



# **The Retreat From Socialism**

**B.K. NEHRU**

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# THE RETREAT FROM SOCIALISM

by

**B.K. NEHRU**

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Mr. B.K. Nehru is an outstandingly able and experienced man and a good  
economist. What is more important, he is also a good man.

Mr. B.K. Nehru has told many an economic truth in the course of the  
speeches he has made over the years. His latest effort in that direction is  
the C.D. Deshmukh Memorial Lecture, which he delivered recently, en-  
titled "The Retreat From Socialism". It is a good summary of the case  
against the reactionaory and stupid economic policies that India has fol-  
lowed for the last thirty- five years at its own cost. India has paid a very  
heavy price for this. Mr. Nehru firmly (like me) but politely (unlike me)  
argues that the time has come for the re-structuring of our economic poli-  
cies, which Gorbachov calls "Perestroika". How right he is.

The project is proud to publish the text of his address.

M.R. Masani

INDIA INTERNATIONAL CENTRE , DELHI  
SEVENTH C.D. DESHMUKH MEMORIAL LECTURE

14.1.1990

THE RETREAT FROM SOCIALISM

by

B.K. Nehru

I am thankful to the India International Centre for having invited me to deliver the Seventh C.D. Deshmukh Memorial Lecture thus giving me an opportunity to pay my tribute to a man whom I knew well and with whom I had the privilege of working for a number of years in various capacities. In fact, such knowledge of the mysteries of high finance that I ever had was due to the meticulous care which he took in chalking out the programme for training for me when I went to the Reserve Bank of India to be trained in those mysteries, as a fresh recruit to the then newly constituted finance and commerce pool of the Government of India 50 years ago. Sir Chintaman Deshmukh, by which title his contemporaries knew him better, was then Secretary of the Reserve Bank and although he was physically absent, being on what was then called "home leave", the stamp of what he had decided I should learn was clearly visible on the teachers who taught me.

Sir Chintaman was a man of extraordinarily variegated talents and interests which he pursued till the end of his days. His knowledge of finance was of course well-known. He made a name for himself in this field first as Finance Secretary, of the then Central Provinces, then successively as Secretary, Deputy Governor and Governor of the Reserve Bank of India, for a short period as Ambassador at Large for Economic Affairs - in which capacity I followed him after a respectful interval - and finally as Finance Minister of India, during all of which time I came into intimate contact with him. His interest in botany was lifelong; it was evidenced in the striking beauty of the gardens of the houses in which he lived - I remember particularly the Reserve Bank House in Bombay and No. 1, Willingdon Crescent in Delhi which developed under his tender care and became things of great beauty. To spend an evening with him when he was in the mood to recite Sanskrit slokas was a memorable experience, though for ignoramuses such as myself his recitation went above our heads and had to be translated into elementary English. His contribution

to this Centre is well-known to all of you; it could not have become what it now is had it not been for his guidance and the care with which he tended this infant plant.

This afternoon I have chosen as the title of my lecture "The Retreat from Socialism". An alternative title could well have been "Chun kufr az ka'aba bar Khezad kuja manad musalmani". For when the High Priests of Socialism in the Soviet Union and China have themselves forsworn it, it is time to ponder at some length over this complete "bouleversement" in the existing world order. I do not wish this evening to discuss at all the political changes that are taking place but to limit myself to the economic. This is because while the political consequences of the change are of great importance they are not likely overly to affect our foreign policy. I say this for the same reason as Mr. Lee Kuan Yew so pithily summed up in his remark "It is well-known that when elephants fight it is the grass alone that suffers; it is not equally well-known that when elephants make love it is again the grass alone that suffers".

The economic changes on the other hand have lessons which it would be wise for us to learn. I propose to examine with you what this socialism is from which the world is retreating, the reasons why we in India adopted socialism as our guide, what the reasons are which have caused this retreat, the consequences of socialism in our country and finally what, in the light of changed circumstances, we should now do.

