CONGRESS MISRULE
AND THE
SWATANTRA ALTERNATIVE

BY THE SAME AUTHOR

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Socialism Reconsidered (1944)

Your Food (1944)

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A Plea for the Mixed Economy (1947)

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Our India—1953 (1953)

A Communist Party of India—A Short History (1954) Published by Derek Verschoyle, London, and Macmillan & Company, New York

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Congress Misrule and the Swatantra Alternative

by

M. R. MASANI, M.P.

Foreword by

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FOREWORD

HERE is a book as full of matter as an egg is full of meat. Mr M. R. Masani's speeches have always been listened to and looked upon with the greatest interest by not only the ruling Party but by the entire élite in the country as expressing criticism of the highest quality.

This small book reproduces the speeches, edited so as to avoid overlapping and to make it easy for the reader to grasp the position that the Swatantra Party has taken and will continue to take with all the vigour it can command, its goal being to give good government to a people who deserve better than what the present ruling Party has done for them.

Madras,
17 October 1966

C. RAJAGOPALACHARI

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INTRODUCTION

It is possible that the reader who finds the material in this book an acceptable answer to our country's basic economic and social problems may yet entertain a doubt about the capacity of the Swatantra Party to translate these principles into nationally accepted policies. As an independent and educated man, he may respond to the Swatantra Alternative but he may doubt the capacity of the predominantly illiterate electorate spread throughout the villages of India to do so. Such scepticism and the resulting defeatism are widespread among the Indian intelligentsia today. In this Introduction, I would like to invite the reader's attention to certain facts which may act as a corrective to the prevalent cynicism and defeatism among the educated classes which constitute a grave danger to our nascent democracy.

The fact that has to be faced is that there is no single party in the country as of today which provides a functioning opposition such as is essential in a live and vigorous democracy. Such a functioning opposition has two roles to play. One is to be a vigilant critic of the government of the day. That role the Swatantra Party has performed for the last five years and more. The other function is to provide an alternative government as and when called upon by the electorate. That function we are

not in a position to perform at the national level though we do occupy that position in at least three States, namely, Orissa, Rajasthan and Gujarat. Now this absence of an alternative government at the Centre is a weakness of our democracy and the emergence of a Second Party is therefore on the order of the day. The auspices are encouraging. The country as a whole is sick and tired of Congress misrule. Most people would like to see a change but they do not see how to make it.

I am convinced it can be done. Our neighbours in Ceylon did exactly this when in March 1965 they threw out a Congress-type government led by that other lady, Mrs Srimavo Bandaranaike, and replaced it by a liberal government led by Mr Dudley Senanayake. Now, if the people of Ceylon could constitutionally and democratically displace a Marxist government by a Liberal one in 1965, is there any conceivable reason why the people of India cannot repeat this performance in February 1967? Is it to be contended that we are less intelligent and patriotic than the people of Ceylon? I am convinced that the Indian people have the capacity and intelligence to do it. The question is one of will.

In this context, the Swatantra Party's objectives for the General Elections next February are twofold. The first is to end the monopoly of power by the Congress in New Delhi which has gone on for nearly twenty years by denying the Congress a majority in the new Lok Sabha. Our second objective is to try and carry States such as Orissa, Rajasthan and Gujarat where we are already the Official Opposition. Maybe these are ambitious objectives but I believe they are achievable. "It is not failure but low aim that is a crime."

The Swatantra Party, of all Opposition parties, is the only one qualified to perform these tasks. It is the only party that can provide a clear-cut alternative, within the framework of the Constitution, to the philosophy and principles of the Party in office, both in the domestic and international fields. It is not, like the Socialist and Communist parties, a satellite wanting to push the Congress government a little faster down the slippery slope. The Swatantra Party, on the contrary, wants to reverse the engines and take the country in an entirely different direction from that of chaos and communism to which it is now headed.

The Swatantra Party's second qualification is its National Democratic character. It is national in the sense that its roots are

in this country. Many of its leaders have emerged from the struggle for Independence in which they worked in close association with Mahatma Gandhi by whose message they have been deeply touched. Many of us have been to prison in the struggle against British rule.

The Swatantra Party's third qualification is that it is a non-denominational party in the sense that it holds the scales even between religion, community and location. In the Swatantra Party, members of different faiths and communities from one extreme of India to another feel equally at home.

Finally, the Swatantra Party is the only one with the quality of leadership and the capability to replace the Congress Party.

The impression that prevails in certain quarters that the Swatantra Party is a party of the urban intelligentsia, reflecting primarily the interests of industry and business, is a tragic misconception based on ignorance of the facts. The fact is that the Swatantra Party is basically an agrarian or peasant's party. A perusal of the report of the Election Commission on the 1962 Elections will show that the Swatantra Party was not able to carry a single purely urban constituency throughout India, whether for Parliament or State Assembly. Even today the Party is weak in the metropolitan areas, which are the headquarters of organized industry and of the intelligentsia. On the other hand, the Swatantra Party did poll about 9.5 million votes, the bulk of which came from people in the villages, and every single seat that was carried by the Swatantra Party for Parliament or Assembly was with the votes predominantly of the peasants.

It will be seen from this that the claim to intellectual superiority asserted by members of the educated class is not altogether well founded. On the contrary, what emerges is that the message of the Swatantra Party finds an instant and ready response in the minds and hearts of the peasantry but that, owing to lack of support from the educated classes, the Swatantra Party has not been able to place in the field an adequate number of educated people to carry the Party's message to every remote corner of the countryside. This lack of ability to convey the Party's message I sometimes describe, using an industrial metaphor, as the absence of an adequate "conveyor belt." The conveyor belt in politics consists of vocal men and women ready to work for the Party and carry its message, equipped with literature and made mobile by

being provided with vehicles to carry them around. This means men and money and it is a matter of regret that the Swatantra Party is still denied both. This attitude, insofar as material resources are concerned, reflects very poorly on the sense of patriotism and public concern of the business and propertied class as a whole.

It is claimed that in a controlled economy businessmen who stick their necks out are in fear of being hurt by those in authority. While there may be some basis for this fear, past experience shows it is undoubtedly an exaggerated one. One suspects that in some cases at least the fear itself may be an alibi to cover up even less honourable motives.

Is it true, as some people fear, that the Congress is so strong that it cannot be displaced? My own view would be that the Congress is very much a "paper tiger", that it looks more impressive than it really is.

The Congress Party has never received the support of a majority of the Indian people at any General Elections since Independence. The highest vote it polled for Parliament was 48 per cent under Jawaharlal Nehru. In the last elections, in 1962, its vote dropped to 44.72 per cent. In other words, the Congress Party has always been a minority party since Independence, and the disparity between the Congress Party and others is not as wide as it looks. The 365 seats in Parliament that the Congress Party occupies do not reflect the country's will but represents a gross distortion of it. The number of votes polled by the Congress Party in 1962 was five times that polled by the Swatantra Party, and the gap has narrowed since to a great extent. I for one do not believe that the Congress Party will get more than 40 per cent of the votes polled in next year's elections to Parliament. I would not be surprised if it does not get even that. Is there any reason why such a party, which is only the biggest of India's minority parties, cannot be defeated?

The Indian Institute of Public Opinion conducts periodic polls. They had one this year of metropolitan cities, namely, capitals of various States. The Congress Party, which had 60 per cent of urban support in January/February 1966, had only 41 per cent support by May 1966. This, according to the Institute, is the steepest drop ever noticed in the history of independent India. According to the same report, the potential support of the non-

leftist parties, including the Swatantra Party, went up during the same period from 20 to 42 per cent. In other words, today the non-leftist parties have as much urban support as the Congress Party. In such a context, the Swatantra Party's objective should be to double its poll next year.

The imbalance described above results from the combination of an Anglo-Saxon electoral system with a Latin party system that we have in India today. We have taken the electoral system of single member constituencies with the winning candidate getting first past the post from Britain which has basically a two-party system. On the other hand, temperamentally we are not Anglo-Saxons but Latins and have a multiplicity of political parties but we do not have the system of proportional representation that Continental countries and almost all new States in Latin America, Asia and Africa have adopted. The result is the gross distortion that we have mentioned.

It is this that makes it necessary for the Swatantra Party to enter into electoral understandings and adjustments with other democratic Opposition parties, though not with the Communist parties. The Swatantra Party will fight the elections under its own banner but, in order to avoid distortion of the popular will, it becomes necessary to avoid needless inter-oppositional contests at the polls and to resort to what may be described, adopting a French phrase, as a "second ballot" in advance.

Let us consider for a moment if, despite all these efforts, the Congress Party, because of the electoral system, get another bogus majority in Parliament in 1967 polling, let us say, less than 40 per cent of the votes and getting, shall we say, 60 per cent of the seats. Will the Indian people already tired of two decades of misrule allow such a government to rule for another five years even though it has been rejected by 60 per cent of the electorate? In the context of rising prices, food shortages and increasing hardship of every kind, it is clear that such a situation will bring aid and comfort to the enemies of democracy and that the democratic system will be in danger.

In the context of the disintegration of the Congress Party and the fact that it is undoubtedly on the way out, the real issue in Indian politics today is between the Communist Party on the one hand the liberal democratic policies embodied in the programme of the Swatantra Party on the other. The question

is who is to inherit the future. Is it to be a communist dictatorship or the free way of life? Sensing the dangers that lurk ahead, Rajaji has said in his Independence Day appeal: "I smell the coming storm and rain." He has appealed to good men and true to come forward to stand for election and be counted.

Rajaji has already announced that, if the Swatantra Party comes to power, it will not confine membership of government to members of the Party but will invite members of other parties or none to come and contribute their talents to the service of the country. The Swatantra Party's ranks are not closed.

This is an Open Conspiracy in which we are engaged, democratically and constitutionally to change the government, to provide a clean, efficient and progressive administration to the country.

1. THE 'SOCIALIST PATTERN'

1. CALL FOR A NEW PARTY*

OVER the last few years, and particularly since the framing of the Second Five Year Plan, certain trends are being set in motion that give ground for concern. Among these trends are the killing of all incentives to harder work and increased production, an increase in prices and the cost of living, a drop in savings, a decline in agricultural and industrial production, the imperilling of our foreign credit and the mortgaging of our future. Most outstanding, however, is the growing concentration of power in a few hands. With the nationalizing of various industries, the establishment of a near monopoly in certain commodities in the hands of the State Trading Corporation and the magnitude of the controls that are exercised by the Government over every economic activity worthy of mention, an alarming agglomeration of economic power has been added to the political power that was already vested in the hands of the politicians in power and the permanent civil servants.

Acharya Vinoba Bhave, than whom there is no shrewder observer of the Indian scene and who can hardly be suspected

* Speech in Bangalore on 29 May 1959.

of having a soft spot for the capitalist system or being a secret member of the Forum of Free Enterprise, says:

> We talk of democracy but actually power and responsibility has got concentrated in the hands of a very few at the apex. Today a handful of people, that is, not more than 5 or 6, have all the initiative and power in their hands. The rest are just 'yes' men. A small mistake of judgement on their part can destroy and bring misery to countless individuals. Government have power over the entire life of the people. There is hardly a sphere of life which is absolutely private and personal. This is a dangerous state of affairs.

This development is likely to be further accelerated by the increasing burden of taxation that has been inflicted year after year in an attempt to carry out the Second Five Year Plan and by the two thousand crores of rupees of additional taxation which, we are now told, will become necessary in order to implement the Third Five Year Plan. The effect of this excessive taxation is to kill incentive for saving and enterprise, to prevent the development of further industries in the hands of the people and to leave the Government as the sole party who can produce the funds for industrial investment. In such a set-up, which is described officially as the Socialist Pattern of Society, it is not surprising to find the bureaucracy in India proliferating at a rate that makes nonsense of Parkinson's Law.

Finally, there is the Nagpur Resolution. Briefly and in a few paragraphs, it seeks to uproot and destroy the system of peasant proprietorship which has been part of the Indian tradition and way of life over thousands of years, at least in Southern and Western India. It seeks further to eliminate the wholesale trade in foodgrains and to create a State Monopoly. If this Resolution is ever put in practice, which God forbid, it will mean creating an army of officers spread throughout the villages of India whose job it will be to tell the peasants what to produce and how much to produce, and to obtain from the peasants foodgrains and other produce at prices fixed by the Government Monopoly. Such officials, it is easy to see, will have virtual power of life and death over the peasant and his family.

Now all this, even if it materializes, would not necessarily be

the same as communism, but people may be forgiven for thinking that the difference may not be worth the mention. It would be fair to sum up this attempt at a quick answer to whether or not there are incipient trends towards communism in official policies by saying that those who see them are not altogether victims of a fevered imagination and that a *prima facie* case for probing further into the matter undoubtedly exists.

How then, we must ask ourselves, can Pandit Nehru and his colleagues, who are adherents of democracy, be suspected of being responsible for policies which foster the growth of communism in India? How does it happen that men who believe in parliamentary democracy, respect the rule of law and are wedded to methods of non-violence, appear to be responsible for promoting the progress in India of communism, which destroys parliamentary democracy wherever it gets power, which tramples under foot the rule of law and which looks at non-violence with undisguised contempt?

I venture to think the answer can be found in a certain basic confusion that appears to exist in the minds of the Prime Minister and of those who support his policy. There is the belief that the economic and social aims of communism are valid and worth emulating, but that communist methods of force and fraud are immoral and to be eschewed. If we can get the objectives of a communist society without going through the liquidations and the purges and the horrors of the Soviet and Chinese experiences, then there is nothing wrong with it. Now, the assumption underlying this line of thinking appears to be that what is wrong with communism is not its ideals or the kind of society it contemplates, but the violent and unethical means by which such a millennium is sought to be brought into existence. In other words, if only the purges, the liquidations, the murders, the vilifications and the lies can be eliminated, communism would be a beautiful way of life. It is somewhat like saying that the leopard is a very lovable animal without his spots. Unfortunately, the spots are an essential and integral part of the leopard and if you want the leopard you must put up with the spots. Similarly, the force and fraud which accompany communism are an integral part of that horrible and unnatural economic and social system and you cannot have that

system unless it is accompanied by a brutal and tyrannical dictatorship.

Why do I say that one cannot have a completely nationalized and state-owned industry on the one side and collective or joint cooperative farming on the other, without an abandonment of the peaceful and democratic methods to which, by virtue of our Constitution and our Gandhian tradition, we are committed? So long as free elections to Parliament take place every five years and so long as the government of the day is responsible to Parliament, can it not be argued that political democracy will remain intact and that economic collectivism need not necessarily lead to political dictatorship with all its horrors? Among my esteemed friends, there are some who in all good faith believe that state capitalism or socialism is consistent with political democracy, and I would not therefore lightly brush aside this view. It does appear to me, however, that all one's experience of history and knowledge of human nature warn us that such a belief is not founded in reality but in wishful thinking which is dangerous.

For one thing, there is no known example in the world's history where private property in land and industry has been abolished, where ownership and control of the instruments of production, distribution and exchange have been nationalized and where democracy and individual liberty have yet survived. The case of England, Sweden or New Zealand is altogether irrelevant because in these countries private ownership is still the rule in agriculture and is still predominant in industry. The countries from which the lesson can be learnt are the Soviet Union, Communist China and the captive countries of Eastern Europe.

Professor S. Chandrasekhar, the eminent Indian demographer, recently visited Communist China as a state guest. He came back and described the cooperative farms called communes as "a new form of colonialism" and the poor peasants in them looked to him like the inmates of a zoo.

The most conclusive testimony is, of course, that of Milovan Djilas, former communist Vice-President of Yugoslavia, which is to be found in his book, *The New Class*, for writing which he is now serving a cruel ten-year sentence in a Yugoslav prison. I will content myself by saying that it proves two conclusions:

first, that you cannot have democracy or freedom where all economic ownership and power is concentrated in the hands of the state and, secondly, that you cannot have social justice or equality where you have surrendered political democracy even for the purpose of achieving those desirable objectives. As Djilas says, the only beneficiary of the kind of socialist pattern that has been in existence in Yugoslavia for the last fourteen years is the New Class of commissars, bureaucrats and technicians who are today exploiting the peasants and workers and are living on the fruits of their labour through their control of the state machinery. What you have got, in other words, is a class of state capitalists, more ruthless and exploitative than the private capitalists who preceded them.

It is not difficult to imagine what would happen if the operation of the law of the market—of supply and demand—were eliminated through the gradual establishment of a State monopoly of industry and trade. In the face of such a monopoly the worker, the investor and the consumer alike would lose his freedom of choice. To the worker, the bureaucrat will say: "I know what is best for you. Do the work you are told and don't argue about wages." To the investor he will say: "This is all you can earn on your investment and no more." To the consumer he will say: "I shall tell you what you may or may not buy."

It may be argued that so long as all this is done under the benign control of a parliament elected by the people and responsible to the people, there is nothing very shocking about it. That plea, however, begs the question. Once the consumers' preference ceases to influence decisions as to what is to be produced and at what prices, who is to decide the thousand and one priorities which must be established before planning of this total kind can be made effective? Is it seriously suggested that the sovereign people will, through parliamentary elections every five years, be able to maintain effective control over the executive of the day? As a member of Parliament who knows what Parliament can and cannot do, let me confess that Parliament would be impotent when faced with such a situation.

The only thing throughout history that has restrained power is countervailing power. Such countervailing power in the form of an opposition to the government of the day can only exist if there are in society "autonomous social forces" like peasant

proprietors, professions, trade unions of workers, factory owners, businessmen, newspapers and educationists, each of them standing on their own legs and not dependent for their existence on the mercies of one particular force among them or of the state. Once these classes in society have been liquidated, that check of countervailing power is removed. It was Karl Marx who once said that those who own property are free and those who do not are not free. How right he was! Yet, illogically, he concluded that freedom would expand through the abolition of property!

A striking illustration of the confused and wishful thinking that is to be found on the part of our governmental leaders and other adherents of State Capitalism is provided by their theses about "joint cooperative farms" which are nothing but a carbon copy of Soviet collective farms. I have said what I had to say on this subject in no less than three speeches in Parliament and there is no time to go again into a detailed discussion of the problem. The Prime Minister has been going round the country threatening to sweep his opponents aside with a broomstick—not a very dignified weapon! His anger that we in the cities have dared to probe into this problem and pointed out its ugly implications is probably based on the frustration of his hope that the abolition of peasant proprietorship would be achieved without public debate, that the masses of our peasantry and a great deal of public opinion in the cities has taken its stand in opposition to this adventure. The Prime Minister claims that the change from peasant proprietorship to joint farming would be voluntary, that the property of the peasant in his land will remain intact and that, in the result, food production will go up. One wonders on what this pathetic faith of the Prime Minister—that the peasants of India are dying to get rid of their land and to hand it over to cooperatives—is based. Stalin had to kill three million *kulaks* or peasant farmers, the Chinese Communists have butchered many more in the process. In Yugoslavia and Poland, the peasants have in fact fought against cooperatives by running out of them the moment they were given the chance. The collective farmers of the Ukraine and the Crimea welcomed the Nazi army with flowers and open arms and with the sole demand that the collective farms be disbanded and the land returned to them, only to be rebuffed by Hitler.

Of course there is always the danger that the word 'voluntary'

may be juggled with, and the more recent statements of the Prime Minister make one wonder whether the meaning he attaches to the word 'voluntary' is that which all of us here understand by that word. The Prime Minister has, on different occasions, already said that the Government would have a right to discriminate between those who join the cooperative farms and those who refuse to do so. He has graciously said he would not starve the individual peasant of water, but he has justified other forms of discrimination, such as regarding taxes, credit and other facilities. I for one would consider such discrimination as coercion and I am supported in this view by the Communist Dictator of Poland, Mr Gomulka, who has abolished all tax incentives in favour of cooperatives as being unfair and discriminatory. Then again, Mr Nehru has scouted the idea that one or two farmers would be allowed to hold up cooperativization of the land in a village and when Mr Mahavir Tyagi suggested at Nagpur that the size of the majority should be prescribed, Mr Nehru's reply was that this was a mere administrative detail which could be decided later. It is rather like saying that the depositors in a Bank should meet and decide by a majority in what securities and shares the deposits should be invested and that the minority should be bound by that decision. I can imagine what a run on the Bank there would be if such a policy were to be attempted! Mr Nehru has also recently said that no farmer who joins a cooperative should be allowed to leave it for three years and that even then he cannot get back his land but would be compensated with a cash payment or other land on the fringe of the cooperative farm. So much for the peasant's right to his property which is supposed to remain intact!

The kind of self-delusion in which the Prime Minister is indulging on this point can be seen from the ridiculous statement that the country and the Congress Party are bubbling with enthusiasm in favour of joint farming. Compare this with the bitter remarks of his own daughter, the Congress President, about the lack of enthusiasm and the unwillingness of Congress workers to go through training courses in cooperative farming and the pointed indifference displayed by members of the A.I.C.C. at the recent meeting in New Delhi. Fortunately, the battle for peasant proprietorship will be fought in the fields of

our countryside and not in Parliament and I have no doubt about the result.

Before passing on from this topic, let me quote from an interesting article on *Agricultural Cooperatives* by Pasco Romac, President of the Main Cooperative Association of Yugoslavia, which only recently came to me through the kind courtesy of the Yugoslav Embassy in New Delhi:

> It was very soon shown that the rapid setting up of these cooperatives was a mistake. A tendency appeared among a large number of producers to dispose of their live-stock and better equipment before joining the cooperative.... Production, as a matter of fact, greatly fell and did not give any surplus for marketing. The society invested large funds in these cooperatives, but they did not bring results. It was obvious that the members were not concerned with production and the majority devoted their time to the gardens that were left to them when joining the cooperative and neglected the general communal husbandry. In such a situation quite a large number of the members of cooperatives wished to withdraw from them, and the organizational measures to better the situation were of no avail. The use of force would have been necessary to keep the cooperatives alive. This, of course, might have been done, but the question was whether the use of force on such a wide scale and the maintenance of such a situation, which could only lead to a further decrease in production, would be of any benefit whatsoever. The large number of producers who would have had to be coerced would have been of no use to the community. All in all, it was obvious that it was impossible to continue in such a way.
>
> In 1953, the Yugoslav Government passed the Regulation on the Reorganization of the Peasants' Working Cooperatives. The result of the passing of this regulation was that the majority of the cooperatives disintegrated, since the peasants withdrew their membership from the cooperatives. The land was returned to the peasants, and they began again to work as individual producers....
>
> Another conclusion can be drawn from this—that there is no socialism in the village with low production and that there is no solution to be found by including households with

> backward economies in cooperatives, even quite voluntarily and without the implementation of any political or administrative measures. Our experience with peasants' working cooperatives has quite clearly confirmed this. These cooperatives, in the form we had them, were not beneficial either to the producer or to the community, although it seemed to us that we are nearer to socialism since the country was collectivized.

That the Prime Minister should, after such a clear lesson and warning, seek to make the country go through the same bitter experiences justifies the remark recently made by Acharya Kripalani that "Mr Nehru is wonderful at creating problems. He is better still at analysing them. But he has never solved any of them."

You have a right to ask me: how can this disastrous drift towards state capitalism, collectivization and perhaps to communism be checked? How can we save our country from being dragged gradually and steadily nearer the precipice? It is true that this process is so slow that we might be tempted to sit back and relax, thinking that there is plenty of time. I am reminded of the story of Robert Benchley, the well-known American humorist, who was drinking gin at a party when a temperance leader surprised him. "Bob," he said, shaking his finger at him, "put that stuff away; it is slow poison." "That's all right," replied Benchley, "I'm in no hurry." Like Robert Benchley, those of us who are prepared to go along with the socialist pattern and joint farming seem to be in no hurry. We are quite prepared to allow our body politic to be poisoned slowly with the virus of totalitarianism so long as we are not threatened with a communist dictatorship of Messrs Ghosh, Ranadive and Joshi tomorrow morning. One is tempted to ask such complacent people whether it is much of a consolation to them that the policies that Ghosh, Ranadive and Joshi would like to carry out are in fact being more slowly and less perceptibly implemented by the Congress leaders.

Though disaster may not be imminent, the need for action is most urgent. If these trends are allowed to proceed much further, it may be too late for us to try to reverse them.

The times call for a much bigger and broader effort of an active and political nature. There is an imbalance in our Party

system which cries out for rectification. The right to vote given to us by our Constitution is a sacred trust and there is an obligation on each man and woman amongst us to cast the vote for those in whose policies he or she may have trust. Now, there are hundreds of people one knows in one's own experience who are against the industrial and agricultural policies of the Nehru Government, and there must be lakhs of others whom we may not personally have met. How are they to be helped to exercise their franchise? Today they have no such opportunity because all the candidates who stand for election in most constituencies adhere to socialism or communism of one brand or another. The socialist and communist parties are not opposition parties, but only satellites of the Congress. For a man who believes in liberal democracy, the choice between a Congress, a Praja Socialist, Lohia Socialist and Communist candidate is Hobson's choice, because all of them favour policies which he holds in abhorrence. It is only if there is a candidate in his constituency who stands against state capitalism that he has a chance to cast an effective vote. It is therefore the duty of those individuals and those sections of our society who are opposed to this drift towards state capitalism to establish a broad-based political party which responds to the needs of a large part of the electorate. If this is not done, a dangerous polarization will set in as a result of which, as in China, all discontent will flow into Red channels.

In my view, the new party that we all desire to see should be what may be broadly called a middle-of-the-road or centre party which would eschew dogma and extremes of any kind. It should take a practical and pragmatic view of our problems and support solutions which are demonstrated to be in the country's interest. In industry and business, it would believe in a mixed economy in which both state and free enterprise have ample opportunities to serve the needs of the community on an equal and autonomous basis without one seeking to dominate the other. In agriculture, it would stand for peasant proprietorship and family cultivation, with all help being given to the peasant to produce more through credit, tools, seeds, fertilizers and know-how made available by the community, whether through multi-purpose cooperative societies or otherwise. It will have no place for a Government which acts like a dog in a barnyard which cannot lay eggs itself and will not let the hens do so. Our broad

concept should be that of advancing as fast as possible so that the standard of life of the people can be raised in the life-time of those who at present live in our country and not, as the socialist professes, of generations yet unborn. A fuller and richer life for our people *here and now* would be our slogan and this richer and fuller life can be achieved by giving the farmer, the artisan, the factory worker, the lawyer, the doctor and the industrialist adequate incentives to work harder and show more enterprise by being allowed a higher return, whether in the form of wages or salaries or profits by letting the money fructify in the pockets of the people.

I must confess that until the beginning of this year I was pessimistic about the formation or outlook for such a party. Only a few intellectuals in the cities were worried about the dangers facing the country, while our five lakhs of villages slumbered. But at one stroke the suicidal Nagpur Resolution of the Congress Party has awakened and aroused the country. For the first time the peasantry of India has become aware that the Congress Party, in which it reposed faith all these years, is attempting to filch its lands and to herd it into collective farms. Even the bulk of Congressmen who have allowed their leader to ram joint farming down their throats have no use for it.

Never has the time been as propitious as this for the formation of a strong opposition Party. The Nagpur Resolution is both a challenge and an opportunity. If properly explained, it brings to the landed peasants in the village, who constitute 53.7 per cent of our population, and to the professional and businessmen in the city an awareness of their common interest and their common peril. Once the land of the peasant is taken away and pooled into collective farms, it will be too late for the professional man or businessman to retain his economic freedom. On the other hand, our farmers will have to realize that joint farming cannot be fought in isolation. There is no way of finding resources for carrying through the Third Five Year Plan and ushering in the socialist pattern than by squeezing the peasantry through collective farming. Once Stalin and Mao Tse-tung decided to force the pace of industrialization through a state monopoly of economic power, they had no choice but to extract the maximum possible "surplus" from the peasantry through forcible collectivization. Nehru, despite all his libera-

lism, will leave us little choice if he is not stopped by the Indian people. As Jayaprakash Narayan so aptly put it, "When values are pushed into the background, production statistics take the front seats. The next step towards regimentation and dictatorship is then a matter of course."

Intelligent men among the peasantry and in the cities therefore realize that, unless they hang together, they will hang separately. The leaders of the peasantry and the leaders of business and industry must therefore come together to support the kind of democratic opposition party that we all wish to see.

2. PLANNING OR ASTROLOGY?*

The issue is not between planning and non-planning. The issue is between one kind of planning and another kind of planning; one kind of regulation and another kind of regulation. We must have regulation. But what are the limits to regulation? What is the nature of the regulation?

The Prime Minister adduced two criteria—maximum production and prevention of concentration of power. I entirely accept both of them as I think those are very good general statements, but the conclusion that we draw from the two criteria is different from the conclusion to which he comes. We see the biggest danger of the concentration of power in the hands of the State. We see it because, however big the industrialist may be, there is always the Government and the community on top of him to pull him up and bring him to justice or to order, but when the police power is combined with economic power, when the policeman and the judge and the factory-owner become one, then there is no appeal. Then you get a total concentration of power and, if we are against the state capitalism of the kind that is being sought to be advanced in this country, we are against it, among other reasons, because it would result in precisely the concentration of power that both the Prime Minister and we would wish to present.

The other point on which it is necessary to correct the record is in regard to heavy industry, light industry and agriculture. A remark was made that some of us do not believe in heavy

* Speech in the Lok Sabha on 21 August 1960.

industrialization—in rapid industrialization and in heavy industries. That is completely beside the point. We are for a well-balanced, all-round development. We believe that there should be heavy industry; that there should be industrialization, but it has to go side by side with the development of the agricultural base and the development of light industries to supply the needs of the people. This is what we say in our Statement of Policy.

> The Swatantra Party therefore stands for a programme of all-round rapid industrialization with a view to develop national resources and provide employment. It believes in a balanced development of capital goods industries, organized consumer goods industries and rural industries that afford supplementary employment in the processing of the products of agriculture.
>
> Whilst not opposed to the development of heavy and basic industries commensurate with the availability of resources, the Swatantra Party rejects the false and lop-sided priority given to heavy industry to the neglect of cottage, organized and light industries producing consumer goods.

Let me give an example of where we draw the line. We think that the fourth steel plant included in the Third Plan is superfluous and premature. The day will undoubtedly come when India will need a fourth or fifth or sixth steel plant. But is this the time for it? There are reasons why the fourth steel plant should not have figured in this Plan and why this money, which is now going to be sunk in that plant would be better used for a hundred other purposes, from agriculture upwards.

Our reason is that steel has the poorest ratio of output and the number of men employed to capital investment. Let us take a million ton steel plant; it costs, I am told, around Rs 180 crores. This Rs 180 crores investment by the country will turn out finished steel worth only Rs 45 crores a year. It employs only 8,000 men. Let us compare with this what would happen if you employ the same capital in engineering industries. In engineering industries, an investment of 180 crores of rupees would produce Rs 200 crores worth of products in a year as against Rs 45 crores from a steel plant. It would employ a hundred thousand men compared to 8,000 men in a steel plant. I give the example

nearest to steel, but if you get further away from it, as you get fertilizers, insecticides and finally to agriculture, you find that the same amount of investment would give multi-fold employment and multi-fold returns to the country.

Let us now consider two basic things about this Third Plan. It seeks to draw two-thirds of the resources into the public sector. And where does the public sector invest? Three-fourths of the public sector investment is of a non-agricultural nature. So, you get this: that, on the one hand, 70 per cent, of our people are living and toiling on the land but three-fourths of two-thirds of the total investment goes to non-agricultural pursuits. I think this shows a lack of balance in our planning.

Having criticized this lack of balance, let me say that there is an alternative. We have an alternative by comparison with which we believe that this Plan would prove to be pedestrian: that this Plan is not ambitious as the Prime Minister says we have criticized it for being. We think it is unambitious. It is wrong-minded and it is inappropriate to the needs of the country. We believe that if you try not to drag the savings of the people into the public sector, if you try not to divert them from the pursuit of agriculture and allied industries where you get higher returns on your investments as I have pointed out, our national income will go up much faster than what the Third Plan contemplates. We are confident that if our plans were followed, if the resources of the people were left in their hands to invest where the returns are higher, viz., light industries and agriculture, our volume of savings in the Third Plan, which are estimated at Rs 7,200 crores by the Plan, would be even Rs 8,000 crores or more. So, it is not that we think the Plan is too big; we think it is wrong-minded and it does not advance the country as fast as it should.

What is the real issue? The real issue is the nature of planning and the nature of society. As I understand it, the pattern of the Second and Third Plans is a command economy, a group of people sitting in Delhi, calling themselves the National Planning Commission, who arrogate to themselves the right to decide what shall be produced and what shall not be produced. That is the Soviet pattern of economy being directed and commanded from above.

The question arises, why is there an attempt at reconciling

Soviet communist economic planning with parliamentary democracy? There is a basic confusion lying at the root of this. You cannot make a communist economy, a command economy, coexist with a parliamentary democracy. Sooner or later one or the other will have to go.

Coming to the Plan itself, I shall only devote myself to two aspects—inaccuracy of the statistics, of the estimates, and the inflation that is bound to result from it. The investment outlay is Rs 11,250 crores, and we all agree—the Plan agrees—that it has to come from domestic savings and foreign aid. But how?

According to them, an annual increase of 5 per cent in national income is estimated. But to some of us it seems a gross over-estimate. Under the wet blanket of Statism, past experience shows that this 5 per cent will not be reached. What is the record of the last ten years? During the last nine years ended 1957-58, the national income increased by 2.5 per cent (compound) and during the last three years that the Second Plan has been in existence by 1.9 per cent (compound). We are told that from 1.9 per cent, we suddenly jump to 5 per cent. Why? What is the basis of this prognosis? Is it planning or is it astrology? Our resources are being diverted to low-return projects in the State sector. People are prevented from investing in agriculture and light industries where they can get higher returns. If that were permitted, I can understand that the national income would go up. On the other hand, you prevent the national income from going up by forcing the resources into the wrong pattern and then you make the fantastic estimate of a 5 per cent increase in national income. With all respect, I must say this is the most unlikely thing to happen.

Now, when we plan in such a manner it is inevitable that there should be inflation. The Prime Minister has said that "planning is an exercise of intelligence." But judging by these figures, it seems difficult to credit the planners with any intelligence on this occasion. If they were intelligent, I for one would be forced to say that this is a fraud on the country and its people.

Inflation is a thing that is often referred to, and the quantum of inflation is something that is often played down. Each Finance Minister in the past has shown that our inflation is much less than that of some other countries. That is true. But it depends

from what you start and also what capacity you have to bear the inflation. Now, may I request the Government to see that, when they consider inflation, they do it, not for the 5 or 10 years, but cumulatively from the beginning of the last war, because the human beings who are bearing this burden are the same set of people? It is no good saying: "Forget the past inflation before independence; let us start with independence." That is not good enough. If the Indian people had gone through eight years of inflation before you took to planning, then you have to take that into consideration in making your plan.

Now, what is the position? Speaking in this House on May 1957 I had said that the rupee then equalled 23.3 nP of the 1939 rupee. Since then, there is a further drop of 11.7 per cent in the value of the rupee according to the Plan document itself. This means that today's rupee is worth 20.6 nP in 1939 rupee terms. In other words, the value of the purchasing power of the rupee today in our pocket is one-fifth of what it bought in 1939. The Prime Minister said that in a developing economy there is bound to be inflation, that it is a good thing. That brave man is not frightened of communism; he is not frightened of inflation. But I may say that inflation means misery to the people, inflation means starvation for the people; inflation means that the people are being cheated of their money. An honest rupee, a stable currency, alone can be the bed-rock of advance; when that is lacking, everything goes.

We believe that if you want to advance in the future, you must make today's prosperity the foundation of tomorrow's growth. Today's adversity, today's misery, today's starvation can never ... the foundation on which a nation can grow, develop and flower. You must give the present generation a fair deal. It is no good asking the present generation to starve for generations yet unborn. Our whole system of planning is based on the Soviet pattern which is to deny the present generation for some generations yet unborn.

So, the planners are asking the people of India to sacrifice now for the future. The Indian people are not going to show that much of patience. They want to see the fruits of their labours for themselves and their children when they are still alive.

Therefore, we want a different kind of plan, a plan that will give back to the people what is the people's.

3. TIME FOR A CHANGE*

I should commence by trying to share with this House, in the first two or three minutes, the feeling that prevails in my constituency in regard to the issue we are now discussing. I shall try to do so as objectively as possible, and in doing that, I cannot help saying that, taking the constituency by and large, among all classes of people, peasants, workers, Government employees, shopkeepers, middle class people, the feeling is one of exasperation, of having reached the limit of endurance. If I may summarize the verdict of the constituency, it is not that the Congress should go—let me be honest about it—it is, "change your policies and mend your ways or go." There is a *locus penitentiae* in the mind of the electorate—it is not in my mind because I do not see any chance of improvement and that is why I am supporting this motion of no confidence. But the electorate still has an open mind. It wants to watch. It has given a warning and it wants to see if this warning is heeded or if it is ignored. It is because of this feeling in this constituency of mine, and also in the country generally—because I do not think that my constituency is unrepresentative—that today I identify myself with this vote of no confidence in the Cabinet.

The Government's policy, broadly, is one of socialism at home and non-alignment abroad. Let us examine dispassionately to what extent these objectives have succeeded during the last fifteen years. Socialism, I take it and the House will agree with me, means moving towards a more prosperous, a more free and a more equal society, an objective with which I am a hundred per cent in agreement. But to what extent has this objective been furthered during the last fifteen years? Is there more prosperity in this country today?

Let us consider different classes of society. Let us consider the landless labourer. Has anyone got the courage to say that the lot of the landless labourer, in terms of real income, has improved? The reports of Government committees do not show anything

* Speech in the Lok Sabha on 19 August 1963.

of the kind. I think it would be right to say that even the small peasant with a small holding has not materially improved his lot. The industrial workers have certainly been compensated by dearness allowance and you may say, therefore, that their real wages today are what they were when Independence was achieved. The Labour Minister, Mr Nanda, has conceded that there has been no real rise in the standard of living of the Indian working class.

Then we come to the backbone of the nation, the middle class. Is it not patent to all of us—because we all belong to that class —that that class today finds itself ground between the two mill-stones of constantly rising prices on the one side and of rising taxes on the other? This middle class, which is the backbone of the community, is being crushed today between rising prices and rising taxes.

Industry and business complain that they are being cribbed, cabinned and confined by endless regulations and, finally, by the super profits tax.

Then I ask, who has benefited? Who is better off today than before Independence? There is only one class that has improved its lot. That class is the class of some politicians in office, some officials and a few businessmen who work hand-in-glove with these politicians and officials. The combination of Malaviya and Serajuddin is the only vested interest in this country. It is this class which Djilas, the Yugoslav communist, has described as the *New Class,* which talks of socialism as in Russia and Yugoslavia and feathers its own nest. It is this New Class that is the only beneficiary of fifteen years of so-called socialism in our country.

Are people more free or equal? I would venture to say not. People are tied up in a mass of red-tape. All classes are subject to bureaucratic exploitation. Businessmen have to make trips to Delhi in aeroplanes, while the poor peasant has to walk or go by bus to the taluka headquarters to get some wretched form filled or completed.

Why has the socialist pattern failed to create more prosperity, equality or freedom? I venture to say that, while the objective was noble, while the objective is acceptable to all of us, the method was hopelessly wrong—the method of statism, of state capitalism, of believing that the people could do nothing, that Government must do everything for them, the carrying on of

that *ma-baap-sarcar* mentality of the British raj which has been the bane of this country during the past fifteen years. We never gave the people the feeling of freedom, of saying "do it for yourself," the feeling of faith that made West Germany great when, under Erhard, they said: "Let the men and the money loose and they will make the country strong." We trust neither men nor money. We only trust Government.

With what result? Take agriculture. Our productivity is among the lowest in the world. Official figures show that we raise it by 1.5 per cent every year, a very miserable ratio, because the Food Minister has admitted that we can triple our productivity, given the resources. Then why is it not done? Not because of the wickedness of one Minister or another but, because as two or three Food Ministers have complained, the Planning Commission and its false order of priorities have neglected agriculture, because the money that is needed to put irrigation, water, seed, implements, fertilizer into the soil is going into top-heavy, wasteful projects where the return is very much lower.

So, instead of producing more food, giving money and sinking capital into the land, we spend endless time on discussing distribution, control, zones and cordons. That is not going to make food. If the object is to produce more food, the Government has signally failed to create a prosperous agricultural base on which our whole industry may be based. No planning will succeed if the very foundation of economic life, which is land, is neglected and weak, as it is in India today.

Turn to industry. The same picture of false priorities, a wrong order of priorities. The state sector, for doctrinaire reasons which have nothing to do with reality, is being forced up against the interests of the country. In the First Plan, investment in state enterprises was 46 per cent. In the Second Plan it was 54 per cent. In the Third Plan, it is estimated to be 61 per cent and, if our planners have their way, which God forbid, they will raise the state sector to 65 per cent by the end of 1970-71 and 68 to 70 per cent by 1975-76. Who decided how the balance of the sectors will go? Is it not the people of India who, by their consumer preference, by deciding what they want to buy and what not to buy, have the right to decide? Do you want to have economic democracy in this country, or do you want six or eight people sitting in Delhi, like the Gosplanners in Moscow, to dictate to

the people what they should produce and what they should not produce, what they shall buy and what they shall not buy?

