

by

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I would like to suggest that we start by defining the two terms which I have been asked to comment on and co-relate - "Economic Development and Political Stability".

Let us take political stability first. What does it mean? Does it mean that, when a country changes its Government from time to time, it is unstable? The answer obviously is 'no'. In a democracy, a change of Government is part of political stability and a failure to change the Government over a period of time becomes a factor for instability as we have seen in many countries of the world. So it is not changing Governments that are unstable, it is something else in a deeper sense.

What is stability? Is stability necessarily a good thing? It depends at what level you stabilise. If you stabilize at the level of a free society and political democracy, it is a good thing. But if you stabilize at the level of tyranny and slavery, it is a bad thing. There are two kinds of political stability. Babylon, which was a tyranny based on slave labour, went on for centuries. Other empires also lasted for a long time. In our own time, the Soviet regime has now lasted forty years based on slave labour and political serfdom. In Communist China, Mao Tse-tung also looks stable and it looks as if he may die without being overthrown. So stability is not necessarily a good thing. Stability in freedom is good; stability without freedom is bad.

Turning to economic development, we again find certain ambiguities in this phrase. What does it mean? It means economic progress, growth. This is a good thing. But if it is done at the cost of the people, as it can be, then it is a bad thing. Colin Clark, the economist, has written a little booklet on "Growthmanship", where he points out that growthmanship is a disease, an obsession, it is anti-social, anti-human, because growthmanship becomes an end in itself. The people must be starved, the peasants must be squeezed of their grain, the workers must be kept down at subsistence level so that more and more investment may take place and the economy may grow. But the human being shrinks. That again is a bad thing. So economic development also, like political stability, is ambivalent. It may be good or it may be bad. Let us put it this way. Economic development without tears is good. Economic development with tears or slavery is bad. In other words, development and prosperity are not interchangeable terms. So we have to distinguish between economic

welfare and prosperity which is a good thing and economic development which is ambivalent and neutral morally, depending on how it is used.

Mr. Ashok Mehta, for instance, who used to be a great champion of growthmanship and development till recently used to say that the present generation in India would have to be trampled upon for the sake of the future. Now all the millions of people, men, women and children may object to that saying: "Why should we be trampled upon for some future?" As an Irish M.P. once asked: "What has posterity done for me that I should do anything for posterity?" Most people want a good time in their own lifetime for themselves and their children.

Let us see which countries in Asia, in our own time, have enjoyed economic development and which have not as yet in order to get our definitions clear. I was playing this game and I put down the following countries in Asia where there has been economic development in our generation and other countries where there has not. Among the countries that I have listed are Israel, Pakistan, Thailand, Malaysia, the Republic of China in Taiwan, South Korea and Japan - countries which have gone forward very fast in their rise in the national product, in the per capita income and in the standard of the life. On the other side, the countries that have failed to achieve economic development are : India, Ceylon, Indonesia, Burma, Egypt and Communist China where there has been no economic development - except, in the bad sense of the word, perhaps in Communist China.

Now to come to the main point - the co-relation between Economic Development and Political Stability. The question arises: Is there any co-relation between the two? I have a perfectly open mind on this. Starting to think about it I find it difficult to suggest any essential cause and effect relationship. This seems to me to be extremely difficult to establish.

There are certain broad things one can say. Other things being equal, economic prosperity makes for political stability. I think we can say that other things being equal, a prosperous people are likely to be politically stable. The Communists have used this thought on which to build their "theory of increasing misery". They have taken the converse of it that a starving and discontented people are likely to listen to communist propaganda and so they have invented the theory of increasing misery. That is, Communists must create the utmost confusion, starvation and misery so that they can hope to rise to power. They are trying to do this in India today and they have tried in every country of the world to create the utmost economic confusion and distress so that people may listen to promises of the heaven that will come when a communist

dictatorship is established. I think they are wrong and I believe those who think that prosperity equals stability and poverty equals revolution are not correct.

