

FIRST SWATANTRA BUDGET

27th February, 1965

By

M. R. Masani, M. P.

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I am very glad to see the interest all of you are showing in the Swatantra philosophy but it is a limited interest because, evidently, it does not go far enough to make you feel like participating in the work or the activities of the Swatantra Party and throwing yourselves into the fray. I wonder why so many intelligent, educated young people feel this hesitation, why they don't come forward more wholeheartedly? It seems to me that there may be two basic reasons. One is vagueness about the policies and programme of the Party and the other may be scepticism about whether, even if the policies are good, the Party has got the capability to deliver the goods, to make the grade, to get into power. I think these are valid doubts and I would like to try and share a few thoughts with you which might perhaps help in clearing those doubts. We are often accused of being 'negative' and overtly critical. So today I will try not to be critical at all but to be positive and to place before you a picture of what we stand for, and not what we are against.

The plight of the country is obvious. I don't have to paint a picture of what is wrong. We all know what is wrong but people ask: "What have you to put in its place? Assuming everything is wrong, how do you propose to repair it? What is your alternative, and how do you propose to make it effective?" That, I think, is the point of doubt. Today, the Congress is discredited but there is nothing to put in its place; there is no alternative Government available.

Gandhi and Liberalism

The starting point of Swatantra philosophy is based on Western Liberalism and on Gandhiji's thinking.

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That being so, we are opposed to Monopoly. We are opposed 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.

A Twentieth Century Party

In taking this stand, we believe that we are abreast

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 worthwhile. 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.*

gramme could be given a chance or an opportunity to be tried out.

A Miracle

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 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,

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. I shall give you these figures because they are very striking. In the last House of Commons, in the group 20 and 29, young people, there were 9 Conservatives and Liberals and 1 Socialist, between 30 and 39 there were 62 Conservatives and Liberals and 18 Socialists, between 40 and 49 there were 140 Conservatives and 55 Labour, between 50 and 59 there were 118 Conservatives and Liberals and 106 Labour. Now among the older people between 60 and 69 there were 35 Liberals and Conservatives, and 57 Socialists. In the oldest group, those over 70, there were only 3 Liberals and Conservatives and as many as 20 Socialists! 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 pro-

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 utilised 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. We would have the phenomenon which took place in West Germany after Erhard said: "Let the men and the money loose and they will make the country strong". 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 changed, 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

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 realising 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 to-day. If this was done, what would be the immediate effects of these three measures?

A Revolutionary Budget

The very first consequence would be that when the new Budget was introduced by the Swatantra Finance Minister on 27th 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

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 or, for the matter of that anyone else carrying out these policies.

The question will be put: If it is all so simple, why is it not being done? That is a valid question. I think some of those in authority know that this is the answer to our problems. Then why aren't they doing it? Till last year, this was not possible because we had the misfortune of having at the head of our first post-Independence Government a half-baked Marxist who had a phobia against "capitalism" as he had imagined it and a phobia against the Western Democracies. A combination of those two phobias made it impossible for the Indian Government to adopt the obviously practical, sensible economic and foreign policy.

Prisoners of the Past

Well now, we have had a change of Government. Why can't the new Government carry out these policies which could give immediate results? They

Indian capital is given a chance, foreign capital will pour into this country, something that we desperately need.

Honest Rupee

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

to hold out hope in its editorial that between the lines of the economic resolution, it could discern new wisdom. Unfortunately, the correspondent of the same paper writing from Durgapur does not share that impression because at one point in his despatch on the front page, he says: "Even those who at Bhubaneswar had expressed doubts about regimentation in the economy inherent in the socialistic pattern seem to have reconciled themselves to the goal".

I notice that the best heart specialists in Calcutta have been requisitioned to go to Durgapur — I would have thought that they would have been just as much needed here for the benefit of those who read the news from Durgapur and who are concerned for their country!

My feeling is that this country has come to a dead end with the present Government and that no change of the nature that is required can be hoped for from them. I still hope I am wrong, but that is how it looks to me.