And what return do we get on the capital that is being extracted from us by taxation and pumped into state enterprises like steel and other industries? The Finance Minister in his Budget speech of February 1962—I have not seen more recent figures—admitted to the House that the average return on Government enterprises had dropped from 0.5 per cent to 0.3 per cent, but he encouraged the House by giving it good cheer that in the coming year it would rise to 0.4 per cent! If any industrialist or businessman tried to float shares on the market and offered those whose money was wanted 0.5 per cent, he would be considered insane. And yet our national capital is being wasted on projects, sunk in projects, which do not give us any return at all.

It is not true that some of us do not believe in state enterprises. We stand for a mixed economy. We stand for a mixed economy of private and state enterprise working side by side to serve the needs of the community, but this must be on a basis of a free and equal competition, of allowing the consumer to decide whether he wants to buy these goods or those goods, and not state monopoly capitalism which is becoming increasingly the pattern of our socialist economy here.

So, instead of creating a climate for incentives, savings and production, exactly the reverse is being done. Our vital productive forces have been crippled in the last fifteen years. It is a tribute to the vitality of the Indian people that our agriculture and industry have not died by now under the burdens and restrictions imposed on them.

Look at our taxes. They have far exceeded the point of diminishing returns. We have gone to the point where we tax more and more and get less and less, because, as you know, 50 per cent of Rs 10 is much less than 10 per cent of a hundred rupees. We are trying to get more and more out of the people with the result that we are getting less than we should.

So, one comes to the conclusion that all this talk of socialism, however well-intentioned it may have been, has been a cover for setting up State Capitalism and bureaucracy, benefiting a new class and exploiting the mass of people.

The Prime Minister once told a group of visiting experts: "Our planning is good but it is only implementation that is not

so good." It sounds very good. But let us consider a brilliant general in a battle who makes a scheme to surprise an enemy for which he will have to make his artillery climb a steep cliff. Ultimately, he finds that his troops were unable to carry the guns to the top and so they are massacred. But he says: "My policy was very good, my planning was excellent, but the troops did not implement my policy." An objective observer would say: "The planning was rotten. Planning should not ask people to do what they cannot possibly do or what they are not made to do."

That is why the targets of our Plans are hardly ever fulfilled. Now the country has come down from planning in cloud cuckoo land with a big thud to firm earth and people are swearing at those who have been responsible for it.

4. SWATANTRA ALTERNATIVE TO THIRD PLAN*

You will ask: "Supposing the Plan is to be scrapped, what takes its place?" I am prepared to make an alternative approach. The starting point of that approach will be something said by Gandhiji. Gandhiji once said:

> I will give you a talisman. Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest and weakest man whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to *him*. Will *he* gain anything by it? Will it restore *him* to a control over his own life and destiny?

I appeal to people here, many of whom have deep regard for Gandhiji's teaching, to recall these words and to test the policy of their Government in day-to-day action against this touchstone.

What are the realities? After seventeen years, if this had been the approach of this Government, would we be where we are today? Would our per capita income today be Rs 330 a year, would the consumption of the average man in India be Rs 300 a year, would the large majority consume less than Rs 150 a year? Today, the lowest 10 per cent of our population, according

* Speech in the Lok Sabha on 5 December 1963.

to Government figures, consume 27.5 naye paise daily. The highest 10 per cent, who are supposed to be fabulously rich, consume Re 1 per day, and the highest 5 per cent, against whom the hon. Finance Minister has such venom with which he spoke an hour ago, consume Rs 2.37 per day. This is a measure of our destitution and of our poverty! And this is after seventeen years of administration by the followers of Mahatma Gandhi!

I want to warn this Government and this House that if they believe that the people of India are going to starve in silence and be exploited in silence by this new vested interest, this new ruling class, till the end of the Fifth Plan, they are making a mistake. The people want change here and now. They are not going to stand this "pie in the sky when you die" business. They demand an immediate return for their hard work.

Our Plans have chosen the slowest possible method of advance, the state capitalist method which gives the lowest dividend. An average return of 0.5 per cent or $\frac{1}{2}$ per cent on capital is no way of taking the country faster to a higher standard of living. Of all the paths open to us, we have taken the slowest and the lowest path.

Professor Galbraith was a good friend of our Prime Minister and his Government. He was a planner; he was a socialist; he was also the author of *The Affluent Society*. But he got cured after three years here. Let me read from the last talk he gave in this country. He talked to Bombay University before taking a plane out of this country. Read between the lines of what he says and you will find a most damning condemnation of the whole pattern on which we have embarked. He says:

> The purpose of economic advance is not investment and economic growth. Rather it is the ends that these things are meant to serve, and that is improvement in well-being and popular enjoyment of life. This, the well-being or enjoyment of life by the average person, is the ultimate goal. Moreover, a poor country must make good on this promise with considerable promptness. The basic comparison in human affairs is always the present with the recent past.

I would say that what we need to do is to concentrate on producing the things that the people need immediately. What

are those? They are food, clothing and shelter, the needs of life, and some education for their children. I think, it is a fair summary of what comes first, that is, food, clothing, shelter, the bare necessities of life, daily comforts, and some education.

Let us just take food and clothing to understand what this means. A learned professor of economics has worked out—and people in the Planning Commission also have confirmed this—that a man needs Rs 30 a month or Rs 360 a year for the bare needs of life, that is, nutrition Rs 21 per month, clothing Rs 3 per month and shelter etc., everything, Rs 6 per month totalling Rs 30 a month. This was worked out in a seminar by a spokesman of the Planning Commission. I accept it. I am not quarrelling about figures now. It is a miserable pittance. I do not think any hon. Member would dream of living on this for a day.

How is this to be secured? Modest as it is, can we get this? It means that today's per capita income of Rs 330 a year must be converted into the national minimum by 1975. If even after 15 years you want this Rs 30 a month to be available to the average man, today's per capita or average will have to be the bottom or the minimum. In order to do that, our per capita income will have to go up to Rs 540 a year. In order to get Rs 330 or Rs 360 a year as the minimum, the per capita income will have to be Rs 540. These are things worked out by the Planning Commission itself. It has also been estimated that to get this per capita income of Rs 540 a year by 1975, we shall need a rate of growth, not of this miserable 2 per cent which has been put before us, but of 7 to 8 per cent a year, even more than the target which has not been fulfilled. Now, 7 to 8 per cent a year is achieved in many countries. Japan has touched 20 per cent; West Germany has touched it, and in Nationalist China which I have visited it was 7.7 per cent in the last two or three years. It can be done. But how can it be done and by whom? That is the question that really faces us. If the Plan has to be scrapped, how is it to be done otherwise and by whom?

Coming to this concentration on foodgrains and cloth, let us take an example. The per capita consumption of foodgrains in 1960-61 was 16.5 ozs. This has to be raised to 23.1 ozs. by 1975-76 to give what may be called a decent nutritional minimum. This involves the doubling of food production in India from 80 million tons in 1960-61 to 160 million tons in 1975-76. About

cloth, today's per capita consumption is 15.8 yards. What is required in 1975-76 is 22.1 yards. Again it involves doubling of the production of cloth from 9 million yards today to 18 million yards in 1975-76. This is the first thing: to double, more or less, the quantity of foodgrains, cloth and building material which are needed by our people for food, clothing and shelter.

The second thing is to provide gainful employment to people so that their hands are used productively, so that there is money in their pockets, some purchasing power with which to buy things. This is important. I am not arguing humanism here. With these hardened Marxists opposite, humanism does not work. But let me put it even from the point of view of the rate of growth. Consumption is important. Production is certainly very important, but consumption is also important. A starving man cannot produce. A certain measure of nutrition is necessary before you can get a productive human being to produce. So, quite apart from humanism and decency, even from the point of view of increasing production, you want healthy, reasonably healthy, able people. So, nutrition has relation to production itself. So long as the colossal under-utilization of our man-power goes on, as it does today, we cannot expect production to go up. So, in some cases, consumption is even anterior or prior to production, although by and large production has to precede consumption.

Now, the implications of this are that, if you must maximize production, the available resources have to be utilized where the return is highest. Every unit of production must give the highest possible return. And this can only be achieved where production and investment can shift in response to the needs of the consumers, where the common citizen can indicate his needs for cloth, shelter and other articles. So, we must keep pace with the demand. This means the sovereignty of the consumer, consumer preference, which is economic democracy going alongside of political democracy.

This can only be done by ending the state capitalist, bureaucratic, monopolistic system. It can only be done if the people can produce to meet their own needs and are given incentives and rewards for doing so. Nothing short of a complete reversal of the state capitalist pattern will be required. Otherwise, you

stick at your 0.5 per cent rate of return and take this country to its ruin.

We stand for the state playing an active part in our economic life. We stand for a mixed economy of free and state enterprise cooperating or competing in the service of the people. There are legitimate spheres for both. The appropriate sphere of the state is to build the infra-structure, the foundation for economic advance. That is not a minor thing. It means irrigation and water supply, it means power; it means roads, transport and communications of every form; it also means education. And finally, there is an essential minimum regulation to stop anti-social practices. All this is the legitimate role of the state as understood in civilized society. But that is where the role of the state stops. When the state starts making penicillin, when it starts making steel, it becomes an exploiting element, and it sells penicillin and steel at a price which is many times the cost it takes to produce or import.

That is why Professor Galbraith, who preaches state enterprise in America, realizes that in India something very different is required. And this is what he says in his book, which many of his admirers forget. He says:

> In poor and ill-governed societies, private goods mean comfort and life itself. Food, clothing and shelter, all technically subject to private purchase and sale, have an urgency greater than any public service with the possible exception of the provision of law and order.

Neither I nor any of my colleagues on these Benches have ever put a proposition as extreme as this. We have never said that, with the possible exception of the police, Government should do nothing else, and only private enterprise should give food, clothing and shelter to the people. That is a very extreme position for a planner and a socialist to take. We take a very much more modest position. But when a man like Galbraith is driven to saying this, with his experience of this country, we have got to realize what realism means.

Therefore, we shall have to change this whole approach. If we want our country to have a decent subsistence, if we want

our people to have adequate food, clothing and shelter, this Five Year Plan must be scrapped completely.

5. APEING THE COMMUNISTS*

The question is: why is this policy of deliberately grabbing —because, grab is the word—of investible resources indulged in when the budgetary situation does not even require it? My answer is that this is the doctrine of Karl Marx, the outmoded Marxist doctrine of squeezing surplus value out of the peasants and workers and the common people so that the new ruling class can build its so-called socialist, or what I call state capitalist, society. It is a policy of asking people to tighten their belts for the glory of the state, a policy that was launched on this world by that monstrous communist dictator, Stalin, whose name is execrated in his own country today. That policy lays down that agriculture and consumer goods must be kept down, the needs of the people must be denied to them, so that steel and heavy capital industries can be raised as the base on which the glory of the dictator rises. It is the policy of exploitation for the sake of a mythical future. It is a policy of "pie in the sky when you die," but never today, that the communist dictators preach.

We are apeing the stupidity of the communist parties, which they themselves have shed. Today, in Communist China, the most reactionary of the communist countries, the new order of priorities laid down by Chou En-lai last year is: first, agriculture, then, consumer goods industries, and last, steel and heavy industries. How many years will it take our outmoded Marxist Prime Minister and his Government to learn this simple fact of economics? Would I be wrong in quoting someone who said that for a Government to run an industrial enterprise is like a monkey trying to play the violin? They simply are not made for that purpose.

I will be told: you are building up a phantasy, this is a thesis of your own imagination. No. I am going to quote one of the pillars of the present Government to show that this is exactly what they are doing today. The person I shall quote is my friend, the Deputy Chairman of the Planning Commission, with whom

* Speech in the Lok Sabha on the Finance Bill, 17 April 1964.

I was very glad that the Finance Minister yesterday expressed his "fundamental similarity." Mr Asoka Mehta addressed U.P. legislators in March, presumably in Lucknow, and he said that the coming ten years would be "crucial," that would be a crucial period when the people would be subjected to "the grinding pressure of prices." He did not deplore it. He was just telling them what was coming their way. In case anyone should think that this was a loose remark, he moved on to Calcutta and there he spilled a few more beans. On March 21, addressing the West Bengal Business Convention, he said, and I am quoting from *The Times of India* of 22 March:

> Mr Mehta warned the people that there was no escape from an annual increase of Rs 100 crores in taxation. The severest curbs on consumption would be necessary to ensure surpluses.

And then comes this gem of out-dated Marxist determinism:

> The present generation, which was a bridge between the stagnant present and a bright future, would get "trampled upon in the process." But that could not be helped.

Here you have it from the horse's own mouth. Either you disown Mr Mehta or you stand with him in the dock guilty of this atrocious threat to trample on the present generation for some mythical future which none of us know about.

This Budget is only an instrument of Prime Minister Nehru and Mr Asoka Mehta in their grand design to trample on this unfortunate generation. All of us here, and the millions of men and women outside, have been created by God so that Mr Nehru and Mr Mehta may trample on them. If you ask "who decided this?" They will say "history," because determinism is part of Marxism. Who says so? The Great God Nehru and his Apostle Asoka Mehta!

Fortunately, if I may say so, the Indian people are not prepared to be trampled upon. They are not dumb cattle to be driven to slaughter by my friends. The plea about posterity is a fraud. Mr Mehta promises relief in ten years. Who decided ten years? Who knows where he will be in ten years or all of us for that matter? Who is he to promise relief after ten years? There

were bigger people before him, Lenin and Trotsky, who also promised the Russian people. They said: "Just endure our communism for ten years, put up with all the hardships, tighten your belts, and then, what will happen?—The millennium will arise. The state will wither away; the land will flow with milk and honey." That was the dream of communism of Lenin and Trotsky. Today we are forty-five years away from the time when Lenin and Trotsky asked for a few years' sacrifice so that a beautiful future would emerge. But the Russian people do not find the state withering away; they do not find even the dictatorship withering away. Today in Moscow people are without homes; today they are getting on without enough clothes; the bread queues in Moscow are longer than they have been any time since the Revolution. That is the logic of the false method of priorities imposed on this country. Knowing the record of this Congress Government, I do not know if anyone would accuse them of any desire to wither away at any time.

6. WHO ARE THESE PLANNERS?*

If the budget has been described in the press as "misconceived, weak and unimaginative at best," the question will be asked, has not this Government got the intelligence to see that this is bad for the country? The Finance Minister certainly has intelligence, understanding and knowledge. Then why has he brought forward this budget? What comes in the way of his bringing forward the kind of budget the country needs?

There are two answers. The first is contained in the first paragraph of the Finance Minister's own speech. He has said:

> It is now left to us, to my leader, the Prime Minister, to his colleagues in the Cabinet, as indeed to hon. Members and to everyone else in the country, to carry forward the legacy of Jawaharlal Nehru according to our lights. And I can only hope that the Budget I am about to present will help to fulfil this obligation in some small measure.

* From a Speech in the Lok Sabha on 22 March 1965.

Let me say quite frankly that this is a legacy left to those gentlemen who sit on the other side; we have no part in it, we do not want to have any part in it. That legacy is a disastrous legacy.

This legacy is what has brought the country to the present pass. The Finance Minister has every right to hug that legacy to his bosom. We on this side, the Party which I represent, came into existence precisely because in 1959 we saw where this country was being taken—to drift, chaos and bankruptcy. Therefore, we want no part of that legacy, and we are sure that the Indian people will discard that legacy as fast as they can.

The answer, therefore, is that the ghost of the past is haunting the Finance Minister. He and his colleagues are not free people; they are prisoners of their past and they are unable, in spite of their intelligence, to free themselves from that legacy.

The second cause or inhibition is the Plan, which is referred to by the Finance Minister. The Fourth Plan is "the nigger in the woodpile." It seems that the National Planning Commission, on whose advice the Plan has been devised, have learnt nothing and forgotten nothing, like the old Bourbons. This Plan will bring about organized chaos in this country.

Who are these planners? Let me say quite frankly that they are a group of bookish intellectuals, completely divorced from economic realities, none of whom has any experience in even producing a thousand rupees of goods and services in this country.

Let me say, again quite frankly, that many of them are incapable of producing anything except words. They say they are *socialists*. Let me say that they are nowhere near what has quite rightly been described as Twentieth Century Socialism in West Germany or Britain.

Several of them are veteran communist fellow-travellers with a guilty record of fellow-travelling. Among them are Professor Mahalanobis and Dr V. K. R. V. Rao. If anyone wants proof of communist fellow-travelling, their blind admiration for the Chinese communist regime, I would refer them to the *History of the Communist Party* published in 1954, which I had occasion to write (pp. 186, 190). There you will find a factual catalogue of their pro-communist activities. I regret that my good friend, Mr Asoka Mehta, who till the other day I regarded as a democratic socialist, is also going that way. He is Vice-Chairman of the Plan-

ning Commission and he is slipping into the same groove as the others.

Last year, I had occasion to quote his statement in this house on 17 April. This was a statement he made in Calcutta and I quoted from newspaper report. He was reported to have said:

> The present generation, which was a bridge between the stagnant present and a bright future, would get "trampled upon in the process," But that could not be helped.

Mr Asoka Mehta had then accepted Marxist determinism to decide that history has given him the privilege to bring into existence Plans which would trample on the present generation.

Now, this year, he has excelled himself. On 13 March, a few days back, he went all the way to Ludhiana, to attend a meeting of a notorious communist front, the Indo-Soviet Cultural Society, at which the Soviet Charge d'Affaires aptly presented a bust of Lenin to those who were present! At that time, Mr Asoka Mehta made a speech to the communist fellow travellers gathered in Ludhiana. I am quoting from the press report:

> He stressed the need for closer co-operation in economic planning between India and the Soviet Union ... India, he said, had now reached a stage in its economy where it was essential to have collaboration in the planning process with the Soviet Union.

To make it quite clear he was not advocating economic co-operation between them, that he was preaching planning co-operation, he goes on to say:

> It was not enough to continue economic co-operation between the two countries. It must be seen to what extent our plans were drawn with Soviet co-operation.

I want to know whether even the gentlemen sitting opposite are prepared to see this country become a Soviet economic satellite. It is a most outrageous suggestion for anyone who holds office in this country to make.

There is an organization called the Comecon, an economic

combination of communist countries. There, they have endorsed a chapter on the "Fundamental Principles of the International Socialist Division of Labour," which suggests that planning should be by cooperation between the communist countries.

It may interest the House and Mr Asoka Mehta to know that there were two communist countries which refused to enter into planning cooperation with the Soviet Union. One was, of course, communist China, but the other was little Rumania. Little Rumania said: "We do not want planning cooperation with you. You will swallow us up. You make your plans, we will make ours. We do not want to meet you on that plane." My good friend is evidently now prepared to fall to levels which the Communist Government of Rumania is not prepared to accept in its national interest!

I must admit that I have quoted from the *Patriot* of 14 March. I concede that the *Patriot* is not the most veracious of newspapers in this Capital. We all know that. Dr Samuel Johnson said that patriotism was the last refuge of the scoundrel. It is the only newspaper which has published it. Nobody else thought this gem of wisdom worth relaying.

For eight days this remark has gone uncontradicted by the Vice-Chairman of the Planning Commission. I shall be very glad if, even now, he will come forward to repudiate this remark put in his mouth.

I am now drawing attention very formally to the fact that these words have been put in his mouth. It is for him to repudiate them, or let every man in this country realize what he has said and its implications.

These gentlemen of the Planning Commission have been responsible for policies that have been a demonstratable failure. They are out of touch with realities. They do not understand the process of production. If we are going to function along the path of planning, let us at least throw this intellectual junk out of the Planning Commission, and put there people who know what they are talking about. We cannot solve today's problems with the remedies of the day before yesterday.

7. BIG PLANS, SLOW PROGRESS*

"The bigger the Plan, the faster the progress" is an assumption that seems to be fashionable in certain quarters. Is it really true that a bigger Plan means faster progress, a smaller Plan less progress and no plan means no progress? Before essaying an answer to these questions, a quick glance at the basic facts about our economic condition today could be helpful.

This shows that our sterling balances of Rs 1,402 crores left by the British at the time of the transfer of power had by March this year dropped to Rs 86 crores, while by June 11, they had sunk further to Rs 73 crores. Our foreign indebtedness, which on March 1961 was of the order of Rs 761 crores, had gone up by March this year to Rs 2,192 crores. Our repayment liabilities have correspondingly been rising, it being estimated that no less than one sixth of our total exports during the Third Plan will have to be dedicated to this purpose while, of our export earnings expected during the Fourth Plan, no less than 28 per cent will have to be allocated to repayment of the loans and interest.

Our dependence on foreign aid, which in itself is a legitimate and good thing, has gone beyond all reasonable proportions. While external assistance in the First Plan was 5.5 per cent of the total investment, it was 16 per cent in the Second Plan, and no less than 28.5 per cent of the total investment in the Third Plan is allocated to external assistance.

The domestic purchasing power of the Rupee has been steadily shrinking. It is only 14 paise of the pre-war Rupee. The external value of the rupee as quoted in the world's free markets is today about half of its official value and one can only get a dollar for about Rs 9 and a pound for Rs 25.

No increase in our exports is possible because of this depreciation in our currency and the high cost of our products. Devaluation is reported to have been advised by the World Bank and the International Monetary Fund and, however much we may dislike the thought, it will before long become inevitable if current policies continue.

The over-all picture shows that we as a nation have been

* Speech to the Rotary Club of Bombay on 10 August 1965.

consuming more than we produce and importing more than we export.

India is on the brink of bankruptcy.

The question that arises is: to what extent does our plight really reflect the impact of the Five Year Plans on our economic life and development? As is well known, each Five Year Plan has been bigger than the previous one.

The total investment in the First Plan was Rs 3,360 crores, in the Second Rs 6,831 crores, the targeted investment in the Third Plan is Rs 10,400 crores and the proposed investment in the Fourth Plan is Rs 19,975 crores.

When we turn to the results of these Plans, we find that, while the First Plan exceeded its targets, the Second and Third Plans have failed to fulfil their promise in all significant respects.

In regard to foodgrain production, on which our whole economy is reared, the First Plan yielded an increase of 15.9 million tons against the target of 11.6 million tons, or an excess of 4.3 million tons. The Second Plan yielded an increase of 14.1 million tons against the target of 14.9, or a shortfall of 0.8 million tons while the increase during the Third Plan is expected to be 11 million tons against a target of 19 million tons, or a shortfall of 8 million tons.

The indices of industrial production do not show very different results. As against a base of 100 for 1950-51 the index of industrial production at the end of the First Plan had risen satisfactorily to 139. The target for the Second Plan was 207 but the figure reached was 195. The target for the Third Plan was 329 or an increase of 68.7 per cent for five years. But the index touched 25 per cent in 1964-65 showing an increase of only 31.7 per cent over four years.

Thus, against a targeted increase of 12 per cent in the national income during the First Plan, the actual rise was 18.4 per cent giving a welcome surplus of 6.4 per cent. This pattern soon changed for in the Second Plan, as against a target of 25 per cent there was a rise only of 20 per cent in the national income, with a shortfall of only five per cent. The position in the Third Plan became much worse since, as against a targeted rise of 34.4 per cent, it is estimated that the actual rise will be of the order of 23 per cent, resulting in a shortfall of no less than 11.4 per cent or one-third of the hoped-for rise in national income.

How poor has been our rate of growth can be seen from the fact that, while the rise in our gross national income during 1959-62 was 5.8 per cent per annum, according to the *Monthly Bulletin of Statistics* of the United Nations, the rise in the gross national income of Pakistan during the years 1959-63 was 6.8 per cent, of the Republic of China (Taiwan) 14.7, Israel 16.6 and Japan 16.8 per cent.

Is it now clear from these official figures that the bigger the Plan, the slower the rate of growth of the economy and the bigger the shortfall in industrial and agricultural production.

The rate of our progress has in fact been in inverse ratio to the size of our Five Year Plans. It would be an error to think that this correlation is accidental or that it may be incidental to faulty implementation of the Plans which is often advanced as an alibi. There is reason to fear that this correlation is inherent and inevitable and that a big Plan must mean slow progress because of the greater diversion involved of scarce resources from more to less productive investment.

The reason why resources that are drawn within these Plans are likely to yield lower returns than if they had been left free in the pockets of the people is that we have been indulging in Four Fallacies. The first of these is that we as a nation may spend money we do not possess. This refusal to live within one's means, to cut one's coat according to the cloth, involves deficit finance in many other ways than the printing of currency notes which is only the simplest and crudest of them. This results in inflation, with rising prices and all its anti-social implications.

The second fallacy is that not agriculture, but the manufacture of steel and machinery is India's basic industry, which takes priority over the consumer's needs. Hence a wrong order of priorities. While the First Plan was sound in putting agriculture first, the Second and Third Plans provided for the allocation of investment to give disproportionate extent to steel and other heavy industries, while agriculture and the building of the infrastructure through the provision of water, transport, communications and power were shabbily neglected. The importation of this Stalinist bias in our national planning in the mid-50's in totally different circumstances from those that obtained in the case of the Soviet Union in the early years of its existence, has been nothing short of a major disaster.

Professor Mahalanobis himself has admitted that an investment of Rs 1 crore gives an output of Rs 57 lakhs if invested in agriculture, while the output on the same investment is Rs 33 lakhs in consumer goods industries and only Rs 19 lakhs in heavy industries. Thus the capital–output ratio for agriculture is 2:1, for consumer goods 3:1 and for heavy industries 5:1.

Pointing out that the motivation for this pattern of planning has nothing to do with popular welfare but has a great deal to do with the glory of those in government in developing countries, Professor Colin Clark, the eminent economist, mentions Prime Minister Nehru as saying in August/September 1960 that "a number of textile mills is not industrialization. It is playing with it. Industrialization is a thing that produces the machines. It is a thing that produces steel." I remember that occasion since, as it happens, Mr Nehru was replying to my own observations a little earlier in the debate. Professor Clark goes on sadly to observe: "Before long, the world is going to be littered with unwanted and obsolete steel mills, built at great sacrifices by poor countries suffering emotional political leadership, with money which could have done far more good if it had been devoted to other industries."

The third fallacy is that Government should produce more and more, the people less and less. Hence, while these Plans actually collect from the taxpayer in the form of taxes and loans, resources for the state sector, the free sector is left to fend for itself by raising money in the market. The allocation of resources shows a set pattern despite the failure of the state to fulfil its targets, of a larger and larger slice going to the state sector, leaving a dwindling balance for the free sector of the economy. Thus, while in the First Plan, the share of resources allocated to the State sector was 46.4 per cent, it rose to 54.6 per cent in the Second Plan and 60.6 per cent in the Third Plan. It is now proposed to raise it to 65.05 per cent in the Fourth Plan.

The fourth fallacy is that the National Planning Commission and the Government should have the right to dictate what shall or shall not be produced and at what price it should be sold when produced. This has created a command economy which is modelled on Soviet planning and has little in common with the "indicative" planning of France and Britain which is advisory

and voluntary in its nature. It has also created a veritable jungle of controls, licences and permits, which kill incentive and breed corruption.

What then is the way out of the mess in which we find ourselves? The answer appears inescapable that what is called for is the abandoning of the Four Fallacies in which we have been indulging and a radical reversal of the faulty economic policies and planning in which we have indulged for the last ten years.

This cannot be done overnight, particularly with a Government as lacking in decisiveness and a sense of direction as the one this country is "blessed" with at present. What is immediately necessary therefore is a pause—a period of heart-searching, of introspection, of direction finding so that, as Mr S. K. Patil said the other day, we may go out of the "blind alley" in which we find ourselves.

As early as March 22 this year, opening a discussion on the Budget in Parliament, I had urged the need for making the Third Five Year Plan a Seven Year Plan and giving the country a badly needed two year holiday from planning. I had cited the example of Khrushchev who, when he took over from Stalin, had said that there was no need for a new Plan until the targets of the existing one were achieved first and he had, therefore, made that Five Year Plan into a Seven Year one. As Mr Patil jocularly remarked, there are "planning pundits" who are apt to regard any criticism of their plans or any suggestion for a pause or holiday as "an act of sacrilege"! I am glad that in such an act of blasphemy, I now find myself in good company.

If reports are to be believed, no less a person than the Prime Minister has made a similar suggestion, though it is likely to be publicly denied.

It seems that even the Prime Minister's suggestion has not been well received and I saw a headline in a local paper of 24 July saying: PLANNING COMMISSION'S NO TO PM'S PLAN HOLIDAY MOVE. Who are these men who, between them, have not produced anything comparable to what a single businessman in front of me has contributed to the country's wealth, men who do not have to stand for elections and face the electorate, men who do not have to stand up in Parliament and answer for their activities, who presume to turn down the Prime Minister's sugges-

tion? This proves the point that some of us have been making that there is no room for a super-government mis-called the National Planning Commission in a Parliamentary Democracy such as ours. Such a body is part of the Communist system of government and the best thing that can be done to it is to wind it up.

There is a neighbouring country of our's, little Ceylon which used to follow the same kind of economic policies as we do today. The result was the cutting off of U.S. aid and a rapid drift towards bankruptcy. Last March, the people of Ceylon showed that they had had enough, with the result that today there is a Liberal government there which has embarked on sound economic priorities, and foreign aid has been resumed. Only the other day, the Government of Ceylon invited our finest Tax expert, Mr N. A. Palkhiwala, to visit Ceylon to guide them in regard to their fiscal policies. Is it not an irony that our fiscal experts are invited by foreign governments while being neglected by our own?

The result is to be seen in the excellent Budget proposals introduced in the Ceylonese Parliament only two days back which not only provided for a cut in income-tax, removal of import duties on certain goods and the reduction of import duties on others, but also various measures to attract both indigenous and foreign capital and provide the necessary incentives. The example of Ceylon has shown that these economic problems have a political solution. Are we as a nation less intelligent than the Ceylonese?

Big tasks and small minds go ill together. There are too many people in key positions who lack faith in the people, daring, imagination and vision. There has been a niggling attitude to prosperity and the enjoyment of the good things of life that is succeeding in driving away scientists, educationists, engineers, doctors and nurses in a regular flight of talent from this country where they find that talent is no longer appreciated. We therefore make passport regulations to stop Indian citizens from leaving the country. Do we want regimented robots to stay at home and serve us? Do we wish this country to be converted into a prison house for scientists, doctors, and engineers from which they may not escape?

It is most unfortunate for this country that it should have at

its helm of affairs people as small-minded and reactionary as those about whom A. P. Herbert wrote that delightful jingle, "Let's Stop Somebody from Doing Something":

> Let's stop somebody from doing something!
> Everybody does too much.
> People seem to think they've a right to eat and drink
> Talk and walk and respirate and rink,
> Bicycle and bathe and such.
> So let's have lots of little regulations,
> Let's make laws and jobs for our relations,
> There's too much kissing at the railway stations—
> Let's find out what everyone is doing,
> And then stop everyone from doing it.

8. A 'GOD THAT FAILED'*

The advocacy of nationalization is completely out of date; it is obsolete; it is not socialism as the second half of the twentieth century understands it. If I had time, I would have gone into more detail. Leave aside British, German and other socialists, who repudiate this doctrine. Let us consider what people in Russia are saying today. Let us read Professor Lieberman. It will be still better if we read what the Yugoslav Ambassador to our country, Dr Uvalic, himself a very noted economist, said in Bombay on February 19. I am quoting from the newspaper of 20 February. Dr Uvalic said this:

> In the socialist economy of his country (that is Yugoslavia) a free market functioned both in industry and agriculture. It was only through the market where factors of demand and supply operated that the problem of what to produce more and what less, and whether production was efficient or not could be determined, and production, productivity and competitiveness could be increased.

He went on to say: "I do not think the existence of a free market and operation of competitive forces of production is against socialist theory."

I commend this thinking to Mr Asoka Mehta. I would wish,

* From a Speech in the Lok Sabha on 10 March 1966.

even now, that he catches up over this gap of thirty years by which he is lagging behind so that he could be in the mainstream of progressive and liberal socialist thought throughout the world.

May I remind the Planning Commission and its leaders that "one cannot do good without first making good"? You cannot distribute anything unless you first make a profit. This is one thing which the Planning Commission has signally failed to do. Thanks to them, Planning itself has become a mock word, a "God that failed." Which is a bad thing, because I believe in democratic planning, I believe in indicative, advisory planning of the French and British pattern.

There is nothing new or fresh about this budget. It has no relevance to the needs of our country. It can neither stop inflation, nor depression, nor over-dependence on foreign aid. It cannot rectify the balance of trade; it cannot stabilize our currency; it cannot do any single one of these things. It just goes on following the old habits.

The people of India have a limit to their capacity for patience. As the poet said:

> Hope too oft deferred,
> Maketh the heart sick.

This thought was echoed by the leader of the Indonesian Communist Party, who, according to reports, has paid with his life for his perversities—Aidit. Some time before the *coup d'état,* which ended his life or which is believed to have ended his life, Aidit gave expression to a remark which showed great insight, because he was a clever and a brilliant man. He said about his country in a rare moment of insight: "Politics move to the left, but stomachs move to the right." And because stomachs move to the right, that man has had his head chopped off or had been shot by angry people who turned against him and his fellow conspirators who had oppressed the Indonesian people for the last ten years in the name of socialism.

The wrath of the Indian people also will one day make itself felt. But we are democrats and we do not want the wrath of the Indian people to fall on their oppressors in the way that the Indonesian people have killed thousands and thousands of those who came in the way of their prosperity and happiness. We

deplore that. But there are alternative ways in our Constitution by which the wrath of the people can be expressed. That opportunity will be coming to them and, when that comes, that wrath may be expressed peacefully but it will be very terrible and very stern.

2. TAXES TAXES TAXES

1. THE BUDGET AND THE PLAN*

WHEN the Second Plan was framed, the Planning Commission made an estimate that Rs 800 crores of additional taxation could be levied during the period of five years of the plan. Of this, Rs 450 crores was to come from new taxation—half to be raised by the Union Government and half by the State Governments, thus giving the Union Government an average of new taxation of Rs 45 crores per year. Mr C. D. Deshmukh in his budget levied new taxation to the extent of Rs 30 crores; Mr T. T. Krishnamachari added another Rs 90 crores. Thus in two years, Rs 120 crores were levied as against Rs 90 crores which the Planning Commission themselves had felt was a safe ceiling to further taxation. The Economic Survey attached to this budget now gives us the figure that the additional taxation at the Centre and the States for the five-year period at the present level will aggregate Rs 900 crores. So, as against the safe limit of Rs 800 crores which the Planning Commission estimated, the Explanatory Memorandum tells us that, even at the present level, the tax-payer will be burdened with Rs 900 crores of additional

* Speech in the Lok Sabha on 9 March 1959.

taxation. It is against this background, viz., that the targets of the Plan have been exceeded by Rs 100 crores, that this budget needs to be judged.

We are now faced with additional taxation to the extent of Rs 23 crores. Of this, not less than Rs 18 crores falls on the shoulders of the common people. Rs 18 crores is the burden of additional new excise duties. When, two years ago, a series of new excise duties were sought to be imposed, I remember I took the opportunity to divide the House to show our strength of feeling, what some of us felt about this imposition of further burdens on the poor people and on their daily needs. I regret that these present proposals further aggravate the situation. Whether it is tea, sugar or cigarettes, the common man is sought to be further burdened beyond the limit which he is able to bear.

The excise duty on diesel oil will again fall on the poorest people. The farmer who uses diesel oil for his pump and the common man who is a passenger on road transport and who sends his goods to the market by road will equally be penalized by this further imposition on road transport.

The other reason why the new excise duties need to be combated is that they will aggravate the inflation that is already prevalent. The figures given in the budget are that wholesale prices rose from 105 to 114.5 during the past year and the working class cost of living index went up from 110 to 119.

Now the question arises: why should the Finance Minister, who is not unfamiliar with the implications of these proposals whether on business or on agriculture, who is not ignorant of the ways and operations of business, come before us with a budget that will inflict further disincentives both to agricultural and industrial production, when they are so badly in need of new incentives? I think the Finance Minister answers the question himself. He says:

> In a sense, therefore, the stage that has been reached in the implementation of the Plan conditions this budget. So far as the Plan is concerned, I think it is accepted by everyone that subject to such minor adjustments as may be necessary and were made at the time of the recent reappraisal by the National Development Council, we have to go forward with the Plan.

> For me as for my predecessors in this place, this has been the major factor round which the budget has to be built.

I entirely agree with the fact to which the Finance Minister draws attention, that the budget is in a way the very reflection, the very shadow, the very echo of the Plan. Two years ago I referred to the then Finance Minister as Sindbad the Sailor and the Plan as the Old Man of the Sea who would not get off his back. Sindbad has changed, but the Old Man of the Sea still dominates and rides on his shoulders.

But I have to disagree with two ideas in this quotation I gave from the Finance Minister's speech. It is not necessary that the Finance Minister should have budgeted for no less than Rs 1,121 crores on Plan expenditure during this year. Since the Second Plan is framed now for Rs 4,500 crores, of which Rs 2,450 crores have been spent already during the first three years, Rs 2,050 crores remains. Why was it necessary for the Finance Minister to impose a burden of Rs 1,121 crores this year, leaving only Rs 929 crores next year? According to the Plan itself, every year the burden was to accelerate in a certain progression. Why has this progression been disturbed? Why have we gone out of turn trying to get this year more than we hope to get next year? In other words, there was no necessity even under the Plan for this particular burden to be accepted in the current year.

The other point where I must respectfully disagree with the Finance Minister is when he says that everyone in the country agrees that, subject to minor modifications in the National Development Council, the Plan must be carried out. I know that thousands of thinking and learned people emphatically disagree with it. They do not agree that the country's finances and its budget must be made a handmaiden of the Plan. They believe that the Plan must be shaped and re-shaped in such a way as to conform to the requirements of sound finance. There is a growing opposition to the state capitalist pattern of planning in which we are indulging and the collectivist pattern of agriculture, not only from those who are in business and industry—even though they are most vocal on this subject, they are a small class—but also from masses of our peasantry.

2. TAXES AND THE COMMON MAN*

Yesterday, as I listened to the speeches of the leaders of two so-called Opposition parties, I found they were really supporting the Budget and the Finance Minister in the proposals that he has put before the House.

Mr Dange, quite rightly, attacked the new indirect taxation, the excise duties, as a burden on the poor. There can be no question that on that he was right. He was right in questioning the conception of the Finance Minister about what "the common man" is and isn't. If the common man is one who is not to drink tea, who should go without coffee, who should never touch a cigarette, who should not chew a pan or have a betel nut, then I would say that such a man is very uncommon. The Hon. Finance Minister, for whom we have great personal regard, is indeed a very uncommon man, with his abstemiousness from the little pleasures of life and the little comforts of life, which we all like to share. But he must not try to cast the common man in his own image.

Mr Dange, having made his point, tried, rather helplessly, to distinguish the object of his criticism from what goes on in the Soviet fatherland or motherland, and quite rightly Mr Asoka Mehta and Mr A. P. Jain pointed out that it hardly lay in the mouth of any one who accepted his theories from the Soviet Union to question a system of taxation where the largest amount of taxation falls as a burden on the consumer, the poor man, because in that country, as we know, the turnover tax, which is nothing more than a sales tax or excise duty, accounts for 40 to 50 per cent of the total income or revenues of the Soviet State. Then another 20 or 25 per cent is added from the profits of State enterprises, which again is indirect taxation, because it adds to the price of the product which is sold to the consumer.

Let me give an example. As we know, the prices paid to the collective farmers for their wheat are very low. The State has the monopoly of grinding the flour. By the time the wheat becomes flour and comes out of the State flour mills, the price has

* Speech in the Lok Sabha on 15 March 1961, in the course of the general discussion on the Budget.

gone up many times over. This is how it is indirect taxation on the bulk of the consumer.

I would refer Mr Dange to a Communist monthly in the Soviet Union, the *Kommunist* of March 1961, where, in very similar language, the Soviet editorialists flay the common man for wanting a good time and for wanting comforts in life, preaching in the same moral tone that our Finance Minister does in India. This is what the Communist magazine says:

> In recent years, Soviet citizens have shown a growing aspiration to ensure for themselves a comfortable standard of living. . . .

—that is a matter of complaint in the socialist world, and it says that they do it "even by semi-legal and clandestine means."

> This desire extended from gold smuggling by airplanes to catching fish by the use of dynamite. . . .

—both of which are considered to be highly immoral practices. In that respect, therefore, it is very difficult to distinguish between total state capitalism of the Soviet Union and our own incipient brand of it.

Let us now consider the impact of additional levies imposed by the Budget for 1961-62. First of all, these additional levies undoubtedly contribute a blow to the lower middle classes and the common people of this country. This is ill-deserved, after all the burdens that have been cast on them in the last decade. *The Hindu* of Madras has estimated that already a rise of about 5 per cent in the urban cost of living has occurred as a result of this Budget. And we may take it that that will be the nature or measure of the rise as a result of this Budget.

Secondly, apart from the burden on the common man, these excise duties will injure the process of industrialization and aggravate unemployment. Already, as a result of the excise duty on power looms, I believe that anything up to 15,000 men are in danger of being displaced in the artificial silk and other textile industries. As a result of the excise duty on metal sheets and circles of copper and zinc, 5,000 people are already unemployed today in Jagadhri in the Punjab. In Mirzapur also the small-scale industry has been mortally hit already by these excise

duties. The excise duty on diesel, which is a great triumph on which the Railway Board lobby should be congratulated, will restrict transport of goods and people. Finally, the additional duty on newsprint is going to affect adversely the newspaper industry, a necessity for the minds of our people.