You get all kinds of contradictory phenomena. Some years ago, the son of a Swedish Admiral, coming from the upper class of Sweden, was convicted of being a Soviet spy. He was leading a very prosperous life, indulged in every way, highly educated and certainly one cannot say that he was starving and therefore became a Communist. Mr. Alger Hiss, the well-known American spy, who accompanied President Roosevelt to the Yalta Conference, came from the American ruling class, had been to the finest Universities. He was convicted in a court of perjury for denying that he was a Soviet spy. Klaus Fuchs, Alan Nunn May, Pontecorvo, Philby, Maclean and Burgess - they are all members of the elite and all communist agents. So poverty is not the cause of communism nor does prosperity provide any kind of immunity against it. My own thinking has always been that communism is a disease of the empty mind and soul and not of the empty stomach and I have advanced the proposition that the empty mind and the empty soul are as relevant to communism as the empty stomach and perhaps more so.

Other things being equal, prosperity makes for stability and happiness. I think this is a sound proposition. But are other things equal? Are they ever equal? In other words, there are non-economic elements that seem to be relevant. The element of personality, which I referred to in the case of the Soviet agent. In our own country, the Communist Party is led by younger members of the elite - almost all of them. There are no working class leaders in the Communist Party in India. Almost all of them are good bourgeois with a university education.

What are the non-economic factors? There is the historical factor. There are racial factors. There is a factor of personality and then there are emotional factors of all kinds. Take Kashmir, for instance - the Kashmir problem. What is there economic about the problem? It is emotion on all sides. Take the language problem in India which is dividing our country and shaking its very foundations. What is economic about the language issue? It is a purely emotional issue. Take the situation in Indonesia which has recurred over and over again - Java versus Sumatra. When a revolution takes place against a regime, it is not so much an economic revolution but Sumatra trying to throw off the Javanese yoke or domination. In Pakistan, you find East Pakistan versus West Pakistan. Nothing economic about that or about Paktoonian. In Ceylon, there is the Sinhalese-Tamilian issue which is probably much more important than the class war despite all the Communist propaganda they have. So it seems that non-economic factors are perhaps more relevant than economic ones for the problem of political stability. The pattern is a very mixed one.

Mrs. Indira Gandhi

Mrs. Indira Gandhi is reported to have said that Parliamentary Democracy in India was there for keeps and there was no danger of any kind of upset or military dictatorship. I hope she is right. As a democrat, I would like that to be true, but I can't share her optimism. Neither on economic grounds nor on non-economic grounds can we say that parliamentary democracy is secure in India. The prevailing disgust with the politician, which is spreading very fast and which is likely to tar all politicians, good and bad alike, is a very real thing. Naturally Mrs. Gandhi can't see it, cut off as she is from the people. So too President Sukarno, if he had been asked a little while before his overthrow whether his people were sick of his system and were wanting a military dictatorship, would have said: "Of course not". I am sure the politicians in Pakistan who were playing the game as we are playing it in India now were shocked when they awakened to the fact that the Generals had taken over. I am inclined to think that if Mrs. Gandhi is not removed in time, she may become our Sukarno and bring down democracy with herself in our country.

There is one causal relationship I have been able to find and that is a negative one - that political stability is necessary for economic progress. If there is political instability, obviously a country cannot advance economically. It has to be the stability either of the militia or of Parliament. Some kind of stability is necessary for any kind of economic progress, for production, for effective distribution. You cannot have economic growth or progress without some measure of political stability.

