

# *Democracy & Development*

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# Democracy and Development

*Proceedings of  
The Sixth International Colloquium  
Coonoor, India*

*Edited by*  
S. V. RAJU

FRIEDRICH NAUMANN STIFTUNG  
INDIAN LIBERAL GROUP  
LESLIE SAWHNY PROGRAMME OF  
TRAINING FOR DEMOCRACY

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INTERNATIONAL COLLOQUIUM  
ON  
DEMOCRACY AND DEVELOPMENT

October 20 – 27, 1968  
COONOR (India)

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## Preface

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"How is it", asked Singapore's Socialist Prime Minister, Mr. Lee Kwan Yew, "that in Asia, countries like Japan, Hong Kong, Formosa, Thailand and Malaysia, which have bustling free enterprise societies, have achieved success, while countries professing socialism have failed to produce results?" Mr. Lee's poser was addressed to a conference of Asian Socialists in Bombay only a few years back. We do not know what answer, if at all, his question elicited. Had he been present, however, at the six-day colloquium on Democracy and Development held at Coonoor (India) in October 1968 he would have got some explanations as to why Thailand blooms while Burma withers or Formosa prospers while Ceylon struggles. The answer is really simple to anyone not already enmeshed in ideological cobwebs. Japan, Hong Kong, Formosa, Thailand and Malaysia recognised way back that the 'business of the State is government not business'; that "the primary economic function of the State", to quote the report of the Coonoor Colloquium, is "two-fold. The first is the regulatory function of holding the ring and preventing monopolistic and other anti-social practices. The other is to provide the infrastructure on which the edifice of the entire economy must be raised . . . . As for the rest, all economic activities which can be undertaken by the enterprise of the people should normally be left to the operation of the free market economy". If the test of the pudding lies in its eating, a competitive free market economy, which is what Liberals advocate, has demonstrably proved its capacity to deliver the goods.

But the thirty-five liberals from fourteen countries of Asia and Europe had not gathered in Coonoor merely to say "we told you so". They were there, with their varied experiences and different national backgrounds, to examine critically the bewildering array of problems concerning democracy and development and to revise, if necessary, Liberal thinking to meet the challenge of recent developments.

Liberalism, unlike socialism, is not a dogma. Beyond placing Man in the centre of the picture and stressing the fundamental

importance of individual liberty and a free society, Liberalism does not pretend to have a readymade panacea for solving the ills of the world. In fact, the report of the colloquium "warned against the danger of assuming that the problems of development had even been identified." At the same time, it recognised that there were "no short cuts to development or to the settlement of difficult problems." In fact, averred the report, "a distinguishing feature of Liberals is their recognition that there are no simple answers to political and economic questions."

The Friedrich Naumann Stiftung, which sponsored the Colloquium, is a West German institution devoted to the propagation of liberal principles. The Co-sponsors were the Indian Liberal Group which is affiliated to the Liberal International—an association of Liberal organisations and parties throughout the free world—and the Leslie Sawhny Programme of Training for Democracy, a non-partisan Indian institution whose objective is the imparting of training in citizenship, political organisation and the principles of liberal democracy.

The Colloquium met in Coonoor, a little hill station in Southern India. The choice of the country and the venue were indeed appropriate. India, because this country, even while choosing a democratic system, has opted for a command economy and has, not surprisingly, run into predictable difficulties. Coonoor is the headquarters of the plantation industry in South India—a shining example of an agricultural industry that has organised itself in the modern sense of the term.

As the contents of this volume will indicate, the Colloquium looked at the problems of democracy and development from a variety of angles ranging from the interaction of democracy and development and political stability to the relative roles of industry, agriculture, the infrastructure, education and population in the field of development.

The roll of speakers and participants included eminent politicians and parliamentarians, academicians, industrialists, government officials and journalists, even an Indian Minister and a South Korean diplomat.

Apart from plenary sessions, where discussions were initiated by experts (on whose talks this volume is based), the Colloquium divided itself into three working groups to deal in depth with Education and Social matters; Economics; and Politics. Each of

these Groups prepared reports of their conclusions and these reports were individually discussed at the Plenary Sessions. Arising from these reports and the discussions based on them, the Colloquium finalised its own report.

What did the Colloquium achieve? It was able to prove that the Liberal philosophy, far from being outdated, is more modern than hidebound ideologies like socialism and communism. As *Mysindia*, a weekly of Bangalore (India), wrote:

"Liberalism has little to appeal to the demagogue or his usual victims. But it is an eminently rational policy, which has had a strong appeal in India in an age when reason rather than passion prevailed in political thinking. There is little passion in it, but there are grounds to think that many of those who have been led away by passion are beginning to regret it. After all, what counts in the end is the result achieved and the politics of passion have little by way of results to show.

"Facts are stubborn things, and the facts are that it is politics of this type which have created most of the well-being that the world knows, and that these policies are still doing so even in Asian countries where the leaders are wise enough to put them through. The facts of Asian politics, pointed out by Lee Kwan Yew, stare us in the face and the public will not remain blind to them if those who can do so play their part in making them known. They should be encouraged by the help of a prestigious if not very powerful international organisation which cannot be accused of any improper motive. It took the trouble and paid the money to bring together in Coonoor a number of experienced and able men who set forth eminently sensible guides for the future, among others, of India. The Indian public ought to be grateful and follow them."

A number of papers were contributed by specialists pertaining to their field of activity. A list of these papers are given in an appendix at the end of this volume. Readers interested in any of them are welcome to write to the Honorary Secretary, Indian Liberal Group, 127, Mahatma Gandhi Road, Bombay 1, India.

The Sponsors and Co-sponsors would like to take this opportunity, though belated, to thank the management of the Ritz Hotel, Coonoor, for their efficient service, to Mr. V. I. Chacko and his colleagues on the staff of the United Planters Association of South India for various kinds of assistance willingly given,

particularly in arranging a visit to a tea plantation, to all the speakers and participants whose enthusiasm and seriousness brought the Colloquium to a successful conclusion, to all those who contributed Papers to the Colloquium and to Mr. K. Sunderam but for whose cooperation, particularly in transporting the participants up the Hills, the Colloquium might not have been possible in Coonoor at all. Our grateful thanks also to Mr. U. H. Easwarasarma for his valuable assistance in the production of this volume.

It is tragic that Prof. R. Bhaskaran's last public function should have been the talk he gave on Education and Literacy at this Colloquium. He passed away in June 1969. A Liberal par excellence, his exit is an irreparable loss to Liberalism itself. This volume is dedicated to his memory.

## Contents

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|                                                   |                                                 |                                          |                |
|---------------------------------------------------|-------------------------------------------------|------------------------------------------|----------------|
| <i>Preface</i>                                    |                                                 |                                          | 5              |
| <i>Report of the Colloquium</i>                   |                                                 |                                          | 11             |
| <i>The Economic Aspect of Development</i>         | } Industry<br>} Infrastructure<br>} Agriculture | F. A. MEHTA<br>M. R. PAI<br>V. I. CHACKO | 19<br>39<br>50 |
| <i>Education and Literacy</i>                     |                                                 | R. BHASKARAN                             | 59             |
| <i>The Population Problem</i>                     |                                                 | S. CHANDRASEKHAR                         | 69             |
| <i>Western Democracies</i>                        |                                                 | JACQUES A. ZIGHERA                       | 83             |
| <i>Guided Democracies</i>                         |                                                 | GOH CHENG TEIK                           | 90             |
| <i>Interaction of Democracy &amp; Development</i> | } European Experience<br>} Asian Experience     | JO GRIMOND<br>M. R. MASANI               | 102<br>113     |
| <i>Security – The Opportunity to Experiment</i>   |                                                 | CURT GASTEYGER                           | 127            |
| APPENDICES                                        |                                                 |                                          |                |
| <i>At the Colloquium . . . .</i>                  |                                                 |                                          | 139            |
| <i>Papers</i>                                     |                                                 |                                          | 143            |



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## Report of the Colloquium

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CONSIDERING THE WIDE variety of both the personal experience and the national backgrounds of the 35 participants from 14 countries, a remarkable degree of agreement was forthcoming. From the beginning we were warned against the danger of assuming that the problems of development had even been identified, let alone solved. Even with fuller information, the search for panaceas to promote development would be an absurdity when dealing with the 82 countries round the globe with a per capita income of one hundred dollars or less per annum, ranging from the Maldives Islands with a population of 100,000 and a tiny territory to China, India and Brazil with populations of 720 million, 525 million and 85 million and the continental scale of their economies. It was recognised that there are no short-cuts to development or to the settlement of difficult problems and that a distinguishing feature of Liberals was their recognition that there are no simple answers to political and economic questions.

The Seminar dealt, at first, with the economic, social and educational aspects of development and their relative role and importance. It started with a consideration of economic problems.

By and large, the developing countries are mainly agricultural and rural. The statistics of the Food and Agricultural Organisation and all other available data indicate that what retards agriculture in some of the countries concerned is not, as is often believed, the small size of the holdings or their cultivation by the peasant proprietor or farmer, but the inadequate availability of inputs, such as water, seed and fertilizer and the inadequate investment of capital and the use of technical know-how. The information available shows that the highest yield of foodgrains per acre have been achieved in the Republic of China in Taiwan where farms are limited to seven acres, with Japan coming second with an average farm of two acres. On the other hand, countries with collective farming are to be found near or at the bottom of the scale. To a large extent the use of the techniques of co-operation in the field of marketing and similar

services could, while leaving the farmer to own and cultivate his farm, prove a valuable aid to prosperity. While stress was laid on private property in land, the need was felt for measures to be taken to protect the tenant, the share cropper and the landless labourer from exploitation.

However, cash crops such as tea, coffee, tobacco, rubber and cotton generally require larger holdings. In contrast to the general backwardness of Indian agriculture, it was noted that Indian tea plantations in the midst of which the Seminar met had the highest productivity in the world.

The farmer is entitled to a fair price for his product which should be determined by the market and which would enable him to purchase the goods and services he needs. However, special international measures are sometimes required to protect primary producers from slumps.

Agriculture is a basic industry and of prime importance in these countries. Only too often it appears this has been overlooked and in the course of their planning some of the developing countries have gone in for an order of priorities which has placed agriculture very low in the scale of values. One of the speakers drew attention to this distortion by listing what he called six over-simplifications which had become obsessions. These are: (1) Because industry has high productivity it is the key to development. (2) Industry is necessary to draw off surplus agricultural labour. (3) As in the rich world there is high steel consumption, steel manufacture must be given priority in poor countries and its production stimulates other parts of the economy better than anything else. (4) A takeoff period of 10 to 12 years requiring savings of the order of 12% a year of the Gross National Product for investment was necessary, the aim being autarchy. (5) To avoid the horrors of the Stalinist system of achieving these savings, huge amounts of foreign aid have to be provided. (6) Because the rich nations will always rig the world market against the exports of the poor, import substitution rather than export promotion should be the aim of poor States.

A startling example of lopsided priorities was mentioned to the Seminar, namely, that the establishment of one Steel Plant in India had involved an expenditure equal to that of the amount allocated to secondary education throughout that country over the current five year period.

Industrial development is of course essential to establish a proper balance in the economy and for economic development and social and technological progress. But its aim should be to secure the development of society as a whole rather than to establish prestige industrial plants in isolation. Such a policy involves the development of light rather than heavy industry in many countries. Deviation from a sound approach such as this has retarded progress in countries like India, Burma and Indonesia.

Another factor which has contributed to such a result has been the over-dependence of these countries on the Government as an instrument of industrial and economic advance. Mr. Lee Kwan Yew, the Socialist Prime Minister of Singapore, drew attention to this when addressing a conference of Asian Socialists in India a few years back. "How is it", he asked, "that in Asia, countries like Japan, Hong Kong, Formosa, Thailand and Malaysia, which have bustling free enterprise societies, have achieved success, while countries professing socialism have failed to produce results?"

There was general agreement that, in so far as Liberals are concerned, the primary economic function of the State is two-fold. The first is the regulatory function of holding the ring and preventing monopolistic and other anti-social practices. The other is to provide the infrastructure on which the edifice of the entire economy must be raised. The infrastructure can be defined as the provision of public services and utilities such as water supply, irrigation, power, and basic transport and communications. Basic and technical education, health and social services and conservation of natural resources are also primarily responsibilities of the State. Finally the State has to provide and ensure a stable currency. There was unanimity about the evils of inflation. For the rest, all economic activities which can be undertaken by the enterprise of the people should normally be left to the operation of the free market economy. At the same time, through the development of the infrastructure and otherwise, the State has a positive role to play, notably in supporting the development of industry by creating a favourable climate for investment and by supporting research. Where it enters the economic field as a participant in the process of production, the principle of autonomy should be applied in the



operation of such State enterprises, which should be subjected to the discipline of the market through free and equal competition.

Liberals have always stood for the international division of labour and the removal of barriers to foreign trade. In particular, they deplore the high tariff barriers erected by the advanced countries. While it may be desirable to give protection to infant industries for a limited period, any attempts to establish autarchy or permanent protection in the developing countries are to be resisted. One of the barriers to international trade and the promotion of exports from some of the developing countries is that erected by rigid exchange rates against a background of continuing inflation. An example to be commended is that of the Republic of Korea where a flexible exchange rate system has already been in force for some years with great success. A more recent example is that of the new Government in Indonesia which is at present engaged in the experiment of a free and flexible rate of exchange.