The word socialism literally is meant to convey only that society should be so organised that the interests of the members of that society as a whole should take precedence over the interests of a part of that society. Whenever there is a conflict between sectional interests and social interests that conflict must invariably be resolved in favour of the latter. With this objective nobody can possibly differ; whence it is that the word has got attached to it a magic connotation. But how this desirable end has to be achieved in human society, with its innumerable injustices and unfairnesses and illogicalities, is something on which people have never agreed.

Modern socialism, which has had its roots in the thoughts of seekers after a juster society in the Europe of the 18th and 19th centuries, can be separated broadly into two streams. One is the humanism of St. Simon and Fourier in France and Robert Owen in England which believed in evolution, which culminated in the Fabian socialism of the turn of this century in England. The other school was born in 1848 with the publication of Karl Marx's Communist Manifesto which believed not in evolution but in revolution and which has had the most profound effect on the history of the world.

Fabian socialism (which was essentially what we adopted in India in common with much of the democratic world) while including in itself the humanism of the earlier thinkers was nevertheless powerfully affected by Marxist thought. While the Fabians rejected outright the revolutionary approach, they accepted certain parts of Marxism. These included, very importantly, the concept of ownership by the State of the means of production and distribution and the rejection of the free market economy, which they wished to replace with a command economy regulated through physical controls. This was because quite patently a market economy unregulated by the State was not necessarily free. Being subject to enormous pulls and pressures of powerful vested interests, it did not result in the best utilisation of resources that the divine hand of Adam Smith thought that it would.

The Great October Revolution of 1917 established for the first time in history a State based on Marxist principles. It is a strange irony that while Marxist theory, as propounded by its founder, said that communism could really only be established as a result of the growth of the contradictions inherent in a capitalist society, and therefore predicated the existence of a fully grown capitalism society before communism could be established, his greatest follower, Lenin, established, or at least attempted to establish, a fully communist state in a society which was, at that time, still at the threshold of capitalism. That the kind of society that Lenin had in view was never in fact established; that the dictatorship of an individual, that the leadership of the communist party, as a result of the natural wastage of the earlier idealistic leaders and the long monopoly of power, resulted in corruption and inefficiency is another story.

The heyday of socialism as the ideal form of social organisation and the panacea for all the ills of society was between the 1920s and 1930s. It was then that in the colleges and universities throughout the world and certainly in the United Kingdom (from which we used to borrow, and continue to borrow, all the modern ideas which we have) it was believed that all progressive thought was socialistic. The Soviet Revolution and the apparent success in the establishment of socialism in that country gave a great fillip to those ideas, and people began to look towards the new society that was being created in that state as the ideal society. I recall that Sydney and Beatrice Webb, two of the founders of Fabian socialism in Britain, published in 1931 a book after their return from that country and called it "Soviet Communism - A New Civilization". We all looked towards that new civilization as something which we should try and establish in our own countries; its seamier side, which started to become apparent soon after, was then quite unknown.

The socialist creed spread throughout the world. Socialist and Communist parties had great support in the Western democracies; many had socialist governments in power then and later. India was no exception. There were in fact additional special reasons for its popularity in our country. It was during this period that there were trained, largely in the United Kingdom, that band of young people who occupied in India the seats of power after Independence and helped enthusiastically in the attempt to establish here what we thought would be a socialist society.

Jawaharlal Nehru's own early upbringing was during the beginning of Fabian thought, his later reading was that of socialist thinking as it developed, his visits abroad where he met the leaders of socialism and his visits to the Soviet Union (where he was shown and saw only the better sides of the new society) all helped to strengthen his belief in socialism. He was convinced that the socialist form of organisation was the only one which could give the answer to the problems of our country, and give to the enormous mass of the underprivileged who surrounded tiny islands of privilege, the rights which were by nature theirs. The great appeal of socialism to all noble and sensitive minds, among whom Jawaharlal's was pre-eminent, was that it stood for the poor and the depressed and the oppressed as against those who were the possessors of property, the masters, the rulers and the oppressors.