So far we have talked in general terms but we might take a little time to consider the present situation in India. In India we find a stagnant economy and absence of progress on the economic front. Certainly there is little economic development. If we turn to a very attractive little Statistical Outline of India prepared by Tasas, there are some basic figures which show that there has been very little progress in the last seven or eight years on the economic front. Take for instance, the National and Per Capita Income figures (National Income in thousands of millions of rupees). Here are the figures:

1950-51	...	88.5
1955-56	...	104.8
1960-61	...	127.3
1965-66	...	144.9
1966-67	...	149.5

If you look at the per capita income, there is a similar curve: 1950-51 - Rs.248, 1955-56 - Rs.268, 1960-61 - Rs.293, 1965-66 - Rs.298, 1966-67 - Rs.300. You find there first a rising curve which goes up till about 1960 but then it levels down, it refuses to rise any further. So in the first decade of Indian Independence,

there was a slight movement upwards but with the 2nd and 3rd Five Year Plans, the economy failed to respond. On the other hand, as we know, the population figures are alarming. They go on increasing very fast. Foodgrains production tells the same kind of story - I shall give the figures in millions of tons:

1950-51	..	55
1955-56	..	69
1960-61	..	82
1965-66	..	72
1966-67	..	76

The same thing - a rising curve and then a stagnant one.

Industrial production is not very different. Industrial production figures : with 1956 as 100, 1950-51 - 74, 1955-56 - 92, 1960-61 - 130, 1965-66 - 187, 1966-67 - 192. On the other hand, if you turn to the price situation - what the money buys - you find a very sharp decline in the value of money or in other words, an inflationary situation where prices keep on rising. Here is the index number of wholesale prices (with 1956 at 100) - 1956 - 92, 1960 -111, 1964 - 134, 1965 - 145, 1966 - 165, showing an average annual rate of price rise of 5.4 per cent. Actually, I think it is correct to say that in the last five years, price have risen by 72 per cent - more than the average that is shown over a long period.

So you find a stagnant standard of life, raising prices, stagnant foodgrains production. Now this shows definitely the reverse of economic development. The cost of living has gone up so much that even the industrial workers, who are compensated by dearness allowance, are not fully compensated. The agricultural worker is entirely uncompensated. He was already poor. Now he can't even get what he was formerly used to. The lower middle class is ground down worst of all by higher taxes and rising prices. So that with the capital market dead, an industrial recession and only a good monsoon or two to show, it would be true to say that India has failed to have any economic development in the last decade.

Now, if we are to draw any lessons from this, a few minutes on the causes of this phenomenon might be worth spending. I am inclined to agree with the U.S. Committee on Latin America which said that State policies are very important. The monsoon or rainfall may be important, but Governmental policies over a period of years can be decisive. Confining myself to that field, I would say that there were several fundamental follies that have been committed in India in the realm of State policy over the last two decades. The first folly was "Statism", an obsession with the role of the State in the economy which stems from Socialism. This means that the State should

dominate the economy. As Mr. Nehru was so fond of saying, it should occupy the commanding heights of the economy with the guns turned down on the people, so that anyone who raised his head could be mowed down by the gun from the commanding height. This was the embodiment of "the command economy" or, as it is called in France, dirigisme, which comes from Fascist and Communist countries where everything must be dictated by the State.

It is amazing, if you study the allocation of funds to the State sector and the Free Sector in the three Plans that have already taken place, to find that while, on every occasion, the State Sector fails to fulfil its targets and the Free Sector exceeds its targets in spite of all the restrictions placed on it, when the next Plan is made, the State Sector, which failed to achieve its target, is rewarded by a bigger outlay and the Free Sector which had exceeded its targets is punished by being cut down! According to this pattern, about 60 odd percent of the total outlay of the Third Plan went to the State Sector. If the present planners are to remain in office - as many of them still are there unfortunately - I am afraid by the end of the Fourth Plan, over 70 per cent of the outlay would be in the State Sector and the people's enterprise will be restricted even further.

The Administrative Reforms Commission, in trying to bring some vitality and life into the State enterprises which have been making heavy losses for our economy, suggested that State enterprises should now be placed outside day-to-day Governmental control. There should be autonomous Corporations which run these enterprises on business lines, rather like the nationalised Renault Car enterprise or the Banks in France, which, though technically nationalised, are free from the Government of the day and run their business as if they were private businesses. The same press report that announced the findings of the Administrative Reforms Commission also said that a Committee of Government Secretaries had turned down this recommendation. Very frankly the report goes on to explain why this very sensible recommendation had been turned down. It says a number of arguments were put forward against the move. "The most important but unstated objection was that this would mean an abridgement of the administrative Ministry's powers of control and patronage." There the cat is really out of the bag. If you have read Milovan Djilas' book, "The New Class", you will recall he has given the anatomy of the new class in Moscow and Belgrade that talks of Communism and becomes the economic and political ruling class exploiting the peasants and workers for the benefit of themselves and their children.