The Seminar appreciated the generosity, unprecedented in human history, which has marked the economic and technical aid given by some of the more prosperous countries of the world acting either individually or through international bodies such as the World Bank and the United Nations' specialised agencies to those where the scarcity of capital is in marked contrast to the proliferation of the population. At the same time, it recognised that in the case of some countries, a great deal of foreign aid had proved to be a form of bailing out the leaky ship of Statism (*Etatisme*) with little corresponding benefit to the common people. A model that was cited with approval by one of the speakers was the statement of policy of Mr. Walter Scheel, Vice-President of the Liberal International, when he was Minister of Economic Cooperation in the German Government in which it was stated that government to government aid should normally be provided for purposes of developing the infrastructure while for industrial development those in need of capital should look for private equity capital. Such investments not only promote the formation of capital and stimulate modern management and research but have the great advantage of coming into an under-developed country at their own risk, unlike inter-governmental loans which have to be repaid with interest whether their investment leads to a profit or a loss. The Governments concerned could



promote this healthy process by establishing equitable codes for foreign investment which would ensure reasonable protection against non-commercial risks.

No less important than the economic aspects of development are the social aspects. The way of life of the people, the emancipation of women, the social mobility of the population and the removal of the various barriers such as those of caste are of fundamental importance.

One of the major problems in several of the underdeveloped countries is that of the excessive proliferation of the population. The Seminar had the benefit of a most enlightening exposition on the population explosion from an expert demographer. In certain countries, the rise in the national income is eaten up by a corresponding rise in the population. Even to stand still, the people of these countries have to run exceedingly fast. The Seminar felt that a substantial proportion of the energies and the funds devoted to development needs to be allocated to the essential task of restraining such inordinate increases in population.

While recognising the scarcity of resources in developing countries and the need to expand production and productivity first, the Seminar felt that social services such as housing, health and education could not and should not be neglected but should be promoted to the extent that resources permit. Besides their human benefits, such services can indirectly be aids to production and productivity.

While dealing with illiteracy and education, the Seminar took note of the statement which formed part of the resolution adopted by the Conference of the Liberal International at its recent meeting held at The Hague in September, 1968.

"An organised fight against ignorance and illiteracy should be in the forefront of all government considerations. These educational measures constitute an essential element of the economic as well as the social development because it is through education that technical training, a sense of responsibility and the capacity for co-operation between individuals can develop."

Literacy, however, is not enough. The needs of responsible political and civic leadership, of entrepreneurship and of technology all cry out for high standards of education. The inadequacy

to their tasks of political leaders and civil servants in many of the underdeveloped countries makes it all the more necessary that this should be stressed. Since undoubtedly illiteracy constitutes a barrier to communications and impedes the efficiency of democracy, Liberals have an interest in literacy. As it was put to the Seminar: "Illiteracy provides the greatest scope for illiberal politicians."

The Seminar then turned to various factors bearing on political stability and the growth of democracy in underdeveloped countries. Among the factors inimical to the development of democracy are the exploitation of the hostility of ethnic and linguistic groups and of various religions and castes and the appeal of charismatic leaders. The heterogeneous nature of some of the countries concerned was discussed and federalism and in any event, the maximum amount of decentralisation of authority alongside of appropriate and effective safeguards for minorities would, it was felt, mitigate the problems arising out of such diversity.

There is a dangerous tendency, even in some democracies, for the bureaucracy, politicians and businessmen dealing with the State to form a privileged "New Class" which alienates the rest of the population from the national leadership and impedes the development of the country.

Whatever their origins, the inadequacy of dictators was recognised as well as the perils of their rule. "Guided democracy" is always a farce. The question often posed of "Bread or Freedom" is a false one since there is no guarantee that dictatorship will produce bread. The evidence is to the contrary. Liberals should make it plain that democracy is not only morally superior but has in the long run proved to be more efficient than dictatorship. There is a deplorable willingness even among some Western observers, themselves enjoying the benefits of freedom, to excuse dictatorships in the developing countries. On the other hand, recognising that there are many forms of democracy, that autocracy often appears attractive, and that the democratic process involves constant change, the Seminar feels that the establishment in developing countries of their own forms of democracy is an essential subject requiring much and urgent study.

The correlation between prosperity and economic development on the one hand and political freedom and stability on the

other came up for discussion at various stages. What emerged from these discussions was that, on the whole, prosperity makes for political freedom and stability, but is not a *sine qua non* of either. On the other hand, without political stability there can be little prospect of economic progress. Where stability is accompanied by political and economic freedom, the improvement in the living standards of the people is much faster and less painful.

Democracy and development are both values that Liberals should pursue as ends in themselves. Neither democracy nor development is possible unless there is a reasonable degree of protection from external aggression.

As it happens, the problems of internal freedom and development converge with those of external security and interact on each other. Indeed, it was argued before the Seminar that domestic order and its violation by civil war could in some areas be an even more important problem of security than conventional international conflict or the threat of nuclear war.

Underdeveloped countries that are contemplating the idea of producing nuclear weapons might be reminded that there is no such thing as a "modest" nuclear weapons programme and that the enormous costs of credible nuclear armament, including the delivery system that goes with it, would constitute a heavy strain on their economies and possibly even threaten the very basis of economic stability.

In this connection it was noted that the ever wider but uncontrolled distribution of civil nuclear reactors, while welcome as an important new source of energy, will lead to the production of a growing amount of fissile material that could be used for the construction of nuclear weapons. It was therefore suggested that particular attention should be given to this aspect of nuclear proliferation.

There should be less dependence on grandiose ideals or ideological concepts, less addiction to the appeal of charismatic leadership and international prestige and more attention to the rather prosaic business of honest and efficient Government and the containment of subversion. In place of excessive emphasis on the concept of non-alignment there should be greater effort for the resolution of conflicts and regional co-operation in the fields of economics and defence in Asia.

The liveliness of the debates and the wide measure of accord

prove the value of the Seminar but at the same time the lacunae in our work point to the need for further study. The Executive of the Liberal International in co-operation with the Friedrich Naumann Foundation and the Indian Liberal Group who have sponsored the Seminar, should make a special effort to establish contact with Liberal groups and elements in all parts of Asia. This would be a practical step towards advancing democracy in both Asia and the rest of the world.



## The Economic Aspect of Development

### INDUSTRY

I THINK perhaps it will not be an exaggeration to say, though to many it would seem obvious, that there cannot be any general principles or general prescriptions in the matter of industrial reorganisation or economic development of a country. The sharp variations in the sizes of underdeveloped countries is an important factor to be taken note of. Among the 82 identifiable underdeveloped countries\* you have economies, like India, China and Brazil, each with the characteristics of a semi-continent, and this often creates problems when we come to speak of regional integration. On the other side there are simply small islands, like Hong Kong, Singapore and in the extreme case, the Maldiv Islands. As you may perhaps know, Maldiv Islands consist of a population of less than 100,000. It is a full-fledged member of the United Nations. Its only activity is fishing and all its fish is exported to another small country, Ceylon. So the sharp variations in the mere size of underdeveloped countries reduces to absurdity any common prescriptions to solve their problems. Underdeveloped countries are different in their sizes, different in their raw material endowments, different in their stages of economic development and, therefore, much of the effort of the United Nations can be said to have gone to waste because of the tendency not to take specific cases individually but for coming out with long theorems and general prescriptions, which I am afraid has neither merited credit to the United Nations nor has rendered help to the underdeveloped countries. Basically, we can say that till very recently the overwhelming mass of literature on the subject could be compounded in the form of six or seven theorems. These theorems which I call the basic theorems of a developmental model ran as follows:

\* 82 countries with per capita income of less than \$100 are identified as underdeveloped, though it is generally accepted that there are 112 countries belonging to this class.



*Proposition I*

As agriculture does not have the high productivity which industrialization has, the utilization of fresh and existing resources in industry would serve to raise national income much faster than anything else. In other words, there can be no doubt that industrialization with its higher productivity is the fundamental and the basic clue to the economic progress of developing countries.

*Proposition II*

Agricultural productivity cannot increase unless and until there is a sizeable suction exercised by industry in the shape of removing the surplus labour on agricultural land. In other words the marginal productivity of labour on agriculture is zero. In fact some economists go even to the extent of saying it is less than zero because more people on land get in each other's way and consequently prevent productivity from being raised. Consequently, the final clue to the raising of agricultural productivity can only be a very rapid spread in industrial production which will suck up the surplus labour in the rural farms.

*Proposition III*

Steel is at once the supreme index and the supreme instrument of this industrialisation. In the language of Prof. Mahalanobis, there is at every stage, a correlation between the per capita consumption of steel and the level of national income. There is no country in the world which has a high per capita income and at the same time does not have a high steel consumption. Therefore, to reach a high per capita income runs this logic, you must have a higher per capita consumption of steel. This has been reinforced by even non-leftist economists. I can cite to you a number of them but Prof. Hirschman is the most dynamic. Steel has the maximum linkage effects, that is to say that if you want to rapidly develop, you must capture an industry whose impact on the economy will be of the most generalized type. In a generalized type, you designate it by saying that a steel industry carries the potentiality of bringing into existence a chain of industries in its forward march (what are called the forward linkages) and at the same time it develops a whole host of industries called the backward linkages. Therefore, steel is the clue and Hirschman has always

been quoted by the steel proponents all over the world whether in China, India or Brazil, as saying "There is no product of industry which has such a maximum chain of linkage effects as steel".

#### *Proposition IV*

The take off period would be in the vicinity of 10-12 years where financially the rate of savings would be stepped up from the traditional 5 per cent to the required rate of 12 per cent. This is the famous theorem of Rostow and this has been expressed in concrete physical terms. In fact it was the late Mr. Nehru who said that no country can be said to have a real basis of economic development unless it comes to have a self generating basis of economic growth. This, as you may easily recognize, is the Soviet Model which was incorporated into Indian planning during the second Plan by Prof. Mahalanobis. It may not be necessary for me to explain elaborately why the magic rate of 12 per cent was selected as the critical rate. The argument runs something like this: a country has two types of investments to make. One is the demographic investment and the other is the economic investment. Now if the amount of inputs that you put in, in order to raise one unit of national income (what is called the capital output ratio) is say 3 : 1 then if your population growth is 2 per cent you require six units merely to keep the per capita income steady, that is to say, a 6 per cent rate of savings is no more and no less than just to keep the per capita income constant. If you want it to increase by 2 per cent more, you must have a fresh additional investment of another 6 per cent so that you have 12 per cent as the magical or the mystical figure at which the country can be said to have taken off. Hence this 12 per cent rate of savings is often mentioned in the literature on economic development.

#### *Proposition V*

During this take off period or what is called the hump period, if a developing country is not to undergo the severe penalties which Soviet Russia or even the Japanese economy underwent in their early stages of development, particularly through the ruthless exploitation of agriculture, then there must not merely be a take off but an assisted take off, that is to say, during the hump

period, the developing country must be given substantial doses of foreign aid, both to supplement the domestic rate of savings and to finance substantial volume of imports.

### *Proposition VI*

Finally, import substitution and not export promotion must be the goal of every developing country. This, of course, is positively implied in the ideal of industrialization but negatively there are many reasons why export promotion, it is argued, particularly on the basis of the thesis of Prof. Raul Prebisch of *Latin America*, will either not be successful at all or if successful, with the demand-pull from the developing countries themselves, will be far inadequate in view of their requirements. Consequently, import substitution and not export promotion must be the goal of every developing country. This is particularly so because the developed countries will make it a point to restrict the imports of goods from developing countries into their country. A most striking case which is often cited is that of the export of cocoa. If a developing country sends cocoa to the European Common Market, it will be taxed at the rate of 5 per cent when it enters the ports of Western Europe but if the same cocoa is processed into cocoa butter, it will be taxed at the rate of 135 per cent. That is to say the developed countries will make it a point to see that underdeveloped countries *can never export substantially manufactured or processed goods* but remain primarily as exporters of raw materials. Thus as a matter of pure self-defence the developing countries have to go in for import substitution.

