

THE MESS WE ARE IN

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FORUM OF FREE ENTERPRISE

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This month the world's largest functioning democracy enters the twenty-eighth year of its history. Men, anxious-eyed, ask the question whether freedom's foundations will stay. We know, and the world knows, that we are going down the inclined plane. Whatever the rate of descent, the abyss is still at the end of the road.

A highly reputed agency, known for its perceptive analysis of world events, has recently made a major attempt to forecast the future of the Indian Ocean region in the 1982-1991 era. One aspect of the studies focussed on the internal stability of the countries in the area. The result indicated that in that decade India is likely to have the highest level of general political violence (demonstrations, riots, internal armed attacks and assassinations)—a higher level than will probably be reached by any country of Africa or the Middle East. This forecast is not belied by our present economic floundering, political unrest, constitutional erosion and moral degradation in public life.

It is simple to support disbelief in these grim forebodings by the facile assumption that we shall always

be able to muddle through and by pointing to the fact that unrest is worldwide. Barring the nations behind closed doors, about whom nothing can be said with certainty, inflation and discontent seem to be raging through all countries. Like the animals with the plague in La Fontaine's fable, "All did not die, but all were stricken."

Pliant Constitution

But it would be unwise to ignore the tocsin. The staying power of democracy varies from country to country. The timing of political breakdown depends upon the strength of political institutions and the severity of economic crisis. Collapse may not overtake a country marked by economic failure where the political institutions have acquired durability through age and tradition; nor may it engulf a nation whose economic growth makes up for the weakness of its political institutions. But the danger facing India is that it combines dismal economic failure with fragile institutions and a Constitution which is looked upon by politicians as so pliant that it can be bent to any whim or caprice of the ruling clan.

It would be easier to underestimate than to exaggerate the dangers inherent in our present economic crisis. Currently, prices are higher by 29 per cent over the last year. The credit squeeze and the Ordinances recently promulgated to effect a partial freeze in wages and an absolute cut in dividends do not touch the root cause of inflation. They will be counter-productive in so far as they will severely affect industrial production. At best they merely

amount to an attempt to cure the patient's fever by cooling the thermometer.

Keynes believed that "the ultimate cause of inflation is the impecuniosity of governments." According to him, "inflation is a mighty tax-gatherer. . . . by a continuous process of inflation governments can confiscate secretly and unobserved an important part of the wealth of their citizens". What Keynes called "the inflationary gap" may be defined as the amount of government expenditure against which there is no corresponding release of real resources or materials by the community. In other words, the "inflationary gap" can be bridged or eliminated only by increased production on the farms and in the factories. The real curse of India is that our archaic brand of socialism does not permit the requisite increase in the production of food and other wage goods, nor a surge in the job potential. Socialism has become merely the currency in which the political parties play their game. Our ideology is inane; and our obsession with it insane.

"We would rather be ruined than changed
We would rather die in our dread
Than climb the cross of the moment
And let our illusions die."

Our ideology dictated, while common sense deplored, that we invest in basic heavy industries instead of agriculture and production of wage goods. The bankruptcy of our agricultural policy is faithfully reflected in food production. In 1970-71 the food crop was 108.4 million tonnes; whereas in 1973-74 it is estimated at 105 million tonnes. Thus, while the

population has increased by about 35 million since 1970-71, the food crop has declined by three million tonnes. We may have to import about four million tonnes of foodgrains at the punishing cost of Rs. 700 crores.

The growth rate in industrial production for the last year is estimated to be nil or negligible. The infrastructure continues to be woefully inadequate.

Stagnation after Nationalisation

There is an acute scarcity of coal, particularly after nationalisation in 1971. Production has been stagnant around 77-78 million tonnes a year, whereas as early as 1965 the target of 97 million tonnes was laid down for the Third Plan. Coal shortage is mainly responsible for the lower production of steel, cement, power and chemicals, and, because even the railways are badly affected, the problem of distribution of coal has become more acute than that of production. Pithead stocks are mounting for want of railway wagons. The railway bottle-neck is aggravated by the fact that, out of the existing inadequate stock of 400,000 wagons, about 20 per cent are sick and non-operating.

The Government manages about Rs. 20,000 crores of productive investment. That represents the least productive investment from the national standpoint. While electricity companies in the private sector are working at a profit despite a statutory restriction on the rate they can charge the consumer, the State Electricity Boards are working at a loss despite no such restriction. Many of them never have their

accounts ready in time. Some of them openly admit that as much as one-third of the electricity they generate is "stolen" by unauthorised connections or otherwise.