World War II again had the effect, though not deliberate, of encouraging socialism. It becomes essential in wartime for the state to play a far greater role in the regulation and management of all aspects, political, social and economic, of a country's life than it normally does in peacetime. And the result among all belligerents was that taxes went up steeply, the play of the free market was interfered with and largely suppressed, the production apparatus of the country was put under government control producing exactly what the government needed for the war and not what the people wanted and the distribution of major commodities was controlled by the government. Production was largely taken up directly for the war effort and price control and large scale rationing introduced virtually all over the world. The war could not be efficiently fought except through these means. Additionally, during and particularly after the war, in the countries of Europe there were large scale nationalisations of industries which had nothing to do with ideology but which were caused by the political effects of the aftermath of the conflict.

After the peace it was assumed, as it were, that if the economy could be made to produce and distribute during wartime all the goods and services required for the war, the organisation which had proved so successful in meeting the challenge of the enemy could also be harnessed to meet the

challenge of underprivilege and poverty throughout the world. The United Kingdom voted to power in 1945 a socialist government wedded to the theory of Fabian Socialism. It continued the controls and rationing of wartime into peacetime; it nationalised the basic industries such as coal and steel. Nationalisations were also practised in France and other European countries, and where fresh nationalisation was not undertaken, no attempt was made to return to private ownership the industry which the government found itself owner of after the war. This was particularly true in Italy and Germany which had, as Italy continues to have, a very large proportion of industry under government ownership.

The combination in India of the controls on production, distribution and prices, and of rationing were continued in peacetime after Independence. Not only were they thought to be appropriate ways of organising the economy but they corresponded to socialist thought and the practice then prevalent in our mentor the United Kingdom. Further, there were large scale nationalisations of the basic industries and very large sectors of the economy were reserved for the government sector. Where the private sector was allowed to operate, it was permitted to do so only subject to controls which went on proliferating in their numbers and complexity so that in essence the private sector became indistinguishable from the activities directly owned by government. The advent of planning helped this process because a planned economy, it was assumed, could not be run or developed according to plan, unless it was subject to the command of the planners. The market mechanism was in effect suppressed; the economy became a command economy. In short, what we attempted to do was to put into practice the kind of economy that we thought had been established in the Soviet Union but attempted, at the same time, to combine it with a free and liberal political democracy with all the rights and privileges of a democracy enforceable by an independent judiciary. This was an experiment that had never been made in the world; its difficulties were recognised by our leaders but it was expected that there would be no contradictions between the political and the economic system.

The one great pillar of Fabian socialism was the ownership by the State of the means of production and distribution; the other was high rates of direct taxation so as directly to transfer wealth from the rich to the poor. This also we put into practice raising our taxes on income to a level which was almost confiscatory. Additionally, with the zeal of the convert, we introduced a wealth tax, which in effect is a recurring capital levy, which even the more committed socialist countries like the United Kingdom had never introduced. However, with our ignorance of the realities of life and the conversionary zeal with which we followed the theories of our teachers, we continued to raise the rates of direct taxation to levels at which

they could, realistically speaking, not be paid at all. There was a time when the rate of income tax went up to 97% and the rate of wealth tax to 5% of wealth. This was carrying our theories to absurdity but though the tax levels have been somewhat reduced our thinking remains as it was.