The real problem is this. We cannot pay for development and defence unless we prosper first. We cannot prosper unless we scrap the Plan and the controls and our foreign policy, and we cannot scrap the Plan and the controls and the foreign policy unless we have a change of Government. Therefore, the problem is not economic but political and the solution, I fear, has to be a political one, however much we, like the leading editorial today, may try to evade that bleak reality.

If it is time for a change politically, how is it to be brought about? Can the Swatantra Party provide an alternative? It has an alternative policy, I hope I have convinced you that far. But can it become the alternative by taking power, can it enlist enough support in the country to be put in office? That is

could, and one still hopes that they might, but it seems, judging by the experience of the last six months, that the new Prime Minister and his colleagues are prisoners of their past. It is not very easy for people to renounce their own actions till only the other day. Khrushchev did that, but it took three years for him to pick up the courage to do it. It was only three years after Stalin died that Khrushchev told the truth about him, first to the members of the Communist Party and then through them to the Russian people. We have only had six months yet, so we can live in hope. But it is going to be more difficult here. Khrushchev had an alibi. He said that if he had not done what Stalin wanted, like dancing the Gopak, he would have been executed, his head would have rolled.

That alibi unfortunately will not be available to our Khrushchevs because they cannot convince the Indian people, or any of us, that Mr. Nehru would have chopped off their heads if they had dared to get up and say he was wrong, because many people did precisely that and survived! The only honest thing for them would be to say that they made a mistake and want a change. Will the leaders of the Congress Government have that courage? I don't know. Perhaps, watching what is going on at Durgapur, one would be justified in having doubts on the subject.

The patient is sinking but the doctors in conclave in Durgapur just now have written on the slip of paper which is going to be passed on to the compounder: "The mixture as before". That is as much as one can glean between the gusts of hot air being emitted from Durgapur. Small and foolish men have got together there to prescribe yesterday's remedies for today's problems. Even a communist who was a bad security risk as a former Defence Minister is now being built up and made respectable.

One of your leading dailies this morning appeared

per cent. The question is whether the remaining 60 per cent will be so divided that it does not dissipate itself in half a dozen more or less equal groupings.

Can the Swatantra Party forge ahead of the other opposition parties and take about half that vote? Can it go up to, say, 25 per cent? If it can, we can have a change of Government in 1967; may be with the Swatantra Party in office, but certainly with a Government in office which will carry out broadly the policies I have put before you today.

Now this calls for a tremendous organizational task to be performed. The policies are acceptable but "the conveyor belt", as I call it, is missing. That conveyor belt consists of men — mobile men, vocal men, men armed with literature carrying the message of the Party down to the villages and getting the votes back when the time comes. As in a factory, the conveyor belt has to take the raw material of the policies of the Party to the voter and to get the finished product in the form of the vote back to the Party. Today we are pathetically weak in our conveyor belt. We have got the goods but we cannot transport them. There are two shortages. The first is the shortage of a good, devoted, cadre of workers. Lenin was right when he said: "Cadres decide everything". We haven't got a big enough band of dedicated, devoted and disciplined workers to carry the message of the Party and to get in the votes. The other thing we lack is money, because without money you cannot keep those workers in the field, you cannot put them on jeeps, you cannot give them adequate quantities of printed matter which costs money. So, men and resources, the shortage of these constitute a vicious circle. It has to be broken both at the point of men and also money. We want men and money. You cannot have men without some money, and you cannot get the money unless you show you have the men. That is the real problem for the Swatantra Party. If we can overcome this shortage

the next problem that arises. Frankly, I think it is an open question. It is too early to answer.

Our Targets

I would say, trying to be realistic, that certain limited targets should be within our reach within the next two years. The first is that we should be able to form a Swatantra or Swatantra-led Government in a couple of States in India, States like Orissa, Rajasthan or Gujerat where we are today the official Opposition. We should be able, in a couple of these States, to get a majority and to show what a Swatantra Government can do. And the second limited target would be at the Union level; to deny the Congress Party a majority in the new Parliament, in the new Lok Sabha, to be elected in February 1967. This can only be done if the Swatantra Party captures, shall we say, around 125 seats out of 500. If we could win 125, the Congress Party would not get 250, because the other parties and the Independents would certainly get 125 between them. Can we make this "take off"? Can we make this breakthrough? That is the problem. It is not as difficult or impossible as it looks, because the Congress Party is a minority government. It is a paper tiger and it looks big without being strong inside. It looks big because it has captured, through the vagaries of the electoral system, a number of seats altogether disproportionate to the number of votes obtained by it. The number of votes obtained by Mr. Nehru and his party at the last Parliamentary Election was 44.72 per cent but the number of seats obtained was 72 per cent. Therefore, this is a minority Government masquerading as majority Government. This vote of 44.72 per cent will, given the present policies, the further price rise and the further distress and starvation that are inevitable in the next two years, by which time 1964 will look like a picnic, most likely drop below 40