Fifty per cent of our energy requirements is met through non-commercial sources like cow-dung and firewood, and this is about the only source which has not suffered from the blast of inflation. Twenty-five per cent is met by coal and electricity and the remaining 25 per cent by petroleum products. Shortfall in targets of electricity generation has persisted throughout our history as a Republic, despite the fact that all along the targeted financial outlays have either been reached or exceeded. This is mainly because of poor operational efficiency and the total absence of any "maintenance" worthy of the name.

This is not to say that no units in the private sector suffer from inefficiency and incompetence. But the point is that instead of encouraging and promoting efficient and honest enterprises wherever they are found—whether in the public, private or joint sector—our radicals cry for more and more nationalisation.

As Professor Galbraith observes, "Even British socialists, in some ways the world's most ardent defenders of doctrine for the sake of doctrine, have largely given up on public ownership or have reduced their commitment to it to a purely symbolic level. That is because it no longer serves a clear purpose in the British economy. The common denominator of all this change is the tendency to accept, sometimes rather reluctantly, what works. . . . One wing of the modern left prefers in practice to attack capitalism

and accept poverty rather than have a greater measure of progress with a pragmatically mixed economy."

On account of the threefold rise in the import price of foodgrains, the fourfold rise in that of oil, and the fivefold rise in that of fertilisers during the last two or three years, we shall have a foreign exchange gap of about Rs. 1,000 crores in the current year. The World Bank in its confidential Report has estimated that the total foreign assistance required by India during the Fifth Plan period would be \$ 12 billion, i.e., almost two and a half times the draft Plan estimate of \$ 5 billion.

Unforgivable Folly

Our demagogues use the word "monopoly" in a savagely distorted sense. Mere size, irrespective of the share of the market, is termed as a "monopoly". If a capital-intensive industry with assets of sizable value has only 5 per cent of the market, it is still talked of as a monopoly. Such distortion of language leads naturally to distortion of thought. Because during the recent years the Government denied or delayed expansion of undertakings of proven efficiency and integrity, and the commencement of new enterprises in the fields of fertilisers, cement, steel, trucks and other engineering goods, we cannot take advantage of the present tremendous demand throughout the world for these products at high prices. Indian technicians are advising Iran (annual growth rate of 14.5 per cent) on the Tanavir Project which is for nationwide generation of electric power, but our "anti-monopoly" policy does not permit the same

Indian firm to generate more electricity for our own people. Indian engineering enterprises are training boys and creating more jobs in Singapore (annual growth rate 15 per cent), but our socialism will not permit them to generate employment and wealth for our own people, while our youths are thrown on the scrap-heap of the unemployed at the current rate of 10,000 a day.

Already Indian firms have formed joint ventures in 27 countries in Africa, the Middle East, South-East Asia and South America. Even in developed countries, such as the UK, the USA, Canada, West Germany, Japan and Australia, Indian entrepreneurs are collaborating in setting up industrial units. Many developing countries in the Middle East and Africa prefer Indian technology which is labour-intensive and which therefore suits the labour-abundant economies of those countries. What unforgivable folly, what a crime against the nation, to let Indian enterprises and skills solve the economic problems of other countries but not our own!

The evil is compounded by the fact that the positive anti-growth measures in the field of economics are balanced by the Government's negative approach and masterly inactivity in the area of population growth. Our population of 581 million is increasing at the rate of 13 million a year, 57,000 babies being born daily. The red triangle is truly the symbol of our salvation. If we had incurred result-oriented expenditure on family planning in the amount we have spent: only on Bokaro Steel, the whole history of India would have been different.

If India had achieved the birth rate of 25 per thousand from 1962 onwards, our present population would have been 507 million. In that case quite a few of our present problems would not have arisen. For instance, the demand for foodgrains would have been less by 7.7 million tonnes and for cotton textiles by 1,165 million metres: our current deficiencies in these two areas are smaller than these figures. Given the will and the sense of urgency, such reduction in birth rate can be easily achieved. Japan halved it in ten years.

The black market is the ulcer in the stomach of our economy, and we seem to take deliberate pains to ensure that it is not cured. The three main causes of black money are: shortages due to inadequacy of production, irrational price and distribution controls, and excessive taxation. For example, till the moment of writing this, the cement industry has had to operate on the basis of the price fixed as far back as April 1969 with reference to the costs prevailing in June 1968. The costs sky-rocketed during the six years. The black-marketeer—who invested nothing, produced nothing and paid no taxes—was allowed to gather rewards for being a parasite on society, while the honest manufacturer was compelled to work at a loss. The free market price of a bag of cement in several cities hovered around Rs. 30, and touched even Rs. 40, against the controlled price which was merely Rs. 13.