The reason for the retreat from socialism is that societies which tried to base their economies on ownership by the State, economic equality and the replacement of the market by the command of the bureaucracy, simply did not work. Such societies produced neither the non-material nor the material benefits which were supposed to follow from this kind of economic organisation. Believers in socialism were convinced that socialism would guarantee individual freedom; the facts showed that the freedom of citizens of socialist States was in reality markedly less than in the capitalist States. In the communist societies of Eastern Europe and China no individual freedom existed at all no matter what theoretical claims were made about it. The expectation that the worker and the peasant would work harder and more willingly for enterprises owned by the State or by a collectivity because he would feel that he was working for himself rather than for a capitalist, simply did not happen; people worked more or less as they work under capitalism, being driven by the twin forces of the carrot and the stick. In fact, there was more slackness and more pilfering on the part of the workers and probably more corruption on the part of the management than in capitalist societies. On the material side, it became obvious after the first spurt in production that the rate of growth of the economy of the genuinely socialist societies was markedly lower than that of the societies relying on the market to regulate their economies. One of the most striking failures of State or collective ownership has been in agriculture where a super-power like the Soviet Union, possessing one-sixth of the land surface of the globe, finds seventy years after the Revolution that it cannot feed itself.

Nor has the quest for equality succeeded. Communist societies have reduced, in law, the differential between various categories of workers. They found the aim of virtually absolute equality from which they started quite as totally unworkable as the attempt, with which also they started, to abolish all ranks in the defence services. They soon discovered that all organised society must necessarily have a hierarchy, and that the hierarchy must not only be differentiated by power but the differences have also to be economic. A very long time ago, therefore, the communist motto of "From each according to his ability, to each according to his need" was changed in the Soviet Union without fanfare and almost surreptitiously to "From each according to his ability, to each according to his work". The Stakhanovites made a big dent into socialist theory by being given economic rewards for their work and the differentiation that has been subse-

quently introduced consists not so much in the money wage but payments in kind and in privilege to those who occupy higher positions in the hierarchy; this, if translated into money, would show a very substantial difference. One can live on revolutionary slogans and ideals for a short time but the flame does not last long. Lenin lived till the end of his life in one room in the Kremlin. Brezhnev lived in the equivalent of many palaces and owned a fleet of the most expensive of the world's cars.

The Communist states found also that respect in the comity of nations rests almost wholly on power - on the capacity of a country to do good to its friends and harm to its enemies. As this capacity depends almost entirely on the economic strength of the country, their failure to keep pace in the economic race reduced their influence in the world. The Soviet Union, for example, in order to meet the armed strength of the United States had to divert a much larger proportion of its national income from development and consumption to the non-productive activity of defence than its rival super-power; the national income of the latter being substantially larger, it needed a much smaller proportion of that income to arm itself with equal strength. Nor could the Soviet Union continue to afford the expenditure which was necessary to keep its influence in far flung parts of the globe, such as Cuba, Angola, Afghanistan, Mozambique and Vietnam. The retreat from socialism in that country is clearly traceable to the fact that it was fast losing its position of equality in the world to the United States. It was compelled, therefore, to revise its economic policies, which were diagnosed, correctly, as responsible for the loss of that position.

Though the world has started taking notice of the retreat from socialism after the advent on the scene of Messers Deng Xia Ping and Gorbachev, the retreat started very much earlier among the developed countries. The attraction for socialism which prevailed at the end of the War disappeared among the belligerents soon after the immediate ravages of the War had been repaired. That task, like the War itself, had one single simple objective. It was well-suited for performance by the command economy. The multifarious and conflicting demands of a peacetime society and the complicated nature of the economy which alone could meet them, did not lend themselves to solutions by command. The practical people of continental Europe and Japan discovered that the command economy simply did not produce the goods and services required. Gradually, the communist parties lost support and the socialists began to convert themselves into social democrats. The big difference between the last two is, of course, that while the former believe in State enterprise, a command economy, and total economic equality, the latter believe in private enterprise, the market economy and that degree of inequality which is required

to prevent the loss of that individual initiative on which economic advancement depends. This kind of philosophy is in fact now prevalent among all political parties, whether they call themselves social democrats or liberals or conservatives; there is very little difference between them all. The dogmatic socialists and communists are in these advanced countries very few in number.