Now, we too have a "new class" in India, and that is the new class which is talking Socialism and collecting its profits through perquisites and patronage, sharing in the fruits of the exploitation of the worker and the peasants and the middle class. It is true that

our new class is a mixed class because we have a mixed economy. In our new class we have three sectors, the corrupt politicians, the current bureaucrats and the corrupt businessmen. They all work together hand in glove. So the first folly has been Statism using the slogans of Socialism for the benefit of a small class of bureaucrat politicians and businessmen.

The second folly has been lopsided priorities taken again from the Soviet Union. Mr. Nehru was a Stalinist in the economic sense of the term or, if you like, he was a Molotov and not a Malenkov man. He believed in making his plans heavy industry biased, not consumer-biased. The result has been that thousands of millions of Rupees that should have gone into transport, agriculture and the infra-structure have been poured into State Steel Plants making a loss. This capital intensive trend in the national economy has had many bad consequences. First, it was wasteful of the national revenue; secondly, it resulted in excessive taxation; and thirdly, it was inflationary. When we invest in things that don't give a quick return, like agriculture or road transport, but put money into steel, which is the lowest and slowest return kind of industry with a period of gestation the longest that is known, then naturally there is more money pumped into the economy but there is no corresponding volume of goods and services to match it.

Another folly has been that of autarchy - a self-supporting and self reliant economy. This is a kind of economic chauvinism which is completely out of date in the 20th century. Mr. Nehru, for instance, thought that foreign capital was an evil. I remember I had a debate with him in 1961 in Parliament when I happened to mention in a budget speech that India would need foreign capital for a long time to come. At which Mr. Nehru got up and said this was a most humiliating thing for any Member of Parliament to say. I asked him across the floor how long he thought we would need foreign capital and he thought a little and said: "May be five or ten years." Now that was already eight years ago! I said I thought fifty or a hundred years was more likely and he became more furious still! This phobia against foreign capital, which every intelligent country welcomes with open arms, which America, for instance, has taken from England and other countries over the last century with advantage to itself, this kind of attempt to create everything in India from motor car to a jet plane and take some silly pride that it is an all Indian car even if it costs four times of what it should be abroad, this kind of antarchic planning, again taken from the Soviet Union, has been another handicap.

Then we have excessive taxation. Alongside of it deficit finance.

And ...

And then of course there are excessive controls, a desire to regiment for the sake of regimenting. You can't move a finger, you can't produce anything, you can't get anything without a Government official to use the rubber stamp. Now the result of all these follies have been bad both economically and politically. I think it is true to say that, if India today is heading for political instability, turmoil and chaos it is partly because of the economic misery which the people have to endure.

Perhaps political instability is aggravated where you get economic distress alongside of a high level of intelligence and a little education. It has been said that "a little learning is a dangerous thing." Kerala, in our own country, may be a good example of that. In Kerala we have an intelligent people with a fairly high amount of literacy compared to the rest of India and poverty - a very combustible mixture. If Kerala has gone in twice for a Communist dominated State Government, it may not be altogether an accident. Calcutta City and Kerala may be cited as examples of this kind of combination of intelligence and poverty.