For years we have persisted in a level of taxation which is purely confiscatory. After years of unflinching erosion of public morality, personal income-tax has been reduced this year to a less unreasonable level,

while corporate taxation remains, by and large, the highest in the world (barring the unmentionable rates in Burma with its dead economy).

Most of our economic ills can be traced to our inability to understand that we are not called upon to choose between "laissez faire" and the Monolithic State. G. K. Chesterton disposed of the objection that we must choose between capitalism and socialism in the following words: "It is like saying we must choose between all men going into monasteries and a few men having harems. If I denied such a sexual alternative, I should not need to call myself a monogamist; I should be content to call myself a man."

There are other truly socialist countries which have pursued the golden mean, the pragmatic middle way which enables a nation to enjoy the fruits of a mixed economy which is half the competitive world of nature and half the socialised world of state planning. In Socialist Sweden three-quarters of all production comes from 200 large companies.

Erosion of Basic Human Rights

The economic malaise would have been less unbearable if our basic freedoms were not eroded, the strength of our political institutions not sapped and our public life not degraded.

In the entire history of liberty, never were so many crores of people deprived of so many fundamental rights at one fell swoop as by the insertion of Article 31-C in our Constitution. That Article not only abrogated the right to property but tolled

the death-knell of seven other invaluable human freedoms unconnected with property, including the freedom of speech and expression, the freedom to form unions and associations, the freedom to move freely throughout the territory of India and the right to equality before the law. That Article has given not only Parliament but every State Legislature the power to trample underfoot these fundamental rights, with the result that hereafter liberty may survive in some parts of India and not in others, depending upon the complexion of the political party for the time being in power in the State. After this abrogation of the guarantee of basic human rights, the economic condition of the people has worsened alarmingly—exploding the vicious falsehood propagated by unscrupulous politicians that the fundamental rights had stood in the way of egalitarian progress.

The most shocking development in the history of our democracy is that after the destruction of the freedoms of the people, it is now proposed to abrogate the freedom of vote and freedom of conscience conferred by our Constitution on MPs and MLAs. The Constitution (Thirty-second Amendment) Bill seeks to provide that if any MP or MLA votes contrary to the direction of his party whip or even abstains from voting contrary to such party direction, on any issue whatsoever, he would be disqualified under the Constitution itself from continuing to be a Member of Parliament or of the State Legislature. This proposed provision, which has nothing to do with defections from one party to another, is an outrageous affront to democracy. No mature nation's Constitution has ever provided

that the member of Parliament or State Legislature should mortgage his vote, surrender his judgment and sell his conscience to his party, in advance, and that members of the Legislature should become like herds of sheep driven by the party whip in any direction chosen by the party high command; and that laws should be virtually made not by the people's elected representatives but by the party caucus. No doubt, a party is entitled to take such disciplinary action against its own members as it pleases, but no Constitution of a self-respecting country can possibly provide that an honest vote by a member of the Legislature according to his conscience should be a ground for disqualification for continuing to be a member. The proposed Thirty-second Amendment will make India the laughing stock of the democratic world.

We have subordinated the individual to the state so completely that, with some exceptions, the nation is now made up of one-dimensional men. In the words of John Stuart Mill : "The worth of a state, in the long run, is the worth of individuals composing it. A state which dwarfs its men in order that they may be more docile instruments in its hands even for beneficial purposes—will find that with small men no great thing can really be accomplished and that the perfection of machinery to which it has sacrificed everything will, in the end, avail it nothing."

We have devalued the Judiciary, as we have devalued every other important institution. Instead of defending our Judges against political pressures and threats, instead of insisting upon integrity and impartiality in judicial appointments, we have

permitted the Executive to enunciate and apply the astounding doctrine that it is at liberty to supersede judges of calibre and courage and appoint men who "subscribe to the philosophy of the ruling party."

As Lord Hailsham said last December, "The symptoms of our malaise may be economic and may show themselves in price rises, shortages and industrial disputes. But underlying the symptoms is a disease which has destroyed democracies in the past and the causes of that disease are not economic. They are moral and political and constitutional, and in order to cure it we must recognise them as such."

In the last analysis, it is the spirit, the moral fibre, which makes a nation. India has either lost, or is still searching for, her identity. We have close to 600 million **individuals** as against Japan which has a little over 100 million **citizens**; and one citizen is worth a hundred individuals. The farthest we emerge out of our self-centredness is to display the narrowest linguistic and regional fanaticism. Inter-State animosity is growing. A nation which is constitutionally united and politically disintegrated may explode nuclear devices but will never have the inner strength which is so necessary to sustain it in adversity or to progress towards prosperity.