What is interesting today is that virtually all those leaders who still call themselves socialist and have attained power on socialist slogans are in fact following economic policies which are so capitalistic that even Mrs. Thatcher or Mr. Reagan when President would hesitate in following them. Mr. Hawke in Australia, Mr. Lange in New Zealand, Mr. Gonzales in Spain, Mr. Rocard in France and even President Mitterand himself are following the capitalist road. One of the most striking examples is that of Mr. Carlos Menem in Argentina who was elected as a Peronist and was, therefore, supposed to believe in some kind of extreme and chaotic socialism, who is now following a policy that delights the heart of hardline capitalists. Another is Mr. Manley of Jamaica, a life long and dedicated Marxist who, on his recent return to power, made public confession of his errors and is now following the extreme rightist policies of his predecessor.

Because much of the Third World became Independent between the 50s and early 60s, and the fashionable ideology of the times when its leaders were educated was socialism, many Third World countries (including, as I have said earlier, ourselves) adopted socialism as a creed. Some moved away from it when they found it did not work to their benefit; those who were so ideologically committed that they could not get out of their grooves, paid the penalty of economic and, therefore, of social backwardness and stagnation. An example of a country which has moved out of socialism is Indonesia; examples of countries which have not are Tanzania, Zambia and Burma where the standard of living has continuously fallen since Independence and continues to do so. One of the most remarkable proofs of the superiority of one system over the other - almost like a controlled laboratory experiment - are the two Koreas. The South is becoming rich at a fantastic pace; its citizens are straining at the shackles of political dictatorship as they have the economic muscle to support a genuinely free political system. The economic life of the North continues to be mired in poverty; there seems to be no prospect of an internal revolt against the dictatorship.

It is not only the Soviet Union which goes on mouthing socialist slogans and converts itself with breath taking speed into a capitalist state but the same process, with perhaps greater sophistication in that there is no let-

ting up in rigid political control, can be seen in China. Mr. Deng Xia Ping said a long time ago that he was not concerned with the colour of the cat; what he was interested in was that the cat should catch mice. As the red cat did not catch the mice he had no compunction whatever in choosing a true blue cat instead. He is on record as saying "It is glorious to be rich" and he has gone even farther to say something that even Mr. Regan might not have dared to do, which is "You must get rich quick". Both in the Soviet Union and in China and, of course, even more so in other East European countries, the pace of change towards capitalism is amazing. Private property in the means of production and distribution has been reintroduced, inequalities of income, which were so far covered up through various camouflages, have come out into the open, the command structure of the economy is being rapidly dismantled to be replaced by the market structure and the normal financial apparatus of capitalism is being built up.

The immediate consequences of such a changeover are unemployment, a rise in prices and visible inequality of incomes. It takes longer to achieve the increase in production which, in course of time, reduces all three undesirable effects. The reason for this is fairly simple. In a command economy, which has no proper costing system, unemployment is concealed by three people being "employed" where one is enough. In changing over to the market economy, where cost must be cut, the two superfluous persons are thrown out. Till the economy gains enough momentum they cannot again be employed; consequently they have to be looked after by society by giving them an open dole instead of a covert dole camouflaged as a wage. Prices rise because under a market economy it is money that buys goods; the more money in your hand, the more goods you can buy. Under a command economy you cannot buy more goods simply because you have the money; the amount you can buy is fixed by rationing; distribution is regulated through the length of the queue; if you get to the counter before the supply is exhausted you get the goods; if not, you do without. With the change the inequality becomes visible because payments are no longer made in kind. The privileged man no longer goes to a special shop to which the ordinary man has no access; he no longer lives in a *dacha* provided by the State; he goes to the same shop as the poor man and gets the goods because he is able to pay a higher price; he lives in a *dacha* which he buys with his own money which a poor man cannot.

The fundamental weakness of socialism lies first in its refusal to recognise the incredible strength of the human instinct of greed. Socialist theory claims that greed is not part of human nature but that it arises out of the acquisitive nature of capitalism. The experience of socialist countries has shown that this is totally incorrect; greed is not only basic to human

nature but also one of the most powerful incentives for human action. It is simply because the capitalist system relies on the profit motive, which is based on the human instinct of greed, that it has been more successful than any other form of economic organisation.