Coupled with this is the broader thesis that industrialisation carries with it a whole culture of higher productivity. Industrialisation brings about vast sociological changes. All this thesis I do not need to go in detail but since I have been speaking about industry, perhaps I could highlight this by showing the importance that is given to industry in the rapid economic development of the so-called underdeveloped countries. Looking back, it is easy to argue as it does not require any profound analysis to say, that we, the economists, must be held extremely responsible for the state of affairs that has come to exist. I think if naivety ran mad it was in the type of economic models that were then constructed. Some of the most elementary facts were ignored though

I must say to the credit of several economically minded politicians who even at the stage pointed out the pitfalls of the economic models. But in the whole jargon of economic theory or economic development-mongering that took place this elementary rule was ignored so that at long last the moment of truth did arise for the great majority of the developing countries. I think the year 1965-66 will go down in the annals of economic history as one of the greatest years. I think the famine and the drought that took place in the overwhelming majority of the developing countries in 1965-66 did far more to bring them back to the sanity of the correct process of economic development or the correct priorities of planned economic growth, than the volumes of literature written by other people. Agricultural statistics are so conspicuous, that they speak for themselves. If you take 1952-53 to 1956-57 as equal to 100—I am citing the F.A.O. Indices of Agricultural Growth—then in the whole of the South-East Asian region, the achievement in 1960-61 was 104, and the achievement in 1964-65 was 103. Next the per capita food production in the whole of the South-East Asian Region in 1965-66 was 3 per cent less than that in the pre-war year of 1939. In India per capita availability index which includes production *plus* consumption *plus* imports, compared to 1950-51 was 102 according to the statistics provided by the Government of India. There was a 2 per cent increase in the per capita availability of foodgrains for the Indian people. And I think one can now see for oneself what a situation this country has reached. Perhaps if we had resources from which we could easily import wheat from, say, the wheat granaries of the world or rice from the rice granaries of the world, the situation could have at least been manageable. That would have meant abundance of foreign exchange resources to purchase them. But most of the developing countries did not have the foreign exchange to import foodgrains. The dilemma was tragic. Not only did they not have the internal production of foodgrains to satisfy the per capita minimum requirements of their population, but they did not also have the foreign exchange to import it. In this context I shall later on say what in a limited way at least the heroic role P.L. 480 plays in the industrialisation of India.

What exactly went wrong in so much of our thinking? I feel

the first thing is we completely slipped up on our estimates of population growth. If you see the First Plan and even the Second Five Year Plan of India we took the net increase in our population as between 1.2 to 1.8 per cent whereas in strict truth we found that the rate of increase was 2.5 per cent and possibly 3 per cent. This seems a small difference but in its consequences it is not. The difference between 1.5 per cent as anticipated and 3 per cent that actually occurred is exactly double. What it means in terms of the whole gamut of economic facilities that you require is not difficult to imagine. So we slipped up I think definitely in underestimating the effects of population growth. We went ahead with the techniques of death control, but we could not go ahead with techniques of birth control and therefore we were presented with a vast gap in which we found that the whole series of calculations of the capital requirements, housing facilities, and food availability went wrong. And all this was the result of a slight underestimation of population growth. The difference though it appears small is in reality not. The difference is 80 per cent. Let us try to get this point quite clear.

The second point where we completely slipped up though I must say to their credit, some economists had foreseen this process, is what may be called the income elasticity of demand for foodgrains. That is to say the first round of income generation in a country which has a huge hunger gap, results in two very important phenomena: the first is that farmers themselves start consuming more. This is quite clear. And since there are *not enough consumer goods to meet the increased demands of the farmer* he makes it up by consuming more of his own products. And, therefore, we in India are continuously experiencing the phenomenon where a sharp increase in food production does not mean a reduction in the food prices. In fact in some years it has meant a sharp increase in food prices. This is because the rural consumption automatically starts going up in the hour of increased agricultural production. So, what we call the marketable surplus which is the critical link between the industrialised urban centres and rural India, was weak or missing. It must be said to the *devilish credit of Stalin* that he clearly foresaw that one who has the mastery of the marketable surplus has the mastery over the process of industrialisation. Because so long as agriculture can keep on pumping enough food for the indus-



trial areas and so long as enough fibres and other materials can be generated in agriculture, wages in the industrial sector can be kept low. The real content of wages automatically goes high because the food prices remain low and Stalin for this purpose invented the process of liquidation of the Kulaks at the one extreme and forced procurement at the other—a remedy which is not available easily to most developing countries which have some pretensions to democracy.

Therefore, we now have this situation that unless you have an agricultural increase of 3 per cent to compensate for the population growth and at least 3 per cent to compensate for the initial stages of development when income generation brings about each year at least a 3 per cent increase in the demand for foodgrains, we are bound to have rampant inflation. You have, therefore, the theorem which we can definitely establish: a 6 per cent rate of increase in agricultural production is a *sine qua non* for sustaining two things, firstly of keeping inflation relatively low in the country and, secondly of aiding industrialisation to get on rapidly. And it is this fundamental imbalance between industry and agriculture that makes itself pronounced when we study what is happening to the great majority, happily not all, the developing countries of the world. In India, we completely lost sight of this. This may be illustrated from the statistics of industrial growth in India. With 1956-57 equal to 100, we were till two years ago scoring rates of growth in industrial production of 8 to 9% consistently. Now, in the last two years, because of the recession we have come down to 3 per cent and 2 per cent respectively. But till two years ago, the rate of growth in industrial production was varying between 8 and 9 per cent. This was a creditable achievement. By contrast the rate of agricultural production did at no time increase by more than 3 per cent each year with agricultural production mercilessly subject to the fluctuations of the monsoons. However this increase of 3 per cent is admirable. It is much better than what we used to have before Independence. But it is hopelessly insufficient. And therefore arises the basic question of the imbalance between agriculture and industry, that industry could not be fuelled by agriculture. This dilemma continuously beset Indian development and here we come back to my contention that it was the PL 480 which temporarily helped India get over some of

its most difficult problems. I would not like to give you the impression incidentally that PL 480 did not have its many defects. In fact it has had a crippling effect in suppressing agricultural prices and through agricultural prices in suppressing the incentives to maximise agricultural production. But this is another story. My present point is to say that the fundamental imbalance between industry and agriculture which manifested itself in India to a conspicuous level has also made itself evident in a large number of developing countries.

So we are back now to the final truth. If agricultural production does not increase very sharply and if therefore you are forced to have a procurement policy which in turn cannot be very successful, your industrialisation will never find the right market. It would have found the right market if the direction of industrialisation was export oriented but the great majority of these countries have not gone in for export. Consequently, the home market in which 70 per cent of the population lives on agriculture cannot generate the basic incomes and also cannot generate the basic raw materials for the rapid development of industry. Most of these evils, therefore, we find characteristic of these under-developed countries during the Developmental Decade.

Now when we come to India we cannot help but go back to the famous model which is known as the Mahalanobis Model. This model, very briefly and very crudely—I am subtracting all the mathematical finesse of this model—says that for India to be agriculturally self-sufficient or for India to be a self-generating economy, it is absolutely important that she must be in a position herself to produce heavy mechanical, heavy electrical and heavy engineering and chemical industries. Now, there is some logic to this. It is not that the Mahalanobis model as is sometimes made out, is a totally absurd and a totally stupid model. In a large semi-continental type of an economy like India, endowed with large resources of iron ore, there is something to be said for this process. There is also something to be said for the fact that if our consumption goods industries increase sharply they themselves create demands for capital goods, which unless the country is able to produce will exert great pressure on the balance of payments.

The trouble with the Mahalanobis Model as I see it, is not as is sometimes contended that it puts the train of Indian

economic development on the wrong rails. I think, basically, the Mahalanobis Model did have the train of Indian economic development on the right rails. But the trouble is a train derailed not only because it is put on the wrong rails, it also derailed because even when it is put on the right rails, it is made to go so fast that it gets off. There are these two different types of derailment and the Indian economy has sustained a terrific derailment. So much of our resources, so much of our foreign exchange has been swallowed up by the whole process of heavy engineering, heavy electrical and other goods that now we do not have in our country areas to absorb the products of these industries and this has been dramatised in the recession that we have recently had. I think this point has got to be understood. There is a large scale fundamental imbalance that we have planted into the economy. So much of our internal and foreign exchange resources are swallowed up by one sector of the economy that the other sectors are starved of internal and foreign exchange resources. They, therefore, do not progress and we therefore cannot create the demand for the goods of the heavy capital industry. You just can't go on in a routine manner multiplying the basic industries without adequate consideration for other sectors of the economy, and therefore what happened to India was very conspicuous. When, due to the drought and due to several other reasons, for the first time in Independent India incomes began to go back to agriculture in the years 1964-65 and thereafter, there was a sharp swing in the terms of trade between industry and agriculture in favour of agriculture and the whole Indian economy was caught on the wrong foot. Our whole tax structure, for example, was designed to operate in the industrial area. The whole product composition of our industry was designed to operate in the industrial areas and based on Government demands. Consequently, the moment incomes shifted from the industrial areas which were garnering the whole profits during the last ten years, and went to agriculture, industry did not have the goods to supply to agriculture. This is as much a condemnation of the policy model as of the private sector and the public sector that took part. In fact, there were barely 3 or 4 firms in the private Sector in India which really have gone to agriculture and have stabilized themselves. The whole tendency was to serve in a selected fragment so that the moment the shifts

of income took place from the industrial areas to agricultural areas, a shift of incomes that had to take place, there was no power on earth to prevent the agriculturists from getting back their dues. The whole economy stood in the face of a recession. Where can we now sell our goods? This is the question in India and this is not something limited to India.

But there were other deficiencies in the Mahalanobis Model. In the first instance, it completely underestimated the requirements of foreign exchange. I leave it to you to realise that when we started our Second Plan, we had foreign exchange resources of Rs. 1,250 crores. Within three years, the entire Rs. 1,250 crores was virtually wiped out, I don't say completely wiped out because we have to keep a limit of 220 crores of Rupees as the basic minimum. But within three years of having wiped that out, we were in debt to the rest of the world by 800 crores of Rupees. This must be the logical counterpart of a policy in which during the first Plan 1951-1956 we invested in industry 98 crores of Rupees; in the second Plan, straightaway we invested 1,200 crores of Rupees. Our steel production which was 1.3 million tons of finished steel had straightaway to go into 5½ million tons. To the best of my knowledge, this has been achieved by no country in the world—a 5-times production increase within 5 years. Now this must lead not only to foreign exchange collapse which it invariably did, but it also meant inflation. There was a very fine calculation done about inflation by an Indian economist Prof. Brahmanand who said that the logical consequence of adopting the Mahalanobis plan will be that within five years the Indian economy would experience an inflation of 65%. I had the privilege of being a party to Prof. Brahmanand's calculations. We were wrong. The Indian economy experienced an inflation of only 37 per cent. We were wrong because P.L. 480, like a miraculous godsend was sent by America to rescue the left wing model makers of India. Had this not taken place; had this P.L. 480 not started coming in perhaps India's strategy of planning would have been revised. P.L. 480 started with half a million; barely within 2 years P.L. 480 imports were 2 million. It went to 3 million by the end of the second Plan and incidentally till two years ago we were importing wheat from America to the extent of 9 million tons under P.L. 480. Besides, we were importing about two million tons of wheat and rice from

elsewhere making a total of 11 million tons of foodgrains imports. Now it may be pointed out that if we had to pay for this in foreign exchange, would we not have had to surrender our entire programme of industrialisation? Further, our exports could not increase dramatically to find for us the foreign exchange which were needed as we ourselves were passing through an import substitution phase. Therefore we would have either to have a most severe system of rationing within the country and really cut down the per capita food availability to the very minimum or alternatively spend our foreign exchange in importing foodgrains which would have meant that no foreign exchange or little foreign exchange would have been available for the process of industrialisation. Many critics who attacked P.L. 480 do not realise that without P.L. 480 India would have perhaps passed through a phase which to my way of thinking would have been really not of near collapse but of real collapse.

Now this process of industrialisation through basic industries carries its penalty; that once you ride on it, you are riding a tiger; you can't surrender. You have sunk 140 crores in Heavy Electricals, you have sunk 120 crores in national coal and so on. To many abroad Rs. 120 crores may mean nothing. But Rs. 120 crores in India means something tremendous. Once you have sunk this, you must now find projects which will find uses which will create a demand for these huge schemes. You cannot now go back and say 'please dismantle the whole works'. The Mahalanobis model has committed you to a perennial investment in heavy industry and this is what has now happened; that the whole sector of Indian industry—private sector industry and public sector industry—now cries to Government "Please go on with your investments otherwise we will collapse". This is a dilemma that has overtaken us. Because unless fresh investments take place in the capital goods sector no demand will be generated for the huge industries that have come into existence. And you will find, that the industrial capacity utilization is barely 40 per cent in one case, 20 per cent in another case! These are the illustrations of the waste that has occurred. I made a rough calculation and the *Economic Times* has also come out with its own calculation. Our conclusion is that out of the 6,000 crores of rupees worth of industrial stock capital invested in India, at least Rs. 2,000 crores today is lying unutilized. So much money



has been sunk into it by deficit financing; so much money has been sunk into it by taxation and it is today lying unutilized! No doubt in the future with better managerial efficiency and with agriculture generating demands for iron and steel products, there may be prospects of further capacity utilization. In that lies our hope. I feel that India has learnt a lesson which is of great significance to the other developing countries of the world.

Finally, let us see the problem from the point of view of employment. One would have thought in a democratic country employment would be given first priority. In the first Plan in 1951, it was estimated that the total volume of unemployment was 5 million people. At the end of the second Plan, it was nine million, at the end of the third Plan, it was estimated to have been 15 million people and now the latest estimates say that by 1975 we may have something like 40–50 million people unemployed! I leave it to you to imagine what the consequences could be. This is because we failed to secure a balance between those types of industries which have a highest employment generative effect and industries which are capital intensive. I do not say that we should have started like other countries, only with the consumer industries. India is a continental economy but I do say that if there had been some degree of balancing factors planted into the Plan, we would not have landed ourselves into the present situation. I think at the time that we accepted the second Plan, we did not realise its implications for political democracy. One can visualize what has happened to consumption goods. Consumption goods industries accounted for 15 per cent of the capital allocation in the second Plan and in the 4th Plan (the draft prepared of the 4th Plan) consumer goods are expected to account for only 12 per cent of the total investment. And this, as I have argued, is the logical outcome of the heavy industrialisation plan to which we were committed.