Some Questions Answered

Mr. Masani's talk was followed by several questions put to him by members of the audience. The following is a transcript of the Questions and Answers.

Free Market and Foreign Policy

Question: I come from the suburban town of Serampore some 16 miles from Calcutta. Mr. Masani, I found during your speech that you are a strong supporter of a free market. Now when there is an absolutely free market, will it not be absolutely in the grip of big businessmen? This is my question No. 1. And when we depend absolutely on the bounty of the American Government that they will defend our frontiers, do we not show our cowardice? This is my second question.

Answer: I shall be glad to try and answer the questions of my young friend from Serampore which I passed in the train early this morning on my way back from Patna.

Nothing is 'absolute' in the world, except perhaps in M.R.A. There is no absolutely free market; such a thing is only a concept. In life, there are always limitations to every freedom and the free market has its own limitations. You will find them in the Manifesto and programme of the Swatantra Party, just as you will find them in the manifesto and the programme of the German Social Democratic Party. This is what we say. "In industry, the Party believes in the incentives for higher production and expansion inherent in competitive enterprise; with adequate safeguards for the protection of labour and against unreasonable profits, prices and dividends, where there is no competition, or where competition does not secure the necessary corrective." In case you think that this is not showing enough concern for the poor and the workers, perhaps you would like to take the same thought from the German Socialist Party who are no friends of any capitalists. This is what they say: "The free choice of consumer goods and services, free choice of a place to work, free initiative for employers are decisive foundations and free competition an important element in a free economic policy. Totalitarian control of the

to some extent, I think we can make those limited targets that I have put before you.

Your Part

To the extent you feel those targets are worth achieving, to the extent you like the picture I have put before you of what could be done, I think it would be for you to consider whether a very limited interest in Mr. Irani's very fine effort of the Swatantra Forum is adequate by the standards of citizenship which you set for yourself or whether it is not time for you to graduate from this into a resolve to work actively for the Swatantra Party on the political level and to give us at least one half of the conveyor belt in the form of devoted, intelligent, dedicated workers of the Party. If you can give something of the other part, the resources, it will not be turned away, but I attach more importance to getting the men and the women into the Party who can make it go places. I think the money could follow, provided we have that band of men and women that we need so badly. With that invitation, I shall now conclude and invite you to express your doubts and difficulties and to put any questions or make any comments that you feel like making.

most of the countries of Asia and Africa because they feel backward, they feel weak, it is a psychological weakness. What we need is a division of labour. I did not suggest that we should only take help and give none. I suggested in Parliament that we should enter into a Mutual Security arrangement with the United States by which they come to our help if we are attacked and we go to their help if they are attacked. It is an honourable, friendly pact between two friends, between two neighbours who say "If a bandit attacks you, I will come to your aid, and you do the same for me". There is nothing humiliating or cowardly in accepting assistance from friends. The cowardice lies in wanting it without having the guts to say so, which is what our present Government is suffering from, as you see from the statements of some of their spokesmen. (Cheers)

Unity of Opposition

Question: Will you agree with me, Mr. Masani, When I say that your Party, or any other opposition party, can defeat the Congress if they form a united front, barring the communists?