The second fallacy is that social justice necessarily requires economic equality. Socialists tend to emphasise not so much the removal of poverty but the removal of disparities of income as the aim. This is true particularly in India where every politician is forever talking about the removal of disparities as an end in itself. This thinking is founded on the wholly fallacious assumption that the totality of wealth is limited; consequently if one person has a higher income than the other he has somehow robbed the other of his fair share. This was true before the Industrial Revolution, when wealth was created by the application of human and animal labour to land. As the capacity for labour in all human beings is more or less the same, it follows that they must produce more or less the same amount of wealth; one person could be richer than the other only if he robbed the other of the fruits of his labour.

Modern wealth which is created through the application of science and technology to natural resources is, however, unlimited. It also has the peculiarity, which very few people understand, that it can go on increasing only if it is shared. The larger the market for the goods that a factory produces, the larger its profits and consequently the larger the return to the shareholders and to the labour employed in the factory. The size of the market depends on its purchasing power; poor people are poor customers. Consequently, it is in the interests of capitalist society and of the capitalist himself to ensure that the wealth created is as widely distributed as possible; if it is concentrated in a few hands it ceases to grow; the economy - and with it the capitalist himself - stagnates. It is a fairly easily demonstrable truth that a rapidly expanding cake, even though unequally distributed, leads to far greater general prosperity than a cake which does not grow even though it is equally shared. The mistake of socialism, particularly in India, has been the attempt at equal distribution before the wealth has even been created.

The results of the Indian attempt at socialism through state ownership and state direction of the economy have been both good and bad. Without it we could not possibly have succeeded as quickly as we have in laying the basic foundations of a self-reliant economy on which we are now poised to develop. Though these policies were ideologically motivated they were good in themselves having regard to the circumstances of the time. We had then an extreme shortage of capital, of foreign exchange and of trained manpower both technical and managerial. There was no option

but to concentrate all these resources in one place which could only be the State. But conditions since then have vastly changed; the continuation of these policies, suitable for a newborn infant is unsuited for a strapping youth and is standing in the way of his growth.

There have also been a number of evil consequences some of which I shall describe. One is that the rate of growth of the Indian economy got stuck for over thirty years at the unjustifiably low rate of 3.5% per annum. It has recently broken through this barrier; hopefully the trend rate is now as high as 5%. The fact that in recent years controls have been reduced and private enterprise has been encouraged is by no means unrelated to this increase in our growth rate.

The second, the most disastrous and the most overwhelming consequence has been the growth of dishonesty and corruption throughout society and throughout the government structure. When it is not the impersonal market which decides but some bureaucrat or politician, it is not surprising that the decision-making official is open to monetary inducement. The temptation to be corrupt has been increased by two factors. One is that the politician in a democracy needs money; there is no easier way of making it than by selling his favours. The second factor is that, following the socialist ideology of economic equality, we have reduced the salaries of all high ranking officials, whether civil servants or ministers, to a level which still is quite absurd having regard to the importance of the decisions they are empowered to make. When a functionary of Government can make or unmake a millionaire simply by delaying a file he should be placed in a position -- as he is in all properly run societies -- where his present and future economic needs have been so adequately taken care of as not to allow him to be tempted. This corruption once started has spread like a virus through the whole of Indian society which, from being perhaps among the most honest forty years ago, now occupies a high place among the dishonest societies of the world.

The third consequence has been the rise in what can no longer be called the blackmarket but should more appropriately be called the account number two market. This has happened because in our over-zealous quest of economic equality we raised our direct taxes to expropriatory levels. Such high taxes result in people simply not paying them. It is impossible even for the most honest and competent administration in the world to collect direct taxes in full. Our administration has unfortunately ceased to be either. A very large sector of economic activity is, therefore, carried on outside the legal system and is totally unaffected by any laws the Legislature may pass. India is not unique in having a number two economy; all countries where direct taxation is or was high have a parallel economy

virtually in direct proportion to the level of direct taxation and the period for which that policy has been pursued.