And that brings me to the third mischief of this Budget. At a time when everyone agrees, and the leaders of Government themselves agree, that nothing must be done to aggravate inflation, this is almost a deliberate act setting in motion further inflationary tendencies.

The Economic Review itself supplies the material. During the Second Plan, it points out, the real income of the Indian people rose by 19 per cent. But the money supply rose by 35 per cent. If this is not deliberate inflation of currency, I do not know what is.

The Hon. Finance Minister last year said that inflation was not caused by the monetary policy of Government but by the rise in food prices. That alibi that may have existed then has gone. *The Economic Review* points out that since 1958, the food prices, if anything, have declined. And so, it cannot be claimed that the inflation that took place in the last year is due to a rise in food prices. It is due to the monetary and financial policies of Government and the nature of the Plans on which they are launching.

In this context, what can the Chief Ministers' Committee do to hold the price line, when the Union Government goes out of its way to make a dent in the price line? What kind of realism is it to say that the Chief Ministers of States should meet once in three months to hold the price line? This is to throw dust in the eyes of the people. Government expenditure will go up with one hand as much as government's revenues go up with the other. What you get at an inflated rupee will not be any more than what you could have got without the inflation and without new taxation. What you get with one hand is spent with the other.

The result of inflation is disincentives to investment, savings and production, also to exports which *The Economic Review* calls "the central plank of public policy." For the past five years, our exports are stagnant because our things cost very much more than world levels because of the high cost structure caused by

Government policies. We shall now be even less able to compete in the world markets than we have been in the last five years.

I do not accept this point that additional taxation is necessary. I claim that by cutting down civil expenditure and by not indulging in development plans of a Utopian nature, of an unrealistic nature, we can prune our Budget so that the existing taxation, high as it is, would suffice.

Now, I shall be asked to prove this. I shall try and do so. Let us consider non-developmental expenditure. This has been rising, as Acharya Kripalani pointed out, at an alarming rate. The Estimates Committee of the House has pointed out that a large part of the additional taxation levied during the Second Plan on the ground that it was to go to the Plan has, in fact, been diverted to non-Plan expenditure. Here are the figures. The cost of the Administrative Services has gone up in the last decade by Rs 37 crores. Every year it has gone up. In 1951-52, the General Administration cost Rs 10 crores. In 1960-61, it is Rs 9 crores; Rs 9 crores extra. Audit cost Rs 4 crores ten years ago; today it costs Rs 8.5 crores. Union Police, that is Central expenditure on Police, was Rs 3.8 crores ten years ago; today it is Rs 19 crores. External Affairs was Rs 4 crores ten years ago and today it is Rs 11 crores. In this way, Rs 37 more crores have been added to what may be called parasitic expenditure consisting of a large army of underpaid and underworked clerks. Parkinson's Law has nothing to show before the process to which this country is being subjected.

According to a paper that was placed before the last meeting of the National Development Council prepared by the Planning body, these are the estimates in the States of non-developmental expenditure and developmental expenditure. The developmental expenditure in 1961-62 is Rs 420.4 crores and in 1965-66 it is estimated to be Rs 471 crores—that is, an increase of Rs 51.2 crores. There is an increase in all the States in the next five years during the Third Plan period of Rs 51.2 crores. That is to say, Rs 51.2 crores is going to be the additional amount spent by all the States on development. Now, let us see the figures of non-developmental expenditure produced by the Planning Commission. Rs 375.9 crores is the non-developmental expenditure in 1961-62 compared to Rs 463.7 crores in 1965-66. There is an increase of Rs 87.8 crores in non-developmental expenditure.

So, in the next five years, the States will spend on development Rs 51 crores more while on non-developmental expenditure they will spend Rs 87.8 crores more on purely civil administration expenditure. So it appears that the Rake's Progress in which we are indulging over the last ten years is to continue for the next ten years.

Now, let us turn to developmental expenditure. Vast developmental projects have been undertaken, at expenditure that often goes beyond estimates, and the returns, as Mr Asoka Mehta pointed out in this House and as Mr Santhanam did in the other House, are miserably low—0.51 per cent return. If any businessman produced such results, he would be driven out of the market and go insolvent. The fourth steel plant should never have formed part of the Plan. It accounts for no less than Rs 235 crores. The additional tax this year is Rs 60 crores. In other words, if this white elephant was not being imposed on this country, the burden of the additional taxation this year, the next year, the year after that and the year after that could be removed from the shoulders of the common people of this country. It is because of such megalomania that the common people are being mulcted today and there is this burden of additional taxation.

There are people who say that "this is all very negative though very effective criticism. But what is the use? Why don't you say something positive?" *The Hindustan Times* of 7 March had thrown that challenge in its editorial. There appears to be some semantic confusion about the terms positive and negative. What is positive and what is negative? If some wrong is being done and you try to stop it, is the negative or positive? Or is the wrong itself negative? If you are going down the slope and I put on the brakes, is that negative action? If an innocent person is being attacked and if you go and stop the bully, is that negative action? There is a mathematical rule that two negatives make a positive and if we people try to set things right in the interests of the country, then anyone who tries to set right the negative is doing something positive and constructive to this country. This recalls a story about King Louis XVI who used to keep people in the Bastille for many years without trial. Standing at the window of his palace one day, he saw the mob attacking the Bastille and he said: "Why are they so destructive and negative? Why cannot they do something positive?"

I shall try, however, briefly to list some positive things that we would like to do. I just list them because time does not permit a full exposition of these positive measures.

First of all, we should make a drastic reduction in civil expenditure. We have already indicated where these cuts can be made.

Secondly, we would concentrate development expenditure on projects which are labour intensive, which provide employment spread throughout the country—Mahatma Gandhi wanted that to be done—and give quick returns by way of increase in national income. The priorities would be, first, agriculture, then small-scale industries, then large-scale consumer goods industries and last of all, those white elephants, the steel plants, which are the most unremunerative that this country can afford.

Profitability should be the test of progress and not the amount we spend. I am glad that Professor Galbraith has given very clear expression to this point of view and since he is a bit of a demi-God to those who support the present policy, let me read a few of his remarks. He says:

> To give people income and then remove it by taxation, inflation or appeals to thrift is an inefficient and self-limiting procedure.
>
> In poor and ill-governed societies, private goods mean comfort and life itself. Food, clothing and shelter, all technically subject to private purchase and sale, have an urgency greater than any public service with the possible exception of the provision of law and order. The burden of proof is on any step that diverts resources from the satisfaction of these simple biological requirements to the almost invariably spendthrift services of the State.

This is on p. 242 of the book *The Affluent Society*.

This summarizes, if any, the positive approach that we have.

Then, thirdly, we would limit taxation to reasonable proportions, so that money is left to fructify in the pockets of the people to be devoted to investment.

Fourthly, we would go in for honest and efficient collection of taxes. Professor Kaldor pointed out that a huge amount of money escapes the tax collector's net. If that money could be collected,

all this additional direct and indirect taxation would not be necessary. Therefore, the primary duty of the Government is to see that the man who evades tax is made to pay it in full and the innocent man who pays his tax, innocent men like the Government servants and salaried persons, are not unduly mulcted by reason of the incompetence and inefficiency of the tax collecting machinery.

Fifthly, we would cut down the capital outlay on the State sector. This will be made up many times over by the same money being invested in the popular sector.

Lastly, we would replace foreign loans taken from foreign governments which are a burden on the country by equity capital coming in a larger measure.

We want foreign capital, but we want foreign capital to come at its risk and not at the risk or at the cost of the interest of this country.

3. WEALTH AND WELFARE*

The main object behind the Wealth Tax (Amendment) Bill is to facilitate a more effective collection of wealth tax in the country. Our approach to the wealth tax is well known. We have no objection in principle to the wealth tax or to a tax on wealth. But, unfortunately, this wealth tax as implemented in the last few years has been torn out of context.

We are not concerned with a few rich individuals here and there who may have wealth. They are welcome to it. So far as we are concerned, if Government desires to tax them, we are not going to shed any tears over a few very rich people. But what we are concerned about is the effect of this on capital formation in this country.

Wealth is a good thing. Wealth that is productively used is for the benefit of this country, and when wealth is taxed in this excessive and vindictive manner, as it is today, then the capital formation that this country so badly requires is impeded and harmed. Therefore, the effect of the wealth tax on the economic

* From a speech in the course of the discussion on the Wealth Tax (Amendment) Bill, 1964, in the Lok Sabha on 1 December 1964.

growth of this country and the rate of growth is adverse and deleterious.

The Bill is nothing but a reflection of primitive and outmoded socialist ideas that have been thrown on the scrap-heap by advanced socialist parties like the German Social Democrats, even the British Labour Party and many others.

We have an entirely different approach from that of the Treasury Benches. We do want welfare. We want a better life for the mass of people, and particularly for those who are the poorest. But to want welfare is one thing and to want a welfare State is another. Because, as Mr Jayaprakash Narayan, has quite rightly described it, the Welfare State, is "a creeping paralysis" that destroys the whole economy of the country. In other words, welfare and State are a contradiction. There is nothing welfare about a State. The State is primarily an engine of rule, it is an engine of control, a police mechanism, and a police mechanism is essentially not meant for welfare. Welfare comes from the production in a society of an ample measure of goods and services which the people can enjoy. If you want welfare, if you want to wage a war on poverty and want, as we want to, then you should want welfare, but you should want it through a modern industrial society.

In a modern industrial society—and this is increasingly true of even communist countries like Yugoslavia, Poland and now Soviet Russia, where the ideas of Professor Lieberman, of profit motive and some measure of competition, were being progressively accepted under the Khrushchev regime and even more rapidly under the Kosygin regime—we want new ideas, we want new techniques, we want new equipment to be harnessed to the good of the people of this country. We do not want to adopt, as the present Government is adopting, discarded techniques and discarded ideas from other countries.

We want that crores of people in our villages should learn to share, should be given an opportunity to share, in the good things of life, to be able to buy consumer goods, to have some comfort. That not only is social justice, which we believe in, but it also means that a big home market is created, a big home market in which the products of industry can be absorbed, a big home market which would create purchasing power in the pockets of our people, through which they can buy the things they need to

enrich their lives. But all this cannot be attained with this Bill. This Bill is an enemy of welfare, it is an enemy of progress and social advance, it is an enemy of a richer life for our people. All that it has got is the appeal to the envy of the poor to pull down the rich. That is not the way a country advances.

4. YET ANOTHER BAD BUDGET*

It is a fallacy that if you cut down the rate of tax, your revenues drop. They do not do anything of the sort to the same extent. Tax cuts have a therapeutic, healing value, and the law of increasing returns sets in. Just to give an example, if my income were to be Rs 1.5 lakhs and the tax was 40 per cent, that would yield more to the revenues than if my income was Rs 1 lakh and the tax was 50 per cent. In other words, a smaller slice of a big cake is bigger than a bigger slice of a small cake.

Now, this is concretely proved by the example of the tax cuts in America initiated by that great progressive, President Kennedy, and carried out by his successor, Mr Lyndon Johnson, I quote a paragraph from the Economic Report of the U.S. President to the Congress in January, 1966:

> From the close of 1963 to the final quarter of 1965 Federal revenues advanced by about $9 billion; yet during this period, tax reductions of $16 billion had taken effect through the Revenue Act of 1964 the Excise Tax Reductions Act of 1965.

Tax collections for calendar year 1964 (the year the cut was applied but before it took full effect) amounted to $169.1 billion; tax collections in calendar year 1965 (with the cut fully in effect) amounted to $181.8 billion.

The Finance Minister could have, if he had shown the same imagination, cut the taxes and yet could have come to us and said: "My treasuries are equally full." But that requires imagination of a kind which this Government has never shown. Even assuming that tax cuts are too daring, too bold, too progressive, for this constipated Government, at least we could have been spared further additional taxation. A sum of Rs 100 crores has

* Budget Speech in the Lok Sabha on 10 March 1966.

been dumped on the shoulders of the tax payers. There were three separate ways in which this additional taxation could have been avoided.

The first, as I said, was an "across the board" average cut of 3 per cent on non-Defence expenditure—I am not touching Defence—of Rs 3,100 crores. If only 3 per cent had been cut on the non-Defence expenditure, all the additional taxation could have been spared. Or secondly, if they had restricted advances to States only for Plan expenditure, again there would have been no need for additional taxation. Or thirdly, if they had only assiduously and efficiently collected the crores and crores of arrears of tax that they are incompetent enough not to collect, even that would have been enough to cover additional taxation. But evidently this Government looks upon the necessity of getting their pound of flesh and squeezing the people as more important than saving the entire economy from disaster, which is now going to follow in the next twelve months.

That brings me to my understanding of the consequences of this Budget. The claim that this Budget is production-oriented is false. This is a depression-oriented Budget and, as sure as day follows night, the depression is going to descend further on this country in the next few months. I am not insensible of the small reliefs that have been given, the raising of the exemption limit for the small section of the lower middle class—we welcome that—the removal of expenditure tax, the lowering of rates of gift tax and the modifications in the accrual of the tax on dividends and on bonus shares. But, as I mentioned earlier, the total relief is Rs 10 crores and the effect of this is more than wiped out by additional taxation. As regards personal taxes, in spite of this relief, there is a net additional burden of Rs 22.15 crores and on corporate taxation there is a net additional burden of Rs 36 crores. This will not fall on Big Businessmen. Every bit of this tax will be passed to the shoulders of the poor consumer because it is part of the law of economics. Similarly, people think that a 5 per cent additional tax on L.I.C. will only fall on the L.I.C. But they are making a mistake. That extra tax will fall on the shoulders of the millions of poor policy-holders of the L.I.C. That is how the whole of this burden of taxation is going to fall on the shoulders of the poor.

Consider the effect of this on production and investment.

Already, during the last year, Rs 200 crores of additional taxes were levied by Mr T. T. Krishnamachari. I venture to say that this additional amount of Rs 100 crores will break the back of our economy and the same Government will have to come to us again, as they already have done in their current documents, saying: "All our expectations last year went wrong." I forecast that the expectations of the Finance Minister are going to fail, because they must fail. That is inevitable in the light of this Budget.

Consider what this means. Will it help the capital market which the Finance Minister says he is keen to do? No. Even if, for a few days, because of the bonus shares relief, some little rise takes place on a few scrips, I venture to submit and forecast that the capital market is not going to revive during the next twelve months. If it was ever the Finance Minister's intention—I am prepared to believe that it was when he introduced the Budget—that the capital market should revive then I would plead with him that he has been egregiously misled by his official advisers. Let him retrace his steps even now. The capital market is the heart of a modern economy. It is not a plutocrats' club or a gamblers' den. Let him think again.

Consider the effect on foreign investment. It will be just as bad. The Secretary of the Finance Ministry said in Bombay a few days ago that the foreign investor was not interested in the level of taxation in India. I am amazed at that statement coming from a senior official with that gentleman's record. It is complete nonsense. The foreign investors are very much interested both in the level of taxation and what they can get by way of profit. Are we to believe Mr Boothalingam or shall we believe Sir Norman Kipping who came to this country representing the Federation of British Industries a few weeks ago? He said: "The climate for foreign investment in India at present is not good." The prospects for investment are "pretty bad in the short-term future."

In fact, the Finance Minister, in his statement in the Lok Sabha on the 23rd of February, 1966, admitted as much: "There has been a fall in the number of foreign collaboration and investment cases approved by Government during July-September, 1965, as compared to the two preceding quarters."

Another thing about the Budget is that it will be inflationary

and will raise prices further. The excise duty on light diesel oil is a most reckless adventure. At a time when the farmer needs an incentive to produce more food, this diesel oil which he uses for pumps and motors for agricultural purposes is sought to be taxed higher. I am very glad that the Congress Party in the Gujarat Legislative Assembly has rebelled and has demanded that this duty should be dropped. I hope the Congress Members from Gujarat who, along with me, represent that State in Parliament will raise their voice in supporting me in saying that this excise duty on diesel oil must go.

Then, there is the duty on sugar, which is a common man's necessity. Even khandsari sugar and unrefined sugar have been taxed more. Now, on good authority, I learn that large stocks of sugar have accumulated in this country and that if sugar was decontrolled today, the industry would be compelled to unload the stocks and the prices can be brought down right now. That would be a very beneficial step. It will be anti-inflationary, it will reduce the tremendous strain on the availability of credit, and the industry would be in a position to pay the arrears which it has not done. I am told there are Rs 18 crores due from the industry to the poor sugarcane grower who is waiting for his money. What has the Government done? Instead of decontrolling sugar and forcing the industry to bring the stocks on the market which will drop below the controlled price, they have added further to the price of sugar by an additional excise!

The additional excise duties on sugar, tobacco, cloth, cigarettes and light diesel oil impose a burden on the poorest classes of our people to the extent of Rs 52.86 crores. The effect of this is bound to be to send up prices as it has done in the past. It has been so during the last three years. For the last three years, I have been predicting that excise duties will add to prices. The Finance Ministers with a very straight face assure the House that this Budget will be anti-inflationary and then come and admit that the last Budget was inflationary! This is what the Economic Survey says.

"The Central Budget for 1965-66 sought to avoid deficit financing while offering further incentives for exports and higher production within the country. In the event, many of these expectations have been belied during the current year which has been one of great strain all round."

Then, it says that "initial expectations" are "not likely to be realized" and that "these expectations were falsified." This act of innocent surprise, year after year, at the natural consequences of their own acts, is rather hard to take! Speaking on the previous Budget, on 2 March 1965, I had said:

"The Finance Minister has ventured to hope in his speech that now prices will fall. I wish I could agree with him—we all would—but it is wishful thinking. I venture to make a statement here—I made it during the past two years and I was proved right—that prices will not fall and that this budget is an inflationary budget....

"This is an inflationary budget. In the next twelve months, prices will rise, not through accident but because the Finance Minister, for demagogic purposes, has resorted to a budget that will raise prices."

I said last year and I warn the Finance Minister that it is no good, during his reply, saying: "I assure the House that prices will not rise." Every normal man must intend the natural consequences of his act. He is an eminent lawyer and knows it. Any one who brings in this budget is asking for inflation in this country.

Coming to deficit financing, the Budget has left uncovered a gap of Rs 25 crores. That is not the only deficit financing in this budget. The deficit financing in this budget is of greater proportions. It is Rs 375 crores, because the remaining Rs 350 crores of deficit financing represents the loans and P.L. 480 funds which are pumping money into our economy without a corresponding increase in the goods and services produced here. Therefore, the deficit financing in this budget is Rs 375 crores. It is for this reason that prices are going to rise.

During the life of this Parliament, there have been four successive bad budgets. One was brought in by Mr Morarji Desai in 1963, and during the last two years we had two wicked budgets from Mr T. T. Krishnamachari. I regret I have to say this, but I regard this budget as just one more in that horrible series of Morarji Desai-Krishnamachari budgets.

3. PERMIT—LICENSE RAJ

1. CONTROLS MEANS CORRUPTION*

CONTROLS are the main bane of our economy. It is said we should stop prices rising by putting on controls. If I may say so, that is flying in the face of the laws of economics. Nothing can stop prices rising if the supply and demand position warrants it. A British economist has said that to try to stop prices by controls is like a lady going to a surgeon to remove her double chin, and the thing comes out at the back of her neck in a bump! In other words, you treat a symptom, you do not treat the disease. The disease of inflation is due to the policies pursued by the Government. Until these are changed, no controls are going to succeed.

Two days ago, I read that the L. K. Jha Committee having failed to stop the rise in prices, the matter will now be referred to a committee at a higher level of Cabinet Ministers, as if the level of the committee decides whether controls would be effective or not! Suppose the Ministers' committee fails, where are you going any higher? Who is going to form the next committee to stop prices rising if the committee of three Cabinet Ministers fails where Mr Jha and his colleagues have failed?

* From a speech in the Lok Sabha on 19 August 1963.

You cannot defeat the law of supply and demand. Prices, like water, will find their own level, and no amount of juggling will stop the laws of hydrodynamics or the laws of economics from having play. And that is why the team of the World Bank which visited India in February or March this year – let me remind the House that the World Bank is our biggest foreign benefactor today, generous, friendly and helpful – singled out for particular castigation Government's present policies, which in its opinion make for inefficiency and high costs, and controls which hamper industry at every turn.

What is a control? A control is giving an official, even a small one, the power of life and death over a peasant, a shopkeeper or a businessman. Human nature being what it is, is it a matter for surprise that our public life is now riddled with corruption? I am not putting on any cloak of moral superiority. We are all the same under the skin, whatever party we may belong to. But the danger is that, when you combine economic and political power in the same hands, you are creating opportunities for corruption that should not be created. I would not entrust anybody, including my own party, with the unlimited power that you give to the bureaucracy and politicians to exercise controls. I would recognize that human nature being what it is, there must be checks and balances, a division of power. Why do we have a division of power between the judiciary, executive and the legislature? Similarly, we must have a division of authority, political and economic. The day on which you give economic power to those with police power, you have surrendered the liberties of the people, and that is what state capitalism as practised by the present Government means.

Controls involve bureaucracy. Let me give you a few findings of the studies made by the Organization and Methods Division of the Government itself. Official files in the Union Ministries increase at an annual rate of three lakhs; 21 lakhs of files are awaiting screening and destruction; 22 to 45 per cent of the working space allotted to the staff on an austerity basis is occupied by undisposed files. In the Central Public Works Department, 18 to 25 months are needed for a proposal to reach the stage of execution. And in that particular Ministry the study cites the case of the Land and Development Office where the allotment of a

piece of land involves no less than 370 steps from the beginning till the end. This is the controlled economy.

I was very glad that my friend, the Minister for Steel and Heavy Industries, speaking at a seminar in Delhi on August 6, confessed that we are now over-regulated, and he has stated that our framework of detailed control needs alteration, and the multiplicity of points at which they operate needs to be reduced. I am quoting him now: "It is a painful but inexorable fact that today an industrial manager spends more time getting across or around controls than in the task of management." This is a very laudable discovery, however belated it may be, but the removal of controls is not so easy. The Minister for Steel has already found that out in his very laudable desire or attempt, which has so far failed, to decontrol steel. That is because every control breeds a new vested interest. Vested interests on the business and official side creep up which resist the abolition of the control, and it needs a very stout heart and great guts, like the late Mr Kidwai, to scrap the whole lot and go back from control to decontrol as Mahatma Gandhi advised.

2. SOME QUESTIONS ANSWERED*

Question: I wonder, Mr Masani, how far would you go in scrapping the various controls, in particular how would you ensure proper utilization of scarce resources, like say foreign exchange?

Answer: Now, I don't think one could scrap every control overnight; it has to be a phased process. It is possible that some controls would be necessary for some time, but the general direction is very clear. Take food, for instance. There is no reason to have zonal barriers between one part of India and another. Either this is one country or it is not. There is no reason to have price controls on food. These price controls and the compulsory levy have driven food underground. The other day, Mr Naik, our Chief Minister in Maharashtra, asked in Sholapur where the jowar had gone. He said this was the time when the *mandis* should be bulging with jowar. What had happened? The answer is that the peasants were not selling because there was

* Answers to questions at the Swatantra Forum in Calcutta on January 1965.

a compulsory levy. The peasants felt, rightly or wrongly, that they were being cheated. What then goes on? What goes on is that students in Sholapur, with their bicycles, go to the neighbouring villages in the morning. They collect bags of jowar, put them where their books should be, and they go and sell that jowar to middle class people or to small shopkeepers, not grain dealers, but to cloth merchants, panwalas and so on, who also make a profit. I understand that the students make up to Rs 10 a day by this black marketing, while the grain-dealers sit unemployed in their shops, put out of business. Whom is this helping? Not the country. So these are the kind of controls that have to be scrapped overnight.

Foreign Exchange is a very controversial subject, but now that you have raised it, I won't evade it. This shortage of foreign exchange is to a large extent artificially created. Every communist and socialist government *creates* a foreign exchange shortage by its policies. It believes in autarchy. Its Five Year Plans, like Stalin's and ours, are autarchic plans. By trying to stop imports and by its inflationary policies, it creates a high cost economy. The high cost economy cannot export, so it loses its world markets and there is an unfavourable balance of trade. That is the foreign exchange shortage. It tries to bolster the price of its currency by artificial means. It pretends that the rupee or the rouble is worth what it is not, hence this shortage. Professor Friedman of Chicago answered this question amusingly, in Bombay, a couple of years ago. He suggested we ascertain the fair price of our rupee by letting it float in the world's markets freely, like the Lebanese currency, the Hong Kong, the Thai, the Formosan, the Japanese, the German, the Swiss. Let the rate for the rupee and the dollar, the rupee and the pound, adjust itself. Then, he said, there will be no shortage of dollars, pounds, marks or francs: you can have all the foreign exchange you want. I asked a Minister of the Union Government a little later what he thought would be the real value of the rupee in terms of the dollar if it was allowed to float and, after some humming and hawing, he said maybe Rs 6.50 or Rs 7 could buy a dollar as opposed to Rs 4.75 which we imagine, or try to pretend, it is worth. So my answer is that the shortage of foreign exchange is to a large extent induced by Government policies. It could end, if honest policies, non-inflationary policies, policies of free

trade and division of labour were accepted in place of autarchy.

Question: Do the Swatantra Party agree that if all the gold hoards in India could be brought out, it would solve the foreign exchange crisis? Have they any programme of this kind?

Answer: I thought that was what Mr Krishnamachari was trying to do! He is trying to grab all the gold in the country in order to meet his balance of payments deficits. I think it's a wrong policy. Assume for one moment that all the gold in India could be got together and handed over to Mr Krishnamachari. At the present rate, he would dissipate it in a year or two and again we would go bankrupt because of our Five Year Plans, the kind of Fourth Plan that we are told is coming. No, Sir, that won't be a solution. Gold is a commodity like any other. The price of gold goes up because the value of the Rupee goes down. If only the price of gold went up, there would be something special about it. But that is not so. The rise in the price of gold is part of a general price increase—land, buildings, grain, silver, diamonds, platinum, pearls—and, as Mr A. D. Shroff very intelligently pointed out the other day, green vegetables! He was replying to the charge of Mr Shastri that the increase of price was due to hoarding and profiteering by traders and he asked in that case why had the price of fresh vegetables gone up, which nobody could hoard? So it is the debasing of the Rupee, it is the debauching of the Rupee by our Government over the last ten years, that is the real trouble, not the hoarding of gold. People hoard gold because the Rupee is worthless. Let the Rupee be worth something and people will come and give their gold and get the Rupee. The popularity of gold is in inverse proportion to the popularity of the Rupee. It reflects well deserved distrust for our currency today.

Question: If the Swatantra Party come into power would they, for instance, allow a man to export gold in place of any imports that he may require. At the moment, he has to go to the Reserve Bank for foreign exchange whereas gold can easily take the place of foreign exchange.

Answer: Yes, we would encourage it. In the Select Committee on the Gold Bill, I advocated a part of what you propose. I urged that those who could export gold ornaments, gold jewellery, sovereigns, or any kind of gold, should be allowed to do so and should be allowed to use it for imports which they might need

but, unfortunately, this was not accepted. Mr Krishnamachari wants to be a monopolist in gold in this country because he knows how valuable is gold and how worthless is his Rupee.

3. THE FRAUD OF GOLD CONTROL*

Many years ago, Mahatma Gandhi, talking in Wardha to Mr Louis Fischer, the well-known author, made a remark which has been published in Mr Fischer's book *A Week with Gandhi*. In that conversation, Mahatma Gandhi told Mr Fischer that, if he had his way, he would open the vaults of the Imperial Bank and the Reserve Bank of India to take out all the gold and distribute it among all the villages of India so that economic power, which was concentrated in the hands of the Government, could be decentralized and distributed in the hands of the people.

This Bill is the exact negation of Mahatma Gandhi's wish and advice. This Bill seeks to take away all the gold in the hands of the people and concentrate it in the hands of the Reserve Bank and the State Bank of India. This is the climax to the betrayal of Mahatma Gandhi by those who seek to thrive in his name and mislead the people in his name.

This Bill, I repeat, seeks to create a near-monopoly of the possession of gold in the hands of Government. The Finance Minister asked a few minutes ago what was so wrong with it, and why I objected to it. I object because I am opposed to all monopoly, whether in the hands of private people or of Government. That, I thought, was the reason for the appointment of the Monopolies Commission by this Government which we welcomed, but it is quite clear from this Bill that, far from being anti-monopoly, this is a Government of monopolists, who seek to monopolize the possession of gold and the political and economic power that it gives.

This Bill was conceived in January 1963. Taking advantage of the Emergency and the patriotic sentiments of our people, the Finance Minister's predecessor put through the Gold Control Order. That was a bad day for India, I have an idea that, when the history of our times comes to be written—the economic history of our times, and of the collapse for which we are

* Speech in the Lok Sabha on 21 December 1964.

now heading—it will be mentioned that January 1963, with the Gold Control Order and the Compulsory Deposit Scheme, marked the beginning of the end of our economy under this Government.

What are the objectives of this Bill? I think on this there will be unanimity. There are three objectives of this Bill. One is to cure what is called the "lure" of gold, and to lessen the demand and stop hoarding. The second is to bring down the price of gold in India, which is twice that in the international market. And the third objective is to help in stopping smuggling. I do not think that even the Government would deny that this is a fair statement of the objectives of the Bill.

Then, what I want to know is the experience with regard to these three things. Has this control lessened the love of gold or the desire to have gold? Not at all. How much gold has been surrendered to the Government under this measure? Let the Minister answer how much of the gold in India has been given over in response to this measure?

Secondly, has the price of gold come down? Most definitely not. In August/September 1964, when the Joint Committee was discussing this measure, the price of gold was higher than it had ever been. The Indian price of gold last August/September was Rs 145 per tola, while the international price was Rs 63. In other words, the Indian price, after 15 months of the Gold Control Order, was more than twice the international price of gold.

A wretched little memorandum was sought to be circulated a few days ago, trying to make out some kind of case for this Bill. It was a pitiable effort, with all the resources of the Government behind it. It tried in a vague manner to suggest that the price of gold had come down somewhat since August/September. I challenge and question that statement. These gentlemen are trying to fool Parliament into believing this. As soon as the Bill is passed, it will be mentioned that the price has gone up again. The price has not gone down since August/September, and the demand for gold is as active as ever.

Finally, has smuggling stopped, has smuggling diminished? On the contrary it has increased. It is true that the risks of smuggling have increased, but so have the profits of smuggling. The profit margin has widened, and we know that when the profit margin widens, there are bold and daring spirits, lawless spirits, in every

part of the world, who take advantage of that profit margin, and that is what they have been doing. So, neither has the price of gold gone down, nor has smuggling diminished.

If this is the poor experience of 18 months of gold control, then the country and the House will ask why Government are persisting with this measure. It is a very legitimate question. We might well ask why. I must say very plainly that, as far as I can divine, there are two motives behind this Bill.

The first is the motive of grabbing the gold that exists in this country. The Government knows that the only valuable things left in this country are things like gold, land, foodgrains, buildings, and so on. They know the worthlessness of their own money, and they know the worth of gold. They are trying to tell the people of India that it is useless, that it is a lure. The best way of setting an example is to say: "We do not care for your gold, you may keep it." What is the example this Government is setting to the people? When the Finance Ministry of the Government of India go and try to lay their hands on gold, they not only convince the people of this country of the worthlessness of our rupee currency but convince them that it is wise to have gold.

Why does Government want gold? Because they want to meet their foreign obligations on which they are about to default. Having brought this country to the brink of bankruptcy, this Government now tries to grab some gold so that they can pay foreigners for what we owe them.

That is the first motive — the desire to grab gold and establish a monopoly. It is the "acquisitive instinct" which the Finance Minister seeks to mock. If there are any acquisitive people today, they are on the Government benches and Treasury benches in this country. They are the real acquisitive people who are trying to grab everything in the hands of the people.

The second motive is to fool the people. I say that the Bill is meant to fool the people into believing that something is being done. Like Hitler, they want scapegoats for the failure of their own economic policies, and they have fastened on the poor goldsmiths of this country just as Hitler fastened on the Jews. They are trying to cover up their failure to stop smuggling, the inefficiency of their Customs Department, by asking us to pass the Bill.

What is the basic issue in regard to the price of gold and

the hoarding of gold? Why is the price of gold high? Why is there the demand for gold? Why is the Indian price twice that of the international market? It is not an unhealthy craving on the part of the fair sex, nor is it the desire to hoard gold for its own sake. The cause is that our currency has been debauched by this Government. This Government, for the last ten years, as a result of its Second and Third Plans, had debased our currency until it is today what it is: the rupee is worth exactly 17nP of the pre-war rupee of 1939-40. In every city of India, I am told, people are buying the pound sterling for Rs 24 when the official price of the pound is Rs 13.33. It is very interesting that in September 1963, when the gold control order of the present Minister was brought in, the pound was worth Rs 18.7 and this control was supposed to bring down the price of the pound and raise the price of the rupee. But the price of the pound in our black markets has gone up from Rs 18 or Rs 19 to Rs 24 today. That is the abject failure of this gold control.

It is not only the price of gold that has gone up. Don't we know that other prices also have gone up? Gold has very little to do with it. Has not the price of land gone up? Has not the price of foodgrains or of cloth gone up and, as somebody pointed out the other day, has not the price of green vegetables gone up, due no doubt to the wicked hoarders, the vegetable merchants who keep green vegetables for one or two years!

Prices have gone up because the Rupee has gone down, because those in possession of the Government of this country have defaulted on their primary obligation of giving us a clean and honest rupee, a rupee whose value is the same today or tomorrow or ten years from now. In other words, the problem of gold is the problem of inflation. There is no gold problem in India; there is the rupee problem in India; there is the currency problem in India; there is the monetary problem in India.

What has gold control done? It has pushed up prices of other articles higher. When control is put on gold and you cannot hold it legally, the more timid spirits turn to other things because they will not hoard the rupee, worthless as it is. The price of diamonds has gone up by fifty per cent since gold control has come; the price of silver has gone up; the price of land, of houses,

of foodgrains has also shot up. If today foodgrains are hoarded by the people, one cause is the gold control order.

Gold control has destroyed rural credit. It has hurt our peasants who, with their little holdings of gold, were able to get credit for seeds, for fertilizers.

Lastly, it has driven dealings underground. The same people who were dealing in gold openly, now do it underground. I mentioned earlier Mr Ponkshe's remark that the gold trade is not carried on by gold dealers and goldsmiths but is being carried on by cloth merchants, bidiwalas, panwalas, restaurant keepers and "biscuitwalas." Go to Chandni Chowk here, or Bhuleshwar in Bombay and see the gold trade going on openly and shamelessly. I tell the Finance Minister that nothing that he does can stop this trade in gold or the hoarding of gold.

Lenin, the greatest communist, once boasted before the Revolution that he mocked at gold. "When we are victorious on a worldwide scale," bragged Lenin in 1921, soon after coming to power, "we will make public toilets out of gold on the streets of the world's largest cities." Lenin has gone, but gold remains, and today Soviet Russia is not building toilets out of gold. It has come on the world market to off-load gold and to buy grain. In the last year, they have delivered 200 million dollars' worth of solid gold and by the end of this year it is estimated another 350 million dollars' worth of gold will be unloaded on the market by Lenin's successors.

Lenins may come and go; pinchbeck Napoleons may come and go. I predict, that long after all of us have passed away, gold will remain as it was, because gold is pure and the Government's policies are impure and filthy.

Finally, gold control has created a new bureaucracy, new forms of corruption and new expenditure, and it has lost to the public exchequer revenue, lakhs of rupees in the way of sales tax and income-tax which would have come to us from the earnings of honest goldsmiths and gold dealers of this country.

It is no wonder then that my revered chief, Rajaji, said a few days ago that "Congressmen are my children, but they have gone mad."

There is no other description for this Bill: it is a Bill of suicidal maniacs; it is a Bill of people who are out to destroy themselves; they want to commit suicide for the country. We shall,

therefore, fight this Bill inch by inch, tooth and nail. I would like to declare here, for the benefit of the poor goldsmiths and dealers of India, who are being crucified on a cross of gold by those opposite, that the moment we can do so we shall seek the repeal of this shameful law which the Government have brought forward here today.

4. MARX *Versus* THE PEASANT

1. THE WRONG PATH*

WHAT is true cooperation and what is false cooperation? True cooperation can take many forms. It can take the form of cooperative credit; it can take the form of multi-purpose cooperatives which help the peasant who owns his own land to get good seed, borrow or loan a tractor, if necessary, to have fertilizers, to get credit for all these services. And he can also use the cooperative for selling his goods in the market, that is, marketing cooperatives. They can be separate or together. But *the essence of genuine cooperation is that the peasant must own and cultivate his own land. Cooperation can only be between free men, not between serfs.* Cooperation can be between men who say, "This land is mine, I shall cultivate it with the members of my family, but for the sake of greater production and mutual assistance, I shall come together with others of my kind." That, is genuine cooperation, and I do not think any one in this House can object to it or can dissent from it. We are all for it.

But there is another kind of cooperation, so-called, which is no cooperation at all, and that is collective farming of the Soviet-

* Speech in the Lok Sabha on 16 February 1959.

Chinese model. That collective farming, as Marshal Tito recently said about China, has nothing to do with Marxism or socialism. That system has been devised so that the greatest amount of surplus value or surplus grain can be squeezed out of the peasantry for the greater glory of the dictatorship, its military machine and for the forced process of industrialization which is being erected on the backs of the groaning peasantry of Russia and China.

Now, it is in the light of this distinction that I would judge the policies which today go under the name of joint "cooperative" farming. In my view and the view of cooperators, the dividing line is this: if you allow a peasant to keep his land and his boundaries, if he farms it with his own hands and those of his family and hired labour, then he is member of a genuine cooperative; but if you uproot these boundaries, if you pool the land, if you create a big farm and call it a cooperative, it does not change anything, it is still collective farming minus the name. Now, in the light of this distinction, let us look at the Nagpur resolution. I shall quote the relative para, because I do not want to be accused of misquoting or misunderstanding what was decided at the meeting. I am quoting from *Yojana*, the official organ of the Planning Commission:

> The future agrarian pattern (says the resolution) should be that of cooperative joint farming in which the land shall be pooled for joint cultivation, the farmers continuing to retain their property rights and getting a share from the common produce in proportion to their land. Further, those who actually work on the land, whether they own the land or not will get a share in proportion to the work put in by them on joint farms. As a first step (says the resolution) prior to the institution of joint farming, service cooperatives should be organized throughout the country. This stage should be completed within a period of three years; even within this period, however, wherever possible and when generally agreed to by the farmers, joint cultivation may be started.

An enthusiastic Member said "exactly" when I read that sentence about retaining property rights. But what will these property rights mean? When the boundaries of that farm have

been uprooted, when tractors and machines are running over that land which once was six or eight or ten or twenty farms, what will the right of property mean? It will mean a piece of paper, a scrap of paper given to the peasant to console him saying "You once owned so many acres; your property is still intact." This is the dodge that was tried and practised in China and in other communist countries. But, after a while, the question is raised: "Why should this man who is not working hard or not doing as much as the other fellow draw a larger share because he once owned some land?" In other words, you start by saying that the people in the farm will be remunerated partly in proportion to the land contributed. That is fair enough. But this can never last, because the functionless owner is no owner. His property actually has been taken away from him without telling him so, and he is being fobbed off with a scrap of paper which a future government will have no hesitation on "equitable grounds" in tearing up, because his utility to society ends on the day on which the farm ceases to be his. Therefore, let us be quite clear.

Let those who are party to this decision consider whether they really have understood the implications of what has been enacted in their name. Actually, I have no hesitation in saying that this resolution passed at Nagpur, whether those who passed it are aware or not, is a resolution for collective farming of the Soviet-Chinese pattern and not for genuine cooperative farming. Therefore, I and my Group oppose this insidious attempt to bring in collective farming by the back-door.

What are the arguments for this measure? I am aware of three reasons. I shall mention them. The first is that production will increase. I am amazed that, in the face of all the facts from every country in the world there should still be members of this Government who repeat this claim parrot-like. Collective farming, wherever tried cooperative farming, wherever tried—of that pattern—has failed to increase production. On the contrary, production has invariably gone down, whether it has been tried in a communist country or elsewhere.

First of all, the assumption is that a bigger farm produces more. It is not true. Statistics of rice and wheat produced throughout the world show that countries which have small farms produce more per acre than countries with big farms.

Let me come to a study made by the Indian Agricultural

Research Institute of sugarcane production. I will read it: Ploughing by bullocks yielded 410 maunds of sugarcane; ploughing with tractor farming up to 6 inches 361.5 maunds: with tractor farming up to 10 inches 356 maunds. In other words, the bullocks gave the best return, a little dose of tractor farming gave less, and full tractor farming gave the least.

Now, countries which have tried collective or cooperative farming have always failed. The USSR, it is notorious, lags behind the rest of the world in production per acre and per man. *Yugoslavia, which tried collective farming from 1948, gave it up in 1957. The Yugoslav Parliament passed a law on 27 April 1957 abandoning collective farming.* It said that it had shown negative results—loss of interest by the peasants and decrease in production. Communist Poland, which also in its Stalinist phase tried collectivization, had to give it up. *In Poland 80 per cent of the collective farms and cooperatives have been liquidated in the last two or three years.* Motor tractor stations have been broken up and the tractors have actually been sold to individual peasants. The tax advantage given to cooperatives has been taken away by the Gomulka Government on the ground that there should be fair competition between cooperatives and individual peasants.