Answer: I entirely agree that unless the opposition groups and parties have the good sense to enter into arrangements which would be helpful to the Opposition, they will make their own task very much more difficult. And like you, I would also exclude the Communists from consideration in this connection for obvious reasons. Now these arrangements can be of many kinds. You used the word 'united front'. It's a bad word because the communists have vulgarized and misused it now for thirty years. Let's avoid it. Let's be more specific. I think what the democratic opposition parties in India, like my own Party, the Socialists and the Jan Sangh, need is not a united front. We have many fundamental differences between ourselves. If we try to make a united front it will be considered an unscrupulous, an opportunist one. People won't fall for it. All that we need is to say that we will each fight under our own banner and on our own platform but, because the electoral system is crude and unscientific and leads to absurd results by giving a minority party with a 45% vote 72% of the seats in Parliament and thereby distorting the popular vote because there is no system of

economy destroys freedom. The German Social Democratic Party therefore favours a free market. Wherever free competition exists, and the workers come under the domination of individuals or groups, manifold measures are necessary to preserve the freedom of the economy. As much competition as possible, as much planning as necessary".

You will thus see that intelligent Socialists have come round and intelligent communists in Yugoslavia and Poland and Professor Lieberman in Soviet Russia have come round to realising that even socialism and communism require a free market. There is nothing complete or total about it, it has to be with minimum regulation.

As regards accepting help from friendly countries, I don't think accepting the help of friends is an act of cowardice. It is only commonsense. It means that we belong to the human race, that we believe in good neighbourly relations, in mutual help. Prince Peter Kropotkin, the great Russian anarchist, has written a book called "Mutual Aid". It is a Penguin, I suggest you try and get it and read it. There he points out that animals and birds have learnt that mutual aid is a 'sine qua non' of survival. He was sent to Siberia in exile and studied animal life in Siberia for many many years and he describes how horses, wild horses, will form a ring when they are being attacked so that they can repel the attack, how pelicans and crows and other birds help out a bird that is being attacked by a member of another tribe or species. Now, the whole of human progress is based as much on cooperation as on competition. We talk about a world order, one world, the beginning of world government, our statesmen pay lip homage to world government, they all express the hope that one day there will be world government. But the way to help world government is to start practising a little of it here and now. Every country cannot have self sufficiency in defence. Therefore, if the United States has the wealth and the power to develop the strongest nuclear deterrent in the world, it is not cowardly, there is no need to feel any shame in accepting it. Mr. Harold Wilson is a socialist and no lover of America! He has announced that he will scrap the British independent nuclear deterrent, he wants to accept the American umbrella. He wants a multi-lateral force. If he does not feel he is a coward and a stooge of America, I don't see why you should suffer from that sense of inferiority. This fear of being called cowardly or weak comes from a sense of inferiority. This is shared by

acceptance followed by the dragging of feet or obstruction will not achieve what you and I have at heart.

Party's Appeal

Question: I don't think that the programme of the Swatantra Party appeals to the mass of the people who count in the General Election. The majority of the votes don't belong to the intelligentsia, they belong to the mass of the people. What people want is food, cloth, shelter. How are you going to attract the common man to your party?

Answer: The question is: does the programme of the Swatantra Party have a content which appeals to the majority of the Indian people, or does it need any change or addition to make it more attractive? Now of course we are perfectly open to suggestions as to how to make our programme more attractive to the people, provided we believe in them. But I do not agree with my friend in feeling that the present programme of the Swatantra Party lacks popularity with the mass of the people. My own experience is different. On page 4 of our Manifesto for the last General Elections said; "In pursuance of its fundamental policies, the Swatantra Party stands first and foremost for the common man, for providing him with food, clothing and shelter as the primary obligation of Government: for fuller employment, production of more foodgrains, more small irrigation works, more schools and small industries producing goods which the common man needs. Top priority to be given to the supply of clean drinking water in the rural areas and to housing in urban and rural areas". In Parliament last year some time I said that the Swatantra Party accepts Gandhiji's test, Gandhiji's talisman, which I read :

"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?"