Where do the backfires now take place? The backfires must take place because having committed yourself to an inflationary atmosphere backed by import substitution, you now have a cost price structure which is out of alignment with the world. Either then you come out now with a plan in which you substantially cut down your expenditure and re-align your cost price structure to a level comparable with elsewhere in the world or alternatively you go in for devaluation. Secondly agricultural backfire must

come in a situation in which industrial production keeps on increasing at the rate of 8-10 per cent and agricultural production lags behind at the rate of 3 per cent; where increasing incomes and increasing demands generated in the agricultural sector must result in a substantial explosion of agricultural prices at some stage or the other. And, indeed, in the last three years there has been a fantastic increase in agricultural prices in India fuelled of course by speculation. But this is a logical outcome and I cannot see how any country can escape this backfire. I think Mr. Khrushchev realized this at the time of his famous speech of 1962 when he said the time has come for the people in the cities of Moscow and other urban centres to start paying higher prices for agricultural products. He was not saying this to win agricultural votes because he was not in need of votes. He was saying this in order to rescue the Soviet economy. This is the same process that took place in Japan. For over a long period Japan ruthlessly exploited her agriculture and in 1951 had to go back to a process where agricultural prices had to be brought into alignment with industrial prices. We in India had a similar experience. We have also found that our export industries were basically neglected. So now there is a feverish attempt to go ahead with exports.

Are there certain general rules that can be prescribed for the developing countries? I think I would like to conclude by saying that the economic experience of certain successful developing countries does give us confidence that broadly speaking there are certain general rules which can be followed. That is why I do not take the pessimistic view which Mr. Gunnar Myrdal takes in his book "Asian Drama". I think this book is completely out of date as it fails to take into account some of the most heartening features that have taken place in the Asian economy since 1961-62. Besides he ignores the most revealing statistics published by the United Nations on Asian countries. According to the United Nations statistics on the rates of growth of most countries outside the communist world, it is found that out of the eight countries of the world which have consistently scored more than 5 per cent rate of growth, as many as five are from Asia, led by Taiwan, Thailand, Malaysia, Singapore and South Korea. Can we draw some conclusions from their experience? Firstly, I think we must accept the fact that for the great majority of developing countries a certain amount of social injustice or social in-

equality seems to be inescapable in the early stages. We are told of the 22 robber baron families in Pakistan, by a liberal magazine like *The Economist*. But Pakistan has been scoring a rate of growth of about 16 per cent in industries. The trick is once you have got this capital formation going on spontaneously, the Government can genuinely step in and spread it round. You must accept that incentives must play a role, whether these incentives come in the form of higher prices for your products, or lower taxation or conspicuous subsidies by the Government. They can be offered in various forms and the economics of each of these methods of incentives can be debated by economic analysts. But I think it is inescapable that the country must accept in the initial stages a certain dose of social inequity or social inequality. There has been no country in the world which has escaped this and certainly Soviet Russia is a notable example which has not escaped this.

Let me now for a moment digress as to what has been happening to Indian agriculture. There has been a long debate going on joined in by Western economists and Western social anthropologists which tells us that Indian agriculturists cannot respond to price incentives. This is a dogma which took hold not only of Indian economists but also of Western economists and Western social anthropologists. So when any programmes were made for industry the time vision was of 8-10 years. But when agriculture was taken up for consideration one always tried to come out of it by saying 'Oh it is a gigantic problem—nothing can really accrue from it'. This is not true. But it is perfectly correct to say that just higher agricultural prices will not deliver the goods. There must exist the fertilizers, pesticides and the Extension officers. It is a fact of economic history that the two countries which have scored the highest rates of productivity in agriculture, namely the U.S.A. and Japan are both countries in which the Government has taken the most dynamic and active role in pushing forward agriculture. This incidentally illustrates the contradiction of Galbraith's continuous distinction between the Private and the Public Sector. The critical question when we come to the Private and the Public Sector is not the volume of resources absorbed by the Public Sector. This is an utterly fallacious index which is mischievously used by certain socialist economists. It is the question of the direction in which



it is used—whether it is complementary or competitive to the Private Sector. You might have an economy in which the Government may use up as much as 50 per cent of the resources of the economy and yet be basically complementary to the goals of the Private Sector and you might have another economy in which the Public Sector may use 20 per cent but yet the goals may be quite different.

The attitude of the leaders of public opinion towards agriculture is reflected in what the late Mr. Nehru said "It is not very difficult for me, given the resources to put 3 or 4 steel plants. We pay for them, train some people and the steel plants start working after 3-5 years although it takes much longer to train the men to run it. But it is a much more difficult job to deal with the large mass of agricultural population. Naturally, they are tied up to old customs, old grooves of thought, old methods of working and it is difficult to pull them out". Now this whole culture was sponsored by the urban intelligentsia. It is generally argued that agriculture does not respond to incentives. Well, if it cannot respond, it is up to you to put in some intellectual inputs. There is such a thing as an intellectual input in economic activity just as much as the capital input. If you do this, there are responses that you get and what has happened in India in agriculture is a livewire demonstration of what can be achieved. And what has really happened in the last three years is very conspicuous. The Government of India or rather the Ministry of Agriculture has been pressing on a programme of what may be called 'Selective Agricultural Breakthrough'. We have about 300 million acres devoted to foodgrains and the Ministry of Agriculture said 'We cannot afford to waste all our resources on this 300 million acres. We shall concentrate on 32 million acres only. It may be emphasised that 32 million acres constitute the area which has already irrigation facilities and assured water supply. Moreover, these lands are generally looked after by fairly wealthy farmers. We have consciously accepted this entire principle of inequality in our agricultural strategy to boost up production. This is quite something, and worth pondering about. For the time being, only 32 million acres will receive the concentrated attention of the Government of India for the agricultural breakthrough. And in the Draft Outline of the Fourth Plan, it was

targeted that we would increase our foodgrains production by 35 million tons. It is highly conspicuous, that out of this 35 million tons of increase which we were targeting for as much as 25 million tons were to come from this 32 million acres. In short, about 70 per cent of the increase in foodgrains production had to be delivered by 10 per cent of the area under food cultivation. More concretely it means, if you calculate one million tons of foodgrains as costing one hundred crores of Rupees, it implies that out of the total increase in the value added in agriculture of 3,500 crores of Rupees, as much as 2,500 crores of Rupees shall go to only 10 per cent of the agricultural units. Now I think secretly and subtly the Government of India have accepted that there are significant temporary inequalities in agriculture that have to be tolerated in order to obtain a breakthrough. I think logically unless a similar recognition is forthcoming in the field of industry, we are still going to be condemned to a debate in which we will try to secure social justice without the economic means of achieving that social justice.

The second conclusion, I think we must draw is that a developing country should allow for a situation in which exports must have the capacity at least to service 75 per cent of its imports. I would leave this as a theorem for all developing countries. Both in India and in Pakistan today exports can service only 55 to 58 per cent of their imports. As a result of this, they go in for huge loans which in a matter of 3 to 5 years create a fantastic repayment liability. As we are all aware India is fast reaching a situation like many of the developing countries, when the likely volume of aid that it will receive will be less than the total amount of repayment it has to make. So, if other developing countries are to avoid this predicament of India and Pakistan and most of them are about to fall into this group, I think they should generally keep in mind my theorem that exports must be pushed to a level when they can finance at least 75 per cent of their imports. And there is a broader angle to this. I have often felt that the greatest achievement of Dr. Erhard in Germany has not been the economic miracle as such but his continuous emphasis on exports; because a country which stresses exports is bound to have a mentality of operation conspicuously different from a country which goes in for import substitution. A country that goes in for



import substitution has a relatively easy job at least for the first 5 to 10 years. The Administrators are very pleased. All they have to do is to fix import quotas and this is a mechanically arithmetical act. It does not really solve the economic problem. The businessmen rejoice in the import substitution process because it creates for them assured and protected markets funnelled by inflation. I think the country that ventures consciously to go into the field of exports is saying in effect 'We shall keep a cost-price structure that shall continuously be in alignment with the cost-price structure in the rest of the world'. And therefore the whole chain of economic policies that an export-oriented country will pursue will, by definition, be sharply different from the policies which an easy-going regime of import substitution will make the Government and the businessmen pursue. Therefore, exportivity is a way of thinking and I am sure that if many developing countries took this into account, they would find themselves pursuing a series of policies, which will automatically induce their economies to keep this cost-price structure in line with the rest of the world. I think the ultimate secret of the German Economic Miracle is the subtle philosophy behind its export-oriented and outward looking economic and commercial policy. As much as 18 per cent of the German National product is exported. They are therefore forced to follow a whole chain of internal cost-price policies, wage policies and incomes policies which tend to keep their price level continuously in alignment with the price level of other countries. I don't say this is going to be a simple job for developing countries. I also don't mean to imply that developing countries will not need foreign aid. But a certain conscious emphasis on exports by selling goods in competitive foreign markets brings about a whole chain of new mentality.

There is a third factor which we should take note of. Today the underdeveloped countries are born in a world where the optimum scales of technology are receding each year. Twenty years ago a one million ton unit was the optimum unit for iron and steel, ten years ago it was a two million ton unit; today it is almost a four million ton unit. Most underdeveloped countries are small sized countries. I just cannot see how industrialisation in any meaningful way can take root in such countries. By industrialisation I do not mean heavy industrialisation which

is geared to the year 1985. Even the normal industrialisation which seeks to process its own basic raw materials is difficult to visualize with market as a limitation and therefore a common market solution for most developing countries is a fundamental and inevitable criterion for their growth. And in this case, I think the achievement of Kenya, Tanzania and Uganda recently in coming together in forming a very sensible common, industrial investment plan is worthy of recommendation to other developing countries. Uganda has a population little less than the city of Calcutta. What car industry do you wish to develop within such a market? Any industries that these countries can develop can only be done by arriving at a mutual agreement. So the present Nairobi Agreement has specified the allocation of industries to be established in each one of the three countries. This must involve a certain sacrifice of national sovereignty. But there is no escape from such a situation if industrialisation and its fruits are to be enjoyed. As scales of production are growing larger and larger one simply cannot start factories which will produce say 100 tractors a year or factories which will produce 2,700 tons of Soda Ash a year. I was in Africa and I saw this process dramatically in front of my eyes. When you are condemned to the most uneconomical scale of output, ruination is sure to follow if you try to industrialise yourself. And therefore the Common Market which was established in Europe, was of course, economically motivated but also largely politically stimulated. In the case of many developing countries a surrender or sacrifice of some degree of national sovereignty will become a basic condition for rapid industrial development.

Then I would say that private investment should be energised. I think it now needs no demonstration after the study of the U. N. Reports that official loans are essential in the first lap of your development. When foreign loans come on soft terms they are most useful but you cannot generate yourself on official loans. You must create within your economy the conditions for inviting foreign private investment. The cost of foreign private investment in India is about Rs. 50 crores per year which are paid out by way of dividends, royalties, etc. But as one of our former enlightened Ministers, Mr. Manubhai Shah recently pointed out, this fifty crores of money in fact supports an industrial structure of Rs. 1,200 crores. This is a very significant

figure. It is true that the foreign companies take back royalty, dividends etc. but at the same time if the generation ratio of industrial production is markedly higher, it is the most beneficial thing that can occur for most of the developing countries. And here the repayment liability does not begin automatically as in the case of official loans. In contrast, the repayment liability of foreign investments begins only when the factory itself becomes genuinely profitable.

Then I would suggest Planning as my fourth condition. By all means have planning. I cannot see how you can escape from the rigours of planning. But there are different types of plans. However, two very important ingredients should be planted into planning. One is, they who shall implement the plan shall take part in framing the plan. In India, we have had a complete vacuum in this respect. We have had wonderful econometricians sitting with their machines and computers operating a whole series of models as to what should be the rate of growth, and we have had a whole complete sector outside which actually goes to implement the Plan. I think one of the greatest weaknesses of planning in most developing countries is that while they concentrate beautifully on capital output ratios, ensure the consistency of the model, and prepare the whole gamut of mathematical equations, they ignore the whole chain of economic policies by which they can achieve those goals.

And then finally, I think to some degree, you must have in industrialisation a fairly sizeable degree of price mechanism. I again accept that there are certain areas in which price controls may become inevitable but the whole strategy is to allow certain amount of incentives to work themselves out. It releases administrative machinery from administering controls. In Pakistan, at least one-fourth of the administrative machinery was immediately released for concrete productive acts by dismantling a whole series of economic controls. And finally the biggest merit of a price mechanism is that it tells you what is the genuine price of your economic resources. You want planning in order to prevent the waste of resources but the tragedy in not having prices to indicate the correct values of the resources you use, is that you go in for a whole chain of distorted price values in which you never know the true value of the products that you use. And therefore from all these angles, it is necessary

that there be sizeable areas of the price mechanism planted into your plan. I think with all these goals in mind, one can confidently look forward to the day when many developing countries which have just begun their development will come out as progressively and as well as Taiwan and South Korea have already done and I think we need not be so pessimistic as Mr. Gunnar Myrdal has been in anticipating the economic development of Asian and African countries.

