Socialism means. They decided to reconsider their theories. This is not something they have done now; they did this in 1956. They brought out a remarkable little booklet called "Twentieth Century Socialism" which, I would say, makes very worthwhile reading. It has been recently published in India and I would recommend it to you all. The difficulty

that I am suggesting arises from rigidity in thinking. What I am trying to show is that where there is a sense of balance retained and political maturity exists there may be excesses in one direction or the other, as there has been in England recently, but there is the assurance that no one would lose his head and ultimately all would be well. There it has been found that social security and unemployment benefits are being misused to support wildcat strikers in comfort, quite free from hardship. As soon as this awareness has come to them, the people of Britain have decided to set things right. Under the new government, which admittedly is non-Socialist, they have given the mandate to make the necessary changes in the law.

The difficulties arise only when an attempt is made to freeze human progress at a particular stage in its evolution, and not a very particularly flattering stage of evolution either. To freeze it and then to solemnly hold that the policies framed to meet that given situation 100 years ago are valid, true and can be applied to all situations is to be like the proverbial schoolboy, well-birched but none the wiser. This is what the Communists do very openly; they hold that violent revolution which Marx recommended for the Europe of 100 years ago is still the only solution to all the world's problems today. This is also what Socialists do in some countries where they have been unable to keep pace with events and have been left behind.

I would like to tarry only a couple of minutes to dispose of this problem of Communism and to show what the results of Communism in practice have been. I would like to quote you Milovan Djilas's testimony. Djilas says, "Everything happened differently in the USSR and other

Communist countries from what the leaders, even such prominent ones as Lenin, Stalin, Trotsky and Bukharin, anticipated. They expected that the State would rapidly wither away and that Democracy would be strengthened. The reverse happened. They expected a rapid improvement in the standard of living — there has been scarcely any change in this respect, and in the subjugated East European countries the standard has even declined. In other instances, the standard of living has failed to rise in proportion to the rate of industrialisation which was much more rapid. It was believed that the differences between cities and villages, between intellectual and physical labour, would slowly disappear; instead, these differences have increased”.

We have seen then that Socialism and Communism have a common parentage, and before we pass on to the next part of this talk I would like to summarise the salient features of each.

Socialism

1. Socialism’s main objective was to humanise economic activity.

2. Socialism suggests a set of values to guide society where the problem is one of equitable distribution of existing wealth. The Fabian Socialist, George Bernard Shaw, shows how central to Socialist thinking is the concept of distribution, as opposed to the production, of wealth. He said, “Socialism reduced to its simplest legal and practical expression means the complete discarding of the institution of private property by transforming it into public property and the division of the resultant public income equally and indiscriminately amongst the entire population”.

3. Socialism is not, and never was, intended to be a complete economic system designed to meet the special

needs of poor nations like ourselves to increase their wealth rapidly.

Communism

1. Communism is a dogma and a faith based on writings a hundred years old.
2. It has become in practice a system and an excuse to concentrate all power — social, political and economic — in the hands of a perpetual dictatorship, the New Class. As Djilas puts it, “The Communist revolutions conducted in the name of doing away with classes had resulted in the most complete authority of any single new class. Everything else is a sham and an illusion”.
3. Communism cannot be considered as a system designed to raise the standards of the underprivileged and the poor. The good life, as all experience shows, is reserved only for the small minority that make up the New Class. The New Class, in Djilas’s precise definition, can be said to be made up of those who have special privileges and economic preference because of the monopoly of administration that is in their hands.

This common parentage of Socialism and Communism, therefore, has a common deficiency. Neither seems to have any contribution to make, except perhaps by accident, to the great need to banish poverty by the only way this can be done, i.e. a rapid increase in the total available wealth.

The problem in this country is quite obviously not that of distribution of wealth but of its production. The division of the available wealth in the country by our total population would only distribute poverty. Even our late Prime Minister, Pandit Jawaharlal Nehru, a convinced Socialist, agreed that this was so, but he did not think it politic to

make the admission in this country. He said in Kathmandu, when he was on an official visit to Nepal, and I am quoting him, that "Socialism in a poor country only distributes poverty".