By going in for this red-herring of joint cooperative farming on doctrinaire grounds, the Government and the Congress Party are diverting interest and attention from the real need which is to give the peasant more water, better seed, better know-how and better tools.

Cooperative or collective farming reduces employment. By pooling land, by bringing in methods of rationalization or mechanization, you reduce the need for labour. The one thing that cooperative farming can be expected to do—whatever else it does not—is to increase unemployment in the countryside. Cooperative farming is the last remedy to try when you want to put more men on the job.

There is only one way to create more employment in the countryside, and that is the method that Mahatma Gandhi always urged, the establishment of rural industries, the taking of industry to the countryside with electric power or without. My own emphasis, like Mahatma Gandhi's, would be on decentralized industry, small people working on electric tools through power taken to the countryside. I believe that this is the pattern of the

future and that Mahatma Gandhi was ahead of all of us by many generations.

Finally, it has been said that cooperative farming is a higher form of society, it is part of the socialist pattern. Let me say—and I would like anyone here to contradict me—that collectivization is no part of democratic socialism in any part of free world. Let me quote what Mr Aneurin Bevan said, warning this country against following the Chinese path of so-called co-operatives. On his last visit to Delhi, Mr Aneurin Bevan, Left-wing leader of the British Labour Party, said:

> India cannot afford to make the mistake that Russia has committed, because she does not possess empty spaces which could be called upon to make up for the failures and mistakes in agriculture as in Russia. India has to bring about an economic revolution in harmony with the needs of the countryside. The application of the principles of collectivization, mechanization and centralized control has proved a failure in the field of agriculture in the Soviet Union. The whole countryside in Russia seethed with discontent. The number of cattle in Russia today is less than before the revolution. The Russian experience was being repeated in China and the Communist States of Eastern and Central Europe.

He ended up by warning us against copying these methods though some of us seem to have neglected to listen to him.

So long as you leave the farm in the possession of the family, so long as you do not disturb the man-land nexus, which is part of our tradition and our civilization, I am for every measure of coordination and cooperation. But, if you uproot the boundaries and take the land away from the peasants, I shall fight you because you are moving towards totalitarian collective farming.

Now, the question is raised: Can voluntary methods bring about this result? I can only quote a man whose knowledge on this subject is unsurpassed in this country, Mr Charan Singh, who has made a life-long study of this. This is what he says:

> Human nature being what it is, even brothers of the same mother usually separate from one another after the head of the family, the father, has been removed by death or other cause.

> In the circumstances, it is Utopian to expect that an average householder will, all of a sudden, identify his interest with the interests of these hundreds of persons in the village or neighbourhood who were total strangers to his life before.

We know that murders are committed between cousins and between brothers for land. To say that because you pass a resolution or you pass a law, you are going to change a human being overnight and make people who love their lands with passion to pool their lands in a voluntary manner is thoroughly Utopian.

There is only one way in which this kind of joint farming can be brought about and that is by coercion and violence.

Take another example. We know about the gramdan villages. In Koraput, Acharya Vinoba Bhave and Mr Jayaprakash Narayan tried to ask the local people to cultivate them as a village and not to ask for distribution of the land. Mr Jayaprakash confessed to me that his experiment had ended in failure because the peasant does not want to farm village land jointly; he wants something of his own. He wants to farm his own land. That is part of human nature. We all want something of our own. We are not prepared to share everything with everyone in an equal measure. You may call it selfish. The human being is largely selfish, though not entirely so. Are you going to legislate for human beings or are you going to legislate for angels who do not exist?

Now, the Government of India announced last April that there should be 3,000 cooperative farms by the end of the Second Plan and of them 600 should be brought into existence by the end of the financial year 1958-59. What does this mean? What kind of voluntary cooperation is this? Can the Government of India sitting in Delhi decide in advance with foreknowledge and foresight how many farms the peasants are going to want on a voluntary basis during a certain period? Is it not a farce to talk of voluntary cooperation and targets?

I would quote from Gomulka. Gomulka pointed out very rightly that targets and voluntary cooperation cannot go together. Gomulka is known to many of my friends here. This is what he said; these are his words in October 1956:

> Quantitative development of producers' cooperation cannot be planned because, on the basis of voluntary entry to cooperatives,

this would mean the planning of the growth of human consciousness, and that cannot be planned.

This is what he said when he rescinded the collectivization law and handed back the farms to the peasants.

What kind of administration have we with which to guarantee this gigantic experiment, after three years, of destroying peasant proprietorship, in taking people away from their lands, millions and millions of them and pooling them in joint farms?

What kind of autonomy will these cooperative societies enjoy? Are we really serious when we talk of cooperatives, or are we only intending that we will impose a super zamindari from Delhi on the poor peasants and call it cooperation in order to pacify them?

Let me summarize the recommendations of the Cooperative Law Committee which reported only a few days back. It was a committee of Registrars of Cooperative Societies and other gentlemen who will have to administer this cooperative farming after three years. Let us see what their ideas of cooperation are. I am giving only five or six of their recommendations:

1. The Registrar should have the right to have the accounts of any society audited "under his own direction and control" and then to give directives to the society to put its house in order.

2. The Registrar has the right to settle disputes of any kind, to appoint another officer to settle the disputes or to appoint an arbitrator. And no appeal shall lie to a court of law in regard to any of these disputes.

3. The Registrar will have the power to supersede any society; and he may run any society so superseded for two years and, at his own discretion, extend the period to four years.

What kind of cooperative society is it which has to be run by a nominated official over the heads of the society for four years? Why not admit defeat and dissolve the society?

4. The Registrar may make an order directing the winding up of any society.

5. The State Government may become a member of any co-operative society and when it becomes a member of a cooperative society, "each person nominated by the State Government on the committee shall have one vote."

It is surprising to have this kind of report from those who are going to administer the agricultural cooperatives in this country. The Indian Cooperative Union, a leading body of cooperative enthusiasts in this country, have said that the effect of such a report, if accepted, would be to reduce the cooperatives to little colonies of backward, ignorant and helpless people to be "administered" "adjudged" and "dissolved" by one single authority, the "Registrar of Cooperative Societies".

It seems to me that there are two alternatives with which we are faced. One is that an attempt will seriously be made to implement this programme of destroying peasant proprietorship after three years and to try to bring in collective farming. I do hope that such an attempt will not be made. But, if it is made, it can only be by threats, by coercion; and I do not hesitate to say that if a serious attempt is made, it will unfortunately lead to civil war and bloodshed and the death of thousands of people in this country. I think anyone who thinks he can persuade the peasants of India to give up their lands and become landless serfs again for a super-zamindari in Delhi or the State capital is living in a fool's paradise. They will never accept such change. I hope, therefore, no attempt will be made to carry this out.

The Prime Minister, talking at Baoli on 10 February, is reported to have said:

> Those who tell you that cooperative farming amounts to some sort of confiscation of land are trying to cheat you....

I wish he had not used this uncharitable remark about people as diverse as Mr C. Rajagopalachari, Mr Jayaprakash Narayan, Mr K. M. Munshi and many others who have said that. For instance, Mr Jayaprakash Narayan has said in Banaras only four days ago that cooperative farming in today's context means creating "puppets in the hands of officials," thus depriving the peasants of their volition and land. It is not good to say of these patriotic sons of the soil that they are cheating the people.

I would not for a moment say that those who are trying to tell the people that the land would not be taken away from them, as the Prime Minister and others do, are cheating the people. I do not resort to such language and I do not think the Prime Minister should either. But I do say this: that whatever the motives

may be, whatever they may be thinking they will be doing, the people who are really misleading the country are those who say that this Nagpur pattern of joint cooperative farming will not take the land away from the peasants. I say it will. It is those who are denying this who are misleading the people and not those who are bringing this matter to the light of the people and performing a patriotic duty that they must perform.

I will only say in conclusion that the ruling party has set its feet on the wrong road, wrong from the point of view of public morality, wrong from the point of view of a free society and also, if I may say so, wrong from yet another point of view i.e. because for the sake of a minority, a majority is sought to be penalized. Let me give the figures of the landed and the landless people in this country. The National Sample Survey of 1954-55 came to the conclusion that there were 66 million households owning land with 5 members per household, while there were 15 million households not owning land at all—about 20 per cent of those with land. *Indian Agriculture in Brief*, published by the Ministry of Agriculture in 1957, gives these figures. Those who are self-employed in agriculture are 53.7 per cent of the population. Those who are landless labourers are only 12.6 per cent. In case the Hon. Members are under the impression that a small minority is sought to be attacked by the collectivization of land in favour of a big majority, let them think again. The big majority of people living in the villages do own some land. You may say it is a small plot but they love that land, small as it may be, as they love their baby, even if it is a little infant. They do not think that their land is worthless—because it is small. Help them to cultivate it better.

The real duty to the peasant today lies in giving water to the cultivator. We have not got enough irrigation facilities. Give them better fertilizers; give them seed and teach them how to cultivate their lands better than they have been used to do through the ages. This is the way in which Japan and other countries have shot forward in the production of wheat and rice. Instead of doing that, we are drawing the red herring of collective farming across the track and diverting attention from our gigantic tasks. Even if it is never carried out, it will divert attention from constructive pursuits and will take class war into the villages setting the landless against the landed, small-landed against the big-landed, and so on.

It is to warn the Government against taking such a step, it is to warn against taking steps which may involve this country in such a horrible thing, that I am raising this question. I want that we should carry our peasantry with us. Gandhiji used to say: "We of the cities will do everything for the peasant except get off his back." This formula of joint cooperative farming is invented by urban, doctrinaire people who have very little to do with them and is another attempt in a roundabout way to keep on the backs of our peasantry.

2. WHEN COOPERATIVES ARE COLLECTIVES*

In no sector of our life is the gulf between governmental policies and public opinion wider than in the field of our agricultural life. Agriculture is the basis of our financial life and our budget. The policies that the Government are now thinking of carrying out will hit the financial stability of this country more than anything else one knows.

We know that the Nagpur Resolution has three prongs to which the Hon. leader of the Communist Party has referred: ceilings, State trading and cooperatives. Time does not permit of a detailed discussion of all three, but I would like to say something on the subject of cooperative farming on which this House had the opportunity of listening to a long speech by the Prime Minister, a speech, if I may say so, which was a masterpiece of evasion.

There are three real issues about joint cooperative farming: one is whether it is productive, whether it will raise food production. I gave a mass of statistics from every part of the world I could get to show that, wherever collective or cooperative farming has been tried, it has been a failure in so far as foodgrains and agricultural yield were concerned. The Prime Minister, referring to that, said: "I can give Mr Masani instances where it has been known to be a success. But leave that out." Having made this profound remark, he went on to say something else. Why leave it out? This is exactly what the country wants to know; will it help our production?

Evidently the Prime Minister did not have any facts or figures

* Extract from Budget Speech in the Lok Sabha on 9 March 1959.

with which to contradict those which I had supplied. Two days ago, somebody told him that there was collective or cooperative farming in Canada, and so in a public speech, he said: "After all, Canada practises collective farming. Are they communist?" I took the trouble in the forty-eight hours that remained to find out what kind of collective or cooperative farming goes on in Canada. As it happens, that kind of cooperative farming—there is no collective farming, but it is the same thing—goes on in Saskatchewan, only one State of the Canadian Federation. As it happened, in 1957 a Royal Commission on Agriculture and Rural Life reported on this subject in the State of Saskatchewan, and having read the report what I find is this. The Prime Minister's words were "was practised on a fair scale in Canada," from which I gathered that about three-fourths of the farms must be cooperative or collective farms. The facts are that even in this one State where cooperation is practised, there are only 27 cooperative farms out of 103,000 farms in that one State which has gone in for any kind of cooperative farming! That shows the kind of information with which solid statistics and facts are sought to be met.

The second issue is: is joint cooperative farming any different from collective farming? The Prime Minister says the two are completely different; He is against collective farming, he is for joint cooperative farming; the identification arises out of a confusion in my mind. The Prime Minister took one hour to deny my statement. He did not spend one minute to say: well, all right, this is collective farming in Soviet Russia; this will be my joint cooperative farming.

In order to clarify the issue, let me share with the House a few facts about Soviet Collective farming, so that the Prime Minister and those who agree with him may point out where their scheme will disagree with it.

In the Soviet Union there are two kinds of farms. The Sovkhoz, which is a State farm, and the Kolkhoz, which is a collective farm. The Sovkhoz is very abnormal, it is an experimental or demonstration farming like the cooperative farming in our Prime Minister's Canada, but the Kolkhoz is a normal collective farm. It is the Kolkhoz which prevails over the larger portion or the bulk of the Soviet Union. The Kolkhoz by Soviet law is an *artel*. *Artel* is the word for a cooperative. In other words, Soviet

collective farms hold the land in perpetuity from the State. The farm cannot be taken away from the collective farmers. It is their joint property leased to them in perpetuity by the community. The members do not have to pay the State anything for this farm because they have pooled their land in this farm. Half the capital of the farm that is thus contributed by the contribution of land and animals is indivisible till the collective farm is dissolved. The other half can be taken away by a man; his own share can be taken away when he wants to leave the collective farm. The farmer thus has the right to opt out of the Soviet collective farm. He may recover his share in cash or he may ask for another farm somewhere else. His own farm is naturally not given to him because boundaries have been removed and it cannot be found any more. Therefore, some farms, probably in Siberia, will be given to him as compensation. This is the essence of joint cooperative farming of the Soviet Union which the Prime Minister says he does not like, and which I agree with *him he should not like.*

Another feature of the Kolkhoz is that there is complete self-government. The code or charter of 1935 which prescribed the way in which the cooperative or collective farm will be run lays down that there will be no interference from the Government, that the cooperative farms will elect their own president, manager and executive committee which will run the farm. We know from practice, of course, that a coach and four have been run through this charter of rights from the time it was promulgated, and that the Soviet collective farms enjoy no self-government. It is admitted in the Soviet papers that there is complete control and domination from day to day by the Soviet dictatorship. I say so far as the statute on collective farming in the Soviet Union is concerned, the Nagpur resolution is a carbon copy of Soviet collective farming. But there are two differences.

There are two differences: One, which is in favour of Soviet collective farming, and that is that when the peasants refused to cooperate, when food production went down, when Russia had famine which I hope our country will not share as a result of this kind of misguided policy, even Stalin retreated and he allowed the collective farmers to own family kitchen plots, family kitchen plots that range from half an acre to as much as $2\frac{1}{2}$ acres per collective farmer. On that private kitchen plot the

Soviet collective farmer today grows vegetables and fruits. He owns his own livestock and he takes his dairy and vegetables and fruits to the markets in the big cities where he sells it to the richer people, the new capitalist class in the Soviet Union, in the black market which is there called "the free market." These are facts. This is one difference between our farming and Soviet farming which is in favour of Soviet collective farming, because it has given a concession against joint farming to the peasant.

The other difference is that we have a democracy and they do not possess one. That will be the answer of those who argue: why should you think that we will do the same? I am sure the Prime Minister certainly means that he will not distort this internal autonomy and other provisions of the Soviet collective system as those in Russia have done, but there, if I may say so, he is being thoroughly unrealistic. I suggest that when you herd millions of peasants into big cooperative farms, the same conditions will recur here just as happened in Russia. You will have chaos, you will have a catastrophic drop in food production, and you cannot let the country starve. Therefore, you will have to impose on these joint cooperative farms, may be not the same brutal regimented measures, but you will have to destroy their autonomy; you will have to reduce them to collective farms as in Russia; you will have to reduce the collective farmer or the cooperative farmer to a landless labourer, deprived forever of his farm.

In the light of this we can understand Mr Dange's suggested tactics were tried by Rakosi in Hungary. They are called "Salami Tactics." He said: why are you fighting so many people at the same time? First, you should carry out ceilings, thereby putting the small landowner against the big landowner. Having got the big landowner out, you should then have turned the landless people against the small landed peasant. Why are you trying to fight too many people? They will join hands, and your ceilings would not go through. We understand in the light of the nature of this essential identity of Soviet collective farming and the Nagpur pattern why there is this welcome, with his very much superior strategy from Mr S. A. Dange.

There are people who say: "Why are you worried? Nothing is going to happen. The Nagpur resolution, you are quite right, cannot be carried out without bloodshed, and, therefore, it will remain on paper. You do not have to take it so seriously."

I do think that is a wise attitude. There are three very precise reasons why one should deprecate even the talk of joint cooperative farming at a time when the country wants more food production. There are three disadvantages which will happen through mere talk and not through implementation. The first is that the primary obligation of Government to supply water and irrigation, and to supply fertilizers, to give better advice and tools, and to give credit is sought to be overlooked; attention is diverted from these primary tasks of Government to help the cultivators by this talk about joint cooperative farming three years from now. It is a disincentive to Government to do the right thing.

The second disadvantage is that by creating insecurity in the minds of thousands of small and middle peasants, you are going to give a disincentive to increased food production. May I know whether, since in three years his farm is going to be taken away from him, he can now be expected to cultivate it with that zest in his heart which he would do if he thought that his enthusiastic work on his land will come back to him in fruits five or ten years from now?

The third harm that is done by this kind of talk is that it gives aid and comfort and prepares the ground for communist propaganda to take advantage of later on. In this way it acts as a kind of Sappers and Miners of the Communist Party of India.

It is therefore, that people like Mr Rajagopalachari and others have warned that you are destroying the agricultural stability of this country, which is based over a thousand years on peasant proprietorship.

I happened to be in Belgaum in the State of Mysore only a few days back, and I asked the peasants there how far back in their history the system of Ryotwari, the ownership of the land by the actual tiller, went. They said that they could not remember; some people said five hundred years, and others said a thousand years. In the end, it was established that never in their memory had there been a time when there was anything like a Zamindari or the absence of peasant proprietorship.

Therefore, the difference is this. In Bihar and in Uttar Pradesh, from which the advocates of cooperative farming have been coming—though there are also stout champions against it—the kisan, the peasant proprietor is a new phenomenon. He has been there only for three or four or five or ten

years. But, in the South, by and large, and in the West of India, in my State of Bombay and in the South as a whole, peasant proprietorship is part of our way of life. It is part of our civilization. And to try to uproot it in three years or even in five years is playing with fire. I do beseech the Government not to pursue this dangerous path.

I am glad there is a very good discussion going on in this country on the subject. I am only sorry that the Prime Minister seeks to import an element of passion into this debate. He said that there was no passion like the passion of a vested interest. I cannot help feeling that the passion with which the Prime Minister spoke in this House a few days back and elsewhere shows that there is nothing like the passion of a doctrinaire who is thwarted in his dogma. An attempt is made to create a climate of intimidation, to say: "How dare you get up and speak against us?" I can assure the Prime Minister that he may have succeeded in thrusting these measures down the throats of his own partymen at Nagpur, but that he will not be able to do it in this House, and that the people of India will stop these measures from going through.

3. WHO IS INCORRIGIBLE?*

The first question is as to the kind of public response there has been to the Nagpur Resolution in so far as joint farming is concerned. Let us make it clear that we are not discussing any ambiguous term like "co-operative farming" which covers many things. The point on which I am speaking is joint farming involving the pooling of land. In regard to any other form of co-operation, I think we are all at one, that we believe in the pooling of resources of peasants owning their own farms. The controversy is in regard to the proposition that the peasants' farms should be obliterated and merged in large units collectively cultivated.

The Prime Minister in opening this discussion last week said that, apart from a few incorrigible persons who could not see the light when it existed, the whole country was behind joint farming. I do not know what observation to make on this statement. It takes one's breath away because it is so contrary to, and

* Speech in the Lok Sabha on 14 April 1959.

at variance with, the facts as are known to everyone of us in our own hearts and as they are stated in discussions in the Press and elsewhere. I wonder how many Members of this House could really put their hands on their hearts and say that, except for a few incorrigible persons, their constituents in the rural areas believe in pooling their land. However, since the statement is made, may I suggest that we cast our eyes around and see what the evidence is on this subject?

First of all, *The Times of India News Service* carried out a poll in the rural areas in Madras. It reported in *The Times of India* of April 1 that 200 rural families were interviewed in Madras State by *The Times of India News Service* and the answers given were—of course in regard to joint farming—104 out of the 200 were definitely opposed to their lands being pooled; 36 had no particular objection; 40 were in favour and 20 refused to comment. It would appear from this that the "incorrigible" few are the majority and those who follow the Prime Minister are in a hopeless minority.

Mr B. G. Verghese of *The Times of India* is one of the finest and most able and honest interpreters of public opinion in our country. He is a sound commentator. He went round the whole country recently, from one end to the other, and from time to time he reported on his experience. Let us see what he found the public opinion to be in the countryside on this point. Mr Verghese writes:

> I have not detected any enthusiasm for joint co-operative farming in any part of the country. On the contrary, everywhere I went, I was told of experiments in joint cultivation that had failed and sometimes ended in litigation. The U.P. Terai has many such examples. Other examples are to be found in the gramdan villages of Koraput where the climate for co-operative farming is far more favourable than elsewhere.
>
> Any attempt to rush the country into joint cultivation, howsoever voluntarily, may only arouse fear and antagonism towards the whole co-operative movement.

I myself have attended two peasant conferences among the many that are taking place in the country where the peasants' apprehensions about this proposition are being vociferously ex-

pressed. One was at Belgaum and the other was at Sonepat. And all I can say is that, with my own eyes and ears, I was able to see and hear the fierce resistance that exists in the hearts of our peasantry against any proposition whatsoever to take their farms away from them, to obliterate the boundaries and to merge their farms in bigger cooperative farms, however well their right to property may be protected by being given a paper to show that this was the title-deed of what they once owned. I would like to suggest that the Prime Minister, who believes in scientific methods and claims that joint farming is scientific, may be a little more scientific on this point. Why not adopt the well-known international practice of having a poll on this subject? Why not invite Mr Gallup to come to this country and take a cross sample of our peasantry or invite the Indian Institute of Public Opinion to carry out a survey in several States? So long as there is an independent and competent agency to test the opinion of our peasantry, let us ask our landed peasantry how many of them are prepared voluntarily to pool their farms and merge them in larger cooperative farms? I think that if this was done, our Prime Minister would have a very rude awakening indeed.

We have also another aspect. An indication of the climate in which this so-called voluntary change will be carried out is also available in the two months that have passed. The Prime Minister in opening the discussion had said that so long as the Constitution is here, a democratic Constitution, these fears and apprehensions are unfounded. I am sorry; he said it on 28 March. On 19 February, while replying to my original speech on this subject, the Prime Minister gave the House an assurance that no legislation would be introduced in so far as joint farming was concerned. That sentence appears twice in his speech and I may say many Hon. Members, including myself, were a little reassured. But the following day I went to Bombay and I found from *The Times of India* of 21 February two days later, that my own Chief Minister, Mr Chavan, made a statement to the executive committee of the Bombay Pradesh Congress Committee that the State Government would bring forward legislation on co-operative farming during the monsoon session of the State Legislature. These contradictory statements make one wonder what to believe.

A climate of intimidation has been introduced on the subject. The Prime Minister himself has said at Alwar:

> A firm decision had been taken to introduce service co-operatives and co-operative farming and it had to be implemented in a firm way.

This kind of language is very far from saying that if the peasants themselves want to pool their lands, we will give them facilities to do so. "A firm decision firmly carried out," if I may say so, is not quite the language of voluntary cooperation. The Prime Minister went on and was good enough to say that those who came in the way would be swept aside with a broomstick. I agree that the broomstick is not a very dangerous weapon and some of us are quite prepared to face it. But a broomstick is as violent as a sword, even if it does not do quite so much damage; it is certainly less dignified to wield than a sword or some other more manly weapons. This kind of language is not the language of voluntarism and non-violence. No wonder, quite justifiably, Mr Rajagopalachari, our elder statesman, has said only two days ago in Madras addressing one of these Agriculturists Conventions that the "threats"—I am using his language—that come from the Prime Minister to make the politicians and the people to submit to his plans, with remarks like "if you do not agree with us, you get out of the party," smack of "Hitlerism." He went on to say that if the politicians whose main profession was courage and boldness were affected by such threatening language, what would be the fate of agriculturists who depended so much on the Government? I think it is a very legitimate question that the elder statesman has asked.

The Prime Minister in his speech has said that he will not brook the opposition of a small minority in a village blocking the way of the majority who want to cooperativize the village. But if that is not coercion, I do not know what is; a minority dispossessed by the will of a majority. It is like saying to the depositors of a bank whose deposits are to be pooled that if a majority in the bank want to invest the funds in a particular way, the funds of the minority also must be invested in that particular way! That is very queer logic, and no bank would survive if the depositors are to be coerced in that manner.

The third thing I want to discuss is the Prime Minister's statement that the lesson from all over the world is that cooperative farming is more productive than peasant farming. Here again one can only wonder on what facts the Prime Minister comes to this amazing conclusion. The Prime Minister in a speech earlier had mentioned Canada as a shining example of what is achieved in the way of cooperative farming. In an earlier speech, I had taken the liberty of pointing out that in the State of Saskatchewan which is the only State where cooperative farming exists, the number of cooperative farms is 27 out of 103,000 farms. Neither the Prime Minister nor any of his advisers has contradicted that statement. But I am now in a position to read some conclusions from the report of the Royal Commission on Agriculture and Rural Life in the State of Saskatchewan in Canada. I shall just read three sentences because time does not permit of any more. The Report points out that the advantages of co-operative farming "cannot make for lack of capital, poor drainage, ineffective management of internal dissension."

> Internal problems may stem from the individualistic values of the co-operative members themselves. Where a co-operative farm group has failed to meet the internal problems arising, out of interpersonal friction and divergent personal objectives among members, the effectiveness of group management has usually been seriously impaired.

It goes on to say:

> It does not follow that co-operative organization applied to a series of uneconomic units will transform them into profitable farm enterprises.... The level of capital investment per member is a vital factor in determining member income.

At another point the Report says:

> It is clear that a number of co-operative farms in the past have experienced considerable difficulty—and in some cases have dissolved—because they were economically unsound. However, an efficient combination of land, labour and capital will not in itself guarantee success and happiness to the members.

> Recognition and understanding of the social aspects of co-operative farming, including the complexity of group management, are also essential before any co-operative farm can be considered established on a permanent basis.

Taking the world as a whole, the Food and Agriculture Organization of the United Nations has recently put out a very valuable survey called *Co-operatives and Land Use,* published under its official auspices. It is written by someone, and the survey is made with a very sympathetic approach, trying to point out what little may have been achieved. I shall read a few sentences to show that the world picture is not very different from the Canadian picture. In the very first page of the introduction it says:

> It is a story covering a mixture of failure and success and of protracted and costly experimental changes. Thus the experience already gained should be very carefully pondered before any country adopts an agricultural policy calling for, and depending upon, quick or spectacular results from a switch-over to co-operative farms on a collective or individual basis.

Now, on the general problem as to whether cooperative farming is more productive than peasant farming, the answer is very decisive — I shall quote only two sentences:

> There is much evidence that the rural standard of living in countries extensively collectivized is below that of countries in similar latitudes where farming is individual.

At another point it says:

> During the last half century, the rise in yields due to scientific and technological advance has been general, and has been more rapid in many countries in which individual farming is practised than in those which have gone in for massive collectivization.

For lack of time I shall leave it at that, but I do recom-

mend to any Hon. Member of this House who has an open mind and who is prepared to think again to read this report and to consider whether this facile generalization that the history of the world tells us that cooperative farming is more productive is at all warranted by the very mixed and very cautious result that will flow from a reading of this book.

I can only refer, from our own country, to a report, which evidently has not been made available to us. I do not know much about it. *The Statesman* of 21 March referred to an unpublished report of Project Evaluation Officers of the Planning Commission which, for some reason, has not been made available to the Members of this House or to the public. It claims that after studying "23 most successful societies in India" in 1955 they found that "members of most of the societies formed by pooling land holdings do not work in the field themselves but employ paid labour." In other words, they were joint-stock owners like shareholders but they were not actual tillers who have pooled their land. "Some of the societies formed by Government lands have not been successful but they continue to exist, because members have no right in the land allotted to their society." These are among the conclusions of this report of Project Evaluation Officers of the Planning Commission.

Finally, the Prime Minister said in his speech on the 28 March that "if you listen to Shri Masani, then you must be reconciled to poverty." I question very keenly that statement. This would suggest that unless land was cooperativized or collectivized, there was no hope of solution for our rural problems. May I say that this sudden awareness is rather disconcerting? For ten years after Independence our Food and Agriculture Ministry and our Community Development Ministry were all convinced that good progress could be made under the system of family farming. Suddenly, since Nagpur, a kind of hysteria has developed that unless we cooperativize our land no solution is possible. This is a counsel of defeatism, and the facts do not bear it out.

I had the pleasure of listening to a most reasonable speech, by contrast, one where I agreed with every word, from the Prime Minister at the National Productivity Council two days back, where I was present as a member of the Governing Body. Mr Nehru himself told us how he had been to Allahabad to his own constituency and how he came back very thrilled. Why? Because

he found that in his own constituency several ordinary farmers, small farmers with small holdings, as he put it, and not big holdings, were being given prizes for producing yields which were three to four times what they were only two years ago. He said, and we all were very glad to hear, that some enterprising farmers with small holdings were able to multiply their production three to four times.

If a few people in his own constituency are able to do it, why does the Prime Minister discount the possibilities of peasant proprietorship and family cultivation, given the water, given the seed, and given the know-how that a peasant is entitled to ask from our Government and the community? Why is he giving up the fight so easily and saying that nothing can be done? His own evidence shows that small farmers with three or four acres of land are able to multiply the crop three to four times. Surely, even if a fraction of our farmers were able to multiply three to four times their production, India's food problem will be solved.

Government of India studies have been made outside Allahabad, in Muzaffarpur and Meerut. They show that, given certain facilities and incentives, the ordinary small farmers with family holdings are quite capable of doubling and trebling their yields. Similarly, if you go by what a very well-known Congress leader, Mr Charan Singh, has said, he points out that, after the abolition of zamindari in the United Provinces, production went up. The reason he points out is that the farmer felt that the land had become his and his children's in perpetuity and it lightened and cheered his labours and expanded his horizon. The result was that production went up. Mr Charan Singh rightly warns us that "if zamindari abolition is psychologically right, then cooperative farming is psychologically wrong," because it will take away that very incentive that was given to the peasant through owning his own farm.

4. HANDS OFF THE PEASANT*

The hope that was expressed by enlightened organs of public opinion like *The Hindu* is now being snuffed out in turn

* Speech on the 17th Amendment in the Lok Sabha on 1 June 1964.

by the kind of persistence in error that we see today. It seems that the damaged prestige of those party managers who failed on the last occasion must be restored at the cost of the country of about Rs 5 lakhs. This measure the 17th Amendment was, therefore, produced before us again on the 27th of last month.

This is an ill-omened measure. This inauspicious attempt came up against a bigger tragedy on the second occasion on the very day it was introduced. Here again, Providence seemed to have intervened to say: "Halt! Don't take this step down the slippery slope to communism and chaos in this country." But, like the Bourbons of old, some people learn nothing and forget nothing, and this has happened. Another opportunity to take note of the wide-spread resistance of the peasants of our country has been again rejected.

This is a measure to deprive the peasant of his land and not to give it to him. It may be suggested that this law to some extent is necessary to legalize the illegal and unlawful laws struck down by the supreme judiciary in our country, because ceilings have been brought into existence. That is not so. These laws were not struck down because they legalized ceilings. They were struck down because of the unconscionable attempt to expropriate those whose land was taken away.

There are other countries which have brought about legislation to restrict the size of farms even smaller than ours, but they have had the decency to pay full compensation and no court of law has ever thought of interfering. Let me take the example of Japan where the ceiling is about 2 acres of land, very much more drastic than ours. Of course, their land is superior to ours. Though the Japanese Government after the last war took away the surplus land in order to redistribute it, it paid full compensation to those whose land was taken away, unlike those laws which the Supreme Court considered illegal and immoral.

Similarly, the Republic of China has a ceiling of 7 acres per head, again perhaps more drastic than ours or about the same. For a family of 5, it has a ceiling of 35 crores of good land. Again, their land is superior to ours. But every farmer whose land was taken away was paid full compensation. The result was that they established rice mills, processing industries, canning industries in the villages, the way Mahatma Gandhi wanted it for

small industries. The result was that nobody was hurt and today Taiwan has the highest crop of rice per acre in any part of the world, and Japan comes second.

Therefore, it is not the ceilings that have necessitated this legislation. It is the desire to strike at the fundamental right to private property in land that is the motive of this legislation. Let not the Law Minister try to kid himself or the House by coming up with these lame excuses.

The schedule to the Bill includes measures which have nothing to do with land reforms. I shall give two examples. The first is the Gujarat Surviving Alienations Abolition Act of 1963. This Gujarat Act refers not to land of rights in land, but to cash allowances which certain very poor persons in my constituency are receiving, because their land was taken away from them earlier. What is now sought to be taken away is the partial compensation for the land already taken away. Is it right that this Gujarat Surviving Alienations Act should form part of this Bill?

I would draw attention to another measure. The Law Minister might look at the Mysore Village Offices Abolition Act of 1961. That Act does not give any right in land at all. It creates a right in village offices—village accountants and workers for the village. Why should the right to hold village offices be expropriated under this amendment? What has it to do with land reform? I am pointing out that this is a very lame excuse and it has nothing to do with land reforms. There are measures here which have no relevance to land reform at all.

Then we come to the second feature of this measure—the definition of 'estate'. The Bill has a very peculiar clause—clause 2 (ii) on page 2 of the Bill. This clause reads as

> (a) the expression "estate" shall in relation to any local area, have the same meaning as that expression or its local equivalent has in the existing law relating to land tenures in force in that area and shall also include—
> (i) any jagir, imam or muafi or other similar grant and in the States of Madras and Kerala, any Janmam right;
> (ii) any land held under ryotwari settlement;
> (iii) any land held or let for purposes of agriculture or for purposes ancillary thereto, including waste land, forest land, land for pasture or sites of buildings and other structures

> occupied by cultivators of land, agricultural labourers and village artisans."

From this it would be perfectly clear that the classes that are attacked are not the big feudal landlords, who no longer exist in our country, but cultivators of land, agricultural labourers and village artisans. These are the objects of the malice of this Act.

Why is the definition of 'estate' being perverted in this manner? No dictionary of the English language will agree that half an acre or two acres of land held by a cultivator is an estate. I do not think any dictionary of the English language, or even the American language for the matter of that, could possibly define it that way. Estate is a big farm, big property. Hundreds of acres of land is what an estate means. To say that the farmer with half an acre or one or two acres of land can be divested of it because he is a zamindar or an estate-owner is to distort both morality and language. If this clause was carried through, it would leave the small farmer at the mercy of every official, every State Government, every future government of this country. Further the clause 2, sub-clause (1) of the present Bill deserves to be noted. It says:

> "Provided further that where any law makes any provision for the acquisition by the State of any estate and where any land comprised therein is held by a person under his personal cultivation, it shall not be lawful for the State to acquire any portion of such land as is within the ceiling limit applicable to him under any law for the time being in force...."

A careful perusal of this clause clearly shows that an attempt is being made to deceive the small peasant in this country. It implies that a small peasant is in an advantageous position *vis-a-vis* a big landlord as his land would not be expropriated and that he would get full market value. This is entirely misleading and false. Suppose to-morrow in any part of India a State Government takes it into its head to lower the limit to ten acres; then all land over ten acres can be expropriated. Suppose after two more years they bring it still down to one acre or half an acre, what is the value of this so-called safeguard? It is purely illusory. It is meant to throw

dust in the eyes of the small farmer. It is meant to carry the class war to the villages, in the same way as Stalin carried the class war to the villages, when, with the help of the small peasants he tried to liquidate the Kulaks, and then the small peasants followed within a year or two. Therefore, this safeguard is completely illusory; it is worthless.

Now, why is this being done? Why is this engine of oppression being created? Would it be wrong to suspect that it is the failure of the Nagpur Resolution for Joint Cooperative Farming on a voluntary basis that has impelled certain people to press for this amendment of the Constitution? Would we be wrong to think that they are now fashioning this engine of coercion so that what was not achieved voluntarily in the last three or four years can now be achieved under the threat of what this amendment portends?

It may be stated here that the Nagpur Resolution said that all the land in India would be cooperativized voluntarily in three years. This was too big a promise as peasants could not be persuaded to part with their land because he loves his land. There is no instance in history where the peasant has handed over his land to Communist or Socialist cooperative or collective farms. Therefore, if the Government failed to cooperativize the land voluntarily, what is the guarantee that it would not dispossess the peasant of his precious land? This is a measure which only a Communist State would enact and no decent democrat would ever touch.

Why should any one want to collectivize land in India today? Do we not know the miserable failure of cooperative and collective farming in the countries that have tried it? Is not the Soviet Union today in the world market begging for grain? They are buying with solid gold ten million tons of grain and flour to feed their starving people. The Communist regime in China is in the market to buy grain from Australia and Canada because it has created famine in its country by taking the land away from the peasant. Why should any government in its senses want to take away the land from the peasant proprietor, the most productive kind of cultivator of the land, and give it over to State farms where the yield drops?

Therefore, what this country needs is not expropriation. What this country needs is not collective or cooperative farming. What

this country needs is the supply of good seed, water and fertilizer to the peasant so that he can produce more from his land. What we want is sympathy and security for the farmer, not a Damocle's Sword hanging over his head. I can think of nothing more unpatriotic and unserviceable for this country than this wretched Amendment.

Why do we say that this amendment is an unworthy one that should be rejected, quite apart from the merits of it? I will give five reasons why this amendment is unworthy of our acceptance. The first is this. Does this Lok Sabha feel that it is competent to pass this amendment? Does it really feel that it has any warrant to take away the land of our peasants? Has it got the mandate for this?

The first of these immoral ceiling laws which expropriated the peasant was passed and challenged in the Supreme Court before the 1962 election. At that time the Congress Party did not say that it would bring a law by which the farm of the smallest farmer would be taken away from him without compensation at market rates. But no sooner they receive the support of the electorate they brought this amendment—within two months of the General Elections, which was not contemplated in the manifesto. If I may say so, it was a dodge and a trick unworthy of a democratic government. So, they have got no mandate today to proceed with this law.

Then, look at the provisions of the Constitution. The law says that a change in the Constitution is to be passed by the majority of the total membership of the House and by a majority of no less than two-third of the Members present and voting. What is the intention of this provision in our Constitution? Is it for a snap majority to carry something? Is it for a bare majority to oppress a minority? Would you think that a 55 per cent majority can oppress a 45 per cent minority by amending the Constitution? The intention is very clear. The intention is that there should be a consensus. There should be something like two-thirds of the electorate backing a measure before it could be passed into law. Is there such a majority? The 70 per cent of the Members of the House who occupy the Government benches do not represent even a bare majority of our electorate. The whole lot of them represent only 44.72 per cent of the electorate that went to the polls in 1962. Are they making a conscionable or un-

conscionable use of this fake, bogus majority—of the accident of an imperfect electoral system?

Was this the intention of the Constitution that a party that polled less than 45 per cent of the votes should use its inflated majority here to pretend that they are two-thirds of the electorate? While this House can technically pass this amendment because the Congress wields a majority, it would only be at the cost of the spirit of our Constitution. We do not concede that this House has a moral right to pass this legislation.

My third reason is that this amendment shows disrespect for the Judiciary. This amendment is an attempt to undo the justice that the courts of law have given. When the highest tribunal in our land has declared that it is immoral and unconstitutional, now we are trying to change the rules of the game. We have lost the game; so we go and cheat. We change the rules so that what was unlawful and unconstitutional now becomes constitutional. This has, unfortunately, been the practice of this Government. I was hoping that the successor government will be a little more conscionable on this point. But this Government has certainly shown consistent disrespect for the courts. That is the tradition that they have been following.

My fourth and strongest ground for saying that this is a measure the Parliament should not accept is that it represents a cold blooded breach of faith with this Parliament and the country. In 1951, when the First Amendment to the Constitution was being introduced and debated, Dr Ambedkar, one of the framers of the Constitution, answered the debate. He said on 1 June 1951:

> I would like to say this, that there is no intention on the part of Government that the provisions contained in article 31A are to be employed for the purpose of dispossessing *ryotwari* tenants. . . . If my friend, Ch. Ranbir Singh, would refer to the proviso attached to article 31A which requires that every such Bill shall be reserved for the consideration of the President, I think he will see that there is a certain amount of safeguard in it.

What is that safeguard?

> I believe that whenever any such measure comes before the President for consideration.

said Dr Ambedkar:

> the undertaking given in this House would be binding upon the President in giving his sanction so far as any such measure is concerned. Therefore, I submit there is no ground for any fear of any such thing happening and, I believe that there is also no justification for any kind of propaganda that may be carried on by interested parties that this Bill proposes to give power to Government to expropriate everybody including the *ryotwari* tenants.

That sad day that Dr Ambedkar thought would not come has arrived. He could not imagine that a pledge given in all solemnity in this House invoking the President's intervention was to be so cynically set aside by his successor.