M. R. PAI

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## The Economic Aspect of Development

### INFRASTRUCTURE

NOWADAYS nobody can be an economist nor a student of economic affairs unless he uses words like 'take off' and 'infrastructure'. They are very fashionable. What is infrastructure? I would briefly define infrastructure as those physical and institutional facilities required for the carrying on of economic activities. As regards its importance particularly with regard to developing countries, I would like to quote a couple of passages from the well known book "Growthmanship" by Prof. Colin Clark. He says: "Much of the mistaken emphasis on investment betrays an urge on the part of those who would like to see more and more power in the hands of the State to enlarge what is called the Public Sector of the economy and increase the authority of the Government over the Private Sector. And, in this way increasing public investment offers scope for the bureaucrat and the politician to enhance and aggrandise their authority by economic showmanship and conspicuous investment and production". He continues: "The extreme pre-occupation with capital investment has led to the neglect of the other factors in growth and economic development;—improvement in education, the development of the legal and institutional framework required for a market economy dependable currency, a banking and credit system, general understanding and observance of laws on property, contract, company organization, restraint of trade, etc., heavy investment in transport and other forms of communication". In other words what Prof. Colin Clark says is this: in the extreme pre-occupation with capital investment in heavy industries, infrastructure which is so necessary for development of the economy is neglected. In this connection I am reminded of the joke of a farmer who visited a laboratory and found a number of scientists working on some experiment. He asked them what they were doing, and was told that they were trying to find out a substance which would dissolve any substance in this world. The simple farmer posed



a question: "Where are you going to keep it?" So economic development without any thought to infrastructure is like trying to find some solution which will dissolve anything without having a container to keep it.

What are the different aspects of infrastructure? I have listed them briefly as communications, administration and law, basic amenities like public health, provision of water and education, agricultural extension services, conservation and power, fundamental obligations of the State like defence, law and order, a stable currency and finally voluntary organization.

### *Communications*

Has it ever occurred to you that the biggest builder of infrastructure is Mother Nature? Look at the river valley civilizations. All the great civilizations started on the banks of the Ganges or the Indus, or the Euphrates or the Tigris or the Nile. Why? Because these rivers not only provided water supply for drinking and for irrigation but also because they provided transport. This was the infrastructure for the stage of economic development at that time. Today, we find that without a good network of roads and communications it is difficult to prosecute economic activities.

Sometime ago there was a report in the newspapers that one of our Ministers who happened to visit a village in Andhra Pradesh was suddenly cut off from the main city of Hyderabad because there was a thunderstorm and the road became unserviceable. When this happened he had to stay there overnight and he was told by the villagers that in that area the population of a couple of lakhs was completely cut off from other cities during the monsoon because there were no all-weather roads. This was an eye-opener for him. It shows what happens when the State neglects, in its anxiety to build steel plants and other heavy industries, certain basic amenities, like roads. The lacuna in this respect is considerable. In a recent speech the Minister of Transport confessed that the idea of the extent of deficiencies in our road system can be had from the fact that as regards our national highways alone we have yet to take up the construction of 250 miles of missing link roads and 17 major bridges and a number of other deficiencies. As one who is interested in economic development, I ask myself the question: is it not rather shameful that after 21 years of independence and 17 years of planning we

still do not have what can be claimed as a network of national highways although we have made so much progress in heavy industry? Or take once again the question of ports and airports. Here again unless a crisis comes we never realise the importance of this item of infrastructure. Three years ago, there was a food famine in the country and in the Bombay Port there were a number of ships from America carrying the famous P.L. 480 foodgrains but which could not be docked, and had to remain in midstream for weeks because there was no docking facility. Once again this shows if we neglect important items like ports how it can affect the economic life of the people. About the airports, I do not want to speak much because I am sure that the state of affairs with regard to the reservation of tickets will send our blood pressure up. But recently it was graphically demonstrated that at least 20 airports in the country do not have night landing facilities with the result sometimes that planes have to be diverted to other places, affecting tourist traffic and up-setting normal plane schedules.

Another important aspect of communications is the Post and Telephones. Only yesterday a friend was asking me whether a letter posted in Thailand would reach here within seven days, and how long it would take for a book mailed from here to reach that place. Well, these are questions which not only those of you who come here ask us but even we ourselves ask these questions because the facilities with regard to post and telegraphs are very inadequate and once again I emphasise they are inadequate because investments have been diverted to heavy industries and other sectors. For instance about four years ago, the Minister concerned confessed in Parliament that out of a total of 15 lakhs of telegrams 6%—about a lakh and a half—were being sent by letter post instead of being sent by Morse because there were no facilities. When Mr. Masani asked me on Tuesday to give a talk on this subject I phoned up a friend who is the Director of Postal Services in Bombay just to get an idea about the state of affairs in regard to Post and Telegraphs. He said that they are just not getting the money which is necessary to keep even the existing facilities going let alone to improve them. This once again shows how wrong priorities in investment in developing countries can hurt some of the vital sectors of the infrastructure.

*Administration*

A few years ago whenever anyone referred to a government officer, I used to get very much upset because I had a great contempt for the bureaucrat. But now I have completely changed my view and I think that the official order, the administration is very important, is very critical particularly in an under-developed country because whether we like them or not, they have to take a number of critical decisions which affect not only public sector investments but also private economic activity.

This reference to bureaucracy and their ways of working reminds me of what happened sometime ago in a government office. It seems a note was sent to a wrong department and the officer in this department couldn't understand what was written on the note. But as you know officers have a practice—they just initial and return the note. He put it in the outward tray. When it went back to the original department, it was discovered that the note had gone to the wrong department but it had been initialled. So it was sent back to the officer with a small note: 'We find that this note which was not meant for your department went to you through an oversight. You have initialled it. Will you please erase the initial and initial your erasure'. Now an honest and efficient administration is indispensable in a democracy like ours and where there is considerable illiteracy the administration should come into contact with the people at as few points as possible. Because if the administration touches them at many points, economic activity will get obstructed.

*Speedy Justice*

Another aspect of administration is speedy justice. I consider this as a crucial element in the infrastructure. The very basis of democracy is rule of law. People must have faith in rule of law and they can have faith in rule of law if there is speedy and impartial justice. Unfortunately it so happens that the law courts and the system of administration are neglected with the result there is no speedy justice. For example take the man who had separated from his wife and sued for divorce. By the time the decree came the man died, his son had also died and when the judgement was delivered the grandson was asked to take charge of the grandmother.

### *Law*

We make all sorts of legislation for controlling production in the factories but we forget that the most important factory in any democracy is the Parliament of the country. This is the factory which turns out day in and day out, a number of laws which govern our life and economic activities. And what is very frightening is that under these laws today what is known as delegated legislation takes place, i.e. the rule making powers are given to the officer, a number of rules are made and a citizen is not aware of these unless he comes in touch with those rules. Particularly in developing countries, there is a tendency to think that economic development and social justice can be brought about by passing more and more legislation. In our own country, for instance, within the decade 1951 and 1961 no less than 831 laws have been passed and you can imagine the frightening quantity of delegated legislation under this. And there is a tendency always when laws are passed that sometimes they are also very impractical. So for rapid economic growth, laws must be few and they must be simple and they must be well administered. Laws which are complex and which cannot be administered, only does harm to economic activity but people's respect for the democratic way of life itself gets diluted. Just to give two instances, we had what is known as the Gold Control Act under which a citizen was prohibited from owning 24 carat gold. What were the results of the sudden introduction of this law? It was not in tune with the habits and the social thinking of the public and there was widespread disrespect for this particular piece of legislation. In fact even a very high official connected with the very administration of this law when he celebrated the wedding of his daughter went to one of the jewellers and privately asked him to prepare 24 carat gold jewels although it was against the law. And this news spread very soon among all the jewellers and the public and one can imagine the impact it makes on the public of the country when they find that even the law makers or those who enforce the laws cannot comply with the laws that are made in the country.

Another instance I would like to give is the rule that you see in many cities: "No horn". Horning is completely prohibited. The entire city is declared as a "No Horn" zone. Now if you try to



observe such an impractical rule, you will have to kill at least half a dozen persons a day. It is this type of rule and legislation which must be sought to be avoided if we want to give an infrastructure to the economy which makes possible for the rapid growth of the economy.

### *Basic Amenities*

Another very crucial constituent of the infrastructure is basic amenities. For instance take water supply. Our Deputy Prime Minister said in Ahmedabad recently that a Government which cannot give drinking water supply to the public has no right to exist after 21 years of independence. Fortunately this is only an expression of opinion and not an intention of action. If such an action were to be taken, I think practically all State Governments and the Central Government of this country will have to resign. As all of you know we have got two distinguished Parliamentarians in our midst—Mr. Masani and Mr. Kunte and although there is a lot of criticism about our Parliament, let me tell you they do some good work also. And on one such occasion they put a report—this was in 1964-65—on drinking water facilities in the country. This is what they said: "The Committee regrets to note that 22 per cent of the Villages which have been surveyed are without any hygienic drinking water supply and 30 per cent of the total number of villages surveyed had inadequate drinking water supply." A Minister of Madhya Pradesh recently said that out of 70,000 villages in his State, in 10,000 villages there was not a single source of drinking water supply. In some places, people have to walk as much as 10-15 miles a day every day to fetch water. Then there are very many tragic instances although they seem to be very humorous when we read about them in the print. It was said about a village in Gujarat that on every bed there was a rope hung to enable people to get up with the aid of this rope. This was due to the water supply that they got in the village which was contaminated. So by the time they are about 20-25, they develop Arthritis or some sort of disease which would not enable free movement. In another village, it was said that by the age of 20, practically everyone there lost their teeth because of bad water supply. Or take the city of Coimbatore which we passed



through the other day. There is a water famine in that city, mind you in a big city with a population of nearly three lakhs of people. This is a common tale all over the country, whether you go to the villages or to the cities. And water supply is a basic amenity which it is the duty of every Government to provide to the public.

Or take the other constituent—public health measures. Very few citizens can afford private medical care. A large number will have to depend on Government hospitals. What is the story here? Because investment has been wrongly diverted to heavy industries and the like this basic amenity has been neglected and even where they are provided (as the President of this State Medical Association put it the other day a person who enters a Government hospital today has no fear of hell; the moment he enters the hospital, it is as good as entering hell) there are no facilities there, there is no proper care, sometimes there are no Doctors. Once again this is due to misplacement of priorities.

The third and most important aspect of basic amenities which it is the duty of a Government to provide to the public is education. Somebody rightly said civilisation is a race between education and catastrophe. And it has been found by experience everywhere, particularly the Japanese experience where as far back as 70 years ago, they formulated a code of education and concentrated the utmost on education. Education paves the way for rapid economic development. In Manusmriti, it is said "both State and society should make it compulsory upon all to send their children, both male and female to school after 5th or 8th year. It should be made a penal offence to keep a child at home after that age." It was said so centuries ago. Very recently, one of our great engineers and statesmen, who is known as the maker of modern Mysore, Sir M. Vishveswaraya emphasised the same thing again. He said educate the people and that will open up economic opportunities. And he also pointed out how the public is eager to receive educational facilities. It seems once he was travelling by car and in one village they made an attempt to stop his car by throwing a bundle of currency notes into the car saying "this is our contribution to the building of a school in our district. This is our matching contribution. Please build a school here." The other day, I met a government officer of Maharashtra who was stationed for a number of years in villages. I asked him what his experience was with regard to district administration? He

said wherever he went, the first thing that villagers asked was for a school building and for educational facilities and they were willing to contribute for this purpose. This will show you the thirst for education among the people. It has been rightly observed by a journalist that in India today while there is great hunger for food, there is a greater hunger and that is for knowledge because everyone knows that knowledge is the key to progress. There was a 17th century saint in Maharashtra, Sant Ramdas and he wrote a book called *Dasbodh*. There is a very interesting question posed in this book. "What is the difference between a rich nation and a poor nation?", a "prosperous person and the one who is not prosperous", and the answer given is "Vidhya" or "knowledge" or "education". In the Indian context, education should be looked upon in a very different term. Education does not mean mere literacy. The tragedy of our country today is about 25 per cent of the population is said to be 'educated'. But really we have a large number of people who are literates but uneducated and a large number of people who are illiterate but educated. Education as I see it is the most vital ingredient of a democracy—it gives citizens the capacity to think for oneself. It may take different forms.

On the way from Coimbatore to Coonoor, there is a small village where I had occasion to visit a complex of educational institutions yesterday. And in one institution there the qualification for admission is not that you should pass the High School Examination but you should fail your High School Examination and the boy who fails the more number of times, i.e. a boy who fails three or four times, gets preference over others. Because the theory of the person who has started this institution is this: that students who pass their Matriculation may learn typing, may learn shorthand, may go to College, may find different opportunities for economic advancement, but it is those who fail who must be helped with regard to jobs. So they are admitted to this institution and they are given training in Motor Mechanism. So education can take any number of shapes particularly in a country like India where it has to be related to the local atmosphere and different needs of rural areas, urban areas and what are known as rural areas i.e. semi-urban or semi-rural areas.