It is a pity that this wisdom was not passed on to those in charge of the country's economic direction and control. On the contrary — Mr. Ashok Mehta, when he was Deputy Chairman of the Planning Commission, once said in emphasising the need for rapid economic development that "the present generation will have to be trampled upon in the process. But this can not be helped". In India, Socialism has become a dirty word, like 'commitment' and 'conscience'. It would seem that without the declaration of a formal Communist dictatorship, the New Class has emerged in this country and is growing stronger.

What, then, should be the test of economic development in a country like ours? Long ago, Gandhiji gave us a talisman. He said, "Recall the face of the poorest and most helpless man you have seen and ask yourself if the step you contemplate is going to be of any use of him. Will he be able to gain anything by it? Will it restore to him a control over his own life and destiny? Then you will find your doubts and your self melting away."

Applying this talisman, what are the fruits of Socialist planning in India. I suggest a few simple tests.

National income and per capita income : One simple test would be to see how our income as a nation has grown or otherwise in recent years and what is the share of each citizen in that income. According to official published figures, our *per capita* income 10 years ago, i.e. 1960/61, was Rs. 306.7. In the last 3 years (for which figures are available)

the income went up to Rs. 471.2 in 1966/67, Rs. 542.9 in 1967/68 and Rs. 546.5 in 1968/69. These figures are misleading because they have been calculated independently for each year at the prices prevailing in that year. Therefore, to the extent that the Indian Rupee depreciates in value (and this extent is a major factor), these figures are distorted. At constant prices, which is the only fair method of comparison, the figures are Rs. 302.4 in 1966/67, Rs. 321.3 in 1967/68 and Rs. 319.3 in 1968/69. It will be noticed that after 6 years of planned effort, the *per capita* income was in fact lower than it was in 1960/61.

It is no answer to say that the increase in population has eaten into the national income, making each citizen's share smaller. The increase in population was a known factor and ought to have been provided for in the Plans. If on the other hand, this very unsatisfactory result had come after the nation had made the maximum possible effort on the right lines, there could be some sympathy for the Government in their predicament. But what is one to say when it is well known that economic policies are tailored only to subserve shamelessly political ends and politics consistently marches in front of the citizen's rights and the citizen's well-being?

We are often told that our national income should be better distributed. How do we compare with other countries who have a reputation for equitable distribution of national wealth? In France, in Norway and in West Germany, about one-third of the population at the bottom of the social pyramid holds between one-tenth and one-twentieth of the national income of these countries. Our figures are roughly comparable to these. Now, Norway is without doubt a Socialist country. In Norway, the top 10 per cent.

of the social pyramid holds 25 per cent. of the national income. In India, according to the National Sample Survey (1967/68), the top 10 per cent hold 24 per cent of the national income. As we can see, this is near enough. When it is remembered that in India less than 1 per cent of the total population pay any direct taxes at all, the measure of the burden on those who are shouldering the primary responsibility for taking the country forward is shown up as being even heavier. Therefore, it can be said that better distribution or, to put it more bluntly, more levelling down, is not the answer to our problems.

Availability of necessities to wage earners : If only a little of all the talk about planning for the poor is to be taken seriously, then a good test would be to see what commodities are made available to the average wage-earners. We exclude in this exercise salary-earners and other senior personnel. According to the Economic Survey for 1969/70, in 20 years of independence the quantity of food-grains per head of our population has gone up from 394 grammes to not more than 438 grammes. The quantity of sugar available increased from 3 kilos per head to 5 kilos per head in the same period. Cotton cloth, another vital necessity, increased from 11 metres to barely 14 metres. This progress in 20 years is not very impressive and is far below that achieved by other developing countries of Asia who are not burdened with outdated Socialist dogma. On the other hand, the level of milk consumption went down from 46.49 kilos per head in 1956 to 42.41 kilos 10 years later. The supply of edible oils also declined — from 2.7 kilos per head in 1950/51 to 2.6 kilos per head 20 years later. There could be no more telling comment on the propaganda that Indian planning is for the masses.