As far as I can make out, three conclusions seem to follow in broad terms from all of this. One is that there does not seem to be any essential relationship of cause and effect between economic development and political stability both ways. One way there probably is. We can say that there can be no economic development without political stability. So, there may be a causal relation one way - that in order to have economic development, a pre-requisite is political stability. That stability can be morally good and bad, it can be at the high level of freedom as in the Western Democracies or Japan or it can be at a low level of slavery as in Soviet Russia, the Eastern European captive countries and Communist China. The other way I see no co-relation. It appears to me that you can have political stability with or without economic development or even with or without prosperity. You can have political stability at a high level based on prosperity as in America, Canada, Scandinavia, Switzerland, Australia, New Zealand, Japan and Germany or you can have political stability without any economic welfare or progress worth mentioning in the lives of the people as in a dictatorship, modern or traditional.

My second conclusion is that both these things are desirable in themselves. Political stability is a good thing and economic progress is also a good thing. One does not have to make one a means to the other end. One can stand for both as ends in themselves. Both are positive values. A Liberal should like both. A Liberal should like economic progress and he should also like political stability of the free kind. Both are desirable objectives to be pursued for themselves rather than as a means to the other.

My ...

My third conclusion would be that Liberals should strive for both in an intelligent way. So far as economic progress is concerned, I have given my own diagnosis very briefly that the correct path to economic progress is through what is called the free competitive economy where the ballot of the market place supplements the political ballot of Parliamentary elections.

Mr. Jayprakash Narayan, who is a little leary of parliamentary democracy and has shown sympathy for "the basic democracies" of Nepal and Pakistan, has complained that we only vote for Parliament once in five years. That is true. The only way this political democracy can be supplemented is by economic democracy and that is that every day we have a ballot of the market place when we or our wives or our children go to market to buy something with whatever little money we may have in our pockets. We exercise a vote. We go there as consumers. If we find something we like, we buy it. We cast a positive vote. If we find the prices high or the product not to our taste, we come back with our money in our pockets and that is a negative vote.

In selecting what we buy we cast a vote. We cast a vote between one soap and another, between one lipstick and another, between one kind of bread and another, between one cake and another, one brand of chocolate and another, one kind of cloth and another. We collectively decide the pattern of production. It is like a tote at the race course. You put your money on a horse and buy a ticket. There is a totaliser which totals up all the tickets that we buy and, at any given moment, it tells us how many people have backed one horse and how many people have backed another horse. In the same way, when we cast our one rupee, four annas, 20 paise vote, all these votes are totalled up throughout the bazars of India into a pattern of production. The biggest capitalist has to quail in fear before the vote of the small man.

In a liberal economy, "the consumer is king". Let us take an example. Every year in Bombay or in Ceylon, Colombo, or Madras, we have the monsoon. Before the Monsoon, the shops are stocked with overcoats and umbrellas. Now, it is quite possible that in one particular year the popular mood is for umbrellas and overcoats are left unsold or vice versa. What is the effect? The effect is that next year there will be more umbrellas or more overcoats in the market in response to the demand. That is how the consumer dictates to the industrialist what he shall or shall not produce to meet his needs. This is an essential part of the liberal economy.

Competitive free enterprise is the law of the people's good. So I would suggest that the Liberal, in working for economic development, should stand foursquare for the principle of peasant proprietorship on the land and for competitive free enterprise

with minimum control. The role of the State must be that of laying the infra-structure and acting like an umpire, blowing the whistle when somebody indulges in a foul. The referee does not join in a boxing match, he only stops a foul from being committed; if the referee joins in one side, he ceases to be a referee. This should be the role of the State in economic affairs. The trouble with Statism or Socialism is that the State becomes a participant and thereby abdicates its role of being an honest referee. The policeman and the factory owner become one and liberty comes to an end. As Leon Trotsky once said, the old slogan : "he who does not work, neither shall he eat" is replaced by the new slogan: "he who does not obey, neither shall he eat", as in the Soviet Union about which he was writing. On the political side, the Liberal has to preach the values of freedom. He has to fight censorship and arbitrary rule of every kind. He has to fight on the one hand the Communist, totalitarian forces and on the other hand he has to fight obdurantist forces in his own country.