### *Agricultural Extension*

That brings me to another aspect or constituent of infrastructure i.e. agricultural extension. I would only point out that it was the wrong priority of promoting heavy industry that led to the neglect of agriculture. Let me illustrate: take the Bihar famine a couple of years ago. The Bihar famine was nothing but the gift of the Planning Commission to the people of this country. It was very graphically illustrated in Ranchi, where a heavy engineering plant has been put up with Soviet aid, where the investment is expected to be 245 crores by 1970-71. According to the report of a Parliamentary Committee, the result by 1970-71 will be a grand loss of 35 crores of rupees, that is 350 million rupees. Now here was the Ranchi Plant, an investment of Rs. 250 crores—on one side, and on the other you could see in the State of Bihar farms starved of water supply and small irrigation. In fact it was said that in the two years of famine more wells were put up in Bihar than in 20 years of independence. Imagine the face of Bihar if instead of putting this 250 crores of rupees in a heavy industry it had been given to agriculture, by way of small irrigation or the various agricultural extension facilities.

### *Conservation and Power*

It is seldom realised that the felling of forests which goes on very indiscriminately in our country and many a country affects the landscape. It affects rainfall, it also leads to silting of rivers with the result you find floods, and even navigation is affected. There are many rivers here where 50 years ago deep craft used to come in. Today, you can play cricket or football on such rivers. But during the monsoons when water comes from the mountainous areas, it floods both sides and brings a lot of devastation and misery to the public. Conservation is one of the most neglected areas in the planning of the infrastructure to which the State must give priority. It is not the duty of individuals to go and dig up rivers or to have a reafforestation programme. It is the duty of the State.

About Power, I won't say anything because it is something which relates both to agriculture and industry and the importance of it has been highlighted by Mr. Chacko. It is not an isolated

experience. There are hundreds of farmers in the country who on the promises given in the Plan documents that they would get power, installed pump sets and machinery but they found that power connections did not materialise.

Another group of constituents is what I would term as the fundamental obligations of the State to provide. First is Defence. If a Government is not able to maintain the territorial integrity and freedom of the nation, then it has no right to exist. This is the fundamental requisite for a people as a nation who can live together, who can lead a civilised life and carry on economic activity. Or take once again, the reverse of the coin, i.e. maintenance of law and order in the country. One of the reasons why companies pay taxes is because the State makes possible the maintenance of law and order and provides such facilities within which production can take place, without which no civilised life can take place. But unfortunately in the obsession with heavy industries or misplaced priorities, the entire administrative apparatus gets misdirected towards the direction of imposing controls and of running the industry. As a result law and order which is the pre-requisite for economic development gets lost.

The third constituent—the most fundamental obligation of the State in the economic sphere—is the provision of an honest rupee or an honest currency. It has become very fashionable for Governments all over the world to go on diluting or debauching the value of the currency under one pretext or another and we hear very fine arguments about them. Inflation, it is said, is a secular trend. I don't know what is meant by a secular trend. But so far as I can see it, inflation is always due to Governments living beyond their means. It is due to the fact that the Government which has the monopoly of money supply does not exercise the monopoly with the sense of trusteeship or with a due sense of responsibility. Therefore, it goes on pumping currency into circulation, particularly, when it runs after fanciful projects or when it wants to enlarge the power of the state and the administration and therefore it has to resort to what is known as deficit financing and ultimately the value of the currency is reduced. This leads to a number of distortions.

### *Voluntary Organisations*

Finally, I would come to the role of voluntary organisations for



infrastructure in a democracy. In a dictatorship, it is a very different question. It is one party which dominates the entire apparatus of the State and the people. Now voluntary organisations have an important role to play in a democracy. Take for instance, the Leslie Sawhny Programme of Training for Democracy which has co-sponsored this seminar. Or take for instance democratic political parties which give a discipline to society. I think that it is the duty of citizens to strengthen such organisations so that the load on the State can be reduced and the State can divert its attention to the proper sphere of its operation.

I shall conclude with a definition of economics given by Prof. Milton Friedman. He said "Economics can be defined in five words and these words are: There is no free lunch." This was his definition of economics and I would go one step further and say even if somebody gives a free lunch in the form of P.L. 480 or what you will without the utensils and the fork and the spoon, which is the infrastructure of the economy we just can't eat it.



## The Economic Aspect of Development

### AGRICULTURE

MY ONLY CLAIM to deal with this subject of agriculture is that I am not a professional economist and, therefore probably most capable of dealing with a subject where performance is the only standard by which you should judge. In India, approximately, 71 per cent of the people are directly dependent on agriculture. Perhaps another 8 percent depend on it in service—industries allied to agriculture or partly dependent on agriculture. In this vastly spread enterprise which the Government from time to time are pleased to say is the biggest private sector in the country, the standard of efficiency, the performance record and the kind of economy which it has and which it influences in the rest of the country should be of great interest to a group such as this. As a man who has been concerned with a particular sector of agriculture, namely, plantations, I have been very close to the problems of agriculture throughout the country. The three aspects on which I wish to concentrate today, are (1) the organisation of agriculture in this country; (2) the planning of agriculture; and, (3) the conceptual aspect of agriculture, agricultural planning and practices.

In regard to organisation it is only recently that the agriculturists have been lionised by the Government. Till then they were largely neglected, thought to be a backwoods of Indian economy, the people who might be heard from time to time but not very greatly attended to. But in the last four years after our agricultural failures resulting in shortage of food, shortage of raw materials for feeding the industries and for sustaining our export efforts, suddenly there has been a change, a change of opinion, a change of attitude. In so far as this vast and amorphous body called agriculture in this country is concerned, I would just like to give you a brief account of the relative standards of productivity. In the case of rice, our ranking in world yield is 38; in the case of wheat 27, maize 44, tobacco 37,

groundnut 28, sugarcane 46. In regard to the three industries with which I am directly concerned: Tea—our ranking is one; coffee, our ranking is third in yield; in rubber our ranking is four.

I mention these things because I for one, and many of us who are directly dealing with agriculture in this country, did not believe that Indian agriculture is not capable of better performance. Where we have failed is in the organisation of agriculture, in the erroneous concepts with which agriculture has been approached both in planning and administrative policies and in the widely disparate standards of performance in agricultural practices. The totality of results which we have obtained from agriculture must be traced to the interplay of these three major factors. In the first place, when independent India thought of land reforms the thinking on this idea was done largely by citymen who influenced Government's general economic policies. These gentlemen who came from the cities, and had never dealt with land or agriculture except through books, were firmly of the opinion that land reform must be such as to put a limit upon anyone who can possess land and that available land should be redistributed to the largest number of people in the country. Of course, as practising agriculturists those of us who have made the best use of land, understood the weakness and error in this policy. But it was not easy to displace the citymen who populated the legislative chambers and so we had to accept what they decided although I have personally appeared before at least three separate legislative Committees in order to plead the case for a more sane land policy.

I can illustrate how this happened. For instance, in South India, particularly in Madras or Kerala, the ceiling on land is such that a person possessing 16 acres of land if he produces a good crop, his annual income will not exceed Rs. 6,600. Now that gives him roughly Rs. 550 per month. With the present day cost of living and the level of incomes, this Rs. 550 would not give him the standard of life that a clerk is able to get in any place in this country. Therefore which educated man would turn to agriculture and what input of talent and resources could he muster to put into this? He is not creditworthy as far as the bankers are concerned. With an income at that level he has no resources to finance his own development. He cannot exceed his

absolute limit of land holding. So most agricultural families have been resorting to dividing up the land in order to conform to the land laws which in the first place are wrong, misconceived and should never have taken place. And what was originally intended as land reforms has been turned into a peculiar brand of social justice the content of which, most people did not know. I say this with my direct experience of having discussed this matter before Select Committees of Legislatures and I could clearly see that most of them did not understand nor did they try to see the actual content of what they meant by social justice. Was it in holding a parcel of land equally with the rest that you achieve social justice? Or was it in sharing the product of what the land produced more fairly? What constituted social justice? And we found there was very little to share if your holding was so limited. And by the natural progression of inheritance this same land got sub-divided into so many uneconomic units that only a subsistence economy was possible. If there was no surplus left, they could not buy the things they needed from outside and they themselves became the consumers of the things they produced on the land. And with that kind of a precarious existence, one could not think in terms of progressive utilization of modern research; one could not think of modern organisation; one could not think of machinery and equipment which would have increased efficiency on the farm. Now, the ranking that I gave you earlier illustrates the kind of backwardness in agricultural performance in India.

From all the evidence that is available to us, we are of the view that India need not be 46th in sugar cane, 28th in groundnut, nor 37th in tobacco. We could be nearer or at least within the first 10 if only our agriculture were organized in a manner capable of taking advantage of large-scale operations; capable of taking advantage of the fruits of agricultural research; capable of taking advantage of modern methods of management and marketing. But these we cannot do with such small units, because the kind of people who would remain on farms in such small units would not be the most progressive of people in the country; would not be the people with the greatest of optimism about their own professions or about their own personal future. Therefore, we are getting the most backward of the people to remain in agriculture, the most tradition-bound, the least conscious of cost or larger objectives

of economic progress. In a situation like this, a transformation can only take place if there is sufficiently strong and persistent public opinion against the present policies which are being pursued. But I am told at the highest level in the Government of India, that some of the strongest advocates of this kind of land reform have been the Americans who found that by this process in Japan and Taiwan, where they introduced some form of ceilings on possession of land that great success has been achieved. We cannot say how far these examples can be followed by India or is of relevance to India unless we have had a better opportunity of critically examining the case-history, the practices, the attitude of people to work and a whole series of other questions have been answered. Therefore, let us confine ourselves to what has happened and is happening in India. With the fragmentation of land, with the reduced purchasing power that is in the hands of our agriculturists, with their hopelessness they are not the people who are going to venture out to new experimentations about agricultural practices. For instance, I know growers, very small tea-growers in this district, who do not want to experiment with new clones because they are afraid that if they fail, they have nowhere to go. They do not want to change their old methods of which they are sure for an uncertain new line of development just because they cannot take the risk. Secondly, no bank comes forth to help the small grower notwithstanding all the noises that have been made about cooperative organisations and exceptionally favourable subsidies or other forms of assistance which are being given to small producers.

I have a small farm in Coimbatore, 45 miles from here. I tried to get an electricity connection 18 months ago. I have still not got it. With all the things that have been said about helping agriculturists here is an instance where I cannot get a connection which would put my deep well into operation and which will enable me to water the fields. If a man in my position as a head of the largest agricultural organisation in South India cannot get even this done in Coimbatore, what should be the fate of others? This, I am saying with reference to the administrative problems of planned agriculture. I am not criticising the concept of land reforms because there is an element of justice in the thought that if absentee landlordism is going to be prevalent in this country, if feudalism is going to continue in this country, pro-



gress would be difficult. If the landlord is going to absorb everything that the tenant is going to produce, that also is unjust. Therefore there is need for some kind of land reforms. But the kind of land reform which has got the greatest amount of publicity, the greatest amount of mechanical backing from the administration is the application of the ceiling on land holdings. Now it is simple to visualise a ceiling without much abstract thinking. It is so easy to implement, or at least they think it is easy to implement, though it will be circumvented by various devices. Therefore, ceiling has now become synonymous with the idea of fairness in the distribution of land. But this is not fairness to the people, because if you want agricultural progress you must have large enough sizes to be able to appoint or have professional managers equipped with the concept of modern industrial management. You cannot have backward farmers trying to change the face of things.