Galloping increase in the cost of living : A problem that

has become a nightmare for the great bulk of our population is the increasing cost of living. This is directly attributable to the stifling nature of industrial licensing and the elaborate structure of controls and regulations. A few days ago, on the 19th October, Mr. Subimal Dutt, the Central Vigilance Commissioner, testified to the truth of this statement. He blamed controls, licensing and the general apathy of the people which made the bureaucratic world 'a happy hunting ground for the corrupt and the dishonest'. Mr. Dutt talked of 'speed money' — the price the common man pays to lubricate the wheels of the bureaucracy which, if I may add, is a part of the New Class. But the Commissioner was helpless: "The activities of the Commission barely touched the fringe of the problem," he said.

Our overseas earnings : Another test would be to consider our resources as a nation. We know enough about our internal resources. As for our foreign exchange earnings, a word about them to show how badly we are slipping in world markets. Every country has to buy and sell, and if we do not sell enough, in time we will not be able to buy what we need for our requirements. Our exports last year were 4 per cent less than in the previous year. According to the Fourth Plan target, they should have been 7 per cent higher, so the short-fall in fact is 11 per cent. Now there was an interesting meeting in Delhi earlier this week, at which the Minister for Foreign Trade seemed unable to understand why exports should fall at all, because, according to him, all the facilities for increasing them had already been made available. So, all those concerned put their heads together and appointed a committee — the classic pattern that we have known only too well, unfortunately, when one wants to dodge an issue. Somebody should have

explained to them that setting up a committee in these circumstances is indulging in a futile exercise.

Manufacturers are asked to export at any cost. The reality is that these manufacturers in a highly sheltered market are used to producing a fairly shoddy product at an excessive price, and they can not develop overnight the schizophrenic personality that would be needed in order suddenly to produce a quality product at a reasonable price for foreign markets. In other words, sloppiness at home and smartening up abroad just cannot co-exist.

No jobs for our citizens : A phenomenon that is growing now is the tyranny of organised labour. The emphasis is on political motivation at the expense of economic betterment. There was a case in Calcutta of one of the well-known companies where workers have developed a habit of going on four months' strike every year. This year, the company declared a closure, and said 'nothing doing, we will not reopen'. The workers put their leaders on a spot, forced them into a taxi, sent them to the Department of Labour in the Government of West Bengal, and said 'Go and get our factories re-opened. We couldn't care less whether we have a high bonus or a low bonus. We want our jobs back'. This, one hopes, is going to herald a general return to sanity. But it shows to what extent the political ambitions of a small minority, an unscrupulous minority, have been holding this country to ransom.

Sir Biren Mookerjee, one of India's leading industrialists and a great gentleman, made a statement to his shareholders this year which, as usual, is frank and honest but it also makes revealing reading. The one point that survives a discussion of all the issues that he raises is that, for the first time in the experience of not only India, but of the world,

the manufacture of steel has become a labour intensive, not a capital intensive, industry. Labour costs are now the highest single item of cost in steel production. This is undoubtedly our original contribution to world economic thinking.

This has a direct impact on employment and jobs; if there is one problem that the bulk of our citizens is worried about today, it is not being able to get a job. What is our problem of unemployment? Unless we know the size of the problem, it would not be possible even to suggest solutions. In Plan after Plan, it was customary for the Planning Commission to give statistics of the back-log of unemployment at the beginning of each Plan, the number of jobs that they hope to create as a result of the Plan, and the position of jobs at the end of the Plan period. On this basis, the statistics given by the Government themselves show that the back-log of unemployment has been increasing over the last three Plan periods. It was 3 to 5.4 million at the start of the First Plan, 5.3 million when the Second Plan began, and between 7 to 9 million at the beginning of the Third Plan. The additional job-seekers were estimated at 10 million in the Second Plan period, and in the Fourth Plan as it was first presented the figure was put at as high as 23 million.