We have never found any difficulty, I can assure my friend, in selling this programme to the common man. Our programme is instinctively responded to by the peasantry, illiterate and literate. The peasant finds no difficulty in preferring our programme to any other in India because ours is

proportional representation, we shall try to rectify the absurdity of the system by some commonsense arrangement. Now, a commonsense arrangement can take many forms but it is some kind of electoral adjustment or understanding. In France, they had the second ballot. Wherever a candidate could not get a clear majority over his rivals but had a minority lead there had to be a second vote eliminating the weak candidates so that, of those who survived, one candidate *had* to get 50 per cent plus of the vote in that constituency. That was called the second ballot; it took place on the Sunday following the General Election. What we need in this country is a second ballot *in advance* by which the democratic opposition parties sit down and try to agree as to who is the strongest and who is the weakest opposition candidate in each constituency. If they can show that much good sense and enlightened self-interest and patriotism, then I think it would be quite adequate to ensure that, as opposed to the Congressman and the Communist, there is only one democratic opposition candidate in a particular constituency. There need be no electoral alliance, no united front. Each party should be completely free to draft its own platform and get elected on it. To that extent, I agree with you and our Party has been trying to get such an understanding achieved.

Question: Dr. Lohia suggested that there should be only one opposition candidate in each constituency and he should be supported by all other parties. I think if this can be done, the opposition can defeat the Congress in the next election.

Answer: Yes, I accept that statement. Dr. Lohia is an old friend of mine. Unfortunately, while all the parties say that they want this to be done, our own experience in the last twelve months in concrete efforts to arrive at such an understanding has been very disappointing and somewhat bitter, both in regard to the S.S.P. and the Jan Sangh. Therefore, let me quite frankly tell you that while we shall pursue our efforts, platonic statements in the press don't cut any ice. It is round the conference table that these three parties have to sit and arrive at a concrete formula for adjusting these things in every constituency in the country. An ideological

has earned the money and saved it and is going to risk it is much the better man to decide where and how to invest it than some politician or bureaucrat who never earned the money anyhow and couldn't care less what happens to it. Therefore, what excessive taxation does for development is to divert money from private pockets to the Government's pocket who can invest it. Now, according to us, every rupee so diverted from private pockets to the exchequer is a rupee diverted from more to less productive purposes. This again is not an assumption, it is a fact. The profits of private enterprise are there for everyone to see and the losses made by State enterprise are also there. State enterprises are a wasting asset. Hindustan Steel lost crores of rupees of the country's money, and made no profit at all. So the question is not whether we should increase the size of investible resources, but who is to invest, the people who earned it or the people who want to spend it on Durgapur and Bokaro. So, I would say that the craze for more taxation is based on socialist dogma and nothing else, not on economic needs. My friend, Ashoka Mehta, the Vice-Chairman of the Planning Commission, admitted as much when he addressed the West Bengal Business Convention on 21st March in Calcutta last year. He said, according to the press report; "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". Then he gave the reason: "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." Now the question arises, who gave Mr. Ashoka Mehta the right to be omniscient and to decide what could and could not be helped? Who decided that the present generation, which is you and your children and your friends and relations, were produced to be trampled upon by Mr. Ashoka Mehta and Mr. Krishnamachari and their Government, or by the economic process? This is a theory which is native to Karl Marx. The Communists believe in economic determinism; they believe that they know what history requires them to do, that they are God's instrument, and that therefore the Stalins or Khrushchevs can never be wrong, until they are dethroned! Now, we as democrats do not believe in economic determinism, we believe that people have the right to change their destiny, to mould it according to their

the only programme which stands for a fair deal for the rural areas as opposed to the cities, a fair parity of prices, the security of the farmer in his land, opposition to collective cooperative farming, to ceilings, and so on. Therefore, on the basis of private property in land and a fair deal for the rural areas, ours is a Peasant Programme. To convince my friend, if he has any lingering doubts, let me give him the facts. The candidates of the Swatantra Party in the last Election were not elected by members of our class. Not a single Swatantra Party member has been elected to the Lok Sabha or to State Assemblies from any big city in India. Every seat that we carried, 28 for the Lok Sabha and 205 for the State Assemblies, has been a rural seat where the illiterate peasants have been in a majority. That is the record. I am not asking you only to take my word for it. The fact remains, as I said, that there is nothing wrong with the programme. What is wrong is that there are not enough of us to carry the programme and the message to the villages in large enough numbers. (Cheers)

Taxation and Hidden Money

Question: Mr. Masani, the present regime says that increased levels of taxation are inevitable because we do not have sufficient funds to finance our planned economic growth and for our defence expenditure. Now, they also say that there are large sums of money underground which if unearthed would lessen this burden of taxation. Now, would you say that in a climate where there is more free enterprise, this hidden reserve, if there is such, would automatically come out?