The success that tea has been able to achieve and which has put India at the highest level in tea production in the world, both in terms of yield and production, is because we have professional managers in the tea industry here. We conduct our own research and we have a direct link between the research organizations and our producers in the field. If we can bring about large-scale cultivation with modern systems of management applied to agriculture, the result would be completely different and that is what makes me hope that once the Government recognises this, there will be a reversal of Government policies or at least an encouragement to exception so that there is a general influence on farming practices throughout the country. But, unfortunately, our experience of the last three years is such that I for one, despair of changes in policy. I have two specific cases in view. Last year, the Government of India asked the Tariff Commission to enquire into the price of rubber and suggest what would constitute a fair price. This is the only agricultural commodity with which the Tariff Commission has been engaged in examining costs and fixing prices since 1951. This was the fourth such enquiry. And they came up, in keeping with the climate of political opinion, with the conclusion that the large grower who is efficient should be given a lower price for his produce than the small grower who is inefficient, and who should be given a higher price in order to equalise both. Now this kind



of absurdity is possible in few countries even if they are backward and under-developed. But it has happened here. You will find in the report of a body, such as the Tariff Commission of India a prescription of two prices for the same product. One price is fixed for the efficient producer which is lower than the price fixed for the inefficient producer. Another instance is right here in this district. The plantation industry which is the most successful industry in the agricultural sector has been caught in the web of this concept of punishing the large producer, however efficient he may be, and rewarding the small producer, however inefficient he may be, with the result that there exists for the same product in this district two different rates of excise duty. This type of discrimination against large-scale farming, large-scale operation and large-scale development is in my view obviously self-defeating, retrograde and lacking in practical consideration. But why do people accept this kind of an idea which cannot even bear a moment's scrutiny and which is wrong, self-defeating and contrary to all the aspirations of progress which a nation possesses? Why do they accept it? Because something has gone wrong in their thinking and it is political thinking which has gone wrong. Unless we get this political thinking re-oriented to a more productive end, I do not know whether agriculture in India can cope with the problems of the next decade, leave alone periods beyond that. At the same time I will give you one hopeful sign. There was very great shortage of rice last year in South India where the staple food is rice. Some Coffee planters who cultivated paddy in addition to coffee were called up by my office to see whether they could not directly farm in those paddy fields and show how production could be increased. A few of them accepted this suggestion and did plant paddy. In one particular instance a planter had about 200 acres of paddy land which he used to lease out every year. This time he took over that land and cultivated it himself. The result was a five-fold increase of production. How did he manage it? In the first place, he started recording every operation. A proper record is necessary so that you can progressively correct in subsequent periods if you had gone wrong. Secondly he selected his fields with very great care. Thirdly, he transferred his water sprinklers which were in the coffee field to the paddy field in case the rains didn't come. Another precaution he took was to ensure that he had enough

people with equipment to deal with any pest or disease that might affect his crop. And he had enough people at the right time to see that weeding, picking, selecting of seeds and other operations were carried out. The result was amazing. The average yield on these large-scale farms were much higher than the average for the district of Coorg. Now this is not just a flash in the pan. We have figures collected through the Coffee Board over the last 22 years to show consistently that the larger the size of the unit operated, the higher the yield, and the yield level comes down as the size of the unit falls. This need not be a law of agriculture but this certainly is what has been observed in actual practice over a period of two decades. Now all these matters I could take to Delhi and present to the appropriate Ministry. Of course the large memoranda they pass on to the Under-Secretary and the small ones they pass into the waste paper basket because it is not sufficiently detailed. But in all the representations I have made over the last 20 years that I have been associated with this industry, the impression has grown upon me that a lack of understanding about agriculture multiplies in proportion to the distance between the place from which you come and therefore, unless we have a much more product-oriented outlook, a bureaucracy which is willing to differ from political opinion to the extent of at least honestly advising their political masters that the path they have chosen is not the right one; until we have changed even the outlook of the bureaucrats who make decisions within the framework of Government policies, we are not going to progress in agriculture, however big might be our talk about waging war on poverty, taking to agriculture on a war footing etc.

Is it possible to think in terms of an agricultural effort as complementary to the export efforts of the country which touches on all aspects of our economy. In our export effort we still continue to depend on agricultural products or agriculture-based products to the extent of 60 per cent of our exports. And among these, plantation crops account for a very substantial share. I think about 32 per cent in all. If we have to depend on an international market with its own mechanism of price regulations based upon supply and demand for various sources and we have to reconcile ourselves to the domestic inflation and the cost effects on our products, the obvious and natural course for the Government of India would have been to adjust its own export

duties and excise duties on export commodities in such a manner as not to put our producers and our exporters at a disadvantage. But this is precisely what has not been done because they have at the back of their mind the idea that if a larger profit is made by the plantation companies a large amount of the profit will be repatriated from this country to investors in other countries particularly Britain. Now having this at the back of their mind, they would use every possible device in order to hold down the level of profits of this enterprise. This is a self-defeating measure because whenever we had good profits in the industry, whether it was a foreign tea company operating here or whether it was an Indian Company there was the hopefulness about the future. They poured the money back into the industry to develop it. By taking that money from the industry, you might achieve the result of reducing the outflow of profits here. But you also greatly reduce the capacity of the industry to invest and reinvest in order to expand its base, make it more productive, more profitable, and more competitive. That is what has happened here. And in the case of tea, at least, I could say that on an investment which represents roughly 870 crores of Rupees, the profit repatriation per annum is around Rs. 6 crores. I would rather that they repatriated 10 crores of Rupees if they are able to put a proportionate amount in increased outlay for development here. If they are able to do that the 10 crores that they take away is not something which we should worry about. Britain is our largest market for tea, our largest market for Coffee and for other products. I would rather that out of the money we earn from them by the export of these produce, a larger amount goes back to them and after all out of an investment of 870 crores, 6 crores should be considered to be very, very reasonable though in India's Parliament repeated statements have been made, without telling how much has been invested, to focus attention only on the six crores that have been going out. This kind of distorted presentation is resulting in distorted policy and distorted attitudes. Let me illustrate: the excise duty and export duty together which we paid per kg. of tea in 1956 was 99 Paise. Today we are paying Re. 1.71 Paise per kg. to the Government of India. I fear, and I am only expressing the views of most of the producers in my industry when I say, that never in history have there been more rapacious gentlemen than the Govern-

ment of India. Because this is the rate at which they take from the industry and still expect the industry to progress by re-investment. It is just not possible. If it is not possible in an organized industry which is articulate, vocal and capable of presenting their case I do not know what agriculture in general could do.

## Education and Literacy

THE HANDICAP of developing democracies is the business of getting developing societies, which have some notion of democracy to educate themselves into a condition where they can have both democracy and development, and when we think of this vis-a-vis India, we probably get very many more perplexities than are available in other societies. The chief difficulty is to persuade people and keep them persuaded and active over a period of time till the conviction in the ultimate and unquestionable value of democracy becomes a habit. And all exercises devoted to development are governed by this conviction. It is very difficult, especially because in our time democracy is very simply understood as providing everybody with a right to determine who shall run the country. In short it comes to this: a formal legitimation at fixed intervals of the government of the country seems to be the beginning and end of democracy as it is popularly understood in practically every contemporary society. Each of these developing countries has not a clean slate to write on. There have been centuries of all kinds of free scribbling on the slate and the process of cleaning this slate is something which democracy by definition is prohibited from doing. So it is a little more sophisticated job than trying to train modern developing societies which are all agreed on the periodic legitimation of the government of the day by the ballot. And we can do nothing about that. It follows that the business of educating such large communities can be very difficult, can be very frustrating, can be, when you have had enough of it, somewhat tiring.

I don't have enough laterite to be sure whether education is what my teachers thought it was—drawing out something from a fellow. The current opinion is that all education basically is training or brainwashing of one kind or another.

The idea that liberal education is something fundamentally anarchic and letting every man go his own way as some kind of natural right was a notion which was intelligent and usable



at the end of the last century and the beginning decades of this. Now I think such an understanding may not be very helpful. We may probably agree that deliberate and conscious training of minds and faculties, of attitudes and postures in the criteria of judging between rival values is not incompatible with democracy.

There used to be a joke by a journalist that in India literacy in Arabic is confused with education in Islam. Literacy is a means to education but no longer the only or the most effective means to it. The world of communication we know today is such that the printed word occupies a very marginal position in furnishing people's minds or making them up on problems of value. In fact I find more sophisticated people are not satisfied with the literate man; the man who plays a conspicuous role in conditioning other people's minds must now be a numerate fellow—not merely literate but also numerate. In other words, familiar with the mechanics of mathematics and statistics, so that he can deal with man in the mass. And much of the literature of our time in the social sciences tends to become numerate literature and beyond the educated capacities of old fellows like me, who are just literate. It so happens that in India we all know that the literacy figures are still very unsatisfactory—round about 30 per cent—which average of course hides many real facts—the levels of literacy and competence. We have very naturally a desire for universal literacy which could, I think, be attained by using modern means of teaching and training in lesser time and more effectively. The technical problem therefore is of organising the resources, the scientific technical resources of the people to reach the clear goal of literacy for everybody. Unfortunately, since literacy has long been considered a part of education, exercises in creating literacy all over the world are muddled by problems of educational values. They are also so popularly desired that the resources of a country are disproportionately employed in developing or running after the goal of universal literacy within a fixed period of time. However much we may look at the hard facts before us, organize and try to understand them our problem is to make our peace with them and let them develop autonomously; to develop a capacity to continue to be at peace with the facts as they develop is an attitude of what may be called opportunism without any moral overtones. It is now the fashion

to aspire to value-free statements which has led some of our very great intellectuals of the time to quarrel with our language as not being equal to this new demand.

We try our best within the resources of our vocabulary. We invent words which is a very interesting game, but still residually our humanness is there, however much we might aspire to become a machine. Aristotle thought we could aspire to two conditions—of gods or of beasts—both presumably alive and sharing with man, animality, the habit of being animated. On the other hand, we have invented things called machines which closely simulate us in every respect, rather beat us in certain games in which they are more expert than we and the tendency in our time is for all intelligent people to approximate to the machine. It is possible to have an education that would enable people to scan the universal facts as computers do and come out with decisions or at least a restricted number of alternative decisions likely to forward our interests. This is absolutely value-free. No ethical problem sticks to it. Or you go to the other end, have *a priori* notions of right and wrong, some ethical judgements. You can try to find out the history of these judgements: who attained them first, how they developed here and there, what religious systems or other organizational systems were developed to contain these ideas and propagate them. It is an endless quest. But the point there is dogmatic—the point at which you begin and at which you end. There you have some values.

The problem of Liberals, of some liberals at least, is they have also a tradition—a Western tradition of intellectual freedom—a sort of natural right, to allow one's mind to go as far as it can and the moral obligation to stick to the dictates of one's mind, such as it is, which is rather inexplicable. Supposing you know right and wrong, why should you pursue the right? The liberals generally are utilitarians of a kind, i.e. they try to explain why they prefer the right by saying it is profitable or it is advantageous. They get a number of words for it. Actually if you probe further, you will find two trends in the English-speaking world's liberalism: religious non-conformity and materialist utilitarianism. Extending this you arrive at a position where you probably can get on faster and better without religion or any of those impediments which prevent total

commitment to permanent, progressive, material improvement. So having disposed of God that way, you come to utility.

'The Greatest Happiness of the Greatest Number' is a good enough slogan to go by for a society which has got over its original development difficulties and that too evened off in a society where a large amount of material prosperity was taken for granted and the problem was of intelligently maintaining it and distributing it, in as egalitarian a way as possible. Supposing we get a new attitude to the whole intellectual process like the one suggested by Karl Marx, that we don't want to understand things any more, we want to change them. Then you practically start what may be called a series of development decades. If you are busy about changing them, it is not necessary to understand a thing in order to change it. This is very clear. If you want to change a thing, i.e. if you want to bring about a morphological alteration, it is not particularly necessary to know all about it or even a great deal of it. Thus the intellectual's problem in this present world would be: is he to be a free animal, to follow his own nose intellectually so to speak, or is he to submit himself to one or the other of the more attractive occupations of the mind that are opened to society now? My suggestion would be that we may, as Liberals, consider this. Why not make an attempt at formulating some ultimate values which will give a focus to our own thought? That is to say, instead of taking for granted any valid system that seems at any given moment to be most current and then organising our minds and thoughts and institutions around them, probably in this somewhat disturbed times it may be useful to have a look at the basic values that would carry our whole load of intellectual formulations and give them coherence. I am not suggesting that we take to religion. But there are plenty of contemporary religions. There is the religion of communism, a very effective religion as we know, which is capable of filling people's minds, exalting their spirits and putting them to work in a very organized and effective way. Do Liberals have a material religion of their own, something corresponding to it? That is a problem, connected with education and literacy.

As regards other problems connected with it, the chief difficulty in under-developed countries is to make up their minds on the kind of intellectual *lingua franca* they will be needing for the

purpose of communication. Many of these ex-colonial societies have some amount of familiarity with one or other West European language for their purposes of higher thought and communication. But there is also the element of nationalism which persuades them to develop their own national means of communication. That creates a number of problems for educational administrators all over the world. Particularly in my country it is a very severe problem. It is deplorable in this sense that it occupies so much attention and energy that the real business of education is starved, arising out of an extraordinarily simple-minded notion, in politics particularly, that something should be settled before everything else can be settled. If looked at closely, you will see that it may be called a collectivist or totalitarian attitude which is facilitated by an obsession with macro-dimensions. For instance, we have got about 520 million people and we have got so many colleges, universities, schools, teachers, we want so many more of them and they would cost so much to produce and put in the field. It is very legitimate and very reasonable.