Now, employment statistics in this country are not all that reliable. To be fair, we must accept that this is so. This is because the data on which the statistics are compiled is not very reliable, but nevertheless these half-truths, if you like, did show a trend and they did point the dangers. Now suddenly, in the new Fourth Plan document, there is no reference to unemployment at all, no reference to what position the country is facing. It would seem that the Commission is afraid to face even this half-truth, and would

like to bury it in a mass of verbiage. So what do they do? They appoint a committee of experts to enquire into traditional unemployment statistics. As expected, the committee came to the conclusion that the basis adopted was not all that reliable; so the Planing Commission pounce on this verdict and say in the Plan document (at page 428), "In view of the Committee's recommendation, no attempt has been made in this document to present data on the lines followed in previous Plans." The problem is obviously of such frightening dimensions that we are not to be given any details at all.

The New Class : It is clear then that the bulk of our problem is caused by what we call 'the New Class' which, as I suggested earlier, has come about in this country without the formal declaration of a Communist dictatorship. It has come about by the simple expedient of so-called planned economic development. But, this is where I suggest we are breaking new ground. In every Communist dictatorship the New Class has risen like the phoenix out of destruction. In this country, we have allowed a New Class to come up quietly and without fuss; the people are not even aware of the existence of this privileged class.

Ministers and Members of Parliament are also members of the New Class in this country. Cabinet Ministers receive tax-free salaries and perquisites which have been calculated to amount to Rs. 70,900 — net, in hand — per year. That is to say, a carry-home pay of Rs. 5,908 per month. This has been achieved by a very complicated system of taxation or, I should say, the absence of taxation. Only the basic salary is taxed, everything else escapes taxation. Now, lest you think that in these figures have been included what it must

cost them to fulfil their duties as public servants and as leaders of the country, this is not so. This does not include official travel, official entertainment and things of that kind. It merely means what goes into every Cabinet Minister's pocket, either directly or indirectly. I must qualify this to say what **should** go into his pocket, directly or indirectly! It would be interesting to translate this tax-free income into gross income, assuming that they are to be taxed like ordinary citizens of this country. I have calculated (and I am not the first one to do it: this has been raised on the floor of Parliament and there has been no answer given to it) the gross income to produce this net income in hand would have to be Rs. 4,48,000 per year and, therefore, nothing less than Rs. 37,000 per month.

How does this income compare with the national income of an average Indian? The average Indian earns Rs. 525 per year or Rs. 44 per month. Now these are the Socialists who are asking us to tighten belts, and do without. What is the measure of this comparison? This level of income is 848 times the income of the average Indian; it is also $2\frac{1}{2}$ times what is allowed to be paid to the topmost company managing director.

Members of Parliament do not do as well, but they do not do very badly either. They also have a very complicated system of computation. In their case, the monthly income of Rs. 500 is supposed to be taxed, but there are all kinds of allowances, including a personal attendance allowance of Rs. 51 per day, which escape tax totally. It is fortunate that our trade union friends have not come up with the idea that all other workers should also have an attendance allowance for coming to work which should be free of tax! The corresponding figures for Members of

Parliament are these: their net income after tax is Rs. 17,890 per year. This is a very conservative estimate again; it is only what is paid to them in cash every month. This comes to Rs. 1,407 per month, and not Rs. 500 which we are told is all the salary that they get. In effect, no tax is paid at all even on this salary of Rs. 500 per month or Rs. 6,000 per year. It is assumed that an M.P. has to incur expenditure of at least Rs. 1,000 per annum which is deducted and the result produced is below the present taxable income. I am not taking any note at all of such tax-free perquisites for which ordinary citizens are taxed savagely but escape tax in the case of these privileged members of the New Class. These figures do not include the provision of free telephones, free furnished accommodation, and a curious entitlement of Rs. 9,000 worth of foreign exchange.