The Party to which I belong was founded in 1959 for the specific purpose of protecting the peasant and his land. It was the Nagpur Resolution, with its evil intent of collective farming on Communist lines in this country, which created and gave birth to my Party. For the last four years we have encouraged the peasant to resist joint cooperative farming and we have succeeded. It has been a dismal failure. The peasant has just refused to touch it. I believe the peasant will continue to refuse to touch it, contrary to the Communist thesis. The Communists regards the peasant as a class enemy. They regard the peasant as an obstruction to the totalitarian dictatorship that they wish to establish. And they are right. They consider him a class enemy. There is a book written by David Mitrany named "Marx *versus* the Peasant." Marx was right. You cannot have a party dictatorship, a totalitarian dictatorship. if the peasant survives. So long as a man can say: "This land is mine," society is free. There is the possibility of opposition; there is the possibility of difference of opinion. The day the peasant class is uprooted and herded into cooperative farms, this Constitution may remain but there will be no life in it. We shall be heading straight for a communist, totalitarian dictatorship.

Contrary to Marx's thesis, we hold that the small landed farmer

is the backbone of a free society. There is nothing to preserve if you have landless labourers on a cooperative or a collective farm. The peasant loves his land. He has not been found to give it up without a fight. If this House in its collective wisdom decides to pass this Bill and the President cannot save the country by refusing to give his assent to it, then only the peasant will be able to save himself and the country. I think he will do so. I do not think the peasant is going to be coerced into giving his assent to this amendment of the Constitution by parting with his land.

Therefore, I can only caution this Government: keep your hands off the peasants; do not try to implement this Amendment of the Constitution. If you do, I can only say that we of this Party will stand by the peasant in resisting this immoral law.

5. THE FOOD CRISIS*

There are two basic facts that we have to face. One is that while population goes up by 2.4 or 2.5 per cent per year, our production has been going up over the last several years by only an average of 1 per cent per annum. Even that 1 per cent has disappeared in the last four years. The figures that were given earlier show that from 1960-61 till today the figure of foodgrains production is stagnant. It oscillates, but it does not increase. We are now at 79.35 million tons while the the Plan target for 1965-66 was 100 million tons. It is obvious that target cannot and will not be achieved if present policies are carried on. The fact is that since 1957, much as it may annoy my Communist friends, Indian agriculture has only fed 88 per cent of the non-agricultural population, while 12 per cent of our urban and non-peasant people have been fed by the American people out of their surplus stocks.

The other fact is that there has been an abnormal rise in prices. This is not something about which the Government has a right to say that they are surprised by it. From this floor my Hon. friend, Acharya Kripalani, I and many others had warned that since the Second Plan was brought into existence a deliberately inflationary policy was followed by those in office then. The result is that during the last four years there has been a 15

* Speech in the Lok Sabha on 1 September 1964.

per cent rise in the general level of wholesale prices. The rupee today is worth exactly 17 paise of the old rupee.

The food crisis today is a reflection of our monetary and economic crisis. What is wrong basically is our rupee. It is no longer an honest rupee. Those in office for the last ten years have debauched and degraded the rupee until it is worth 17 paise today. This is a basic fact that we have got to face.

Keynes, the man who is sometimes misquoted by half-literate people to say that he stands for inflation, was a man who saw this truth very clearly. He said:

> Debauching the currency saps the foundations of society more subtly, swiftly and permanently than any other conspiracy.

Let us not label the honest peasants and the honest merchants of this country as hoarders and profiteers. The fault lies elsewhere. If an axis has to be talked of, what about the politician-bureaucrat axis? Can anything more sterile and unproductive be thought of than the politician in office and the bureaucrat? The peasant and the trader at least perform some social and economic functions. What economic functions can the bureaucrat and the politicians perform? What do they produce for the country? So, let us not cast stones at others. Let us, as Gandhiji used to say, turn the searchlight inwards. It is our class, the political class, that has brought the country to this fix and not the peasant and the common people of the country. If the rupee has depreciated, let us not blame the profiteers. If food is short, let us not blame the hoarders. These are symptoms of the disease; they are the effects, they are not the causes. It is the shortage that produces hoarding. It is the fouling of the currency that produces profiteering and black money. Let us not fight the symptoms; let us look at the disease.

Work with the farmer and the trader. Do not work against them. You need their cooperation. You simply have not got the apparatus of honest and efficient people which will entitle you to do away with the peasant or the trader. You need them and their work. Appeal to their patriotism. Give them a fair deal which you have not done so far and they will rally.

We had that fiasco in Delhi, a cheap political stunt. As the previous speaker pointed out, it started with tall claims of lakhs

of tons of grain being confiscated and ended up with a whine saying that nothing was wrong, that there were only two or three technical offences in the whole of Delhi and that no one was to be prosecuted. The proverbial mountain did not even bring forth a mouse which it is entitled to.

But this kind of persecution, which was tried in Delhi and which failed, is still being pursued because there is an attempt by the guilty people—I do not mind saying that the present Home Minister is one of those guilty men, because as Vice-Chairman of the Planning Commission he has done his bit to bring the country to this pass—to divert attention to other people. He has a very unfortunate record to show in regard to the Second and Third Plans. These people want to divert attention from their own misdeeds and their accomplices outside.

They say that State trading is the answer. I have already said that that is not the answer. Corruption will increase. Every control breeds corruption. A State trading monopoly will increase that. You cannot have State trading without monopoly procurement. You cannot eliminate the trader without enslaving the peasant because a compulsory levy, whether in Soviet Russia or Poland or in India, is slavery for the farmer. If the police come and say: "Hand over your stock and you will take this money", there is nothing to do about it except to keep your miserable ration. This is what Gomulka fought against in Poland and forced levies were abolished. Are we going to import into this country complete State trading, a most horrible thing that the Stalinist dictatorship did in Russia? Compulsory procurement is slavery for the peasant. You may dislike the trader, but in trying to hit the trader, you will also hit the peasant. You cannot hit one without the other because you cannot have a complete State trading monopoly without compulsory procurement which denies the farmer a fair price for his grain. I am very glad that this Government has rejected that solution in spite of the alleged "unanimity" about which the Communist spokesman spoke. There is no such unanimity. Anyone who knows anything about the economics of the situation knows that a State trading monopoly in foodgrains is the surest path to chaos and famine in this country. Otherwise, China and Russia today would not be begging for food in the world market.

I am very glad that a State trading monopoly has been re-

jected. But a half-way house is being tried out. There is a threat of a State Corporation in foodgrains coming into being. When the first announcement was made, I was not at all upset because it said that the new Corporation would run on commercial lines and would compete with the trade—that was fine—because I believe in a mixed economy and I believe that the State has every right to enter into every field in fair competition with others so long as there is no monopoly. I was not at all sorry that the Government was entering into the field as one more *bania*. But it was not many days before that the Food Minister announced that this one *bania* would have the monopoly of transport on the railways and nobody else. That is no mixed economy; that is no competition and that is no commercial operation. It is tragedy that as soon as this Government tries to do something, it cannot help but being a monopolist, maybe it is in the nature of State capitalism to be a monopolist. But if my friends there do not want State capitalism of the Stalinist kind, then let them forbear, let them try to play fair and let them not take the privilege of having a monopoly of transport on the railways. The moment you say: "Nobody else will move the foodgrains except me", you are a monopolist. All your talk about a Monopolies Commission becomes a sham.

Then, we are told that in the very first year, you must have 50 per cent of the trade. Who decided that? If competition is to prevail, who decided that 50 per cent? How can you have a target like that? Why must you be "dominant"? If you want to be a corrective to the trade, be a corrective to the trade. I am with you. But when you want to dominate, then you become an exploiter, not a corrective.

The Prime Minister has suggested that all prices should be fixed because he is aware that you cannot only fix food prices while letting the other prices rise. His motive is perfectly honourable and good. But I would like to plead with him that you cannot fix all prices. First of all, you would not try to do that because you will only fix the prices of six or seven or eight necessities of life.

You cannot defeat the law of supply and demand. Prices are like water and they find their own level.

What then has to be done? I would like very briefly to

suggest certain long-term and certain short-term measures which alone can alleviate the present situation. Among the long-term measures, the very biggest is to correct the order of priorities embodied in the Second and Third Five Year Plans. The First Five Year Plan was all right. We supported it. But since the Second Plan this is not a position. I recall that the Planframe, the document on which the Second Plan was based, was prepared by a Communist fellow traveller named Prof. Mahalanobis with the cooperation of a group of Soviet and Polish Communist sitting for a year in the Indian Statistical Institute in Calcutta. These are facts. That is where we started going wrong. We got wrong advice and we went off the rails. Since then, our entire pattern of priorities has been unbalanced.

I am not against heavy industries as such. I stand for all-sided balanced development. There is room for heavy industries also. We need them, but we do not need them as much as we want food, clothing and shelter for our people. We do not need them as much as we need roads to move the food and other things for our people. So, what we want is a balanced development. We should not pitch one against the other. As my respected-leader points out in *Swarajya* this morning, we have every right to balance what has been unbalanced. The order of priorities in the Plan has been unbalanced. It needs to be balanced. If you starve agriculture in this manner, it will starve you. If you feed agriculture, it will give you a bumper crop. Therefore, this concentration on wasteful heavy engineering projects has to stop. I will give you only one example. Take the Heavy Engineering Ltd. in Ranchi. Rs 120 crores have been spent on that particular plant. What is the output? It is a miserable output. The output, I understand, is Rs 1.20 crores per year, that is, 1 per cent output on the national capital invested.

Communist China, which made the same mistake that we have made in a more accentuated and exaggerated form, climbed down last year. Mr Chou En-lai went to the Communist Congress about a year ago and said: 'The Great Leap forward has failed; we are now changing our order of priorities'. I shall quote him. He said: 'From now on, we shall have agriculture, small consumer goods industries and heavy industry, in that order'.

Surely, what is good for the bigoted Stalinists of Peking cannot be reactionary for our good democratic friends opposite.

And I plead with them that, having made mistakes in the past, there is no reason to persist in them; there is no reason for my good friend Mr Dasappa to try and go on committing himself and his Government more and more to the false path which we have followed in the past.

The second thing is to stop tinkering with the security of tenure of the peasant. I was very glad, therefore, when I read what Mr Shriman Narayan had stated. Despite the fact that the Constitution (Seventeenth Amendment) Bill has been put on the statute-book with all its defects, I hope it will never be brought into operation so long as free government and democracy exist in this country, and I do hope that it will remain a dead letter. I was very glad that Mr Shriman Narayan, a member of the Planning Commission, said on 28 August that he was thinking and the Planning Commission was thinking of a ten years' moratorium on further land reforms after the present reforms had been put into operation during the next two years. Let us have some finality about the security of tenure of the peasant. This has been done in Japan and Formosa, and they are yielding bumper crops. They had their ceilings also, but they gave fair compensation, and they stopped there. And those same farmers with seven acres as a ceiling are producing the highest crops in the world, first in Formosa and second in Japan. So, stop tinkering with the land and the security of tenure of the peasant.

The third thing is to cut our coat according to our cloth. Stop deficit finance and inflation. The story here is very clear. If I have sounded harsh about the past, let me give the facts. During the years of the First Plan, money supply went up by 12 per cent, and the national income went up by 18 per cent. That was all right. Our production and supplies went up, and money supply also went up but not so much. That was all right. In the Second Plan, as I have already said, the tide turned because of Prof. Mahalanobis and his friends; money supply went up by 29 per cent, while national income went up only by 20 per cent. So, we are already starting here on the path to bankruptcy. And the Third Plan has completed that process. The money supply went up by 31 per cent and the national income went up not even by 10 per cent; but only eight to nine per cent was the increase in national income during the Third Plan.

This is the path to bankruptcy and insolvency. There is no other way to describe it.

Lastly, among long-term remedies, let us reduce taxation. The excise duties are a direct inflationary influence. Similarly over-taxation at the direct level also brings about unaccounted money, an evil which can only be reduced by reducing taxes themselves to a reasonable level.

I shall now come to short-term solutions before I sit down. The first is in regard to zonal barriers. I think that on this point there is certainly unanimity or virtual unanimity that the zonal barriers should go, and the country should be treated as one. The Gujarat Pradesh Congress Committee, the Maharashtra Pradesh Congress Committee and my Hon. friend Mr S. K. Patil have all gone on record publicly to say that these are vicious things and they must go. I was very disappointed that during the last few days—I am sorry the Food Minister is not here at the moment—the Food Minister had given two assurances that the zonal system would not go at least for the present. I deplore this. He gave that assurance in the Punjab. I can understand the political implications of that. It was unfortunate. Are we one nation or are we not one nation? Are we to share weal and woe or are we not to share them?

It is the bane of the weak policy of the Centre and the leadership of the Party that controls the Centre and the State Governments. We talk about national integration, and we set up committees on paper. What is the use if we are dividing this country into bits and pieces ourselves? The people of Europe, who are sovereign States with their own flags and everything else, are creating a common market. And we here are breaking down the common market which even the British left to us. That is the tragedy.

On the first day of the Chief Ministers' Conference, a very good announcement was made by the Food Minister that the zonal barriers between Madhya Pradesh, Maharashtra and Gujarat were to go. There was rejoicing, and may I mention that on that very evening, when the news came to Bombay, the food prices crashed in the Bombay market? Panicky conditions went, and optimism came to the fore, and people were prepared to unload.

But the moment that happened, what do we find? The next

morning we found that the Central leadership had backtracked: it was weak; it was bullied by the Chief Minister, presumably of Madhya Pradesh, a very old friend of mine. The next morning, they climbed down and said: "Sorry, we made a mistake; we go back to the bad old ways." It was a miserable capitulation.

So, I say that the removal of zonal barriers is a 'must' and we cannot wait for it. If you say, let us wait for the next harvest, all right; let us keep the zones for two months, if we want, but certainly, by October, these zones must go, and India must become one nation and one country that shares food, if nothing else, along with the other things that we share.

The next thing is to subsidize the urban poor, because when I talk of decontrol, those who live in the cities and those who speak for labour have a right to ask: "Decontrol is very good. You want to do justice for the peasant. We are with you. But if justice is done to the peasant and the prices go up, who is going to feed the poor people in the cities, the working classes and the lower middle classes?" I am not ignorant of that aspect. I would say: subsidize through fair price and ration shops a certain quantum of grain for those who cannot buy in the open market. Have ration shops and give to every worker and to every lower middle class man enough to meet the needs of the family at a concessional price, and let us pay for it. I shall certainly support a foodgrains subsidy in the cities, because that is the right way to help the city poor. After all, the city poor are only 10 per cent, if you like, of the total population. Do not penalize 90 per cent for the sake of 10 per cent, and do not destroy your economy just because you want to do justice to the urban proletariat and the middle class. Certainly, we want to be fair to everyone. But I would much rather spend money on subsidizing the sale of cheap food in the cities than do an injustice to the peasants. I would much rather restore the incentive to produce food than make this false attempt at social justice for the industrial worker. I have every sympathy with the trade union. I have every sympathy with those who speak on behalf of labour, but I think that they are on the wrong path if they try to incite Government to a resort to State trading and monopoly control. That was the path of Stalin, for he crushed the peasants for the benefit of the new classes in the cities.

We want the reverse of it. We want to be fair to our peasants. We are a peasant country, and if the Prime Minister recognizes that, we shall be one with him. Therefore, let us be fair to our peasants first. They are the real proletariat of India. A free market and decontrol, which the late Rafi Ahmed Kidwai brought about and which Mahatma Gandhi advocated, is what I am advocating. After decontrol, for people in the cities, the poor people, certainly let us spend some money so that we can feed them at fair prices until, with the free market, agricultural production goes up, the incentive works and the peasants give you everything you want without subsidies.

Lastly, I am very glad that at last the export of foodgrains and edible foods has been stopped. Some of us had to fight for this for about a month. Some of my colleagues had to be beaten with lathis and sent to jail for a few hours in Bombay to make this issue clear. So long as there is an absolute shortage of food in India, it is wicked to allow a single grain of rice or a single tin of groundnut oil to leave these shores. Humanity does not permit it. We cannot go on receiving free food from abroad and go on exporting food to other markets for a little foreign exchange. It is not worthy of the dignity of this country. I am very glad that, though belatedly, the export of foodgrains and other edible foods has been stopped. I hope that the embargo will be maintained until the shortage disappears.

6. LACK OF GUTS*

Let us consider the food policy of this Government, such as it is. Professor Sukhatme, an Indian economist on the staff of the FAO, estimates that our needs for the next five years are 100 million tons of additional food to keep pace with our growing population and our needs, because the demand for food is growing at the rate of four per cent per annum compound. This means that we have to expand our food production not just a little but tremendously. Food production can be only expanded if the inputs of capital into land are increased and these are very simple: water, seeds and fertilizers, to over-simplify a little. Now, it has taken us till now fifteen years after planning started to

* From a speech in the Lok Sabha on 26 August 1965.

discover that Mexican wheat suits us best, and so now we are getting seeds of Mexican wheat. In the last few months we have at last discovered that Formosan rice suits us best and we are now cultivating seeds of Formosan rice. This is the nature of our planning! It takes fifteen years to locate the appropriate seed for wheat and rice—our staple commodities. When rainfall fails, we blame Providence. It is not Providence that is to blame. After seventeen years of Independence, only 20 to 22 per cent of our acreage is irrigated. Is that the fault of Providence? Is it Providence's fault that the first three Plans have been so neglectful of irrigation and agriculture? Similarly, with regard to nitrogen and fertilizers. We have today available 600,000 tons of nitrogen content fertilizers. But our needs are three to four times as large.

We are told now that, in the Fourth Plan, priority is being given to agriculture. I would like it if that were so, but I find no evidence to support that proposition except vague statements by Ministers.

On the contrary, if you turn to the Memorandum on the Fourth Plan laid on the Table of the House last session, you will find that there is not the slightest sign of any shift in our priorities. We are still obsessed with heavy industry and we seem prepared to go ahead. Let me give the figures for agriculture. The proportion of the percentage of outlay on agriculture, in terms of the total outlay of the Third Plan and the Fourth Plan, shows that the allotment to agriculture goes up from 13.3 per cent to the magnificent proportion of 15.4 per cent! But the funny thing is, having done that, and given something a miserable pittance with one hand, they take it away with the other! Because the proportion or the percentage for irrigation goes down from 7.9 per cent in the Third Plan to 6.4 per cent in the Fourth Plan. No doubt it shows how little we care for drought. Therefore, the total, as given on the 11th page of the document, shows that for agriculture and irrigation combined, the percentage goes up from 21.2 per cent to 21.8 per cent. Verily, the mountain has brought forth a mouse! An attempt is being made to throw dust in the eyes of the people when they say that the Fourth Plan gives priority to agriculture; there is nothing of the kind. The Fourth Plan is as neglectful of agriculture as the Second and Third. Like the Bourbons, these people have learnt nothing and forgotten nothing. Therefore, they are throwing dust in the eyes of the people. Agriculture will

continue to be neglected if the Fourth Plan in its present proportions is enacted.

Along with production, equitable and effective distribution is also very important. There must be a fair price to the peasant, and a fair price to the poor man, the consumer in the city.

For the first time, the peasant gets social justice, to use a word that has been so popular but which is never practised. I rejoice that the rural population of India is getting a fair deal for the first time, that they are able to feed their children and not starve them for the sake of my children and yours. It is a good thing that is happening; let the peasant eat a little more. But this Government, which tries to keep prices down for the peasant, cannot keep down the prices of other things, because of its own inflationary policies.

Let us consider what they are doing about prices. Have they got a price policy? I say—no. The Minimum prices that are being offered to the peasants are not unfair: I concede that. But on the question of maximum prices, the Agricultural Prices Commission appointed by the Government have themselves come to the unanimous conclusion in their report, which I hope Hon. Members have seen, that there should be no maximum price for private purchase in any commodity. This is a sound conclusion to which the Commission has come unanimously. But what is the Government doing? Did they have the courage to accept that decision? No. They have funked it. What they have done is that they have neither accepted this nor rejected it; they have passed the buck. They have passed the buck to the State Governments. They have decided that each State Government may decide whether there should be maximum prices or not.

Again, zonal barriers are a most pernicious thing. Politically they are bad and anti-national. They have divided this country, which was one common market, into a set of principalities where every district magistrate can hold you up to ransom, if not the State Government. Economically, it is bad because it is allowing the States which have a slight surplus to be selfish at the cost of others.

We talk of profiteering and hoarding. I say that the Congress Governments at the Centre and the States are the biggest hoarder and biggest profiteer in India today. I will give one or two examples. Madhya Pradesh sells coarse grains to the State

of Maharashtra. They make a margin of profit of 30 to 40 per cent on the coarse grain they buy from the cultivator and sell to us. Should we not call it profiteering?

Similarly, are the Government not behaving like hoarders? My Hon. friend says he has collected three million tons. When prices were rising during the last few weeks and months, when people were so desperate as to face bullets, how much have they released every month and every week during the last few weeks and months? I say, you are hoarding the grain that you have collected. You are sitting on it, because you are playing safe. I wish this Government would remember their old colleague and my old friend, Mr Rafi Ahmed Kidwai. In very similar circumstances, that man had the courage to decontrol, to remove the barriers and restrictions. He had Mahatma Gandhi's precept behind him, and he won. That kind of guts this Government is incapable of showing.

5. THE WORKER'S RIGHTS

LABOUR'S FRIEND—CONGRESS OR SWATANTRA?*

It appears to me that the tragedy which we are discussing is, like all real tragedies, not a clash between right and wrong, but between right and right. There are two kinds of right principle or logic which have come into collision on an occasion like this. On the one side, the Fundamental Rights in our Constitution give every citizen the right of freedom of association and the right to deny his labour. These are very sacred rights and any attempt to deny them must be very carefully considered and very carefully limited.

Similarly, the Directive Principles of our Constitution lay down certain economic policies like giving everyone a living wage; and certainly, as Mr Asoka Mehta argued, the erosion of the real wage of low-paid employees is something that we should do everything possible to avert. These are the principles —the right of freedom of association and the right to strike, which distinguish a free man from a bonded slave, and also the right to certain minimum standards.

On the other hand, there is another equally valid principle,

* From a speech in the Lok Sabha on 8 August 1960.

and that principle is that of the normal functioning of a community. The British phrase has it: "The King's Government must be carried on," and in our own country, the President's Government must proceed, and anything that disrupts the normal, ordered life of the community or of society has to be eschewed. From this the corollary follows that our civil services and States employees—I am talking of the civil services proper, the Secretariat establishment, and not of industrial workers—must be immune from political influence or political affiliation. From that also follows a corollary that their associations and unions, when recognized, should be confined to those who belong to these vocations.

So far as the employees are concerned, their case is that their real income had been eroded by a constant process of a rise in prices. Mr Asoka Mehta has made out that case clearly and I will not cover that ground. It cannot be denied that they had a valid claim to compensation to maintain their real incomes, not to ask for more money but at least to be safeguarded that what they got in 1947 would be the real wages they would continue to get. What is the root cause of this difficulty?

The rise in prices followed from governmental policy. It followed from the pattern of planning to which this country has been led during the past decade. This pattern of planning has built in it, has inherent in it, inflation. This has been pointed out from the very beginning of the Second Plan by a number of people like Professor Shenoy who dissented from his colleagues in the Panel of Economists to point out that if this Plan was sought to be put through there would be a rise in prices and inflation. This warning was repeated on the floor of this House by many of us from 1957 onwards. By deficit financing, by excessive taxation, by the imposition of excise duties on the necessities of life, by obsession with capital incentive projects like steel plants to the neglect of the wants of the community, this Government has almost deliberately set in motion a process of inflation.

The employees who are low paid come before the Government and ask for compensation. Is it fair, the employees say, to ask others to be generous rather than those who like Government themselves are rich and powerful? There is no denial

that the employees' basic demand of 100 per cent compensation is justified in principle.

Similarly, who has created this enormous class of under-paid civil servants? It is alleged that three clerks today do the work one clerk could do perfectly satisfactorily in our Secretariat. On whom does the burden lie of creating this huge army of under-paid and under-worked people? If one clerk had been there he could have been paid much more. You have today three under-paid and under-worked clerks. The entire responsibility for this enormous loss in civil expenditure, which one Finance Minister after another has been unable to control, this expansion of bureaucracy which far exceeds anything that Professor Parkinson ever dreamt about, it again is the responsibility of the Government of the day. So, this is the economic root cause of the strike and this responsibility must lie squarely on the shoulders of the Government.

Then, we come to the immediate crisis. Faced with this demand, Government appointed a Pay Commission. The Pay Commission made its report and, as the Home Minister has pointed out, with some modifications, those recommendations were accepted. But, the Pay Commission, if I may point out, is not a judicial tribunal. The Pay Commission was an advisory body. Its terms of reference asked it to take into account not only the justice of the employees' claims but all the political and economic factors that go into the making of government policy. And, like men of affairs, like practical men, although they saw the justice of what the employees were entitled to, they also saw the practical difficulties in the way of those demands being met. And so they tried to reconcile the conflicting points of view.

The point I am making is that reference to the Pay Commission which the Home Minister rightly called "a high-power body" was not a reference to a judicial tribunal whose award would be binding. There is a very big difference between these two things.

I am making this point because I was very happy to hear from the Home Minister this morning that, at long last, Government have agreed that in their disputes with their employees, where necessary, they will bow to the rule of law.

In this very House, three years ago, on behalf of the Indepen-

dent Parliamentary Group, to which I then belonged, I moved an amendment, a simple amendment, saying that before a strike is declared unlawful, Government should agree to refer it to arbitration or adjudication. To my regret the Hon. Minister of State, who is sitting opposite, refused to accept that amendment on the plea that Government could not accept arbitration. Everything must be left to their discretion, to their wisdom as to what they would do in the end. This is what led to the strike. If, in that Bill, a clause for arbitration had been put in, I make bold to say that there would not have been the strike in the last few weeks. However, let us be glad that, as Mr Asoka Mehta put it, faced with a major catastrophe, the consciousness of the rightness of what Gandhiji used to call the rule of law, has been at long last accepted by Government in their dispute with their employees. It is a great advance for Government and the employees and for our country as a whole.

We were told by the Home Minister this morning that Government propose to ban strikes of government employees. Or, did he say civil services? It is very important – the word he used and the category of servants. I would like to make a respectful suggestion that before we put in this word in the Bill that is to come before us, we should examine it carefully on merits. It is an important thing to distinguish between different classes of government employees. One rule or one yardstick will not serve for different categories of government employees. I am sure the Labour Minister is aware of the international legislation on this subject. There are civil servants proper who work in the Secretariat; they are one category. There are workers in essential enterprises, who are another. And, then, there are the normal, common industrial employees of Government and particularly of a Government that barges unnecessarily into producing things. These employees, the third category, are no different from any other private employees and no attempt should be made to distinguish between the ordinary industrial employees of government and those who work in other factories. But in the case of the first two, civil servants and the essential services, I think the Government would be entitled to come before us with a set of proposals distinguishing them from normal employees and limiting their right but also defining the procedures by which alternative remedies could be given to them.

I do not want the banning of strikes. I would come to it later. In regard to the recognition of associations or unions of the first two categories of people, Government would have every right to say that membership and leadership should be limited to the actual employees and that outsiders, whatever their political affiliation—even Mr Kashinath Pandey—should not be allowed to lead them. That follows from what I said earlier, that civil servants must be immune from political affiliation or interference.

I believe it is legitimate in a democracy to ban strikes in a very limited sphere like the essential services.

In this connection, may I say that I hope the Prime Minister was misquoted this morning when it was reported—I hope wrongly or inaccurately reported—that he told a Congress Party meeting that he for one had never criticized the Soviet dictatorship for banning all strikes by all workers? Once we ban strikes by all the workers we become a totalitarian dictatorship and cease to be a free society. I do believe the Government have no such intention. Therefore, let us limit the truncating of the right to strike to essential services and civil servants proper. In regard to these, I would prefer Mr Jayaprakash Narayan's approach—trying to get an agreed formula for arbitration, if you like compulsory arbitration as in Australia, because we know compulsory arbitration automatically prevents a strike. There could no longer be a strike once compulsory arbitration or voluntary arbitration is agreed to. I would suggest to all concerned, including those who lead the Government employees, to agree to the principle that all disputes between them and the Government should be justiciable and should go to a tribunal of some kind chosen with the consent of both parties. Once it is done, it is obvious that the right to strike has been foresworn and abjured and, therefore, a legal ban may or may not be necessary. If it is, let it be a formality but let it follow rather than precede the other remedies. I advanced the proposition three years ago and I am glad it is being accepted. You cannot deny a man the right to deny his labour unless you give him the right to a judicial recourse. Once this has been accepted, you can illegalize strikes in these limited spheres of activity.

6. FOREIGN AID

FOREIGN CAPITAL, YES! GOVERNMENTAL LOANS, NO!*

THE thing I am concerned with is the extent to which this Budget seeks to dump on the shoulders of the foreigner the greater part of the burden of the development of this country. In gross terms, India is asking for 75 per cent more economic aid for the Fourth Five Year Plan than it did for the Third Plan. The share of the United States and the World Bank in the totality of economic aid is to go up, if the Government's wishes are responded to, from two-thirds to three-fourths of the total.

Professor Shenoy, one of our most able economists, has calculated that, if the aid received is valued, as it should be, in terms of the real conversion value of the rupee, which is today 9 rupees to the dollar, then the support that this Budget demands from foreign aid is around two-thirds of the capital outlay for the year and about one-third of the total budgetary disbursements. Professor Shenoy goes on to make a remark, which is startling, that "except for a year or so in the case of one or two countries, at no time of the post-war reconstruction phase did any of the

* From a speech in the Lok Sabha on 3 May 1966.

Marshall Aid countries receive aid in such massive proportions." As has been said, is a shame, it is scandalous, that we should be that dependent on the crutches of foreign aid.

Let me make it clear that we on these benches are not against international cooperation and the acceptance of foreign capital. Far from it. We are very much for it. But we are against excessive dependence on Government-to-Government loans. We look upon Government-to-Government loans as a drug, if not a poison, a drug that has to be taken in very small quantities and for very specific purposes, while we look upon equity capital as vitamins, as nutrition, as something that can be taken in as large proportions as possible with benefit to the body politic. We think that the Government-to-Government loans are only valid and legitimate if given for infra-structure, for limited purposes like education, irrigation, power, transportation, communications, but nothing else.

There are three reasons why Government-to-Government loans, which our Government is pursuing today in Washington and New York, are bad for this country. It is a fallacy first of all to suggest, as was done the other day in a press communique arising out of the Prime Minister's discussions with industrialists, that loans are cheaper than equity capital. Nothing of the kind. The mere fact that loans are available at a lower rate of interest does not make them cheaper. In deciding what is cheap or expensive, it is the rate of return you get on that capital which is more important. The fact is that the Government cannot use these loans or capital remuneratively, and in fact this Government has not done so over the last several years. We know of the colossal misdirection of resources, specially in the State sector, which has been taking place during the Second and the Third Plan.

The second reason is that the Government-to-Government loans come at our risk. However badly our Government invests this money, India has to repay the capital and interest. This is not so when private capital comes in. When a private investor comes to invest his money, he comes at his own risk. If he makes a profit, he can take his profit back. If he makes a loss, he leaves the money in this country and goes back empty-handed. The Government and this country have not to pay for his failure.

A third consideration is the political strings that Government-to-Government loans have; they are full of implications of a

political nature. This is not just hindsight on our part. In the Election Manifesto of my Party, published in 1962, we had said this on the subject:

> The Congress Party's pattern of planning is based on extensive foreign aid that hangs on the slender thread of international peace which may snap any day. The Swatantra Party is totally opposed to the policy of huge foreign debts being incurred without any plan or prospect of adequate exports to enable India to discharge these obligations. The Party will endeavour its best to halt this grievous programme without damage to the national reputation. The Party will support and encourage the flow of foreign capital into private enterprises in India which would contribute to rapid industrial progress.

As I said, ours is not mere hindsight. We were prophetic in a sense. Last year, in August-September, what we foretold, i.e., that this foreign aid would dry up as soon as war took place, actually happened. Today, our Planning Minister is there in Washington pleading that the suspended aid should be revived. We think that this is altogether undesirable from the point of view of the country.

Therefore we come to this conclusion that, unless this Government's policies, which we have been fighting for six years, are radically changed, the effect of any more international assistance in Governmental loans will be to bolster the rotten planning and the bad economic policies of this Government and, as Rajaji has rightly pointed out, to give this mis-Government, for that is what it is, another lease of life by propping it with political support and thus interfering in our internal affairs.

Now people will ask: is there not a change for the better? Is there not a more pragmatic approach to these questions? Is not the Government, under pressure from the World Bank, changing its policies? It is true that recent statements of the Prime Minister have shown a fresh and pragmatic approach. In her "person to person" broadcast, for instance, she said that socialism should not be "a book of words nor a bundle of high-sounding promises." I congratulate the Hon. Prime Minister on this unintended but very accurate description of the policies of the Governments of the two Prime Ministers who preceded her!

In her reply to her critics in her Servants of People Society speech on April 30, there are many encouraging things. Encouraging in particular is her reference to the successful recovery of Germany and Japan with the help of U.S. aid. We have always said these two countries should have been our example, not the wretched Soviet Union. They are a model for this country.

Then she went on to say that "this is a changing world where new problems keep cropping up and these have to be solved in a new way." She also stated that "policies are not a stone edict which cannot be changed. Policies are there to serve the people. If they do not do good to the people, we shall change them." And finally she stated the "Government rules and regulations cannot change the ills of the country. It is the people who can do it." An excellent sentiment. This sentiment might well have been picked from the Manifesto of my Party!

I want to assure the Hon. Prime Minister that if she pursues this pragmatic, fresh line of thought, the younger people throughout the country will rally behind her and the whole country will support her.

Unfortunately, the one party from which she has not got any support is her own Party and her own Government. It is perhaps natural that the two former Ministers who were removed from office for improper behaviour or unfitness to hold office by their own Prime Minister, who was a personal friend of both of them, should lead the attack on the Prime Minister with the ridiculous idea that the Government is out to sell the country. This is not unexpected from two Communist fellow-travellers of their ilk. What is surprising is that so many good members of the Congress Party have not come forward to say a word in contradiction.

For instance, Mr Krishna Menon spoke with a jibe and a jeer about that great and friendly country, Brazil, three times as big as our country. While he was making that cheap jibe here, the Brazilian Ambassador in India announced at the same time that his country was in a position to give us a free gift of 500 tons of rice to help our country out of the mess to which this Government has brought us! Though it is a small gift, they are in position to give and we have to accept it. That is the main point. It is hardly a country at which a finger can be pointed.

No doubt, Mr Malaviya and Mr Menon would want us to follow the example of Nkrumah and Sukarno, two gentlemen

very much of the same kidney, who in their own countries have been thrown out of power or are in the process of being thrown out of power. Any day, Brazil is a better example than the Ghana and Indonesia of Nkrumah and Sukarno, which they would want this country to emulate.

But what is amazing is that, apart from the Prime Minister, there has been no fighting response from any member of this Government or any member of that party. On the contrary, there are apologetic noises, and the Government is entirely on the defensive. Recently, Cabinet Ministers have one after another made apologetic statements.

The fact is that a drastic change in overall policy is necessary if India is to survive, and this needs to be frankly admitted. Let me quote a sentence from Mr Mulgaonkar's article in the *Hindustan Times* of April 27 to show that we are not the only people who notice this cowardly, apologetic attitude on the part of this Government in the face of the challenge from the crypto-communists and communists. He wrote:

> The challenge of the Malaviyas is easy to meet on the facts. And that is exactly how it is not being met. The Government, far too often, gives the impression of being on the defensive, of denying that a change is sought, of laboriously searching for loopholes in the wording of past policy declarations to justify what it knows to be compelling reasons to alter course if total bankruptcy is to be avoided.

I must regretfully say that I see no indication that Mr Mulgaonkar's good advice is going to be taken.

Let us assume that even if foreign loans are undesirable in a big way, we are in such a plight today that this Government had to send my friend Mr Asoka Mehta on what may be called a firebrigade operation. Let us assume that that may be justifiable as a short-term expedient. But what is the way they are going about? Our needs are urgent. The essential supplies for industries are running out. If they are not available in the next few months, the wheels of our enterprises will grind to a stop. But the Government is so handling this matter that the outlook is that there will be no decision by the Consortium till October, and after the Consortium makes its recommendation, the U.S. Congress will

be asked to consider what appropriations to make. For the six months' delay which will thus take place, we shall have nobody to thank but our own Government.

I feel that the Prime Minister's mission to Washington was badly misconceived. I would like to compliment her on the grace and the charm with which she behaved, the dignity which she showed, and the hearts that she won. That was a very good thing, and we were all very happy. But between establishing an intellectual *rapport* and getting the assistance that this country needs there is a great difference. Fair words, it has been said, butter no parsnips. She, unfortunately, announced before she went there that she did not want to talk business or to ask for aid, and President Lyndon Johnson took her at her word, quite rightly and naturally, from his point of view, although it does not suit us. He took her at her word and said: "Fine, in that case, please send someone to talk to the World Bank," or, in American parlance, he passed the buck, and he was perfectly entitled to, because we gave him the opportunity.

I think the Prime Minister should have gone properly equipped with the necessary people, accompanied by my friend, the Finance Minister, to talk business with the American Government and come back with some concrete proposition. When Mr Macmillan or Mr Wilson or General DeGaulle cross the Atlantic, they do not go just to establish a *rapport*. When Dr Erhard goes to discuss hard concrete business, he comes back and reports to his people on what he has brought back. I think that, if the Prime Minister had done that, she could certainly have got very good dividends.

And now what happens is that this Government can find no more suitable person to send to negotiate this very delicate business than the author of that egregious Saugar speech, with its many follies and its howlers. Was that the best person for this Government to send in order to inspire confidence in the economic realism of this country?

And what does he do? On April 21, in the *Indian Express* he is quoted as saying:

> I have not travelled 10,000 miles in order to discuss the exchange value of my currency. What we do with our rupee is

a matter for the Government of India to decide. We shall not discuss it with anybody.

What impertinence! You ask people to take a rupee and say: "This is 20 cents; give us 20 cents worth of goods," and they say to you: "But this is not 20 cents; your paper rupee is worth only 10 cents. Therefore, let us discuss what is to be done about the fact that you have by your inflationary policies brought your rupee to half its value." You can answer them; you can say: "We do not believe in devaluation," nor do we. But you cannot say that you will not discuss it.

The value of the rupee, like the value of the rouble or the pound, is a matter of international concern. When you do international business and try to sell your rupee and get goods in return or other currency in return, then it is everyone's business, particularly that of the World Bank, to say that your rupee is not worth what you pretend. And to send a person who makes this kind of egregious remark, which must have made a painful impression anywhere outside this country, except amongst these limited ranks, is something that is a matter for worry. In other words, this Government is following a policy which has been well described by a journal as "a combination of subservience and bluff." This is not the kind of policy that is going to win the regard or the friendship or the help of the world. It makes such a painful impression in India that one can only wonder what kind of impression this Government is making abroad.

This Budget has thrown the greater part of the burden of the development of this country on foreign shoulders. Instead of going out for foreign capital, which would be productive, they want to go in for more and more Government-to-Government loans, thus mortgaging further the economic future of this country. And they are going about it in a most inept way.

I frankly do not see any hope for this country unless another Government, which is more pragmatic, which is more open-minded and which is less doctrinaire, can take its place and face the world on more equal terms.

7. THE DEVALUED RUPEE

1. THIS THING CALLED INFLATION*

DURING a recent debate in Parliament on planning, the Prime Minister opined that there was no harm in a little inflation which might actually be a good thing. This recalls the story told during World War II of one whose job it was in Washington to hold the wage-price line being visited by a friend who propounded the theory that perhaps, after all, there was no harm in a little inflation. To this the harassed officer's reply was: "Well, may be you are right; but you know a little inflation is like a little pregnancy—it keeps growing."

Before we can decide which of these views is correct, let us find out what exactly inflation is. Briefly, it may be defined as a state of affairs where too much money is chasing too few goods and services.

Money is a link between yesterday, today and tomorrow. In an expanding economy such as ours, production and employment keep increasing. To cope with this, the supply of money should also expand in the same ratio as output. If this parity is maintained, prices remain stable; and price stability is essential

* From INFA Article, 15 December 1960.

to economic stability. Where, however, the expansion of money outpaces production, we have a state of inflation.

Now, what causes inflation? This phenomenon may emanate from one or more of three causes: (i) Budget deficits of government met by the printing of currency notes or the issue of Treasury Bills, which is politely described as "deficit finance"; (ii) Creation of credit by commercial banks; and (iii) Surpluses in the international balance of payments.

What is the magnitude of the current inflation in India? There was no inflation during most of the First Plan period but inflationary pressures appeared in the last year of the Plan. The situation appears to have changed abruptly in 1955-56 and this unfortunate situation has continued since. The fact of money supply outpacing production is reflected in the fact that during the past five and a half years, there has been inflation to the extent of 33 per cent in India, while during the past six months there has been a rise in prices of approximately 14.2 per cent, which is double the annual average of the past five years. If one goes further back to 1939 at the beginning of World War II, one finds that today's rupee is worth only 20.6 naye paise in terms of purchasing power of the pre-War rupee.

It may be asked: Does it matter much if there is inflation? I am afraid it does. Inflation retards the pace of economic development in two ways. First, inflation stimulates consumption and, therefore, reduces the overall availability of savings. Secondly, it diverts a part of the reduced savings into such things as the hoarding of gold and investment in urban landed property. The availability of savings for investment is thus reduced.