Liberals in our part of the world have two big handicaps. We have illiteracy on one side and poverty on the other and these make for irrational and anti-democratic forces to get strong. The important thing is to try and hold the scales even and not to lean too heavily one way or another. The Liberal is always under pressure to choose the lesser evil. We stand for the policy of "double rejection". Louis Fischer, who is himself a good Liberal, preached this theory in a book many years ago called The Great Challenge where he preached the theory of double rejection. Well, if you go very far that way, you might, like Rabindranath Tagore, find yourself driven to "eklo Chalore" (walk alone). So we have to avoid this also - the danger of being isolated because we are too pure.

The Liberal should learn to be realistic and shift his gun from time to time. The trouble with most people is that they are Conservative. If a man is a Socialist, he goes on being a Socialist, even if the whole situation is transformed. If a man is Conservative, he remains a Conservative even if his Conservatism becomes meaningless in a particular context. A certain amount of flexibility and fluidity is required. Mahatma Gandhi was a very pure man. That is why he was called the Mahatma but he kept on saying : "Consistency is the virtue of an ass". He was a man who appeared to contradict himself every now and then, and that is because he was dealing with different situations at different times and he quite rightly took a different attitude to them. But there was a thread running through his inconsistency. It was a thread of clean methods - peaceful and truthful methods - that the end does not justify the means and that your means have to be clean if your objective is to be preserved. That he never deviated from. That is the essential thing to learn from him.

Gandhi ...

Gandhi was a great liberal. He was an Indian liberal and those of us who today function have to draw on two main streams. We have to draw on the foundations that Gandhiji laid in our country of a kind of indigenous Liberalism and on International Liberalism which has found its highest expression in the countries of the West. The old Liberals in India drew entirely on British Liberalism. John Stuart Mill, Cobden, Bright and Bentham were their mentors. They were thrown out of politics by a man who looked illiberal when he came in - Gandhi, who resorted to the politics of the bazar, crude nationalist propaganda, who vulgarised politics to such an extent that the refined Liberals went back to their ivory towers. Today's Liberals have the benefit not only of the old Liberalism but of what Gandhi and the last generation have created. This gives us a richer heritage and a broader base on which to work.

Today's Liberal has to be close to the common man. He has got to be close to the peasant and to the middle class. He can't afford to live in an ivory tower, because today Indian Liberalism speaks for the great majority of the people. The Indian peasant finds no difficulty in understanding "farm, family and freedom". What after all is the common illiterate peasant attached to? He is attached to his home and his family, his place of worship, his temple and his land. If you leave him alone with these things, he couldn't care less what else you do. If you attack one of them, then he will fight. Now the people who attack them are the Socialists and the Communists. If only we can make the mass of our illiterate peasants aware that Liberal values stand for farm, family, worship and freedom, we could have an Indian democracy that is based on Liberalism. Therefore, I am an optimist. I think there is great scope for Liberalism in our backward country because the heart of our people is sound, because they have got a religious and cultural tradition, because they are not barbarians, they are not materialists, they are not mercenary. They believe in non-material values, not in the way that we boast about our spirituality, but in the fact that the poorest amongst us, the most oppressed amongst us, does have certain non-material values. And if we could educate them, if we could get to them, we could keep our country free and liberal.

The difficulty is with what I call the "conveyor belt". We haven't got enough intellectuals who are Liberals in this country yet. Most of our intellectuals have been confused Marxists - thanks to the poor and outdated national leadership they have had for the last twenty years and they have got to be emancipated from this confused Marxism in order to get back on the path of Liberalism. This process has already started. More and more people who were Socialists or Communists ten years ago are beginning to think for themselves and, if they think for themselves, we believe that as rational human beings they must come

to some form of Liberalism. So I believe that there is hope for Liberalism in this country and in the neighbouring countries provided Liberals have the courage of their convictions and are prepared to work hard. Belief is not enough. They have to translate belief into effort. Truth is not enough, even truth has to have wings. It has to be carried to people. When the truth is carried to millions of people, it becomes a tremendous force. This is how I see the problems of political stability and economic progress being satisfactorily resolved.

(Based on a talk given to an International Seminar
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