This is not all. There is another built-in cushion — against increases in the cost of living. Increases in the cost of living are things that you and I are very familiar with. Now there is an explanation as to why all talk of a constantly rising cost of living falls on deaf ears in Delhi. I do not know whether it is generally known, but it is a fact that there exists a cooperative stores system in Delhi attached to the Parliamentary Secretariat where essential requirements, essential commodities are made available to our leaders at prices which would make our tongues hang out. The items sold to them include pure ghee — something that you and I have done without for years and are not likely to see again in our lifetime.

The net result of all our socialistic effort is that we are dropping further and further behind in the race for economic development, comparing ourselves not to the advanced countries (who are also racing for even better terms), but

comparing ourselves only with the less developed and the developing nations. Compared to countries like ourselves, we are losing ground. I say this on the authority of a recent report to the President of the World Bank dated September 1969 with 2 Indians on its panel. It is known as the Lester Pearson Report and, according to this Report, we rank 58th out of 69 developing countries. This ranking has been done on the basis of 2 tests. One, the test of gross national product, and two, the test of level *per capita* income. One test is the total product of the country, the second test is the income of the average individual. On both these tests, our ranking is 58 out of 69, as I have just said. But even of the 11 countries who come after us, as many as 6 are doing better than we are on the second count, which is more relevant — how much does each man get? On the basis of *per capita* income, 6 out of the remaining 11 are doing better than we are. So you will see how poorly Socialism, or what passes for it, has served this country. The only 5 countries who are worse off than we are on both counts are such insignificant countries like Burma, Mali, Somalia, Haiti and the Congo.

No wonder, then, that a very perceptive commentator, Mr. Nirad Chaudhuri, has come to the conclusion that 'Socialism has supplanted patriotism as the last refuge of a scoundrel'.

To sum up, I would like to refer to a comment that was made by a good friend of India, Mr. George Woods, one-time President of the World Bank. He tells us, very objectively, what our situation is. He said in Delhi in February 1968 at the UNCTAD Conference: "We must be frank to say that in many parts of the world the situation is discouraging and even disturbing. Here in our host country,

the home of one-seventh of all the human race, after 20 years of independence many millions of people have yet to experience more than the feeblest manifestations of progress. Those who believe as I do that India is engaged in a task of deep meaning for all the developing countries must be gravely concerned by the uncertainties that cloud her national life. India is an exceptionally dramatic case because of its size and location on the troubled Asian continent, but it is by no means the only country where hope is dwindling to despondency”.

If this is our situation, it is a measure of the challenge facing us to better ourselves. I would like to conclude by suggesting some broad principles that this country could adopt to achieve the primary objective of giving our poor a square deal. The overriding point is that neither Socialism nor Communism is the answer. The answer is that all ‘isms’ must be banished. As Professor Milton Friedman of the University of Chicago has warned us, “there is no standard formula for promoting rapid economic growth applicable to all countries in all situations”.

Six Principles

Now, may I suggest the 6 broad principles where the State can concern itself with planning for rapid economic growth in a free society.

1) The first is that objectives of planning must be constantly kept in mind, and these objectives broadly are to encourage, by fiscal and other measures, a rapid increase in the supply of goods and services desired by the people. Let us understand that production must precede distribution.

2) Economic planning ought not to be a matter for

party politics at all. Today it is entirely a matter for party politics. It should be free from all dogma and prejudice and should be left to technicians and other practical people. It should be a process of consultations and not a series of commands. As Jean Monnet, the father of French planning, has said, "Planning should be a permanent exchange of ideas between the administration and the country in a concerted economy and not in a dirigiste economy of a bureaucratic or corporative nature".