Inflation has also other evil effects. It causes a disequilibrium in the balance of payments, thus increasing the pressure towards increased imports and reduced exports. It puts a premium on inefficiency and sows the seeds of unemployment. It mulcts large numbers of lower middle classes and working class people with fixed incomes by reducing the value of the rupee in their pockets. It transfers income from the poorer to the richer classes. It is thus anti-social and anti-socialist. No advance to social justice is possible unless it is based on an honest rupee.

Inflation is theft. Acharya Kripalani described it in Parliament as "pick-pocketing." The great economist Keynes wrote:

"Debauching a currency saps the foundations of society more subtly, swiftly and permanently than any other conspiracy."

How can the current inflation in India be remedied? There are those who believe that inflation can be checked and prices stabilized by governmental controls. This is a fallacy. Any attempt of this nature is like fighting the symptoms and not dealing with the cause of the disease. In a democracy, such controls can never be effective. People in want cannot be induced or coerced not to spend the money put into their pockets. To the extent price controls are effective, the flow of money to the controlled sector of the market would lessen but its flow into other sectors would be correspondingly larger even as, when the flow of flood water is checked in one direction, it flows with greater force in another. The lower prices of the controlled would be balanced by the higher prices of the uncontrolled commodities. The average of the two, namely, the general index of prices, would still reflect the state of inflation. Those who therefore talk glibly of "holding the price line" are faced with a dilemma: they will have to choose between ineffective controls and the establishment of a totalitarian dictatorship involving the destruction of the Constitution of the Republic and our free institutions.

What then is the remedy? Since the cause of our current inflation is the attempt in the Second Five Year Plan to invest resources which simply did not exist and to invest them predominantly in heavy industries which do not give a quick return, the first act of rectification is for the Third Five Year Plan to be radically changed so that it cuts the national coat according to our cloth and gives priority to agriculture and consumer goods industries which give quicker and better returns than the proposed fourth steel plant. It will also be necessary to cut down unproductive non-developmental expenditure.

As Graham Hutton puts it in his recent book *Inflation and Society*, a country placed as ours has only two alternatives: "There are only two roads: one leading to the overthrow of democracy and personal freedoms altogether; the other leading back to sound money and a reasonable balance between State and private economic action upon which personal freedom depend." The latter is the path the Swatantra Party advocates.

2. THE SAGGING RUPEE*

During the last four years, there has been a 15 per cent rise in the general level of wholesale prices. The rupee today is worth exactly 17 paise of the old pre-War rupee. A laboured apologia recently published by Government and circulated to Members of Parliament says: That may be true; but that is not our fault because much of this inflation and depreciation of the rupee took place earlier during the last War and after. It is like a doctor saying: "True, I killed the patient, but mine was only the last dose; others had poisoned him earlier." If it was known that the rupee already was worth 20.6 nP. three years ago, what business did anyone have then to further debauch the rupee by bringing it down to 17 nP. in terms of the old rupee?

So, while it is partly a problem of failure of production, of being unable to keep up with our population rise, there is a bigger problem, that is, the food crisis today is a reflection of our monetary and economic crisis. What is wrong basically is our rupee. It is no longer an honest rupee. Those in office for the last ten years have debauched and degraded the rupee.

In this situation, when the guilt is very clear—it lies on the Government of this country for the past eight years, since the Second Five Year Plan started—there is a natural desire to look for scapegoats. The Food Minister let himself go by saying we must "break the producer-trader axis"; in other words, it is not the Government which created inflation all these years, it is not the Second and the Third Five Year Plans which were cockeyed, but the peasants and traders of India who are the real culprits!

It is said that the peasant eats too much these days, more than he ate before. I hope he does. It is time that the poor peasant ate more. For a hundred years we have been sitting on his back, as Gandhiji used to say. The rulers of this country since Independence have done exactly that. Surely, the peasant and his children have every priority over us in the cities when it comes to eating, because the peasant works on the land and grows the food with his toil.

Why should the peasant sell his grain when he does not get a fair price? The problem of the peasant today is that the parity

* Article in *The Onlooker* (Annual), 1965.

of prices is all wrong. Industrial prices are allowed to go up, but the price that the peasant can get is controlled to the extent that there is monopoly procurement by the Government. This is a crying injustice. If there is any real proletariat in India, it is the peasants and not the industrial workers. The income of the industrial workers is many times the income of the men in the villages. When the peasant goes to the market, he finds that the price of his cloth has gone up. Everything that he needs he cannot get at economic prices and then he is told to be patriotic and to sell his grain cheap because the people in the cities will starve. What kind of social justice is this?

Let us then not label the honest peasants and traders as profiteers. The fault lies elsewhere. If an axis has to be talked of, what about the Politician-Bureaucrat Axis? Can anything more sterile and unproductive be thought of than the politician in office and the bureaucrat? The peasant and the trader at least perform some social and economic functions. What economic functions do the bureaucrat and the politician perform? What do they produce for the country?

Let us, as Gandhiji used to say, turn the searchlight inwards. It is the ruling political class that has brought the country to this fix and not the peasants and the common people of the country. If the rupee has depreciated, let us not blame the profiteers. If food is short, let us not blame the hoarders. These are symptoms of the disease; they are the effects, they are not the causes. It is the shortage that produces profiteering and hoarding. It is the fouling of the currency that produces profiteering and black money. Let us not fight the symptoms; let us look for the disease.

The Prime Minister has suggested that all prices should be fixed because he is aware that you cannot only fix food prices while letting other prices rise. His motive is good. But I would like to plead with him that he cannot fix all prices.

You cannot defeat the law of supply and demand. Prices are like water and they find their own level. If you stop the price of one commodity, the prices of all other commodities will rise proportionately. If you fix the prices of six commodities, then the prices of commodities other than the six will go up proportionately. If you fix the prices of 50 out of 100 commodities, then the prices of the remaining 50 commodities will go up proportionately. You cannot fix the price of everything under the sun

without destroying the entire economic apparatus of supply and demand and denying the consumer a little chance to say what he wants.

Graham Hutton, the British economist, puts it very well. He says the lady goes to the plastic surgeon to remove her double chin. He performs the operation and the double chin goes, but the darned thing comes out at the back of the neck in a bulge! I would ask my friend the Prime Minister to think a little and find out if this is not so. I want to warn him. If he tries to control in good faith the prices of the commodities of daily use, the danger is that it will distort the whole pattern of production which will send up the prices of other commodities. You cannot go on pursuing this to the bitter end because you will come to a *reductio ad absurdum*.

Similar considerations apply to gold. The desire for gold or the "lure" of gold is partly due to its aesthetic qualities and traditional prestige, but primarily as a secure form of the investment of savings.

The continuous erosion in the value of the rupee in terms of purchasing power has increased the value of all other articles and commodities and raised prices all around. Because of the prestige of gold and its high value in terms of bulk, this particular metal has been favoured over other objects of value as a form of retaining savings. For the peasant in the villages, where there is hardly any alternative due to the absence of banking facilities, gold provides the most important security for credit. The refusal to allow imports to meet indigenous demand has created a black market and this, in turn, has provided a tremendous incentive to smuggling.

There is agreement on the proposition that it would be all to the good if people would invest their savings in industry and business by buying shares instead. But for that to happen, incentives are needed, such as a sense of security to the entrepreneur and a good rate of return on the investment. Today, such security is conspicuously absent in India because of the threat of nationalization, the network of controls and the vindictiveness often underlying Government's policy towards people's enterprise. The return on capital is inadequate because of excessive and savage taxation. Unless these basic policies change, no power on earth can stop people from wanting to hold gold

and others from smuggling it to meet the demand. The only way to make people lose the glamour of gold is to offer an Honest Rupee whose value tomorrow and ten years hence will be the same as it is today.

What then has to be done? Certain long-term and short-term measures which can alleviate the present situation can be suggested. Among the long-term measures, the very biggest is to correct the order of priorities embodied in the Second and Third Five Year Plans. The First Five Year Plan was all right. But since the Second Plan, this is not the position. I recall that the Plan Frame, the document on which the Second Plan was based, was prepared by a Communist fellow traveller named Professor P. C. Mahalanobis, still a member of the Planning Commission, with the cooperation of a group of Soviet and Polish Communists sitting for a year in the Indian Statistical Institute at Calcutta. That is where we started going wrong. We got wrong advice and we went off the rails. Since then, our entire pattern of priorities has been unbalanced.

I am not against heavy industries as such. I stand for all-sided balanced development. We need heavy industries, but we do not need them as much as we want food, clothing and shelter for our people. We do not need them as much as we need roads to move the food and other things for our people. So, what we want is balanced development. The order of priorities in the Plan has been unbalanced. It needs to be balanced. If you starve agriculture in this manner, it will starve you. If you feed agriculture, it will give you a bumper crop. Therefore, this undue priority, this concentration on wasteful, heavy engineering projects has to stop. I am for a balanced development where heavy industry, light industry and agriculture all have their proper place.

Let us consider the example of Communist China. Communist China, which made the same mistake that we have made in a more accentuated and exaggerated form, climbed down last year. Mr Chou En-lai went to the Chinese Communist Congress about a year ago and said: The Great Leap Forward has failed; we are now changing our order of priorities. I shall quote him. He said: "From now on, we shall have agriculture, small consumer goods industries and heavy industry, in that order."

Another thing we need to do is to cut our coat according

to the cloth, to stop deficit finance and inflation. During the years of the First Plan, money supply went up by 12 per cent, and the national income went up by 18 per cent. That was all right. Our production and supplies went up, and money supply also went up but not so much. In the Second Plan, the tide turned because of Mr Mahalanobis and his friends; money supply went up by 29 per cent, while national income went up by only 20 per cent. So, we are already starting on the path to bankruptcy. The Third Plan has completed that process. The money supply went up by 31 per cent and the national income went up not even by 10 per cent. This is the path to insolvency.

If we go on living on resources which we do not possess and if we go on fabricating money which is worthless and putting it into the hands of the people, we have a crisis of confidence in the money. Why do people want to hoard grain or gold and something else? It is because they do not trust the rupee any more. Government have debauched our currency, and we are facing the consequences today. In the Third Plan target, it was laid down that a safe margin of deficit finance for the Third Plan was Rs 550 crores. I warned at that time that it was too much. I would have been very content today if we had stuck to that! But what is the position? In the last three years, we have already had deficit finance of over Rs 600 crores. The safe limit has been passed.

Is there any improvement now? No. We are going worse and worse into the disease. We have become addicted. During the past year, that is, during the period from 23 August 1963, to 21 August 1964, the supply of money in the country went up by 12 per cent. The output of goods and services has gone up by 4.3 per cent. Therefore, we have gone in for deficit finance or excess money to the extent of 7.7 per cent even during the last twelve months.

And even today, it has not stopped; but it has got worse even in the last few months. During the six weeks ending 10 July 1964, the report of the Reserve Bank says, Treasury Bills rose by Rs 149 crores, and most of this is deficit finance uncovered by goods and services. This figure of Rs 149 crores in six weeks is the highest so far of inflation and deficit financing that we have had since our Independence.

Finally, among long-term remedies, let us reduce taxation.

The excise duties are a direct inflationary influence. Similarly overtaxation at the direct level also brings about unaccounted money, an evil which can only be reduced by reducing taxes to a reasonable level.

There is so much to put right. When shall we start putting our shoulders to the wheel?

3. DEVALUATION FORECAST*

Is this budget inflationary or not? There has been a rise in prices as reflected in the wholesale price index, over the last two years, of 23 per cent and that increase is proceeding. The Finance Minister has ventured to hope in his speech that now prices will fall. I wish I could agree with him—we all would—but it is wishful thinking. I venture to make a statement here —I made it during the past two years and I was proved right—that prices will not fall and that this budget is an inflationary budget.

There are five concrete reasons why it is inflationary. First, the quantum of public spending remains unaffected. The Finance Minister claims that he has made a cut of Rs 6.4 crores. Even that is not true. By the very clever device of raising customs duties 10 or 15 days before the introduction of the budget, the Finance Minister raised what he calls "the existing level of taxation" and he then pretends to make a cut of Rs 6.4 crores for the edification of the taxpayer.

The increase in civil expenditure during the last year is Rs 85 crores and the Finance Minister has admitted in his speech that, if we take into account PL 480 transfers, that is, created money, civil expenditure goes up even higher. Now, why has civil expenditure been allowed to rise? What has happened to the Finance Minister's promise, made in this House, that he was going to bring about a cut of Rs 70 crores in all non-development expenditure? Against that promise we have a further deterioration in the expenditure on non-development purposes.

Then, again, there is an increase in Plan expenditure of Rs 241 crores over last year and, at this stage, may I say that, when

* From a Budget Speech in Parliament on 22 March 1965.

the Finance Minister in his speech lumps together the returns from Railways, Posts and Telegraphs and State enterprises, he is being unfair to this House.

I strongly object to the losses of State enterprises being sought to be covered up by lumping them with Railway and the Posts and Telegraphs operations. If you separate these, the results are tragic. The latest official figures published in *Hindustan Times* on the 2nd of March show that of 70 State commercial undertakings, only 13 made a profit at all—the vast majority were making losses on our behalf. It is estimated officially that the net return by the end of the Third Plan would be 1.05 per cent of the national capital so invested, but if the Railways are excluded, the average return on State undertakings sinks to 0.22 per cent.

The second reason why this budget is inflationary is the additional 10 per cent Customs duty. I would request the Finance Minister, when he replies to the debate, to tell us what is the revenue he expected from the 10 per cent regulatory Customs duty that he has imposed, because nowhere in the official papers can we find an answer to that question. We shall appreciate it. But the point I am making is that 10 per cent Customs duty will lead to a further rise in prices. These are intermediate goods which our industries use and naturally the end-product will go up in price as a result thereof.

There is yet another reason why the budget is inflationary: because of the savage excise duty on intermediate goods such as copper and steel. Take steel first. The larger part of steel, 80 per cent of steel production that is so taxed, goes to Government departments and organized industry who cannot be accused of blackmarketing. Only 20 per cent goes to small shopkeepers or traders where, no doubt, excessive profits might be made.

But for the sake of tapping 20 per cent, the Finance Minister claims: "I shall mop up excessive profits." He may do it to the extent of 20 per cent, I concede, but 80 per cent of honest consumers of steel and copper who are Government departments and organized industries are going to pay a higher tax and they will add it to the end-product because they are not making excessive profits. Therefore, the general effect of the excise duties will be to push up prices still further.

Fourthly, the budget is inflationary because the Finance Minister himself admits it. He says: "Part of long term borrowing represents deficit finance." That is the only place in his speech where he admits that he is going to resort to deficit finance.

Lastly, it may be urged that we shall check the inflationary effects of the budget by price controls. But we have here a great authority on this proposition. On 5 March 1965, no less a person than the Chairman of the I.C.I.C.I., Mr G. L. Mehta, expressed the same thought when he stated: "Price controls have not prevented inflation but only helped to divert inflationary pressures in other directions."

For all these reasons, this is an inflationary budget and in the next twelve months prices will rise, not through accident but because the Finance Minister, for demagogic purposes, has resorted to a budget that will raise prices.

Now, the second test is: Will the budget solve our foreign exchange crisis? The Finance Minister thinks that it will. I venture to say that the foreign exchange crisis will continue and aggravate as a result of this budget. Today, the scarcity of foreign exchange provides this Government with an alibi for so many defaults on its part. If anything goes wrong, it says: "Sorry, we have not got the foreign exchange."

Let me say that this shortage is synthetic. The shortage of foreign exchange is artificially created by the policies of this Government over the last decade. It is a consequence of debauching the value of the rupee deliberately through inflationary policies. The exchange value of the rupee in terms of the Pound or Dollar only means the price of the rupee in terms of those currencies.

Now, what happens if the price of a commodity is controlled much below the genuine market price? We know what happens. It disappears from the market and goes into the black market. We find that in the case of foodgrains. If you do not pay the farmer a fair price, he hoards the grain and puts it in the black market. Recently, we had this phenomenon in the State of Maharashtra in the case of jowar.

The same thing happens to the Dollar and the Pound, the German Mark, the French Franc and the Swiss Franc in our country. Government insists on undervaluing the Pound or the Dollar and rationing its use. It is exactly what is done in the

case of foodgrains—monopoly procurement and rationing. It makes itself a monopolist in the import of Dollars and Pounds, and it rations it to our people. What happens? They go into the black market.

Let me give the real price of our rupee from the weekly *Newsweek*, which publishes a column every week on foreign exchange throughout the world in the free market. The price of the rupee in the free markets of the world has this story to tell. It is a very sad story.

On the 17th of June 1963, as against the official price of Rs 4.75 to the Dollar, the rupee was worth in fact Rs 5.70 to the Dollar. On the 6th of January 1964, the rupee depreciated further and fell to Rs 6.65 to the Dollar. On 9th of November 1964, the rupee had gone further down to Rs 6.90 to the Dollar and on the 1st of February 1965, on the eve of this budget, you could get a Dollar in the free market for Rs 7.20. That was bad enough.

Let us see what this budget has done, this so-called anti-inflationary budget, which is going to solve the foreign exchange crisis. The day before the budget was introduced, you could get a pound sterling in the free market for Rs 24. The day after the budget, you had to pay Rs 27 to Rs 28 to get a pound sterling. In other words, those who operate in international exchange recognized that this was a bad budget, which was going to depreciate the rupee further. And the price today is Rs 27 to Rs 28 for the pound sterling.

There will be no shortage of foreign exchange if you try to do your international trade on honest terms. Having used up all the reserves as a result of this policy of bankruptcy, we now go cap in hand to the United States Government, to the World Bank, to AID, to IDA, and to the Aid India Club and we ask for more and more like Oliver Twist.

The sad fact is that today foreign aid also is going into the black market. Foreign aid, instead of helping our country, is being used to pay for our adverse balance of payments. Foreign aid today is leaking into the black market, and unintentionally providing finance for the smuggling of gold into India, because you are artificially trying, through the silly Gold Control Act, to control the price of a commodity which cannot be controlled.

I want to warn the House that even this foreign aid is going

to dry up. Let me say this harsh thing here in case we kid ourselves. Foreign aid is going to dry up in the next two or three years. It is going to dry up for two good reasons. The first is that the Soviet Union is entering the market for credits. Let me read from the *Sunday Herald Tribune* of 10 January this year. It says:

> For what is becoming quite apparent....

I wish it was apparent, because the *Herald Tribune* gives us a compliment for our intelligence. It says:

> For what is becoming quite apparent to Asian and African economists is that their greatest rivals for Western aid are the Communist countries. If, in the interests of an East-West detente, the Third World... loses its favoured position as a Western-aid-recipient, the hoped-for growth would be even slower than it is today.

That is one reason, because we are getting a new rival entering the world's credit market. The second reason is the way in which we have wasted a large part of that aid. Let me quote from an editorial in the *Daily Telegraph* of 20 February this year. It says:

> Yet the greater part of foreign aid is channelled into heavy industries and into luxurious but economic showpieces. These installations, so far from adding to the national wealth, are themselves absorbing for their maintenance more than half the foreign aid India receives.

Then it goes on to say:

> It makes no sense for Western friends to give military aid and watch India founder economically. But neither is it sensible to go on indefinitely filling a leaking bucket.

That is the second reason that those who have been giving us their treasure realize that they cannot go on pouring water into a leaking bucket, as the *Daily Telegraph* has not inaccurately described our economy.

And when that happens, when foreign aid starts drying up, there will be only two alternatives left to this country. It can shamelessly go bankrupt, or it can put its house in order. If it is going to put its house in order, there are two ways of doing it again. One is to stop these inflationary policies and to scrap the Fourth Plan as it is at present devised.

If you do not do it, I shall tell you what you will have to do, and that is to devalue the rupee. It is a very painful expedient to cut down officially the value of our currency. If you do not listen to our warning today and stop this inflationary and reckless way in which you are doing things, you yourself will have to come to the country and to this House and say: "Let us face facts. Our rupee is worth only half of what it is today; let us now pretend that it is three-fourths of what it was before." That is what is called devaluation.

I am not advocating that; it is a very painful remedy. It will hurt the rich and the poor, the honest and the dishonest alike, and I would like to avoid it. But as things are developing today, with this budget and the proposed Plan, I can say that devaluation is round the corner, and even my Hon. friend will one day have the courage and the honesty to come forward and admit it.

4. CAN INDIA ESCAPE BANKRUPTCY?*

What are the facts? Are we bankrupt? Are we going bankrupt? What are the prospects of our escaping this disaster? The very fact that the Finance Minister had to give this assurance suggests something the reverse of what is intended, because Finance Ministers of solvent countries do not protest their solvency.

I would be inclined to the view that we are not quite bankrupt yet, but that we are on the brink of bankruptcy today. Let me share with you the picture as I see it. I am sorry that it cannot be more bright or cheerful, but we are not living, in this country in a very bright or cheerful phase of our national life, and you would not expect me to be smug and complacent, like our Prime Minister, who assured Indian students in London

* From a speech to the Bombay Progressive Group on 21 June 1965.

the other day that this country would be economically stable after another fifteen long years!

Now what are the facts? I shall give you data about five or six concrete aspects of our economic life.

First, the dissipating of our Sterling Balances. When the British left India, they left us with assets amounting to Rs 1,402 crores at our disposal in London to be drawn for our international needs. In 1949, within two years, the figure had dropped to Rs 947 crores. In 1951, it was 880 crores. In 1956, it was reduced to Rs 746 crores. In 1961, the figure had come down from Rs 1,400 crores to Rs 136 crores, one-tenth of what the British had left. We had managed to dissipate 9/10ths. At the end of March this year, the figure had come down to Rs 86 crores. Now, by that time, our currency, which has to be backed with a certain amount of reserves, was being endangered because these resources had been eaten into. So, in February this year, the Reserve Bank of India had to get hold of gold worth Rs 16 crores from Government stocks in order to maintain the statutory cover for our currency. This lasted only another month. So, in March 1965, the Government had to obtain a stand-by credit of Rs 95 crores from the International Monetary Fund in order to stop our currency from collapsing. On 28 May, the figure had come down to Rs 7.35 crores, and on the 9th of June, which is the last figure we can get, our sterling balances, which as I said were about Rs 1,400 crores as left by the British, had come down to Rs 3.4 crores. This is the lowest that India's reserves have sunk in its entire history. This is one index by which you can judge the state of our solvency.

A second index is our foreign indebtedness—the amount that we owe to the rest of the world. In March 1961, our external indebtedness was Rs 846 crores. In February this year, within four years, it had risen to Rs 2,439 crores. We now owe the rest of the world around Rs 2,500 crores. How are we going to repay them?

This brings us to our repayment liabilities. It is estimated by the Government that, at the end of the Third Plan, which will be early in 1966, we shall be liable to repay Rs 650 crores straightaway by way of either capital or interest, and this payment will amount to 1/6th of our total exports during the Third Plan. That is, out of the five years' exports of the Third

Plan 1/6th will have to be dedicated or devoted only to repaying our obligations or debts. During the Fourth Plan, which we are now so cheerfully and recklessly preparing, the liability will increase to 22 per cent of our expected export earnings. In fact, just under 1/4th of all we export and supply to the rest of the world will not get us anything. It will repay our past debts. That is what people mean when they say that the country's future is being mortgaged by this Government.

A third index of our economic condition is the amount of our dependence on foreign aid. Foreign aid does not mean anything of a commercial nature, it means a gift. It means the charity of the rest of the world towards us. To what extent are we dependent on the philanthropy and the generosity of the rest of the world? During the First Five Year Plan, which was a modest and sensible one, only 5.5 per cent or 1/20th of the amount that we proposed to spend was to come from abroad. By the time we got to the Second Plan, our dependence on other parts of the world increased to 16 per cent. In the Third Plan, which is now about to come to an inglorious end, foreign assistance accounts for 28.5 per cent. For every two rupees that we spend now, we look to somebody abroad to provide us with one rupee. If the proposed Fourth Plan comes into operation, we shall, according to Professor Shenoy, be dependent to the extent of 50 per cent on the *meherbani* of the rest of the world. Professor Shenoy, who has proved to be invariably right over and over again during the last few years, claims that for every Rupee we spend, somebody will have to give us another rupee as *bakshish* to make us spend our own rupee! This is then the honourable or dishonourable extent to which we have become dependent on foreign aid.

Now, to move on to another index of solvency, what is the state of our foreign currency, our money? Every country's credit depends on the state of its money. People talk about shortage of foreign exchange, but there is no shortage of foreign exchange. There is a shortage of an Honest Rupee. Our rupee is supposed to be worth 20 cents of the American dollar, roughly 1/5th of the American dollar, since 4.75 rupees make a dollar. That is the theory. Today our rupee in all the world's free markets is worth around 10 cents, just around half of what it pretends to be. Our Finance Minister pretends that he doesn't under-

stand this. When these figures are thrown by us at him in Parliament, he says: "I do not understand all this. A rupee has only one value, and that is the value that we say it has."

It might interest the Finance Minister to know that every hotel booking clerk, every taxi driver in a big city, everyone near the docks, every shopkeeper in Connaught Place in New Delhi or in the Fort in Bombay knows that the dollar is worth twice as much in terms of the rupee as it is supposed to be. That is why people cheerfully offer 8 or 9 rupees for the dollar if somebody would give them a dollar note.

Finally, the last index, the state of the Capital Market. You are all familiar with it. According to the Reserve Bank's weekly index of variable dividends of industrial securities, that index declined from 192.9 in April 1962 to 162.5 on 27 February 1965.

You will see from all this that evidence of the fact that we are on the brink of bankruptcy is pretty conclusive. We are on the verge of bankruptcy, and that is God's truth.

In fact, the Government, by its own behaviour, is admitting this. Let me give you three symptoms which show this. First, the moratorium on essential imports. During the current quarter practically all imports have been stopped. Why? Because we haven't got the money to pay for them. During the last debate in Parliament on the Finance Bill, on the 3rd of May, I asked the Finance Minister across the floor to confirm my understanding or information that at that time he had only six weeks' exchange to keep the country's imports going. In his characteristic manner Mr Krishnamachari blustered that in spite of me, the country would not go bankrupt, but he forgot to answer my question! His own actions later show that I was right. What does this mean? It means that if this continues for a few more months, the wheels of our industry will grind to a stop. Factory after factory will have to shut down.

The second admission of insolvency is the Finance Ministry's demand that all sports teams going abroad should stop. They have informed the All India Sports Council that no foreign exchange is available, for sportsmen going abroad till March 1966. What can be a clearer indication of bankruptcy than this confession? But while they were being so brave in preventing eleven cricketers from going abroad, let us take note of the fact that today, as I speak, half the Ministers in Delhi are

abroad themselves. Each of them has got staff attending on him, and if you want any further proof of the irresponsibility of these people, who have one law for themselves and another for everyone else, let us consider the waste that will be involved when 25 or 30 gentlemen go to Algiers at the end of this month to sit round the table with a lot of tinpot dictators and swear at American imperialism and praise the Soviet or the Chinese Communists, as their preference dictates. For that the country has enough foreign exchange, but not for sending our young men abroad to shine in the field of sports and to hold aloft the flag of India. I don't mind saying that our sportsmen, like the hockey team that went to Tokyo, are as India's ambassadors much more effective than Lal Bahadur Shastris and Swaran Singhs going abroad.

Finally, there is the credit squeeze, the denial of facilities to banks to lend money to perfectly solvent, stable businesses for their needs. The Reserve Bank, as you know has ordered the banks to refuse to give finance to solvent businesses and firms, because they say that is anti-inflationary.

We come now to a very unsavoury part of our economic life and policies today. A sports team can go to Czechoslovakia or Hungary or Moscow, but not to any other part of the world. Why? The answer is that when you buy something from, or spend something in, Russia or one of these communist countries, you do not use up foreign exchange. These countries are prepared to accept rupees, the debased rupees which are worth half their value. They are prepared to accept payment in rupees, and so our naive Government gets delighted with these good friends who don't ask for a solid dollar or pound but take this debased rupee, which is worth 50 naye paise, in payment for their imports or to finance our sports teams in Poland or Russia. So they say: "They are nice people, they take payment in rupees from us so, there is no foreign exchange involved." Now this is a big lie, and everyone who mouths it should know it.

When the Soviet Union sells us diesel oil, about which we shall talk later, they take payment in rupees. So our Government says: "No more American oil, no more Kuwait oil, or Iran oil, only Soviet diesel, because they take rupees."

The Russians acquire these rupees in India. What do they

do with them? Do they just lie in our banks? The Americans do that. The Americans deposit all the rupees from our PL 480 loans, which they also allow us to repay in rupees in the Reserve Bank of India, and about 80 per cent of these rupees are given back to our Government for developmental projects in our own country. The balance they use for running their own Embassy and for the use of Americans in India. They do not ask us to send anything out of India for these crores of rupees they have acquired in India.

What, in like conditions, do the Soviets do? The Soviets give a small percentage to the Communist Party to destroy our Constitution and our Government, to the fellow travellers, and to certain newspapers whose names we know in Delhi and Bombay. For the rest, they ask: "What are you going to sell us in return? We want your oilseeds, we want your shoes, we want your cloth, we want such and such things." And we sell it to them. Now, when those goods leave our country, does it not mean that our foreign exchange has been used?

So foreign exchange *is* used from whichever country we buy our goods. When you buy something from another country, you are using up foreign exchange, whatever the currency they accept, including rupees, because ultimately those rupees are converted into exports and the use of exports means the loss of valuable foreign exchange. This is basic—no country can import anything without giving something in return. Therefore, this rupee sources racket is an attempt to throw dust in the eyes of the Indian people and to pretend that, when we buy from Russia, we are *not spending foreign exchange.*

Let me give an example of what often happens. Because the Russians accept rupees, our Government has been selling several things to them below the world market value. It has been subsidizing exports to Russia. It has been benefiting the Soviet government at the cost of the Indian producer and the Indian exporter. I shall give you some very striking figures to prove my point.

Here are the figures of our silk exports: During 1963 we exported mulberry silk fabrics in large quantities. The Soviet Union bought 290,000 square metres, and they paid to us Rs 16.11 lakhs. The United States bought almost the same quantity, but a little less. They bought 219,000 square metres, as opposed

to 290,000. What did they pay us for this slightly smaller quantity? They paid us Rs 26.17 lakhs, or ten lakhs more than the Soviet Union had paid for a larger quantity! If the Russian purchase had been made at the rate paid by the United States. India would have obtained 35 lakhs of rupees in place of Rs 16 lakhs. Rs 19 lakhs of foreign exchange were thus thrown away in giving the Russians a cut price! Now, Italy also imports the same material. If the material had been exported at the rates paid by Italy, we would have got Rs 22.50 lakhs. If the Western European countries had been given that silk, they would have paid Rs 27.60 lakhs. If Australia had been given that export, they would have paid the highest price, Rs 37 lakhs. The average Asian rate was Rs 29 lakhs and the average African rate Rs 26.40 lakhs. In fact, if we had exported these silk fabrics to any part of the world outside the Iron Curtain we would have made 50 to 100 per cent more than what we made from Soviet Russia. So this is how we save our foreign exchange.

Only this morning I had the experience of a visit from a very estimable manufacturer of pig iron in Bombay. His was a sad story. His Works had been shut down because Government imports from Soviet Russia large quantities of iron ore which are not necessary in India. The Indian enterprise now has to shut down. In other words, a perfectly viable, productive Indian unit has been put out of business because the Government insists, for its own reasons, on importing 150,000 tons of Soviet Pig Iron, perhaps half of which is not required. By over-importing Soviet pig iron, they have flooded the market and put hundreds of workmen out of work and good businessmen out of business.

Similarly, we are now told that we must not import Caravelles and Viscounts, we must get Ilyushins, a very good name for that plane, because it is a symbol of illusions on the part of the Government. Now we want to import Ilyushins because they will be paid for in rupees, a great *meherbani* will have been conferred on us, even though it happens to be an inferior plane. The Ilyushin 18 is an out-of-date plane not in any way comparable with the Caravelle. Cuba has grounded its entire Ilyushin fleet as not being airworthy, and the Cubans are friends of the Soviet Union. Then there is Mr Nkrumah of Ghana, another gentleman who has burnt his fingers in buying this plane and is trying to get rid of his fleet at greatly reduced rates.

In spite of this, an attempt is being made to go in for dubious and out-of-date planes on the ground that foreign exchange will be saved.

Finally, we come to one of the worst examples—the crisis over diesel oil and kerosene. I visited my constituency a month ago and I found that trucks were lying on the side of the roads because there was no diesel oil. I found that the *kheduts* in the field could not work their oil pumps and their tractors because no diesel oil was available. I investigated the matter and found that the Indian Oil Company has no distribution facilities, but the Government insists that we should only buy Soviet diesel through the Indian Oil Company. So I looked into the matter. On 31 March everything was fine and there was no problem. On the 1st of April this year, our Government created this problem. I say created or fabricated this problem, for which there is no excuse. They suddenly and arbitrarily said that India was not to import any more diesel oil. All import licences were cancelled. When they were asked how they proposed to meet the shortfall, because we produce 75/80 per cent of our diesel but we cannot produce the remaining 25 or 20 per cent, they said Big Brother will provide. Moscow has promised to sell to us for rupees. So they are now buying Soviet diesel. Now who is to distribute it? Their own company. This government monopoly, the Indian Oil Company, hasn't got the distribution facilities, they have few pumps. So what do they do? They call in the other oil companies and try to bully them. They say: Will you sell Soviet diesel as our agents? Why should they? They know perfectly well that in the next few months when the Indian Oil Company has put up more pumps, when at the end of 1965 the Indian Oil Company has enough pumps, the Government will tell them to go to blazes. Does any businessman participate in his own suicide? Does any businessman allow somebody else to establish a monopoly over his trade? So they are blackguarded. My friend, Mr Humayun Kabir, gets up and calls their names and says: I shall use the Defence of India rules against you. The other day Police officers went to pumps in Delhi and said: if you don't sell Soviet diesel, we shall acquire your pumps under the Defence of India rules. What a brave, what a generous, what a magnanimous, what a noble Government, to bully little traders and petrol pump dealers, when they can't fight to

defend the security and the territory of this country! The fact is that while they are trying to make scapegoats of the oil companies, they are the real culprits who have created this diesel shortage.

5. DEVALUATION—WHAT NEXT?*

I am very sorry that some Benches on this side are empty at this moment. I deplore that, because we had hoped that, when the Government come forward to invite a discussion on the very crucial economic developments that have taken place in the last few months, there should be something of a National Inquest in which Members of all parties could have joined to analyse what had happened. But one thing has come out from the proceedings of yesterday and this morning, and that is that, when some sections of our press refer to some such thing as "the Opposition," they are not being very accurate. The unfortunate thing in this country at this stage is that there is no 'the' Opposition. There are several oppositions, which is undoubtedly a weakness in our Democracy, and some of us are trying to put it right. But the fact still remains that today there are several oppositions of very different kinds.

We belong to a democratic opposition, an opposition that tries to create an alternative government which can take over power through the peaceful, constitutional means of the ballot box. We have nothing in common with those who showed their devotion to democracy in a very peculiar manner yesterday and this morning! We want to draw this line between a democratic opposition and those others who do not subscribe to the parliamentary institutions which we hold dear.

Now, on the midnight of 5 June, there was a moment of truth for this country. This country, which had been living in dreamland, cloud cuckoo-land, under the leadership it had thrown up, was brought down to firm earth with a thump. The moment of truth was the moment when reality could not be ignored any more and, as in a flash, that reality dawned on our people: that our money had depreciated, that our credit was impaired, and that we as a nation were bankrupt. These things had been true

* Speech in the Lok Sabha on 27 July 1966.

for several years, but the people had not sensed them, because those in authority had made it their job to hide these things from the people and throw dust in their eyes.

There were a few discerning people who had sensed what was happening. Among economists, there was Prof. Shenoy, the finest economist this country enjoys, with the highest international reputation. For years he had warned us that our currency was going down and down and something should be done about it. My esteemed chief, Rajaji, had written week after week in *Swarajya,* showing how the country was drifting to bankruptcy. And there were smaller people like myself who had been warning the authorities in this very House, if only those in authority had cared to listen.

Since we are sometimes misrepresented by saying that we welcome devaluation, let me read my own words in this House in my Budget speech last year, when Shri T. T. Krishnamachari was the Finance Minister. On 22 March 1965, I said:

> ... When foreign aid starts drying up

and this has already happened—

> there will be only two alternatives left to this country. It can shamelessly go bankrupt,

as it has done—

> or it can put its house in order. If it is going to put its house in order, there are two ways of doing it again. One is to stop these inflationary policies and to scrap the Fourth Plan as it is at present devised, and create a stable measure of value in this country, an honest rupee. If you do not do it, I shall tell you what you will have to do, and what Hon. Members would not like, and that is, to see the Finance Minister of their party doing in the next two years.

and only 15 months have passed—

> and that is to devalue the rupee. It is a very painful expedient to cut down officially the value of our currency. If you do not

> listen to our warning today and stop this inflationary and reckless way in which you are doing things, you yourself will have to come to the country and this House and say:

as the Finance Minister has done—

> Let us face facts. Our rupee is worth only half of what it is today; let us now pretend that it is three-fourths of what it was before.

It is amusing that the Hon. Finance Minister, in this devaluation, has gone exactly to the extent that I forecast 15 months ago. Our rupee, which was 10 U.S. cents as against 20 cents, has now been officially pegged at 14 or 15 cents, justifying my forecast as to what Mr T. T. Krishnamachari and his successor would do.

Then I had gone on to say:

> I am not advocating that; it is a very painful remedy. It will hurt the rich and the poor, the honest and the dishonest alike, and I would like to avoid it. But as things are developing today, with this budget and the proposed Plan, I can say that devaluation is round the corner, and even my Hon. friend will one day have the courage and the honesty to come forward and admit it.

It has happened. The then Finance Minister was kicked out of office, quite rightly, and his successor was asked to hold the baby. He is not here now to recall the stupid reply, that dishonest reply that he gave in this House. Mr T. T. Krishnamachari, when faced with my statement, said that Mr Masani was imagining things. Our rupee was still exactly what it always was. There was only one price for the rupee; 4.75 rupees make a dollar. There was no other price. In any other country, such a man would have been thrown out of office on the spot. But he survived for a few months and in ignominy had to go out, having done incalculable harm to this country. Luckily for himself, he is out but his successor is having to face the music.

The point is that economic laws do not follow the diktats of Planning Commissions or even fleeting parliamentary majorities. They have their supervening force, and so, at last, on 5 June this

year, even this Government had to accept reality. The Finance Minister told the bitter truth to the nation in his broadcast. What he said then, and some of what he said this morning, was very sensible. But then, why was all this denied earlier? When some of us said it on the floor of the House, why were we told that we were talking in ignorance? The Finance Minister's broadcast was nothing but a rehash of what some of us had been saying for the last two years. Why did not Government then put its house in order and avert this declaration of bankruptcy—because that is what devaluation is—a confession of failure; a confession of bankruptcy?

The real issue is not whether devaluation is good or bad—as some people in their ignorance try to make out. That is like asking: is a surgeon's knife good or bad? These are things that are neither good nor bad. They are neutral. They are instruments. Devaluation is like a surgeon's knife or like a strong drug. They are good if the disease requires an operation or a strong drug, and if they are used by qualified surgeons or doctors. They are bad if they are meant to tide over a temporary crisis and then the patient persists in his bad old ways. They are bad if they are put in the hands of quacks.

The real issues are two: What has brought about the debacle and what are the causes of devaluation? Secondly, how do we see that the sacrifices imposed on the people by this act are not wasted? How do we see that there is not another devaluation within two or three years? These are the real issues and I suggest that the House, in the 15 hours it has given to itself, apply its mind constructively to these problems.

I shall start with the causes which have brought about this bankruptcy and devaluation. I will list the fundamental causes; I have no time to go into every detail. They are five in number. The first and most basic cause was that we did not live within our means, that those in office led this nation to live beyond its means. We imported more than we exported. We spent more than we produced. When an individual does it, he goes bankrupt. The evil was to be found in the Second and Third Plans. The source of all economic evil in this country is to be found in these Five Year Plans—the Second and Third Plans. They are the source of the evil which has brought the country to this pass. First of all, what was wrong with them was that they were based on deficit

financing. Deficit finance is just created money to spend when you do not have it. You can do it through printing currency notes or through bank credits or in a variety of ways. Money thus created is something that is poison to the economy. Very consciously the old Governments here went in for deficit financing and the result was inflation. The Third Plan even set a target for deficit financing—how much poison could the body absorb? It laid down what it called a safe margin of deficit financing. Only two weeks ago, it was announced officially that that margin had been exceeded by 100 per cent. The amount of deficit financing that took place during the Third Plan was actually more than double what had been allowed or estimated. That is the basic reason why the Second and Third Plans have brought the country to this pass.

The second thing wrong with the Plans was the obsession with heavy industry and steel and the neglect of agriculture and consumer goods. This again has an effect on inflation, because when you pump money into the economy in low-return and slow-return projects like steel, you create inflation, because goods in the market do not come in quickly to compensate for the extra money you have raised. As we know, inflation and rising prices are the cruellest tax on all, cruellest on the poor who cannot afford it.

The third thing wrong with the Plans was excessive dependence on foreign aid and foreign loans. This made foreign loans crutches on which the nation was asked to depend. Then, we had PL 480, getting food from abroad for which we did not pay at all, a thing which has now at last come to an end. The result is that we are unable to pay these loans unless we borrow more money again. We are insolvent unless somebody will lend us money to pay for our present obligations. This is the stage at which we have arrived. We have mortgaged the future of our people in the pursuit of our foolish and idiotic Plans.