Answer: Insofar as excessive taxation is concerned, it doesn't really add to the resources in this country. After all, the quantity of money in the country is the same. What taxation does is to transfer it from our pockets to the coffers of Government. So taxation does not add to the sum total of money for development: it diverts it from one set of investors to another. In other words, this excessive taxation is based on Socialism, Socialism that believes that the State knows how to invest better than you and I! Now, I take it we here don't accept that. We, I take it, believe that the man who

People will say: at last we are getting a fair deal. Let us play ball. Not everyone, there are some people, who are greedy, who will go on cheating even though taxation is 5 per cent. I don't deny that. But the number of inherently dishonest people is small. The number of people who can be honest or dishonest according to pressures and needs is very large. Everyone of us knows that while we may be by and large law-abiding, there are certain regulations we break. We sometimes break the traffic speed limit on an open road in front of us and no vehicles. We would not break another law which would make us feel bad. We are like that, most of us, a mixture of selfishness and altruism. An enlightened policy brings out the best in people, just as a brutal policy brings out the worst. There is black marketing and unaccounted money in Moscow. Anyone who goes to Moscow knows he has only got to go outside a hotel and the footpath some Russian citizen will come and offer him roubles, twice as many as what the Government Bank will offer, for his foreign currency. That also happens in Bombay, Calcutta and Delhi. If Stalin's shooting squads and Siberia could not stop this, Mr. Krishnamachari is certainly not going to do it. Therefore, my answer would be that it is better to work with human nature, to get the best out of it, rather than to fight it, as Communist and Socialist regimes do until they come to their senses. We don't have to wait till the Soviets are completely cured, as they are beginning to be, and then get on the right path. We can learn from other's experience and do it first.

Controls

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 con-

wishes. That is what our Constitution says. Therefore, in making this statement, Mr. Ashoka Mehta talked rather like a Communist. He said it at a time when the then Prime Minister was a Marxist and he perhaps thought he was doing the right thing by the leader of his Government. I hope he would not repeat it under the new regime.

So far as underground money is concerned, unaccounted money, it is difficult to say what will 'automatically' happen. You ask 'automatically' — I don't know. But let us consider what is more likely to happen. If you make taxes more and more oppressive, following the Ashoka Mehta — Krishna-machari line, then I think more and more money will be unaccounted for. You don't have to take my word for it, you can take Professor Parkinson's word for it. Read his book "The Law and the Profits". There, Professor Parkinson, author of Parkinson's Law, says that "where direct taxation exceeds 25 per cent the businessman spends more time in considering how to evade paying his taxes than in producing what he is about to produce. Now, we in India, are, in fact, way beyond 25 per cent. When I proposed in Parliament, some years ago, that 80 per cent might be a legitimate ceiling, Mr. Morarji Desai rejected my plea and thought even over a 100 per cent was all right. That is what it is today. You can be taxed more than your income, if you are at the top. That being the case, my feeling is that if this present line is pursued, there is no chance whatsoever of getting unaccounted money into productive investment and taxation. Raids, getting a few crores here and there, compared to the dimensions of the problem, will amount to little. In fact, more money will go underground while you are unearthing a little here and there. This is nothing new, it has been going on since the days of Babylon and the old oppressive empires; people have found ways of secreting their hard-earned possessions from tyrants and despots, whether they are emperors commissars, or ministers. And that is what will happen; you can't blame anyone because that is human nature. On the other hand, if you slash taxation, as I suggest, by 5 per cent in next month's budget, postponing your Plans and accepting military aid from the United States and other friendly countries, there is much more likelihood of this money gradually coming into the market and certainly no more going underground. This process of dealing in currency notes and not in cheques, the incentive to do that, would be weakened.

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.

Gold Control and Foreign Exchange

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. (Cheers)

trols 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 *mondis* should be bulging with jowar. What had happened? The answer is that the peasants were not selling because there was 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, pan-walas 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 for 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

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. (Cheers)

Text of Speech delivered by Mr. M. R. Masani M.P. followed by Questions and Answers at a Tea Meeting of the Swatantra Forum on Saturday, 9th January, 1965, in Calcutta.