3) The role of the individual as producer and consumer must be kept in the centre of such an approach. Modern economists have questioned, and with good reason, whether the most important scarce commodity in developing countries is capital. It is far more likely to be lack of individual enterprise and initiative, as Professor Hirschman contends. Excessive curbs and restrictions discourage such individual enterprise and initiative as exist and only encourage dependence upon a paternalistic government.

4) The function of the State should be to provide an infra-structure, or the 'social overheads' or the 'indivisibles' or whatever we may call the creation of preconditions for economic development. It is appropriate that I should quote today Mr. A. D. Shroff, who said that this infra-structure meant "development of a network of highways, railways, waterways, ports and air terminals; a first-class postal, telegraphic, telephonic and overseas communications service; educational facilities designed to increase the social and technical skill of individuals; a sound administrative set-up with clear and simple rules and regulations, which help and not hinder the objective of economic development; and attention to basic, though not spectacular, requirements like afforestation and soil conservation measures." These

objectives are big enough to tax the resources and fire the imagination of the most dedicated government, but today the Government, interferes so much in the economic sphere that their primary functions tend to be ignored. For instance, one State Government wants to bake bread and catch fish.

5) For the rest, society does have the right to say that economic development must be channelled into certain broad directions. But the results must be achieved by encouragement and incentives, not by direct controls and restrictions which stifle individual enterprise and initiative. It has been said that "incentives are the prizes in the game of life; the goals that individuals seek — the carrots. Through the ages of Tutankhamen, Alexander, Caesar, Louis XIV and the Atom they have remained the same." But this presupposes that there must be wise political leadership dedicated to the country's welfare. The leaders must know what it is that moves men to do things.

You will pardon me for digressing a little to illustrate this point. I heard this from the Turkish Prime Minister, Izmat Inonu. He is dead now, but in 1964, when I was on a visit to Turkey, he told me the story of the great man, Kamal Ataturk, the father of modern Turkey. Ataturk, as we know, was a dictator. He was a beloved dictator, a man whom the people worshipped because he was fired by one great passion — the good of his country. He ruled by decrees. The first decree he announced after assuming power related to the fez, the symbol of the power of the Mullas that he wanted to destroy. So the very first thing he did was to say that all men must remove the fez cap. He set the example himself by removing it before anybody else. To set an example is the essence of leadership — in Turkey, or anywhere else. After a while, he issued a second decree to say

that all women must remove the veil. Now this second decree was not observed. The decree was not observed because the men would not allow the women to remove the veil. Inonu told me that Ataturk worried about this for a long time. For days he was very unhappy, he would not eat his meals properly. He said, "My children are not obeying me. What am I to do? Shall I resign?" Then, he found a solution. At a cabinet meeting he said, "All right. If this order is not liked by the people, remove it". He did not say 'Send those who break the law to jail'. He said, "Withdraw the order". He issued another order a little later that all prostitutes must wear the veil. Promptly, the veils disappeared. Now, there is a lesson in this.

6) The last point I suggest is that the consumer is king and must be free to decide what he will buy and at what price. It is the duty of the State to protect him against exploitation by monopolies and cartels and any surreptitious arrangements to defeat free competition. But it is no answer to control monopolies in the hands of the citizens simply to create bigger and more irresponsible monopolies under the State.

Statesmen in every country would do well to remember the wise counsel of Ivor Thomas that the men for whom they have to legislate "are neither angels nor beasts". It is their "duty to construct a society which is suited to the average human being, compounded as he is of good and evil ingredients; and he must leave the extremes in either direction to be provided for by special measures". Thomas goes on to add, "The prime fact of human nature which the wise statesman must take into account is that men will exert themselves for their own benefit or for that of their families,

regarded as an extension of themselves, and they are not prepared to work for the State or for any other collectivity as they will work for themselves or for their families. Perhaps it is a defect in human nature, but it is a fact, and the statesman ignores it at his peril”.

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Forum of Free Enterprise

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...educating the public and influencing...
...government policy on economic and...
...social issues...

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

—A. D. Shroff
(1899-1965)
Founder-President.
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