The fourth thing wrong with our Plans and policies was over-taxation. The phrase used was "let us mobilize resources." "Mobilizing" resources meant taking away money from the pockets of the people and from the banks where it could be productively invested into the unproductive coffers of the Government. This has diverted such amounts from the pockets of the people to the pockets of Government that our production has

fallen, both in agriculture and industry, and we have come to our present plight.

Finally there were excessive controls, controls killing enterprise, fostering corruption, creating profiteering and import licences, which Prof. Shenoy has rightly described as "the biggest portfolio of political patronage."

These are the causes which brought bankruptcy to the nation. It is nothing but the legacy of the past decade, the legacy of the two previous Governments and the few months of this Government. I am amused to see that those responsible for these follies are now trying to deny their share of the responsibility. One of these guilty men was Mr T. T. Krishnamachari, who now makes out that it is those who brought about devaluation who are responsible, but not he—the man who made devaluation inevitable! Then there are the members of the Planning Commission—notorious communists like Prof. Mahalanobis who are still sitting there, guiding our Government, old-time fellow-travellers like Prof. V. K. R. V. Rao and a whole bunch of half-baked Marxists of various denominations who are still allowed to decide the policies of this Government. These are the charlatans in the Planning Commission who have brought this country to this pass. Yet they have the cheek to sit and devise a Fourth Plan.

We read Press reports that in party meetings, Mr Malaviya and Mr Krishna Menon are trying to pin the guilt on the present Government. Goodness knows I am no defender of the present Government. I want to see it out of office but if the idea is that everything was beautiful till last year, that everything in the Stalin-Nehru era was perfect, and now in the post-Stalin-Nehru era everything has gone wrong, let me put it very clearly. As in Russia the people have suffered from the economic follies and the economic planning of the Stalinist era, so in this country today the people are suffering from the follies and bad planning and Stalinist policies of the Nehru era. These are the most reactionary elements in our country. They want to take the country back to an era through which these two countries have passed. It is very interesting that two Ministers of the old Governments, who left those Governments in discredit, the old Stalinists of our own country, are now trying to exonerate themselves. These are the guilty men who have brought this country to this pass.

What is happening today? I was giving the causes which had

brought the country to this pass. What are the ways to mend them? In Amendment No. 9 which was circulated this morning, we have tried to give our constructive proposals about how this crisis can be utilized to pull us out of the mess. The Hon. Finance Minister's speech has made certain verbal concessions to that point of view.

I believe most Hon. Members would agree with the five or six concrete proposals I am going to make. But the question is—is this Government implementing them, is it showing any signs of implementing them?

The first of these proposals is a clear commitment by this Government that it will eschew all inflationary policies of every kind, that there should be no deficit financing or overdrafts from now on. Unfortunately, even after devaluation this has not been practised. The Finance Minister announced at the Chief Minister's Conference on 18 July that the States have overdrawn during the last three weeks—before July 18—no less than Rs 20 crores from the Reserve Bank. Now, if this is an indication of the economic discipline that this Government is going to be able to enforce on the State Governments, then the answer is that our very first proposal, that from now on deficit financing and inflation should be avoided, is not going to happen.

The second thing is a drastic reduction in civil non-developmental expenditure of both the Union and State Governments: that there should be a complete stoppage of this wasteful expenditure at the secretariat level. The amazing thing is that instead of stopping all recruitment to the civil services, the Government has done exactly the reverse. I was amazed, I could not believe my eyes, when in the newspapers on 1 July I saw a fantastic announcement—I hope it is wrong and I would be glad if the Finance Minister corrects it—I am quoting from the Press:

> Government has removed the ban on the creation of new posts which was in operation for the last five years as a measure of economy.

It is fantastic. Just when all recruitment should be stopped and those who are in government services be spread over the jobs of people who retire or die, this very small restriction of creating new jobs which was in operation there for the last five years has

been removed. This is the sense of responsibility of this Government faced with this crisis!

The Finance Minister, I believe, has agreed that there should be a cut of 3 per cent on revenue expenditure and 5 per cent on capital expenditure which, the newspaper reports tell us, would yield a total saving of Rs 50 crores. Is this really the best that the Finance Minister can do? Two or three years ago, Mr Krishnamachari said he could have saved Rs 70 crores. He did not do so but he talked exactly like this. Is it only a saving of Rs 50 crores from wasteful unproductive expenditure that you can bring about? Is that all? This big mountain of Government can bring forth only this little mouse.

Thirdly, we think that foreign loans in which we have indulged too much, like crutches, should be restricted to essential purposes. Those essential purposes are two-fold. One is the emergency purpose of bringing in imports that can keep our agriculture and industry going to make up for the mess into which the Government has landed us. The other long-term and permanent purpose of foreign aid, Government-to-Government loans, should be for building the infrastructure—water, power, transport, communications, technical education, if you like, but nothing more.

For the rest, we should rely on the savings of our own people and what foreign capital can come in on its own risk as equity capital.

Fourthly, I think we should consolidate the projects we have taken in hand before embarking on any new projects. Meanwhile, we should stop any new Five Year Plan. Let us postpone any Fourth Five Year Plan until we have put our house in order and created something out of what we have invested. The Finance Minister said something like that, but he said that at the same time we must carry out both objectives. This morning, he said, while not stopping new projects, let us concentrate on the old ones. You cannot do both. It is a question of priorities. You talk a lot about planning, but you do not practise it. If you want to plan, make up your mind not to have any new capital projects until those on which you have spent crores and crores, thousands of crores, give some more return to this country.

Planning is very good. But there is a complete absence of planning in this country. This is chaos. This is planned chaos. This is not planning. Go to France and see what planning means. Go to

Britain and see what planning means. Your only planning is of the Soviet Union from which my Hon. friend derives much comfort!

The fifth thing is a substantial reduction in both direct and indirect taxation to make a larger supply of rupee finance available so that people can invest in productive enterprises which alone can bring down prices. There is no other way to hold the price line than to increase production. There is no other way to increase production in this country unless you leave with the people more money so that they can invest in productive enterprises. I will come a little later to what the Government proposes to do, but I do say that what the Government should have done this Session was to bring in a Supplementary Budget cutting down excise duties, direct taxation and corporate taxation. If the Finance Minister had come up with a Supplementary Budget of that nature, we would have supported him. It would have lessened the burden on the people and left a little more money with the people to invest productively. That would have been a good thing, but he has not done it.

Finally, the entire structure of controls will have to be dismantled if this country is to emerge from the mess. There should be complete dismantling of the structure of permits and licences, quotas and controls, including Gold Control, which has been such a burden on certain sections of our community. Import licensing must go. It is the biggest source of political corruption in our country today—the sale of import licences and their re-sale at wide margins of profit.

I do believe, if these measures were followed, then whatever hardship devaluation may cast on our people, at least we will be justified in casting them, and we could ask them to take these hardships and shoulder them in the interest of the country. I believe most of the Hon. Members here and the country will agree that these five things that we have suggested are not only sensible, but practicable.

The question that arises is this. Is this Government capable of carrying out these policies? Is it capable of making the radical changes that are required or is it too hidebound and too conservative to make these radical changes? I fear all the evidence is against the hope that this Government can ever save the country from the mess into which it has brought us. First of all, the very

motive for devaluation is questionable. If it had expressed regret for their past misbehaviour, if it had said: "we shall now change and carry out these measures," one could have forgiven them. But I cannot help suspecting that this sudden concern for fiscal rectitude which came into evidence on 6 June was not the result of a change of heart or a genuine act of repentance for past follies.

Then what was the real motive that led this Government, which kept on saying "no devaluation", "no devaluation", suddenly to devalue? The cat was out of the bag on 8 June. In a note that the Finance Ministry is supposed to have prepared for Members of Parliament—I never got a copy of it, probably it was meant for Members belonging to the Congress Party only; I got only a summary of it from the Press—a note called "Devaluation —Some Questions Answered", this is the crucial sentence:

> The action could not be postponed as all further aid negotiations hinged on it.

This is the grim truth. Devaluation was accepted in order to get foreign aid, foreign loans. That was the price. Devaluation is the price that this country has paid for getting loans from the World Bank and certain foreign governments. It was a bargain. Now, there is nothing wrong in a bargain. If it had been a good bargain from the national point of view, I think this House would sustain the Government in making that bargain. After all, economic policy consists of give and take on the international plane. But is this a good bargain?

Before I come to that, there is another plea that there was no alternative, and I should like to deal with it. Was there no alternative? I venture to say that, even on the 4th of June, even on the 5th of June, there was an alternative open to this Government. That alternative was: no devaluation, no aid and no Fourth Plan; or, if you like, no devaluation, a little aid and a slower and smaller Plan. That was a self-respecting and honourable alternative. Why was it not accepted? Why did we not go and say: "We do not want so much foreign aid, we will do without it if necessary, but we will put our house in order, become solvent again and, maybe, in a year or two the rest of the countries will respect us, the respect which we have lost now, and they may come along and say: 'You have put your house in order, now we will give

you aid'." What came in the way of our acceptance of this policy which, I am sure, many people on the other side would have liked to consider? What came in the way was that this wretched Fourth Plan would not have been possible. And to save this wretched Fourth Plan—I shall discuss presently why it is wretched —we had to humiliate ourselves, we had to devalue our currency, we had to go down on our knees.

What is the Fourth Plan going to do? Where is the money that we are now going to get; if we get it, which I doubt, where is the money to go? The project aid is to go into the State sector, that most wasteful sector of our economy which eats up capital and gives nothing in return. I do not ask this House to accept my word. I will quote an eminent authority, my friend, Mr Asoka Mehta. Our Planning Minister said to this House on the 17th of May that 70 per cent of the foreign aid will go to the State sector. He calls it "public sector"; I call it "State sector." That is the only change I have made in his statement. The Finance Minister reiterated this on 8 June. I am quoting his statement:

> To the extent larger aid is available the prospects of a bigger public sector plan will improve.

In other words, 70 per cent of the money that we are again borrowing is going into the State enterprises, not to raise production for the benefit of the people.

Our present Prime Minister said on the 11th of June something which is not correct. She said the Soviet Union is aiding our State sector, while the Western countries are aiding our private sector. That is not true, and the Prime Minister should know this at least by now, if not when she said it, especially when some of us have drawn her attention to the fact that it is not true. The fact is that 70 per cent of the money from the United States and the West is also going into the State sector, along with the whole of Soviet aid.

Hon. Members will say: what is wrong with it, why should it not go into the State sector? I shall answer them: Because the State sector is wasteful, because it is unproductive, because it is not giving the country the kind of return which it is entitled to expect.

Here let me quote the Hon. Prime Minister herself. I am

quoting from the *Hindustan Times* of 15 June. She made a very frank statement about what was wrong with the State sector. She regretted that, by and large, it has failed, and she answered the question why. Let me quote her words. What is wrong with the State sector is according to the Prime Minister: "Faulty planning. . . .' Somebody asked me: "Don't you like planning?" I do not like faulty planning any more than the Prime Minister. That is the key point. We have had faulty, defective, stupid planning. She said:

> Faulty planning with regard to concept, size, location, raw materials, design, choice of processes, equipment. . . .

You may well ask: what is left? That is exactly the point. Let me continue the catalogue of what is wrong. Then you will know what is left. She continues:

> equipment, personnel, contractual arrangements, supervision, coordination, time schedules, etc.

She says "etc." at the end. These, the Prime Minister says: "has resulted in cost escalation and delay."

I admire her frankness. I have paid my tribute to her in the last Session when no member of your party stood to defend her.

This was what was wrong with State planning according to the Prime Minister. Then she said: "But this is not all." She went on to say: this is not all, there is another set of problems. Then she gave another list of what is wrong. These are her words again:

> Over-capitalization, over-staffing, incidentally adding to township-costs, inadequate work-study, lack of delegation, the application of secretariat codes and procedures to commercial undertakings, the system of financial control and audit and the lack of a well-thought-out personnel policy, constitute another set of problems.

This is the *Hindustan Times* quoting the Prime Minister. Then she said even this was not complete.

Then she went to the third category of problems. She said that there are, again, other factors. Those "other factors" are as follows:

> Other factors which had to be gone into were the proper programming of orders, price policies, quality and cost control, research and design development and the structure of management.

If anything is left that is right when all this is wrong, I hope the Finance Minister or the Prime Minister will tell us when they reply to the debate!

That is why I said that these foreign loans taken for this purpose are a dead loss to this country. It is a rotten bargain that our Government has made with the World Bank and the rest of the countries.

Now, what will happen when this Fourth Plan is put into operation? This morning it was announced that at last the Planning Commission, in its wisdom, with the Prime Minister in the chair—she, evidently, does not draw the right conclusions from her own remarks—decided on the size of the new Plan, the Fourth Plan. Now what is going to be its size? There is a proposed outlay of Rs 16,000 crores for the State sector, Rs 16,000 crores for what we have just said. That involves an increase of Rs 1,500 crores over the investment envisaged for the public sector in the Plan memorandum. In other words, one year ago we were told that a certain amount of money would be poured into the gutter. Now we are told that Rs 1,500 crores more are to be poured into the gutter.

Is this the position that a responsible government can take? Can they say with one breath the State enterprises are not giving the country a proper return, that we must put our house in order and then, before doing anything in that direction, say that we propose to give the State sector Rs 1,500 crores more than what we mentioned in the Plan memorandum last year?

Then, how is the money to be found for this? It is true that foreign loans or foreign capital will give some part of this money. But the Planning Commission realize that foreign loans are not going to come to that extent. So, what do they suggest? They state that the public sector investment envisaged by the Commission will entail mobilization of additional resources to the tune of Rs 1,800 crores, and this will be raised by taxation and other measures. So, in place of the cut in direct and indirect taxation that I have suggested as a correct solution, the Planning Commission is going to incite or bully the Finance Minister to

come with Budget proposals for Rs 1,800 crores of additional taxation.

Now I forecast, if this Government remains in office next year and if they cling to this kind of Fourth Plan, a plan of this nature, I forecast that the price of the Indian rupee, which is now 10 cents of the American dollar in the free market, will drop to 5 cents within two or three years. I gave a warning fifteen months ago, and I give it again. If you do not mend your ways, and the present indications are to the contrary, you are going to take this country lower and lower until you come again to this House and say: "we are now doubly bankrupt, what do we do?"

What will they do at that stage? The Finance Minister has very accurately described devaluation as "the ultimate remedy." He has called it the ultimate remedy. He is quite right. When all other remedies fail, the doctor resorts to the ultimate remedy or a surgical operation. The Finance Minister has brought in this dose of medicine as the last remedy for our economy. If they persist in their ways and the rupee goes further down, as it is doing already and will do under their dispensation, to what are we going to turn next time? When the ultimate remedy has been used up, what will the doctor do next?

In this context, the Shah of Iran has given very good advice. According to an interview in a recent issue of the *London Economist,* the Shah of Iran's advice to developing countries is: "Listen to what the economists say and then do the opposite." If the Prime Minister had been here just now, I would have said to her, in good faith: "Listen to what the Planning Commission says and do exactly the opposite; you cannot go wrong". Unfortunately, after her performance yesterday, when she presided over the doom of this country, when she sat in the chair and sanctioned this new Fourth Five Year Plan, I have no hope left. Till now I had hopes.

When my chief, Professor Ranga, and I saw her last month, we gave her a note containing the very proposals that we have put in our Amendment. We pleaded with her to take the country in the right direction and save it. We pleaded with her: before Parliament meets, please make a declaration that we will not go in for inflation any more, that we have learnt our lessons, that we will live within our means and that we shall do the following things. The decision yesterday to go ahead with this wretched Fourth

Five Year Plan has destroyed the last hope that anyone of us might have had.

The fact is that the Prime Minister evidently knows the facts. She is very frank and has expressed them, but it would seem that she is not in a position to carry through to the logical results what those facts lead to. I can understand her difficulty. She has got the old Stalinists breathing down her neck and threatening vengeance just as Khrushchev and Kosygin had their old Stalinists threatening vengeance. The new Prime Minister has people watching her for the least act of deviation.

On the 27 June, our newspapers reported that the Prime Minister in an interview with *Look* magazine, a very reputable magazine not given to misquoting and very friendly to the present Prime Minister for many years, was supposed to have told the correspondent of *Look*:

> If I feel that a departure from Nehru's policies is necessary, because India's future calls for it, I will not hesitate to suggest such changes.

I was delighted when I read it. I said to myself: "This woman has guts; she is going to stand up to the Stalinists and is going to pull our country out of the mess as Kosygin and Khrushchev are trying to do from the mess that Stalin left behind." But my hopes were dashed the very next day because, on 28 June, an official spokesman announced that she denied that she ever uttered those words.

What does this mean? What was there in the statement to deny? What had she said? She had said what any Prime Minister of any country should be proud to say and should say every day, namely, that if the interests of the country demand something, he or she will not hesitate to propose it. A denial can mean only one thing. It can only mean that, even if the interests of this country demand, even if the future of this country cannot be saved otherwise, she will cling to her father's policies! If this is what she wants us to believe, then indeed she is unfit to be the Prime Minister of this great country.

That is why I am sadly driven to the conclusion that there is no hope for this country unless this Government is thrown out of office. There is no hope for this country unless the monopoly of power that this disintegrating party has now enjoyed for fifteen

years is ended. Unfortunately, that cannot be done for another six or seven months, and one has to endure it.

My revered chief, Rajaji, gave some good advice as an Elder Statesman to the Prime Minister. He suggested to her the formation of "a government of all the talents" from all parties and no parties, getting the best men in the country together, whether they were in Parliament or not, creating a kind of government where all the best brains of India could be put together. That advice was turned down. I was not surprised; I never expected it to be accepted.

I have always held the view, even before she turned it down, that there can be no "government of all the talents" while this bogus parliamentary majority is still intact, which is based on 44 per cent of the popular vote, which is a minority of the votes polled. Therefore, I say, the only solution to this economic problem is unfortunately a political one. There is no economic solution while these men sit in office. They must go. It can be done, and it must be done. It can be done because the majority of the people of this country have never supported this Government. The Congress Party never got 50 per cent of the votes polled in any parliamentary election since Independence. In the coming elections I do not give them 40 per cent of the popular vote. Unpalatable facts will have to be faced. This is not the Communist Party they are fighting; they are fighting the voice of Indian democracy.

I was saying, that I do not think—I shall stand corrected next March—this party is going to get 40 per cent of the popular vote. What I fear is that owing to the primitive electoral system that we have taken over from the British and the multiplicity of the Opposition parties to which I drew attention in the very beginning of my speech, if sufficient wisdom, sanity and patriotism do not come to the democratic Opposition parties in time—I am not referring to my totalitarian friends—even that 38 or 39 per cent of the rump may come to occupy a majority of the seats here. I shudder to think what would happen to Indian democracy, a tender new plant which needs nurturing carefully! What will happen to our parliamentary democracy if a government that 60 per cent or more of our people have rejected comes to occupy an accidental bogus majority in this House?

Are we not seeing enough symptoms in this country of what

happens when the Government has lost its mandate, its moral authority, when people no longer believe in the integrity and the honesty of those in power? Let me not be misunderstood. There are friends of mine sitting opposite for whom I have great regard. I see several of them here. I am not for a moment suggesting that the whole party is a party of crooks. But I do suggest that, by and large, that party has lost the moral authority that a democratic government enjoying the confidence of the people should have.

The scenes which happened yesterday and which I deplore, as you know, as much as you, would never have happened if this Government had really enjoyed that moral prestige and authority. These men would not have dared to behave the way they did. See how people are behaving in the streets today. They are having *bandhs*. They are sabotaging the railway lines. They are doing it because, in some devious criminal way, they are appealing to the people who are out of tune with the Government. If they do not listen to those who are sitting here today, who are a loyal, democratic Opposition, who want a peaceful change in this country to new policies and new people, then they will get what happened in Ghana and Indonesia, where they had bloodshed, massacre and civil war.

Therefore, I say, I shudder to think of what will happen if next time the electorate does not deliver the country.

I do not normally agree with Mr Kosygin, but there is one thing he said recently with which I am hundred per cent in agreement.

I do agree with him occasionally. I have quoted him in this House and I propose to do so again, because, in many ways, Tito and Kosygin are more progressive than our friends in the Planning Commission today. They are the Stalinist junk, the intellectual junk, that should be thrown out if this country is to be liberated from the old Stalinists of the Menon-Malaviya type.

I was going to say that I agree with one remark that Mr Kosygin made recently. That was a remark he made to our Prime Minister at the end of her visit. As she was leaving, our newspapers report that he said to her: "Madam, you need a holiday." This is exactly what the Indian people think today. Mrs Gandhi misunderstood the advice and took three days off! Neither three days nor three months are going to serve. What the whole lot of them need is a five-year holiday.

8. A TWENTIETH CENTURY PARTY

1. WHY SWATANTRA?*

For a decade now Prime Minister Nehru, with his quaint blend of Soviet-style economic planning and British-model parliamentary democracy, has dominated the Indian intellectual scene. A faint challenge from an isolated pocket here and there is all he had to encounter. The fundamental thinking on which the Nehru government's economic measures have been based is that, in an under-developed country such as India, a departure from the normal functioning of economic laws becomes necessary if the high expectations of material improvement raised in the minds of newly independent people are not to turn sour. So, the argument goes, the building up of heavy industry must, contrary to the normal sequence, precede consumer goods industries. The government has to play a particularly active role, both in establishing capital goods industries, such as steel and huge river-valley projects, and in regulating the entire functioning of economic life, whether in industry or in agriculture. Like Russia and China, would not India, though not under political dictatorship, pull itself up by its bootstraps, performing in a short span of time what

* From an article in *Life* International of 28 September 1959.

might otherwise take generations to accomplish? There can be no question that, during the first decade of independence, a large part of the Indian intelligentsia followed Mr Nehru in this line of thought.

Under the surface, however, second thoughts have been developing and discontent with the "socialist pattern" has been building up during the last few years. The middle classes have found themselves being ground down slowly by the inevitable consequences of excessively high taxation and of inflation slowly creeping over them. The consumer was made to pay more for the necessities of life through successive impositions of heavy excise duties. The investor was being taxed out of his investable surplus. The entrepreneur was being harried by bureaucratic regulation and interference. A businessman responding to the government's call to undertake the manufacture of some scarce material for which there is an export market found that he had to trudge the dusty corridors of the New Delhi secretariat, moving from office to office in a never-ending attempt to obtain the various licences and permits. Those already in the field of manufacture have been known to spend several days every month, flying up to Delhi to answer queries or remove some road block in the way of obtaining the necessary facilities. New constraints on the people's enterprise were being systematically imposed, and justified by reference to the socialist doctrine. Fear, hesitancy and uncertainty as to what the government would do next have become a feature of economic life.

On the political plane, the evils of interference by political bosses in the administration of the country and the pressure brought to bear on officials have been causing demoralization among civil servants and destroying public confidence in the government of the day. Interference on ideological grounds has been elevated into a principle. The cult of personality has smothered free discussion even within the ruling party itself. The bulk of the members of the Congress Party, who think along liberal or Gandhian lines, have been intimidated into silence by a few confused Marxists at the head of the party. In the absence of an alternative government, discontent has been funnelled increasingly into Red channels, and the kind of polarization that took place in China in the '40s between the Kuomintang and the Communist Party was becoming noticeable in the State of

Kerala and was in danger of developing elsewhere. Even so, only the wildest optimist could have foreseen the emergence of a major political party which advocated rejecting the entire pattern of planning and economic development that has been followed during the past decade. Only a year ago, I myself tried unsuccessfully to weld together several of the local groups which have now come together under the umbrella of this new national party. How has this new party of freedom finally come about?

The "Nagpur Resolution" which the Congress Party adopted last January constitutes a three-pronged attack on the way of life in the Indian village. The first prong of the attack is the imposition of ceilings on land holdings which in practice would deprive the farmer of all land that he might own in excess of what would bring in an income of around Rs 3,600 in the year. This measure would break the back of the middle classes in the villages and deprive them of the capacity to withstand the inroads of governmental authority.

The second prong is the proposal which is euphemistically called "joint co-operative farming." Barring its name, it has nothing in common with the principles of genuine cooperation as practiced in Denmark, England and other countries. It is in reality an attempt at introducing collective farming of the Soviet-Chinese pattern through the pooling of land, the uprooting of boundaries and the establishment of big cooperative farms. Even if this plan were brought about without coercion it must, in present-day conditions in India, inevitably mean management by officials of the government and the reduction of the farmer to the status of a landless labourer. Heedless of the lessons of the failure of collective farming in the Iron Curtain countries and ignoring the magnificent achievements of small-scale peasant farming in Japan, Prime Minister Nehru insists that this change would result in increased food production. It is also supposed to constitute a "higher way of life" than the age-old method of a man and his family cultivating land which is their own.

The third prong is the attempt to establish a State monopoly in the wholesale trade in foodgrains, thereby eliminating thousands of traders and leaving the farmer face to face with the monopoly, which can dictate to him the price at which he must sell his produce.

It was this ill-conceived Nagpur Resolution which acted as a

spark-plug to the political revolt. The urban middle class and the business class, helpless against the hold of the Congress Party on rural areas, have found a new ally. The reaction of landed peasants, who with their families constitute at least 52 per cent of India's population, has been instinctive. In a country where most peasants live in mud huts, own little more than a plow, and, if they are lucky, a pair of bullocks, the piece of land that they have is all they can call their own. When Prime Minister Nehru brushes aside the plea for peasant proprietorship by pointing out that most of the peasants own small, fragmented farms and should therefore not object to the pooling of their lands, it sounds to the peasant like asking a mother not to mind parting with her child because it is only a tiny infant. So it was not surprising that the All-India Agriculturists' Federation convened the initiating meeting at Madras on June 4 where the decision to launch the Swatantra Party was taken. Professor N. G. Ranga, a leading spokesman of the Indian peasantry, resigned his post as Secretary of the Congress Party in Parliament to become Chairman of the new party.

Perhaps, the best parallel to the character of the Swatantra Party in Western countries is that provided by such as the Smallholders' Party in Hungary. In the field of agriculture, the paramount need for increased food production is stressed, and it is felt that this is best attained through the self-employed peasant proprietor who is interested in obtaining the highest yields from his land. The peasant farmer should be given all psychological and material inducements for greater production without disturbing the harmony of rural life and without affecting ownership or management. Among such incentives would be a fair and stable price, the provision of credit and the supply of water, tools, seeds and fertilizer.

In the field of industry, the Swatantra Party believes in the incentives for higher production and expansion that are inherent in competitive enterprise, with necessary safeguards against monopoly. The party would restrict State enterprise to the field of heavy industries, where essential, in order to supplement the notable achievements of such private enterprises as, for example, the giant Tata Iron & Steel Company in Jamshedpur, and such national services as the railways. The party has declared itself to be in favour of a balanced development of capital goods industries,

organized consumer goods industries and rural industries that afford supplementary employment to the large number of unemployed and under-employed people on the land. The party is opposed to the State entering the field of trade. It believes in free choice for the investor, the producer and the consumer.

Through such a positive policy, the Swatantra Party believes that agricultural production can be set on its feet in the way that has been so successfully achieved in Japan since World War II. Thus can be provided a sound foundation on which the industrial structure of the country can be reared. While deprecating the policy of asking the present generation to tighten its belt (which, in India, it does not possess) for the sake of generations yet unborn, the Swatantra Party believes that the policies it suggests would liberate the productive forces from the restrictive effects of bureaucracy, so that a much quicker expansion of industry and a more rapid rise in the standard of life of the people can be brought about, just as was accomplished by the successful implementation of Dr Erhard's policy of social enterprise in West Germany. Such a policy would be in consonance with the established Indian principle that those who possess wealth should not run the government, while those who control the army and police should not be in control of agriculture and industry. The party's policy would prevent the concentration of political and economic power in a few hands. The way is thus opened for the building up of a broad-based coalition of the peasantry in the villages and the middle classes in the cities.

The whole world, including the peoples in the Iron Curtain countries, is moving away from the shibboleths of collectivism. The danger of India's being committed to outmoded dogmas which the rest of the world is discarding must be combated. By rallying India against Communism and by educating public opinion about the moral gulf between Communism and the free way of life, the new party will eliminate the danger of the current unconscious drift toward the precipice. The party's Statement of Principles allows no co-existence between it and the ideology of Communism, and the leading spokesmen of the party have a long record of struggle against Communist totalitarianism.

2. A QUESTION TO SOCIALISTS*

It is a fact that socialism is on its way out, that the debacle of world socialism is spreading from country to country and its approach in our midst is creating panic among Marxists, whether they are of the Congress variety or the C.P.I. brand (*vide* its Central Executive Committee Resolution "On the Current Situation" of April 10).

The German socialists are not the only ones who have dropped the dead weight of State Socialism from their ideological baggage. Socialists all over the world are trying to draw appropriate conclusions from the bad odour in which their doctrines and dogmas find themselves today, which has led Professor D. W. Brogan to conclude that "in 1959 the prospects of what is now the traditional 'Left' look bleaker than they did in 1919 or 1945."

The following facts about how the more perceptive socialists of the world are reacting to the changing environment may help to open the eyes of Mr K. D. Malaviya and other "Leftists".

The Dutch Labour Party adopted in 1959 a new programme which defines socialism in terms of a set of social and ethical values. Specifically rejecting "State Socialism and the bureaucratic assumption of power," it declares that "ownership of the means of production should be made subservient to the well-being of the nation.... It is desirable for different forms of publicly-owned and privately-owned undertakings to exist side by side.... Public control must be exercised over the privately-owned undertakings if this should prove to be necessary in the interests of the community."

The Swedish Social Democratic Party will have before it at a Party Conference in June 1960 a new programme prepared by the Prime Minister of Sweden and some of his colleagues. According to this draft, "Social democracy supports the demand for public ownership or public control... to the extent that this is necessary in order to safeguard important public interests... (it) wants to stimulate private enterprise in those provinces where it shows that it can combine efficiency and progressive thought with responsibility towards consumers, employees and the community."

The Swiss Social Democratic Party adopted a new programme

* Article in *Swarajya* 30 April 1960.

in June 1959 which declares that "in the case of monopolistic enterprises, we must either establish the conditions necessary for fair competition or place them under public control or actually transfer them to public ownership."

The Austrian Socialist Party, historically the most Marxist in Europe, states in its new programme adopted in May 1959 that "the aim of socialists is an order of society which has for its objective the free development of the human personality." On the question of ownership, it declares that "the only test as to which undertakings are to be taken into public ownership will be the public interest... large sectors will, even in the future, remain reserved for private enterprise."

The new German Social Democratic Manifesto adopted at a special convention last November makes clear the direction in which enlightened and progressive socialist thought is moving when it says: "Free choice of consumer goods and services, free choice of working place, freedom for employers to exercise their initiative and free competition are essential conditions of a Social Democratic economic policy. The autonomy of trade unions and employers associations in collective bargaining is an important feature of a free society. Totalitarian control of the economy destroys freedom. The Social Democratic Party therefore favours a free market wherever free competition really exists. Where a market is dominated by individuals or groups, however, all manner of steps must be taken to protect freedom in the economic sphere. As much competition as possible—as much planning as necessary."

The infection has spread to other Continents than Europe. The Cooperative Progressive Federation in Canada adheres to a mixed economy. The Labour Party in Australia and New Zealand are now altogether pragmatic in their approach to the question of public ownership.

In our own continent of Asia, 54 members of the Japanese *Diet*—38 from the lower and 16 from the upper House—have broken away from the orthodox Socialist Party to form a Democratic Socialist Party in disgust with the unrealistic and sterile nature of traditional socialist thinking and the increasing public impatience and irritation with it. In its declaration of policy, the new Democratic Socialist Party says: "Our purpose is to realize a society based on human freedom and equality.... The new party

will campaign not only for a special class but for the happiness of the nation as a whole.... We recognize that the society we live in today is a capitalistic one. We do not propose to overthrow it overnight, but to try to change it gradually by patiently adding one small reform and improvement to another."

What it all adds up to is that in the minds of enlightened Socialists the bond is being broken between a sociey of free men and the outdated techniques of ownership and management which Karl Marx and other 19th century thinkers advocated.

3. WHO IS OUTDATED?*

In his article on "Congress Ideology" in *India Quarterly* (January/March 1960), my good friend, Professor Humayun Kabir, has referred to the Swatantra Party as "essentially a Party of the past rather than of the future" and has gone on to explain this belief of his by claiming that the Party "has failed to pay due regard to the developments which have taken place during the last century and have become specially marked in the last fifty years." Professor Kabir has also sought to discount the outlook for the Party by referring to the fact that it is "at a disadvantage because of its late appearance." With the last of these comments, I hasten to agree. Nobody is in a better position than the General Secretary of the Party to know of the tremendous handicaps which "the latest comer" in the field, as Professor Kabir has described it, has to face. In terms of area, population and complexity, the task is no less onerous than if a new political party were sought to be established in the whole of Western Europe all the way from Scandinavia to Spain.

It is Professor Kabir's view of what belongs to the past and what to the future, however, that really intrigues me. What are the developments that have taken place during the last century and especially during the first half of the twentieth century of which all of us, whatever our schools of thought, have to take note? And which are the schools of thought which have shown the greatest awareness of these trends? These questions, which are implicit in Professor Kabir's somewhat breezy assumption, may be worth turning over in our minds.

* Article in the *Hindustan Times*, 15 August 1960.

In the century that has elapsed since the publication of Karl Marx's *Communist Manifesto,* the lugubrious prophecies indulged in by that nineteenth century prophet have been altogether falsified by the march of events. In the countries undergoing the process of industrialization, not only have the poor not become poorer but the bulk of the workers in an increasing number of countries that range from the United States and Canada through the countries of Western Europe to Australia and New Zealand have become more and more prosperous under what is described as the "capitalist" system. So, too, not only have the workers come to have an important and respected place in society through the power of their trade unions but equality of opportunity and status have been largely achieved in many of these countries and are on the way to being achieved in others. All this has been gained without the bloody civil wars and revolutions forecast by Karl Marx. In the field of agriculture, phenomenal yields of foodgrains and other raw materials have been attained by small peasant farmers cultivating their own plots of land in countries as far apart as England and Denmark on the one hand and Japan on the other.

On the other hand, the last half century has seen the defeat of the effort made by those led by Lenin who claimed to be Karl Marx's followers to establish "a free and equal society" by Marxist means. The Soviet Union may have made striking progress in the production of steel and the development of armaments, but even its Sixth Five Year Plan has failed to give the Russian people a materially higher standard of life than before the Revolution or anything approximating a free and equal Society. In the field of agriculture, the yields per acre of Soviet collective farms are among the lowest in the world. After forty long years, it is Man that has withered, not the State.

Influenced by these massive facts, public opinion in the democratic countries of the world has, in the fifteen years since the end of World War II, moved slowly but consistently away from the shibboleths of state socialism and communism and back to the fundamental values of individual liberty and people's enterprise. The State is being recognized to be the most dangerous source of concentration of power and to offer the biggest single threat to human freedom and advance. Before this Leviathan, all other monsters pale into insignificance.

The United States of America have never deviated from this way of life and their trade unions are among those who swear by free enterprise and are against intervention by the State in industry. Congressman Walter Judd aptly enunciated this philosophy when, echoing Abraham Lincoln and Mahatma Gandhi, he said: "That government is best, not which does most for its citizens directly, but which makes it possible for most citizens to do most for themselves.... I can work my girl's arithmetic problem better for her than she can work it for herself.... And she would like to have me do it for her. But I don't do it! Not because I don't love her or want her to succeed—but because I do."

On the continent of Europe, it is West Germany that responded with vigour and gusto to Ludwig Erhard's prophetic call: "Let the men and the money loose and they will make the country strong." Today, West Germany, only fifteen years ago in ruins, is taking its place among the most massive of our own benefactors. So too, in vindication of these principles, the Socialist Party in Germany, one of the leaders of world socialism, has all but jettisoned its socialist baggage lock, stock and barrel. "The free choice of consumer goods and services, free choice of a place of work, and free initiative for employers are decisive foundations and free competition an important element of a free economic policy.... The Social Democratic Party, therefore, favours a free market wherever free competition really exists.... As much competition as possible, as much planning as necessary." In case Professor Kabir thinks that I am quoting from the Swatantra Party's Statement of Policy, let me mention that this is an extract from the new programme of the German Social Democratic Party published in October 1959 and adopted with minor alterations at a special convention in November.

It is not an accident that the British Labour Party met with its third successive defeat at the last general elections. Analysing the causes of the debacle, the *Manchester Guardian*, no Tory journal, complained that the Labour Party's socialist programme presented "a dusty old-fashioned picture.... Labour's chief failing was that it appeared old-fashioned." Another commentator referred to the "exhaustion of the planning craze." Whatever new thinking is done these days in Britain is largely to be found emanating from the Bow group of young Conservatives and from the Liberals.

How decisive is the turning away of British youth from the outdated concepts of socialism is shown by the following break-down of the British House of Commons by age groups:

Age group	*Conservatives*	*Labour*
20–29	9	1
30–39	62	18
40–49	140	55
50–59	118	106
60–69	35	57
70+	3	20

Even in communist countries, there is a definite drift away from centralized State planning in industry and collective farming in agriculture within, of course, the limits that are possible. Milovan Djilas' magnificent book *The New Class* is there for all to read and even officials in Yugoslavia can be heard talking about getting back to the laws of the market. The same trends were discernible in Poland in the all too brief years of the Gomulka period commencing in 1956 which is unfortunately coming to an end.

In the face of all this, one does not know whether to be amused or sad at the facile presumption of Congress Party spokesmen, who are fifty years out of date and do not even know it. For their sake and for the sake of the country, it is to be hoped that they will awaken from their slumbers. Otherwise the world will pass them by and they will be in the same position as a soldier named Johnny whose mother came proudly to see the parade in which he was to participate and observed at the end: "Everybody is out of step except my Johnny"!

The Swatantra Party, which finds itself in the vanguard of world economic and social thought, has no reason to fear for its future and can afford to take in its stride Professor Kabir's gloomy prognostications about its future. In the past twelve months, in India also there have been unmistakable signs of a change in public opinion both in regard to basic economic and social policies and about India's world relationships.

4. HAS FREE ENTERPRISE A FUTURE?*

The system of joint-stock enterprise or free enterprise is very much in question in the present situation in India. It is under a very serious challenge not in regard to any details, but to its very existence. I sat through a week of discussions in Parliament on the Companies Amendment Bill. One of the impressions I gathered was that the Government on one side and a fair section of members on the other looked upon a joint-stock company as some kind of necessary evil to be tolerated for the time being. It was not, as it is in most countries of the world, in America, Germany, Sweden, Japan or England, a very desirable form of organization where small and big people all come together to pool their resources through limited liability in order to produce the essential goods and services required by society. There, while it is regulated in regard to anti-social practices, it is looked upon as a good thing and is one of the things that will always be there. But in this debate in Parliament, the sentiment seemed to be to a large extent, on the Government side particularly, that it was a pity that it had to be there and that you could not wipe it out over-night because there would be chaos and production would be affected: it can be replaced in due course by the State Corporations and Cooperative Societies. The fact that this is a Cooperative Society refined by a century of experience—a cooperative society of investors—that was never even once thought about.

I am not suggesting that if there is a mixed economy where state enterprise supplements and complements the efforts of private enterprise to deliver the goods, there would be any question or challenge to the free enterprise of the joint stock system. That is the legitimate position to take in a country such as ours that we need State enterprise, may be in certain fields of endeavour, to supplement private enterprise. If both work freely in free competition on equal terms without discrimination, without bias, then no one would be very much bothered. But it is not the mixed economy that is threatening free enterprise; it is the trend towards jettisoning the mixed economy increasingly in favour of what may be called monopoly State Capitalism of the Soviet/

* From an address to a Management Training Course, 17 December 1960.

Chinese kind. The essence of that system would be that increasingly, in one field after another, not only that the State enters but the State puts out of business anyone else who happens to be there and asserts a monopoly or a near-monopoly in that particular sphere.

Today, that position is not by any means universal. It exists in some spheres and it does not exist in others. Take, for example, steel where there are two private enterprises and a government company, the Hindustan Steel Ltd. with three plants and a fourth one coming up. If this is maintained over the next 20 or 30 years, then it would be good mixed economy in practice, provided the government does not use its police powers to tip the scales against the two private operating companies or does not clamp down on them a kind of Steel Board which will take away all their powers and leave them defunctionalized units. So for the present in steel, in coal and in oil, there is a mixed economy. It is a good thing that two sectors should try to serve the wants of the community and the consumer has the freedom of choice to decide what he wants to buy and what he does not want to buy.

I shall give two major reasons why it is important that free enterprise remains a major element in our economic life. My first argument is purely on economic grounds that free enterprise is the more productive way of life. It delivers the goods more than any other system. So far as industry is concerned, we know the facts. There are so many fields where we can test this. Mr Graham Hutton, the British Liberal writer, gave a good analogy. He says that Government, when it enters the field of production, is like a dog in the barn yard—it can't lay eggs itself and it stops the hens from laying eggs. This experience of inefficiency of State enterprise in industry is making countries, even Communist countries like Yugoslavia and for a little while Poland, try to edge away from the State capitalist system. The Yugoslavs have invented a theory of workers' control in order to end what they call State Capitalism of the Soviet kind. They do not admit that Russia is communist or socialist in any way. They say that it is a distortion of Marxism and Socialism. Russia is state capitalist in a vicious kind of way, and so the Yugoslav communists are trying to get away from the Statist pattern by ostensibly giving the factory back to the workers. That is partly theoretical, but one thing happens—the enterprise becomes more autonomous and

the laws of competition come into existence. So they get back to the laws of the market in a rather downright and crude way even in a communist economy the moment it feels able to edge away from the unproductive system of production that State capitalism always is.