The economic consequences of the country having a number two economy are by no means all bad; in fact the prosperity one sees around one and the rise of an enormous middle class in India, which is now generally estimated at a hundred million people, is a consequence to no small extent of the number two economy. And if people are prevented by massive controls from creating wealth and are prevented by high taxation from enjoying the fruits of their labours, the more dynamic among them do not stop creating wealth or enjoying it but merely do so outside the legal system. Because these funds are illegal it is not possible to invest them in large productive assets nor is it possible to do so indirectly by depositing them in a bank from which others could use the funds productively. This immense pool of illegal money can only be used for consumption, or for small industry and trading, or for speculative and sometimes criminal purposes. Society gets richer, the government loses income but above all, the State loses that control over the economy which is essential in the wider interest for it to maintain, whether the system it practices is socialism or capitalism.

The fourth consequence has been the growth in that very disparity of income which the socialist State set out to cure. The existing laws in India are even today such that if one pays taxes honestly and in full - and obeys the laws on land ceilings - it is not possible to keep for oneself more than a very modest annual income, no matter how high the gross income may be. One sees nevertheless people living in palaces, having an army of servants, riding about in enormous imported cars, spending not lakhs but virtually crores of rupees on vulgar and ostentatious weddings. The extent of the disparity thus demonstrated is infinitely larger than it ever was except in the case of a handful of maharajas.

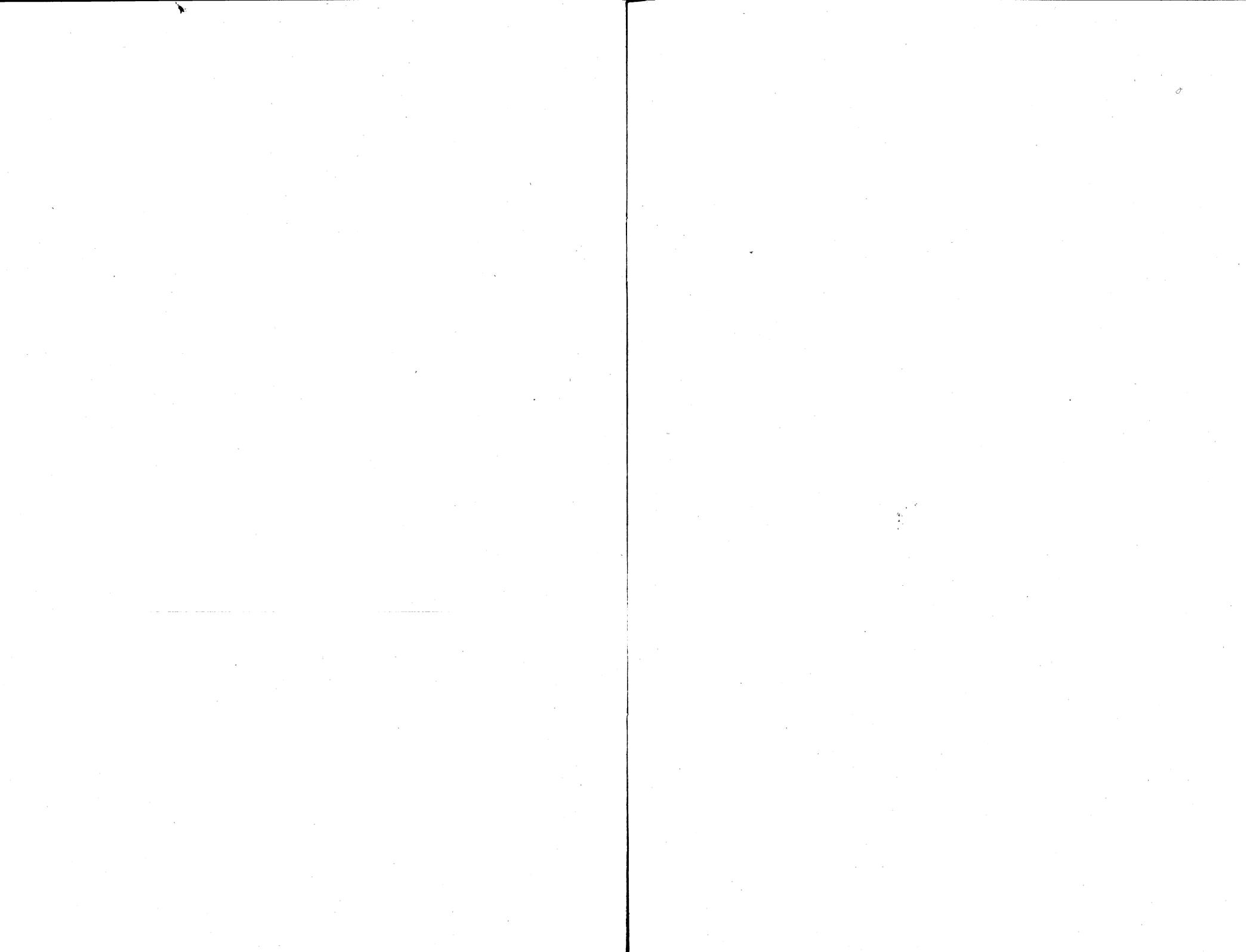
The fifth consequence has been the brain drain. We give our professionals training of the highest level at the tax payer's expense. But that training is not used for developing India; a disquieting number of our best and brightest migrate. They do so because they are not allowed to be compensated at levels commensurate with their skills. It is not suggested that we try and compete with American salaries; this would be absurd. But a substantially higher compensation, if legally permitted, would greatly reduce the export of this most valuable of our national resources; there are many non-monetary disadvantages which migration entails.