The tone of public life has reached an all-time low. We have democracy without meritocracy. Ignorance, incompetence and dishonesty are no disqualifications for high public office, either in the ministerial ranks or elsewhere. If the charges against various politicians in and out of power are to be investigated, India will need to have Ombudsmen the way Australia has rabbits.

Arresting the Slide Downhill

Three things would help to arrest our slide downhill :

First, we must go back to the Constitution in the vital aspects in which we have deviated from it. We must reinstate the fundamental rights of citizens and their freedom to develop this country, subject only to reasonable restrictions in the public interest. Nationalisation is not one of the Directive Principles of State Policy, whereas distributism is. We must implement Article 39 which enjoins the state to so distribute (among the public) the ownership and control of our material resources as best to subserve the common good, instead of concentrating all economic power in the hands of the state. We must restore to the States their true constitutional jurisdiction over industries, instead of the present set-up which has resulted in 93 per cent of all large-scale industries being brought under the Centre's stranglehold. And we must revive the sturdy independence of the Judiciary instead of making it an appendage to the Executive.

Secondly, a desirable change would be to introduce the Presidential form of government which is better suited to Indian conditions than the Cabinet system. There would then be no need to have the deadwood and the undesirables as Ministers, no need to have in the Government men whose only concern is about votes and who need the resources of black-marketeers and tax-evaders to contest elections. The President of India (corresponding to the Prime Minister under the present set-up) could select men of vision, knowledge and character from

any walk of life to constitute the National Executive. The same kind of choice would be open to the Governor of each State, who would be elected instead of being nominated as at present.

Thirdly, it is time to change the electoral pattern in the interest of justice and fairness. Under our present system a party which has secured less than one-third of the votes cast can yet have an absolute majority in the legislature. The system of proportional representation affords a better solution, despite its other disadvantages. The violent and agitational approach, born of frustration, would be less in evidence if the voice of dissent gets adequate representation.

But the picture is not one of unrelieved gloom. We have an imperishable heritage. The same Bihar which is the hotbed of corruption was once the heart of the noble empire of Asoka. Looking back, down the frozen centuries, you see the grace and grandeur of Pataliputra where now you have the filth and squalor of Patna. It is impossible to believe that this nation has lost its greatness for ever. The time will come when it will redeem itself. After all, in our own century India represented the greatest moral force known to modern history and pushed back, without weapons, the largest Empire on earth.

We have adequate natural resources. We have vast skills and talents and abundance of enterprise. We have enough organising capacity—otherwise we could not have fed, clothed and sheltered ten million refugees. All that we need is great moral leadership, the emergence of dedicated men who can strike a

chord in the hearts of our trusting, grateful millions and who can teach by the example of their lives the lessons which precept can never impart.

A Prescription for the Sick Man of Asia

India is today the Sick Man of Asia. But this nation will come back to health and grow strong and puissant—

when we break our tradition of being collectively foolish despite being individually intelligent;

when we shed our self-defeating brand of socialism which is sometimes half-Marxist and sometimes half-baked;

when every class of citizens puts the national interest above group selfishness;

when the change from privilege to talent and from accident of birth to accent on calibre is brought about in the board rooms;

when businessmen and professionals realise that there is more to life than success, and more to success than money;

when money comes to be regarded as something to be earned rather than to be got or won;

when we aim at individual self-fulfilment but not self-indulgence, group cohesiveness but not group jingoism, work and achievement but not power and acquisitiveness for their own sake;

when we understand that there can be no development without effort and effort means

work, and that work is not a curse to be kept at bay by holidays and bandhs but is the prerogative of intelligence and the prime instrument for national advancement;

when extra effort is put before extra leisure and working hours are not turned into tea breaks and chatting sessions;

when undisciplined trade unionism is condemned as being as dangerous as undisciplined capitalism, and undisciplined demagogy as being as dangerous as undisciplined student power;

when we stop our society degenerating into divisions and hatred replacing goodwill;

when the leaders have the wisdom to perceive the truth and the courage to say it to the people;

when the electorate realise that the entire destiny of the country is in their own hands and that there is no substitute for knowledge and integrity in public life;

when men are appointed to high public offices because of what they are and not because they represent a community or a region;

when we realise that collective progress is only the result of individual effort and that the Government can achieve nothing without harnessing the boundless response, endeavour and enterprise of the citizens.

At the time of elections, these are the matters to be weighed and talked about, instead of slogans and claptrap, caste and clan, creed and language.

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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.

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