Even on the land, it is very clear that only private enterprise delivers the goods and that wherever the Government tries to collectivize the land and farm it under State control, the yield drops. The smaller the farm, the more productivity per acre and higher yield per acre, contrary to fashionable thinking in Delhi. I was very amused to see some time ago with a great sense of discovery the Delhi papers announced that the larger the farm the less the production, as if some new law of nature had been discovered. This was based on a study by a Government official, who investigated on behalf of the Institute of Agricultural Research, and the Ministry of Agriculture have now published a monograph which contradicts completely everything that the Prime Minister said in Parliament during our big debates on Co-operative farming.

My other reason for saying that the continuance of free enterprise is essential or desirable is its political and social effects. Unless there is a large measure of free enterprise in economic life, we cannot maintain a free society; we cannot maintain a democratic constitution or Government. To start with, there is no known example yet. Maybe, thousands of years from now, such an example might evolve, but at present, with human beings as they are, if there is no private enterprise there can be no political democracy and individual liberty.

Apart from the fact that it has not yet been done, which is pretty conclusive, logically also it must be so. Let us start by saying that unless we can have freedom of speech and expression and opposition in a society, we cannot have political democracy, democratic government and individual liberty. The need for an opposition therefore is at the core of a democratic system; if we cannot tolerate opposition, then obviously the Government becomes permanent, and it cannot be changed or replaced by the will of the people.

There cannot be a free opposition or effective opposition without free enterprise. Let us consider who will provide the opposition. In a system of society where everyone is either an officer

or an employee of Government, as would be the case in Russia and China today—more or less everyone is an employee of government—where does the opposition come from? Obviously, a civil servant cannot start an opposition and get elected to Parliament in the face of a Government that owns everything. So since one cannot go into opposition without losing his job and ration card, one does not go into opposition. Therefore, there is no opposition. Trotsky, who was a communist, till he was murdered by Stalin, in his later years realized rather belatedly the nature of this truth when he said that in place of the old slogan "he who does not work, neither shall he eat", the new slogan in a communist society is "he who does not obey, neither shall he eat". He came to the conclusion that this was the nature of State ownership. When the State became the universal employer, then obedience to the universal employer, the Government, was the test of whether one earned a living and could eat.

The only classes which can possibly provide opposition or the basis of opposition in society are what an Italian political thinker in the second half of the 19th century called "autonomous social forces". The autonomous social forces are the businessmen, the factory owners, the shopkeepers, the peasants who own the land, the artisans who create with their hands, the self-employed people, the professionals, (the lawyers, the doctors, the architects, the auditors etc.). These are "the autonomous social forces", which means that they stand on their own legs. They are not beholden to the government of the day for their bread and butter. The professional man, the businessman in a free economy, the landed peasants, the artisan and the self-employed man stand on their own legs and they can say to Government that they do not agree. They are the classes who can possibly go into opposition. They are the classes who can maintain a free press. They are the classes who can have any kind of voluntary society or organization which is not dependent on Government patronage. Abolish these classes by nationalization of private property and land and industry, and you will destroy every autonomous social force. Then everyone is at the mercy of the State. That is why a command economy replaces not only the ballot box of the market place but a totalitarian Government replaces a democratic government provided by the Constitution.

Three things need to be done in order to help joint-stock enter-

prise and free economy generally to survive and to thrive, to win this battle and to defeat this challenge. The first thing is that Indian business today needs to put its house in order. It is not enough in India to say that a few black sheep should not be allowed to give the whole class or the whole system a bad name. When I say that sometimes, my socialist friends say: "But how many black sheep are there in the fold and how many white sheep are there?" The suggestion is that the black sheep predominate and, therefore, they stop being the exception that proves the rule but becomes the rule itself. I do not know how statistically one can say how many businesses are good, how many are middling and how many are bad. We all may have our different impressions. Indian public opinion has been sold the story that Indian enterprise is by and large crooked.

There must be some reason for this. Partly the reason is the Prime Minister's propaganda and a certain amount of whipping up of hysteria and hatred, but what is it based on? If business had done a really good job, I do not think this could be possible—after all, it is not possible in other countries. Indian business must put its house in order. To change the metaphor, I would say: let them act as Trustees for society, for the community. Gandhiji tried to sell that idea well ahead of the times by pleading that the Indian industrialists and business people should behave as trustees on behalf of the community. That did not mean that their wealth was to be taken away; they remained in possession of their wealth but they were to use that wealth with a social purpose. Dr Ludwig Erhard, champion of free enterprise, has proved in practice that this works better than any other system in West Germany. He calls it Social Enterprise. In his book "Prosperity Through Competition." he insists that private enterprise must be socially orientated, must have a social purpose.

The Forum of Free Enterprise has a Code of Conduct which is quite impressive. It lays down how the businessman should behave vis-a-vis the consumer, the investor, employees, the community and the Government. A good product at a fair price, a fair deal and a fair wage for labour, honest payment of taxes and obedience to laws—these are some of the elements that go into this Code. At a meeting of Sarvodaya workers called by my friend, Jayaprakash Narayan, Mr Dhebar, Mr Shankar Rao Deo and half a dozen other eminent Gandhians were present. They were

trying to define what Trusteeship could mean in practice. I tried to help out by reading from the Code without saying what it was to ask if this is what they understood by the application of trusteeship in practice. And they all said that it was beautifully put. Then I produced copies of the Code of Conduct of the Forum and passed it round the table and told them that it was from that "horrible reactionary organization" which they have imagined the Forum of Free Enterprise to be!

The second thing that needs doing, apart from business putting its house in order, is to make it easier for the class of entrepreneurs to grow. India has a bigger bourgeoisie and a bigger entrepreneurial class with a longer background than any other country in Asia, barring Japan and may be the Philippines. We are relatively in a better position. We are not like countries where the middle class simply does not exist. We are, therefore, in a very much better social position than most countries in Asia to make free Enterprise win. But even so, the class needs to grow. And the more small entrepreneurs there are, the safer the system of Free Enterprise will be. I think that Indian big businessmen should consider what they can do for small business. It could be considered an extension of the principle of Trusteeship—to help other people up, to do the job of Free Enterprise and to prove to the country that it can deliver the goods.

The third thing that has to be done is to stand up for that particular way of life. So far it has been admitted that the case of Free Enterprise in India has gone by default. Till the Forum of Free Enterprise was started in 1956, there was no organized effort to put across that point of view. Everyone was a defeatist saying it couldn't be done; socialism was too popular, too strong. Even today, although something has been done, I am afraid the large majority of Indian businessmen do not seem to be able to show that they are prepared to stand up and be counted. They are not prepared to raise their hands when the question is put in public: "Who is for Free Enterprise?" Some of them talk socialism, some of them evade the issue, but the fact remains that those who are prepared to stand up and be counted are few.

This is not a problem of India alone. There was a time in America, it seems, when business was in as bad an odour and as much on the defensive as it is in India today. Walter Lippmann refers to the state of United States business in 1934—the years

after the Depression, the years of Roosevelt and the New Deal, as follows: "In the past five years i.e., from 1929 (The Depression), the industrial and financial leaders of America have fallen from one of the highest positions of influence and power that they ever occupied in our history to one of the lowest." This remained for quite some years. It is no longer so because American business had the gumption, the courage and the enterprise to take up the challenge, to try and reverse the trend.

Interest in public affairs is a very important extra-curricular activity of American Managements today.

GEC and Ford have elaborate departments exclusively concerned with Government and political affairs and they have made such a success of it that an interesting article in "Fortune" magazine reports that they are besieged by visiting delegations and teams from other companies to learn what they do so that they can apply it in their own companies. There are other companies who also sponsor by-partisan training courses in the art of politics for middle management. They do not train people either to be Republicans or Democrats—they train people to be good citizens, and to pull their weight whatever party they may feel like joining.

This has been called the "Business in Politics Movement", and it is growing like a grass fire, according to "Fortune", in the ranks of the more enlightened section of American business. What is done in many companies is that groups of 12 to 20 supervisors and junior executives—middle management—spend a couple of hours every week for ten weeks or so, sometimes on the companies' time and sometimes on their own time. They study the working and the progress of political parties, they study how campaigns are run, how party finance is raised, and they invite as guest lecturers speakers from both sides to supplement the domestic teaching from within their own staff. Apart from these seminars, they have field work. They train their executives to write letters to Congressmen on any issue that interests them and they train them to go round door to door registering people as voters—putting their names on the electoral rolls, as a community service performed for that particular town or neighbourhood.

The United States Chamber of Commerce has a practical politics course which is used by 162 individual firms and 479 local chambers; 20,000 executives have by now gone through the

United States Chamber of Commerce course in practical politics. The National Association of Management course patronized by 100 companies and has been gone through by 5,000 people. There are courses for executives at the American universities: over 1,000 executives from more than 500 companies have gone through these courses in 1956. In fact, this is one of many ways in which letting the case go by default can be put right.

Many American corporations encourage their executives to stand for municipal bodies, to stand for Congress, and they feel it is an honour and a privilege to have among them people who are able thus to establish themselves in the public life of the country. And since they got two broad-based democratic parties, neither of which is hostile to business as such, the question of taking sides does not arise. All this will need a lot of thinking out and adapting to our conditions. The fact remains that very little has been thought of in this regard. It has been considered for some reason that businessmen should not take part in politics, should have no interest in politics, and should beg the ruling party for the time being to get what they want out of them and carry on. Now that appears not only to be a selfish point of view, but a very shortsighted one. It is not even intelligently selfish, because this class only worries about the quick rupee and this year's licence. It is not a class that either commands respect or will survive in the long run. Fundamental thinking and urgent action are required by free enterprise because that is essential for its very survival and with it of democracy and individual liberty in India.

Joint-stock enterprise, which is the modern twentieth century way of industrial organization, should be allowed to thrive for its own benefit and for the benefit of the country. How is this instrument, through which one nation of the world after another has achieved prosperity and social justice in increasing measure, to be harnessed to the needs of our country? How is this great vitality and force to be let loose so that it may produce the largest volume of goods and services needed for this country?

What is joint-stock enterprise? Our Prime Minister and many leaders of Government talk day in and day out of cooperation. If they were sincere in their desire to help all kinds of genuine cooperation, they would be the best champions of joint-stock

enterprise because joint-stock enterprise is the application of the principle of cooperation to industry and business.

Joint-stock enterprise is the coming together of small and big people scattered throughout the country in different walks of life with different ideologies because they believe that there is a demand or a want for a certain commodity or service on the part of the people of this country and that that want should be met. And, that in meeting that want, they will make a profit as a result of their efficiently meeting that want. That is the application of the principle of cooperation to business or industry. And, if there is one kind of cooperation that is successful of deserving of support in India, along with others, it is joint-stock enterprise.

The philosophy is that the shareholders of a company are fullgrown citizens of our country knowing what they are about, that they are the best judges of their own interests and not a set of bureaucrats or politicians in office and that, therefore, control of their activities under Company Law should be minimum control, as little control as possible and as much freedom for them to function as is possible.

All the joint-stock companies are the property of their owners, whether their capital is subscribed in the market or whether five people get together in private. The principle is that it is no business of the bureaucracy or the Minister of the day to sit in judgement on whether the owners of a certain property—farm or shop or factory—administer that property by prudent practices or not. Every grown-up citizen in a democracy must take on his own shoulders that amount of responsibility. Abraham Lincoln spoke a hundred years ago on this and said that the Government cannot do for the people what the people must do for themselves; he enunciated a truth a hundred years ago on what sound administration should do.

We are talking about grown-up people who invest their money in a company, public or private. They must be allowed to administer the property according to their conception of prudence. If they incur a loss, it is their loss. The whole essence of joint-stock enterprise is that people must learn to risk their capital to make a profit or to make a loss. It is not part of the Government's business to stop people from making a loss because that would kill and cut at the root of the principle of risk-taking, which is the essence of free enterprise. Therefore, if we want

joint-stock enterprises to survive in this country, we cannot do it under the tutelage of a set of bureaucrats who know nothing about business.

This strikes at the root of the safeguards given under our Constitution. Either we stand by the Constitution and say that private property is sacred and belongs to the person concerned and he can do what he likes with it or we say that the Government will sit in judgement through our bureaucracy on every one of us and see whether or how we spend the Rs 10 in our pocket, and whether it is right or wrong. This is the thin end of the totalitarian wedge which lays down the principle that the Government knows better what you should be doing with your money. It is a highly objectionable principle in any free society.

The second test is that the Government must be satisfied that a company is being managed in a manner which is likely to cause serious injury or damage to the interests of the trade, industry or business to which it pertains. In other words, I may be running my business very efficiently. But if it hurts somebody else, on behalf of somebody else who cannot face fair competition, you go and put me in fetters. The laws of competition are the best correctives to anti-social behaviour and to unproductive enterprise. It is the law of the market, the law of supply and demand, the laws of the free competitive society that are a sovereign check on unproductive enterprises and antisocial practices.

When a man does not run his business in a prudent way, he has to shut it down and somebody more effective who can serve the country better takes his place. That is how the country advances by eliminating the incompetent and corrupt and by supporting and rewarding those who are enterprising and productive. Once you kill this competition, you are heading for such a state capitalist system as Mr Djilas, the communist of Yugoslavia, has so well described in his book—*The New Class*—where a more exploitative and oppressive class of State capitalists replaces those who they claimed were exploiters.

5. FIRST SWATANTRA BUDGET*

The starting point of Swatantra philosophy is based on Western Liberalism and on Gandhiji's thinking. These two point in the same direction. What they have in common is that the individual comes first, the individual is in the centre of the picture. If this is so, then a Party like this has faith in the people. It believes that, on balance, people are worth-while. This, in turn, means that Government is for the people, that Government is a limited instrument for good. This idea is common to Liberalism and to Gandhi. It is common also to the Bible—you remember the old saying. "Render unto Ceaser that which is Ceaser's and unto God what is God's," God in this context is the individual conscience. Abraham Lincoln, who was a great liberal said a century ago: "Don't try to do for the people what they can do better for themselves," and Gandhiji, in our time, said many things. I shall recall only one. He said: "That Government is best which governs the least." He also said, many times, that while other forms of exploitation were bad, the worst exploitation and the most violent was that of the State because it was total.

In other words, Liberal–Gandhian philosophy and the philosophy of the Swatantra Party stand for freedom of choice—freedom of choice for the investor, freedom of choice for the producer, freedom of choice for labour, and freedom of choice for the consumer. Where these are missing, it is not a free society. Today, you have only got to consider to what extent that freedom of choice of the investor, the producer, the worker and the consumer exists.

We stand for the farmer owning his land, we stand for the man who has got something to save investing it where he wants to invest it, for the entrepreneur to be free to choose his field of enterprise, for the worker to choose his job and, where necessary, to go on strike, and for the consumer to exercise what I call the ballot of the market place—to choose what to buy, at what price to buy and, if he or she so desire, not to buy. These are the fundamentals, in our view, of a Free Society.

That being so, we are opposed to Monopoly. We are opposed

* From a speech to the Swatantra Forum, Calcutta, on 9 January 1965.

to permits and licences. We want free competition to prevail, with minimum regulation, because we believe that the State Capitalist model involves bureaucracy, exploitation and corruption. Gandhiji preached the idea of Trusteeship. Dr Erhard, the maker of modern Germany, calls it "Social Enterprise" in his book of that name, that is, private enterprise but with a social objective. That is what we stand for.

We do not deny the role of the State. We think the State has many functions. The first is to act as an umpire or referee, to hold the ring, to blow the whistle, to see that the game is played fair. The second is to provide the infrastructure, the foundation on which the economic structure can be reared—roads, transport, communications, education, electric power, technical training. These are the legitimate sphere of the State. Even in production, we do not rule out State enterprise. We stand for a mixed economy where the State can compete on equal terms, in meeting the needs of the people, but we are opposed to State monopoly such as we have in the Indian Airlines Corporation, the L.I.C., the S.T.C., and so on.

We are not against Planning. We are against planning of the Soviet kind that we have in India. We have no objection to French planning of the Monnet kind, we have no objection to the National Economic Development Council in Britain, because that is the free kind of planning where the law of the market prevails, where the Government does not enforce its decisions, where planning is of an indicative or advisory kind. In India we have, as in Russia, a command economy, where people are told what to do, what not to do.

In taking this stand, we believe that we are abreast of the latest trends in the world. If you read the new programme of the German Socialist Party, you will find there an amazing closeness to the programme of the Swatantra Party published earlier. If you see the age composition of the last House of Commons which ended its life last October you find that young people tend to be Conservatives or Liberals, that Socialism is the dogma of the old. This is a very striking indication of how the young generation is moving away from the old collectivist or State capitalistic dogma. This is also true of Yugoslavia, Poland and now it is beginning to be true of Soviet Russia. Whoever has experienced "socialism" runs away

from it. India will no doubt soon join that race! So the Swatantra philosophy and programme is a modern, twentieth century philosophy and programme.

You will probably go along with me so far but ask, if that is so, how will it work out? It sounds very nice, but is it really practicable? Can it be applied to the situation in which this country finds itself today? I would like to show you what, for instance, would happen or could happen if this programme could be given a chance or an opportunity to be tried out.

Let us imagine a miracle. Let us imagine an immediate General Election, and let us imagine that the Swatantra Party and its friends and allies were able to form a new Government based on the programme I have just put before you. What would happen? What would be the effect on taxation, on the food shortage, on prices, on the economic growth of the country and on the living standards of the people?

If we came to power immediately, I imagine we would take three steps; three major changes would become necessary. The first would be a Holiday from Planning, a suspension of the Five Year Plans. The Third Plan is not even half carried out although its five years are drawing to a close. We might say that the present Third Five Year Plan should be extended for another two years so that at least some of its targets might be achieved! At present, hardly any of them have been achieved. Let us suppose that the present Plan lasted for another two years and the Fourth Plan was postponed. Khrushchev did that soon after he came to power and found his country in a mess left by Stalin, rather in the position Mr Lal Bahadur Shastri is in today. He had the courage to say that the current plan was unfinished, there was no need for another one, let the current plan be finished first.

The second thing would be to cut out controls; to abolish the permit and licence raj which is in existence today; to restore the free market in food and industrial goods. Britain did that after the last War, when the Conservatives came to power. Within a little while, the whole aspect of the country changed and, as Mr R. A. Butler proudly announced; "In place of red tape, we now have red meat."

The third thing we would do would be to scrap the present foreign policy of so-called "non-alignment" and to accept a

policy of Interdependence, of realizing that the world is one, that we cannot live in isolation from our friends and neighbours. This would mean the acceptance of military assistance from the United States, Britain and other friendly Democracies. It would also mean the acceptance of the Nuclear Deterrent provided by the American superiority in nuclear armaments. I do not think that this interdependence is inconsistent with honest, genuine, non-alignment, but it is certainly inconsistent with the kind of non-alignment practised during the last ten years.

These, I think, are the three basic major changes I believe a Swatantra Government would make today. If this was done, what would be the immediate effects of these three measures?

The very first consequence would be that when the new Budget was introduced by the Swatantra Finance Minister on 27 February this year, it would be a revolutionary Budget. We could cut down taxation by at least 50 per cent, halving it from what it is today. We could cut down both direct and indirect taxation to half of what it is today. You may ask how we could manage with half the present income. Part of the answer is that the major part of our defence burden would no longer fall on our taxpayers' shoulders. We know that the United States has given military assistance to those who have chosen to accept its friendship. West Germany, Japan, Italy, Turkey, Iran, Thailand, the Philippines and many others have taken American military assistance and have not burdened their economies with this colossal burden. We would also have the benefit of the American nuclear deterrent and we would not have to make an impossibly expensive bomb for ourselves. This would mean that the larger part of our defence budget could be written off and that this load could be lifted from our exchequer.

Similarly, the refusal to have a Fourth Plan, with its fantastic investment outlay, would mean that so much money would not be required for what is called "development." Elongating the present Plan would mean no more investment in wasteful projects. It would mean that the present installed capacity would first have to be utilized before new capacity was created in this country. Therefore, there would be very little fresh capital expenditure in the State Sector. What would be the effect of

halving the present direct and indirect taxation, the corporate taxation and the excise duties which burden our people today? Let us imagine for a moment what the effect of such a Budget introduced next month would be.

The first consequence would be a tremendous spurt in production. With the incubus lifted from our producers, with the knowledge that they could keep more of what they produce, a larger part of the profits for investing in their own business, anyone with an instinct of enterprise and adventure would go places. There would be a tremendous spurt in industrial production, more employment, higher wages, bigger profits, more money for fresh investment.

When the climate in India changes, foreign capital would come in. Foreign capital will not come to this country so long as Indian capital is ill-treated and treated vindictively, as at present. But the moment Indian capital is given a chance, foreign capital will pour into this country, something that we desperately need.

The result of this production spurt would be more goods and more services in the country. More goods and services, with the same amount of money in circulation, would mean a stop in the rise in prices. It would mean stable prices. For the first time after 1940, we would have stable prices and an Honest Rupee.

What in turn would be the effect of prices not going up anymore but of stability being reached by the volume of goods and services catching up with the volume of money? The result would be no food shortage. Today, there is a food shortage for two reasons. One is that the farmer has no incentive to produce and the second that he has no incentive to sell what he has produced. The reason for this is that the disparity of prices between agricultural products and manufactured goods is unfair to the farmer. The farmer needs cloth, kerosene, diesel, fertilizer, tools. The prices of all these things have shot up but the price of food is not allowed to go up as a result of price control on the part of Government. So the farmer finds that his product cannot get more money but everything he has to buy costs more. Who would produce more under these conditions? Hence the food shortage. What the farmer has produced he won't sell because he doesn't get a fair price. So

he eats more, gives more to his children. Anyone of us would do the same. Then he is called a "hoarder". So the result of price stabilization would immediately be an incentive to the farmer to produce more and to bring more into the market.

The immediate result of Decontrol would be to bring out food that has gone underground in the countryside today.

The result of more agricultural production and more industrial production would be an acceleration of the rate of growth of our economy. As you know, the rate of growth has been stagnant for the last eight years in spite of the Second and Third Plans. While other countries have achieved 8 per cent, 10 per cent, 20 per cent even in the case of Japan, our rate of growth is around 2 per cent, while our population rises at 2.2 or 2.4 per cent. The result of the Swatantra Budget would be to accelerate our rate of growth.

Finally, when there is more growth, a larger cake, everyone's slice of the cake will be bigger than it is today — which means a rising standard of life, a richer life for all classes of our people. This is what could be done within six months of a Swatantra Government coming into power.

6. WHICH WAY TO 'A FREE AND EQUAL SOCIETY'?*

We accept the socialist aim of a "free and equal society" but we are perceptive enough to see that the method of Statism and controls is not the method that leads society to a free and equal society. If I had the time, I would have read from the programme of the German Socialist Party to show that they are against planning beyond a minimum; they are against controls beyond a minimum; and they lay the greatest stress on free competition and a free way of life. In other words, the German Socialist programme is nothing more than a paraphrase of our own programme. But why go to socialist democracies? Let us go to the communist countries. I wish Hon. Members opposite would read a little more of what appears in the Soviet press and in the Soviet economic journals. Let them read Professor Lieberman, as my friend Mr Nath Pai points out, and they will find a very rapid shifting away from

* From a speech in the Lok Sabha on 26 August 1965.

regimentation, Statism and planning to a free competitive economy.

Only day before yesterday, in the *Economic Times* of August 24, there was a whole article on the Yugoslav scene. The Hon. Prime Minister was there not long ago. I wonder if he educated himself on this particular point? In case he did not do that, let me read a few sentences from what the Yugoslav Government is doing here and now as we are discussing the problems. It says:

> Yugoslavia has lately been suffering from all the well-known economic ills—wild inflation, balance of payments deficit, sluggish productivity in her factories. The Government is now trying to give a hard, competitive tone to the economy in order to restore it to health.

And how do they propose to restore it to health? They are doing it precisely by the measures we, on this side, have been suggesting and not by the measures that my Hon. friend the Finance Minister suggested. It says:

> The startling downgrading of the dinar is, paradoxically, the first step in an effort to make Yugoslavia's currency stronger and to strengthen the country's overall economic position....
>
> International producers' prices have been able to rise because imports have been closely restricted by currency allocation through the banks. Imports are now to be allowed relatively freely....
>
> Now tariffs are to be lowered to 11.8 per cent, in the hope that at the new exchange rate and with this small tariff, foreign goods will offer a steady competition to domestic producers and so prevent further inflationary price increases. At the same time, factories will have an incentive to export more.

This closely follows the pattern of Ceylon which I commended to the House when I opened the debate three days ago. It is very interesting that since I spoke, a communist country is now following the Ceylonese path and rejecting the path that this Government insists on pursuing.

I was very interested to hear Dr Mishra from the Communist benches when he talked about "The New Class," the new class that

is so well-described in Djilas' book, which I have in my own way tried to describe on more than one occasion in the last twelve or twenty four months. Dr Mishra pointed to a new class of parasites and exploiters, some in the State sector and some in the private sector, who combine to loot the community, who use the licences and permits and quotas to exploit the community, and he went on to say that these people now play a very prominent part in the Ministry-making of the Congress State Governments! I am very glad that a member of the Communist Party is so perceptive as to follow our analysis.

The only vested interest in this country is the vested interest of this new class, the new class which has a mixed physiognomy, partly politicians in office, partly officials, and partly private capitalists who play ball with these people. That is the only class against which the common people have to wage a fight today.

7. WILL LIBERALISM SURVIVE SOCIALISM?*

There is an idea afoot that liberalism came before socialism and therefore must fade out before socialism. I would like to examine that assumption and, looking fifty or a hundred years ahead, to consider which is the more likely to survive, and which is getting outdated today.

When I went to London as a student, I met a Conservative Member of Parliament, who happened to be a friend of my father's. He was very nice to me and entertained me to a meal. He casually asked me: "Young man, what are your politics?" I said: "Sir, I am an ardent socialist." The old Tory patted me on the back and said: "Very good, my boy. That is exactly what you should be at your age. You see, if at 21 you are not a socialist, you have no heart. But if at 41 you are still a socialist, it means you have no head!" It is interesting that by the time I was 41, I wrote a book called *Socialism Reconsidered,* in which I renounced socialism and declared my liberal and Gandhian faith. I remembered the old Englishman, who had by then died. How right he was!

Our great leader, Mahatma Gandhi, used to say that consistency in political affairs is "the virtue of an ass." He was himself a very inconsistent person, who moved from position to

* Article in *Swarajya* Annual, January 1966.

position as he developed and the world developed. The point I am making is that it would be very stupid for anyone to hold on to a point of view or a dogma, disregarding what is happening around him.

Now, Gandhi taught us two things, basically. One was that ends and means are interlinked, that you cannot produce a better society by methods that are not clean and decent, that the end does not justify the means. By the time your means, which are dubious, are practised, your end gets vitiated. In other words, to cite the Soviet Union, by liquidations and butchery, by distortion and lying, you cannot produce a more fraternal society. You have only to look at the kind of men who have ruled the Soviet Union to realize that this is not a more fraternal society: Stalin, Molotov, Vishinsky, Khrushchev. These are not the embodiments of a more brotherly, free and equal society.

The other thing Gandhiji taught us was that the State in the 20th century is no longer a great friend of freedom and progress, that perhaps the biggest threat to human freedom comes from the State. This Gandhi repeated a hundred times in different ways, by saying that there is no violence as evil as the violence of the Government. All other violence can be forgiven, understood or controlled, but when the Government becomes violent and dominates and oppresses the people, that is the most foul kind of violence.

Let us get our definitions right about socialism. Let us consider whether the methods of socialism lead to the aims of socialism being achieved. I start with the assumption that all of us want to see an end of poverty, that we all want to see an end to glaring inequalities of status and opportunity, that we want to see people free and happy in a fraternal society. That, I think, is basic to liberalism.

Now let us see what socialism is. I think the aims were best stated by Lenin as "a free and equal society." I think it is a legitimate aim. I would still accept it as a valid ultimate objective. The methods of socialism are spelled out in the Oxford Dictionary, which reads as follows: "The principle that individual liberty should be completely subordinated to the interests of the community, with the deductions that can be drawn from it, namely, the State monopoly of land and all capital." The British Labour Party has as its objective "the nationaliza-

tion of the instruments of production, distribution and exchange," which means the State ownership of all industry, all trade, all banking, all land.

Let us consider to what extent, where socialist methods have been tried, these methods have actually achieved, or furthered, the aims of socialism. That is, to what extent does the State ownership of industry, trade and land create a more free and equal society?

The only countries where socialism has been fully tried out are the communist countries. The other countries, which we shall discuss later, may sometimes have socialist governments for a while, but they still carry on the system of competitive free enterprise, or "capitalism" as it used to be called. The only countries in which socialism has been completely tried out are the Soviet Union, Communist China, and the captive countries of Eastern Europe. Let us consider the Soviet Union, which is the classical case, both because the experiment has lasted for 48 years and because it is the fatherland, the leader of the communist world. What are the results of 48 years of practising the methods of socialism or communism? Here are some of the indices.

The rise in the standard of life in the Soviet Union over the last 48 years has been about the slowest in the world. Colin Clark and other economists have provided data showing that the curve of the standard of life of people in other parts of the world has almost uniformly risen more sharply than in the Soviet Union. Now, this is an amazing phenomenon, that the revolution that was made to improve the lot of the common people has resulted in exactly the reverse, the relative absence of progress compared with so-called capitalist countries.

This can be measured by simple things—housing, clothes, food, the things people use. In the Soviet Union, housing is about the shabbiest phenomenon. Even today, sometimes whole families have to share a room. Clothes are a notorious weakness. The Soviet Union's diplomats and technicians who go back from India often carry half a dozen suits and half a dozen pairs of shoes, on which they make a very handsome profit back home. There is a black market in clothing and shoes.

The saddest failure of Soviet socialism has been in agriculture, which is of more interest to us in India than it may be

to those in Europe. If we read the publications put out by the Food and Agricultural Organization, which give statistics of comparative production of foodgrains and other agricultural commodities per acre throughout the world, we find that the Soviet Union comes, near China, at the bottom of the international scale. In so far as producing rice and wheat per acre is concerned, Soviet agriculture is among the least productive.

What the Soviet Union has done is to produce a great deal of steel. That is about its greatest success in the economic field. Steel and machinery they have produced. The reason they have produced them is militarism. They wanted to dominate the world; and so they produced steel, which goes into tanks and jet planes. Another thing that they have excelled in is the space programme.

Now, the Soviet people are somewhat bitter about this distortion of giving to space programmes and militarism what should be coming to them for their own needs and the needs of their children. This bitterness comes out in funny stories, because in Russia the only way you can criticize the Government is by telling anecdotes.

After Mr Gagarin came back from space and the whole world went into raptures, the Russians told a little story. A foreign correspondent, soon after Mr Gagarin's victorious return from space, went to his home to interview him. He knocked at his door and a little girl came out—Gagarin's little daughter. He asked: "Can I talk to daddy?" The girl said: "No, he has gone out to space." "Out to space again? What a pity. How long will he take to get back?" The girl said: "He will be back after four hours." "I will wait, then. Maybe I can talk to your mummy instead?" "No," said the little girl. "Mummy is out too." "Where has she gone?" he asked. "Oh! She has gone to the baker's to get a loaf of bread." "How long will she be away?" The little girl answered: "She will take eight hours, because she is in a queue."

The other claim made for socialism is equality. Never mind if we are not prosperous, we at least can all be equal. There again, the results do not justify the hopes some of us had, that socialism would deliver the goods so far as equality is concerned.

The Soviet Union today has wider inequalities than many capitalist countries. The differential between the worker and

the manager, between the ruler and the ruled, is wider than in most other countries. In the United States, for instance, the ratio of payment between the highly skilled worker and the non-skilled worker is only $2\frac{1}{2}$: 1. The highest skilled technician does not get more than $2\frac{1}{2}$ times the wage of the most unskilled labourer. In India, it is pretty bad. It is something like 20 or 25 : 1. One would like to see that gap narrowed. In the Soviet Union it is just as bad. In Soviet Russia for the last two decades, they have had millionaires, who own millions of roubles in State bonds. They are known as "Soviet millionaires."

The interesting thing is that they are not taxed. In India the highest income-tax and wealth tax exceed 100 per cent. You are taxed on your capital as well as your income. Your wealth tax and your income-tax combined can exceed your income for the year. I once made a proposal in Parliament that it should be restricted to 80 per cent as in Sweden, and this was rejected by our present socialist Government. In the Soviet Union, there is only one rate of income-tax for rich and poor alike. This is 13 per cent. Whether you are a millionaire or a worker, you pay 13 per cent of your income as tax. No progression. This would be considered highly reactionary in a capitalist country, but it is considered to be communism in Russia.

Perhaps the most fantastic thing is that there is no inheritance tax. They had it once, but they abolished it. In other words, if you leave millions of roubles for your children, they get the whole lot. All this shows that, far from being the country of equality, the Soviet Union is a personification of glaring and gross inequalities and inequities.

So socialism does not deliver prosperity. It does not produce equality. Does it give freedom? Of course not. The loss of liberty is the most obvious thing in the socialist countries. Lenin was a great man. He was an idealist gone wrong. He imagined that, after a short period of dictatorship, liberty would be restored by the benign Communist Party to the people. The State would "wither away." Now, some of us have been waiting patiently for this process to start. There are no signs of it yet, either in the Soviet Union or in any other communist country. The State keeps its monopoly of power very securely in its hands.

Now, all this had been foreseen by a very wise Italian philosopher, Benedetto Croce, who said that in any country where

there were no "autonomous social forces," liberty was bound to disappear. By "autonomous social force" he meant people who own their factories, people who own their shops, people who own their land, people who practise independent professions like lawyers, doctors, engineers and accountants. In other words, when everyone is an employee of the Government, you cannot have freedom or democracy because there is no one to oppose or criticize the Government. It is only when a peasant can say: "This land is mine," that he can stand up to the official. But when you have no peasant proprietors, no businessmen, no free professional people, it becomes a slave State.

Now, let us consider what has been happening in a semi-socialist society like India. We have been practising, or trying to practise, socialist methods for the last 15 years. What is our plight today? We do not have to go to Russia to find out what are the first fruits of socialism. Is there more prosperity? Are we better off than we were in 1947? The answer is "No." Living standards have been stagnant since the British left in 1947. Some classes have benefited, some are worse off.

The Government admits that the real income of the agricultural labourer, the landless labourer in the village, has gone down in the last fifteen years. He does not take home as much as he could in the old days under the British. The real income of the industrial labourer is more or less stagnant, thanks to dearness allowances. Anyone who knows anything about the middle class knows that its standards have gone down shockingly in the last fifteen years. In fact, the middle class is being ground out of existence today in India. The biggest victim of socialism is the lower middle class, the educated man with a small income, the clerk, the schoolmaster, the shopkeeper.

Then, who has benefited? If the middle class, the working class and the landless labourer are all worse off, who has benefited? The answer is a small number of people have benefited. Because we have a mixed economy, we have a mixed "New Class." They are not all commissars. Some of them are commissars and some are businessmen. What they do is that by means of a controlled so-called socialist economy, where more or less sheltered conditions are created, they share the profit. If I am in power and I give a licence to somebody to produce something with a protected market, he gives me back 10 per

cent or 20 per cent of what he makes. So political patronage, operated by dishonest politicians, officials and businessmen, creates a new ring of exploiters which replaces the old system.

Equality? Even the advocates of socialism themselves complain that every time a Five Year Plan is put across, it creates more inequalities, for the reason I have just explained.

The workers are no longer as happy about socialism as they were fifteen years ago. In those days every trade unionist wanted his industry nationalized because he thought capitalism was reactionary and socialism would be progressive. Last year, on 4 July 1964, one of our big bank unions, the Reserve Bank Union, passed a resolution; for the first time a trade union came out openly opposing nationalization.

The best summary of the situation was given by none other than Mr Nehru. It is amusing that he gave his judgement in another country than his own. Mr Nehru was in Kathmandu, the capital of Nepal, in 1959. Speaking from the superior heights of life in India, Mr Nehru said in Kathmandu, at a public meeting, something that summarizes what I have been saying: "Socialism in a poor country can only mean that it will remain permanently poor."

Now I come to the alternative, the Liberal path. If socialism does not serve the purposes for which it was intended, that is, moving towards a freer and more equal society, is liberalism the alternative?

What is liberalism? Liberalism, according to Hobhouse, the great British liberal. in his book on *Liberalism*, which is a classic, is "a belief that society can safely be founded on the self-directing power of personality, that it is only on this foundation that the true community can be built. Liberty then becomes not so much a right of the individual, as a necessity of society." Professor Parkinson said in an article recently published in England: "The word Liberal means generous or open-handed. Be generous with what? With freedom and political responsibility."

Now, these are two quite good definitions of liberalism. How do we apply them to the problems of social welfare or social justice with which we are concerned? Their application to the economy means a free economy. What is a free economy? There are many variations of the free economy in different parts of

the world, but one thing is common to all of them—the Government plays a limited and restricted part. Liberal economics are the economics of limited government. Social controls and regulations are necessary, but must be restricted to the minimum. That is one aspect.

The other aspect of a free economy is that "the consumer must be king." What does this mean? Who is the consumer? All of us are consumers. We all buy something or other. Therefore, the whole country is made up of consumers. What does it mean that the consumer must be king? This means that what is produced in a country should be what the people want, should be something for which the people are prepared to pay a price in the market. The pattern of production must be dictated, not by Government, not by a Planning Commission, not by the dictates of anyone, but by the collective will of the people, as expressed in the market place. This has been well described as "the ballot of the market place." The ballot of the market place is superior to the ballot of the political election. You can shift your choice from hour to hour and day to day. You can buy one brand of soap one day, change over to another brand the next day, if you do not find it good. You can change your perfume, your shoes, your clothes—everything.

How does this choice of the small man—it does not matter whether he has ten rupees in his pocket or a thousand rupees—affect the pattern of production? It affects it through the profit motive, through what is called the law of the market, which is the only sane economic law—the law of supply and demand. The industrialist or the businessman does not produce for fun or for love. He produces for a profit. He produces what will get him a profit in the market. A profit is made when the demand exceeds the supply because when the demand exceeds the supply, then prices go up. But where the supply exceeds the demand, prices drop.

The biggest capitalist has thus to consider what the smallest man in the market wants. This is how the consumer is king and this is what is called a free market economy. This is the liberal economy, as opposed to the socialist.

The Manifesto of the Liberal International, which was adopted many years ago, is still valid because liberal principles

do not change every five or ten years. Among these principles in the Manifesto, there are certain items of an economic nature:

> The right to private ownership of property and the right to embark on individual enterprise; consumers' free choice, and the opportunity to reap the full benefit of the productivity of the soil and the industry of man. The suppression of economic freedom must lead to the disappearance of political freedom. We oppose such suppression whether brought about by State ownership or control or by private monopolies, cartels and trusts. We admit State ownership only for those undertakings which are beyond the scope of private enterprise, or in which competition no longer plays its part. The welfare of the community must prevail and must be safeguarded from abuse of power by sectional interests.

The examples of this kind of a free economy range from the United States, which have achieved the highest standards of life and equality for their people, Britain, the Scandinavian countries, France, West Germany, with its German miracle produced by Dr Erhard, a great Liberal, Japan, the one country in Asia which has raised its standard of life to the European level, Australia and New Zealand.

What are the results? One is prosperity. The buying power of the man in these countries is out of all proportion to what it is in the socialist countries. Here are the figures of how long a worker has to work in America and Russia to obtain the same commodity. It is very interesting. It shows you where labour is exploited, and where it is really free. For a loaf of bread—this was valid last year and could not have changed now very much—the U.S. worker had to work for six minutes. The Soviet worker had to work for 36 minutes to buy the same loaf of bread. For a pound of butter the U.S. worker works 19 minutes, the Soviet worker 3½ hours, a ratio of 10 : 1. For a pound of sugar, the American worker works for three minutes, the Soviet worker for 54 minutes—18 : 1. For a man's cotton shirt, 1¼ hours in the U.S. and 13 hours in the Soviet Union—again 10 : 1. The same for shoes, 10 : 1, 11 : 1 for a suit, 10 : 1 for woman's shoes, 10 : 1 for soap and 5 : 1 for vodka.

Even the Indian worker, under so-called capitalism, is better

off than Russia under socialism, since he does not have to work as long as a Russian worker, to get a pair of shoes or some cloth.

I think I have said enough to show that there is no question about the fact that liberal methods lead much faster to the socialist objective than socialist methods. Liberal methods, which are economic freedom or economic democracy, lead to social justice, equality, prosperity and freedom much quicker than the methods of State Capitalism or State-ism, which in France is called Etatisme. That is a much more accurate name than socialism, which may mean anything or nothing.

It is interesting that most of the world is beginning to see this. The world trend is away from communism and socialism and towards liberal democracy. This is not surprising because, after all, human intelligence wins in the end.