The sixth consequence, to which not much attention has as yet been paid in India, is the illegal export of capital. There always has been a trickle of

funds flowing abroad illegally. But there are indications in foreign financial markets that this outflow has substantially increased. To some extent this has been encouraged by the financial concessions given to NRIs. These funds can always come back as NRI investment; the return on them becomes virtually tax-free to the owner and adds to our foreign exchange liabilities.

The seventh consequence has been that in our particular form of democracy State-run enterprises have become the private fiefdoms of politicians. Virtually all MLAs belonging to the ruling party have to be provided with some kind of lucrative job, if the number of ministers grows to an unconscionable size they are made Chairmen of public sector corporations; if there are not enough corporations, new ones are created to accommodate them. In fact, one of the main reasons for the great political support for "socialism" is the avenue for unearned income thus provided. Nor can one neglect the connected development -- the use of public sector enterprises for the collection of party funds.

What I would like to say, in conclusion, is that, having regard to the revolutionary changes taking place in the socialist world, we should ourselves re-examine the means that we have so far adopted to achieve the ends of socialism. There can be no question that the aim must remain the clear domination of the social interest over the sectional and the attainment of social justice for all. But in view of the fact that it is now universally accepted that the best way of achieving these objectives is not through state ownership, physical controls and high taxation, we should move away from the socialistic fundamentalism in which much of our thinking has got mired to the kind of pragmatism that now guides the actions of virtually all societies by whatever names they may call themselves. It has been found that the quickest and surest means to achieve social justice is not emphasis on the regulation of the creation of wealth and its attempted distribution through artificial channels but the encouragement in every possible way of economic growth which leads to higher employment and consequently higher real incomes for all. Fundamentalism, whether in social or economic beliefs, is as backward looking, harmful and irrational as fundamentalism in religion; it is my plea that we replace that fundamentalism with rationalism.



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