But the actual process by which we all live is not a statistical process; supposing we must make a decision first on language, on how much we shall allocate for this level of education, and that level of education and when we have done all this, we will have education. This is a way of understanding a problem which has got only the merit of extreme convenience but the real problem somehow manages to escape in this process. Supposing, I am a headmaster of a school or principal of a college, or a teacher in a class room. I have problems which are not included in this overall scheme, in other words, we must understand the fact that except in a highly organised totalitarian society, the teacher is hardly a fellow who can be trusted and needs to be supervised. Administrative reports at the end of the year about passes and failures, mechanisms to keep teachers on their toes by rewards and punishments or any amount of government and political action on them is unlikely to produce effective changes in the system of education. If the educational system of any developing country is to be looked at clearly, we should probably do these things. Here again I use the word 'should'. I may use the word 'may' and then say both mean the same thing. But still it is a prescriptive utterance, not a descriptive one and it is normative, and value-loaded. But still you cannot

help it. I will put it this way; the greatest attention should be paid to the top of the educational system though populist pressure for allocating most of the funds earmarked for education to adult literacy and primary education cannot be resisted. It is the common fund of cultural, scientific technical knowledge and the capacity to use that knowledge. It is a problem of information as well as the gathering of criteria for the processing of that information to produce personal decisions as to how to handle a pupil, to national decisions as to how to organize the educational system. So the secondary character of the information is indispensable, necessary and always to be collected truthfully. I don't deny that. The capacity to deal with that information is what higher education must give and very considerable attention ought to be paid in every developing country to the highest levels of education. This raises for democrats an ugly question as to who shall get this. It is a problem which has frustrated the most developed countries in the world. Britain, for instance has not been able to find a solution to this problem after about nearly a generation of struggling with it.

That in higher education we are not making good progress is evidenced by student unrest. It seems to be a global epidemic, afflicting affluent societies as well as pauper societies equally. This gives you the clue to the understanding of the problem. It is very nice to say that the unrealistic nature of this higher education makes the young very unhappy and angry but that does not give us a clue to the solution of the problem. It comes to this: (1) the way by which you arrange higher education, (2) the people who want it, and who can really benefit by it, and (3) what social advantage can be postulated from it. In every democracy the real problem is how to create an elite and keep it acceptable to the people. Now this is a problem at the level of the highest education and much can be done, I believe, in many of these developing societies which still have scattered over their vast areas a sufficiency of understanding and at least a minimum of commitment to liberal values. Collecting such things together and making such factors effective should be a reasonable goal for higher education. We have been told by educational administrators all over the world that you should have a clear notion: a job for everybody and a man for every job. It is very attractive to sloganise it in this



way: a book for a reader, a reader for a book. Operationally, it produces so many difficulties, we get what we call imbalances. We produce more engineers than we can employ or we produce more B.As or M.Sc.s who all have got to be kept alive and who take away the jobs that a middle school boy or a high school boy can do beautifully well. Look at it a little more carefully though it looks nice. Why should a middle school boy remain a middle school boy? He must become a graduate and why remain a graduate. He must become a post-graduate. Why remain a post-graduate, he must become a post-post-graduate and why remain that, you take him to a large pool of people waiting for occupation. This process is endless in every society. We all know it is very expensive and that it will not solve our problems. But knowing it is a palliative we go on applying it. It is not a case of un-intelligence when we find what are called imbalances or disequilibria.

This takes us to the problem of democracy and development. For example, in India we have been told—so often that very many have come to believe it and all people have started acting it—that continuing inflation is an essential ingredient of economic development and the more it continues the surer you are that you are developing. It is so simple that everybody understands it; so attractive that everybody operates on it. In a similar way you know how to plan education in such a way that you don't have imbalances. It is like this: anybody who has seen anything move on four legs would have noticed that when the animal moves the feet are not moving at the same time and at the same pace. So a society that is developing or a society that has developed should not be expected to produce a satisfactory model of a perpetual equilibrium of all its limbs. As regards regional imbalances for example, in our country we have got that idea so thoroughly into our heads that when we think of putting up something anywhere, it would be legitimate only if it is put up everywhere. This is a pressure of what you will call mass democracy. The problem is to somehow brainwash or educate the masses into accepting certain natural facts. Liberalism, unfortunately, is less a positive and more a negative understanding of things. It is this: you are so aware of what you cannot do that you are happy to do the few things that you can do effectively. I think

that is the essence of education. On the other hand, a naive, innocent childlike understanding of the universe is as if you are an infant opening your eyes for the first time. The one thing that the infant does is this: it sees but it cannot focus. Now, supposing a developing society is looked upon as infants who cannot focus on any problem but can see all of them, you get the same difficulty of how to persuade the masses—the masses is the word which is frequently employed in our country because democracy is new to us that even political leaders talk of the masses. That is they don't see that a large number of people who are all citizens and have got votes would resent being called the masses. Dissatisfaction is a chronic condition of mankind. And if the system of education was to be a contrary view and permanent and perpetual satisfaction with everything is an immediate goal to be realised by everybody which the scientific and technological world has made it possible, it is only the foolish politicians who are preventing it from being realized. If this opinion generally gets abroad—it is so attractive an opinion that once it is caught, it will be retained—then, the job of a Liberal is to do some work of eroding such opinions and not creating contrary opinions by pointing out how in real life it is not so easy as all that. We have got to do it bit by bit and while you are reaching one goal you will be missing another goal.

But this is a constraint which we must all accept—the idea that the perverse notion of freedom that has developed in the communist system viz., the total absence of constraint till the ultimate stage when everything has withered away. It is an attractive ideal to which liberalism should not offer itself as an alternative path. The whole problem about the liberal attitude to education is that it is better to meet the chief obstacles straight-away rather than attempt to educate people, step by step, to meet the lion ultimately and overcome it. It is better for the people at the top who organize higher education in any developing society to help, if they believe in democracy, to create a climate of opinion which is modest, moderate, anti-millennial. I will point out a very simple fact: whatever social or collective arrangement can be made or imagined, actually the consumer is a particular person and he is a very limited person and whatever might be the social benefit or advantage, the consumer of this benefit is you and me—particular persons who come into

the world and go out of it on their own schedule and live through it mostly by themselves because of natural constraints. If this fact could be taken and borne by people then they will remain human. If on the other hand, they are promised as a mechanism of democratic politicisation, a perpetual free ride terminating in utopia, then we are bound to face tension, conflicts—generational conflicts between the old and the young, the old fashioned conflicts between the haves and the have-nots and so forth. The business of Government—our American friends have made it clear to us very intelligently—is the problem of managing tensions. Now you can have a transpolitical attitude to politics and say why manage tensions in them. A liberal, I think, would be willing to accept the fact of tension and the human need to manage them.

Then we are on level ground more or less. Then a modest attitude to democracy, a modest attitude to development would come about. How will that effect literacy? It will seep down into the text books. For example, it would be a very interesting thing to collect current text books all over the world at various levels of education. It will be surprising if you look into that because in each place some continuing culture will pop in here or there and if we look into it very carefully through a kind of intelligent cultural content analysis of text books used all over the world, we would discover elements or what may be called the continuing culture of those societies as well as their current pre-occupations. So arises the problem of containing this residual and inefaceable element in the value system of that society which is a product of history. The intrusion into it of contemporary values and the sources from which they come is a very easy thing to do. Then we would discover that the literacy that we develop is managing one form of communication not only among people but among the generations. That is, communication from one generation to another is another thing and education, I think, is the most important line, the second line of communication. In conclusion I would say that as I see it around me the chief danger to education in developing countries is the confusion of higher education with adult education. Much of the higher education that I find going on in many countries—developing countries as well as the developed—is to pump contemporary adult values of an adult education programme into

the highest levels of university thinking, university teaching, institutional and academic organisations of higher learning. So, we have got the reverse process now. Instead of the old doctrine of seepage from the top to the bottom we have got the converse current of contemporary, adult journalism being made the fabulum of higher education in most societies including the developed ones. Since the liberals are a very small number all over the world, I believe they can afford to give some thought to this and arrange for some kind of honest conspiracy to improve the system in a marginal way—I mean wherever they can infiltrate the system—and keep alive, try to propagate, some values on the assumption that man is man not God or beast; that society is a collection of men and that some human values are worth preserving even at the risk of delay in development say, by a decade, or other economic sacrifices and to persuade the society to look upon these sacrifices as a normal part of their duty and not a very special contribution to mankind.



## The Population Problem

THE DIMENSIONS AND magnitude of India's population problem may be briefly recalled. India's total population passed the 520 million mark in mid-1968. That is, one out of every seven persons in the world is a citizen of India. With only 2.4 percent of the world's total land area, India has to support 14 percent of the world's total population. To this population a baby is born every second and a half, 21 million births a year, a birth rate of 41 per thousand per year. Some 8 million persons die every year—a high death rate of 16 per thousand per year. Thus the nation adds 13 million people—Australia's present population—to the existing population every year. The population is growing at the rate of slightly over 2.5 percent per year. And at the current rate of increase it may double itself in the next 28 years, reaching the incredible figure of one billion before the end of this century.

The major cause of this high rate of growth is not so much the high birth rate as the increasing success, in terms of Asian standards, with which India's health and medical services have been implemented in the last three five-year plans. Major communicable diseases like cholera, malaria and smallpox have been nearly brought under control and measures to eradicate them are now being put into effect. And, in response to these relatively improved health conditions, life expectancy has risen from 32 years in 1950 to 51 years in 1968.

But India has also registered remarkable progress in both the agricultural and industrial sectors during the last 20 years of her political freedom. This progress, far exceeding anything registered during any comparable earlier period, is all the more significant considering the heavy odds and unprecedented problems that the new Government of India had to face, ranging all the way from the forced Hindu migration from Pakistan into India, which involved the settlement and rehabilitation of millions of refugees, to the brief but costly border wars with Communist China and Pakistan. In addition, the food problem



has been a cause of considerable anxiety, especially over the past few years.

Although the availability of goods and services has increased threefold over the last decade, their per capita consumption has not increased at all. While this year a partial breakthrough in agricultural production has been achieved, resulting in bumper crops of nearly 100 million tons, compared to about 65 million tons a year in the past few years, the per capita consumption of foodgrains has not markedly increased. As for educational facilities, the number of universities has increased from 16 in 1947 to 67 in 1968, and the liberal arts colleges affiliated to these universities have increased proportionately—an impressive achievement. But thousands of students with the requisite academic credentials continue to find it difficult to secure admission to these colleges. The increased facilities simply do not keep pace with the needs of the growing population. This is true of almost every aspect of life in India.

All this is reflected in the national income figures. India's total national income increased from Rs. 86 billion in 1948-49 to Rs. 149 billion in 1966-67, or an increase of 73.25 percent over a period of nearly two decades. But the per capita income increased during the same period from Rs. 248 to Rs. 297, a meagre 19.76 percent. Not only is India's per capita income today among the lowest in the world, but the rate of increase over two decades of overall national development is remarkably insignificant.

The main reason why the Indian economy continues to be an economy of shortages is the country's excessive population growth. Between mid-1947 when India gained her political freedom and mid-1968 she has added 182.7 million to her total population. Like other underdeveloped countries, India bears witness to the fact that the technology of health and hygiene can be more rapidly transmitted than the technology of production and economic growth. This means that the population increases rapidly as a result of death control, but the increase in the production of food and other necessities does not keep pace.<sup>1</sup>

<sup>1</sup> For an examination of the various aspects of Asia's population problems, see S. Chandrasekhar (Ed.), "Asia's Population Problems." New York: Praeger, 1967.

## II

Hence the declared objective of the Government of India to reduce the birth rate from the present 41 per thousand to 25—if not 20—per thousand as expeditiously as possible. Although a policy of population control has been in force for the last few years, it was only after the formation of the new cabinet early in 1967 that a vigorous, new anti-natalist policy was formulated and an all-out campaign begun to halve the nation's birth rate by 1975-76 if possible.

This population policy has to be made effective within the framework of an open society with centuries-old customs and traditions. India today is the largest democracy in the world, but an overwhelming majority of the people are illiterate (more than 70 percent), are small-scale farmers (about 80 percent), and live in some 564,000 far-flung villages; some 14 major languages and more than 200 dialects are in use. The cultural levels of the population vary all the way from a Nobel-prize winner to a pre-literate peasant. What is more, according to the Constitution, health and family planning are responsibilities of the States. Since the efficiency of the administrative machinery of the various State governments is not uniform, there are considerable differences in the achievement of family-planning targets.

The major problem before the Government is to reach the country's married couples and convince them of the need for small families. During the last 20 years we have conducted some 30 surveys of attitudes of parents among rural and urban populations, comprising various caste, religious, cultural and income groups. A summary of these random samplings shows that about 70 percent of wives and about 66 percent of husbands among couples with at least three children are in favour of family planning for economic and health reasons. It may be assumed, then, that a majority of Indian couples is in favour, at least in principle, of family planning. Of the 105 million married couples in the country today, living together and leading a normal conjugal life, 90 million couples are in the reproductive age group; and these are our target couples who must be brought to accept the small-family norm. They are distributed over 17 States, 11 Union Territories (comparable to the District of Columbia), 326 administrative districts, some 2,690 towns and

cities and 564,258 villages. In each of India's 17 States (except four Hindi-speaking States) a different language is spoken and each can be considered a country in itself. Indeed, if the State of Uttar Pradesh were to join the United Nations, its population of a little over 80 million would make it the seventh largest member.

India's towns and cities are well knit and it is not difficult to reach their inhabitants. They have government hospitals and clinics, schools and colleges; they are served by railroads and many are connected by airways. Literacy rates are high, newspapers and periodicals are read avidly, and people listen to All-India Radio. But our communications programme nevertheless has to take into account wide differences in culture, religion, custom and tradition. To carry it through we have set up a media section in the Health and Family Planning Ministry. The basic approach is to present only a few simple messages, in a few words, repeated in the same form in all possible media. An example of this approach is the use of the happy faces of the "family of four" with the slogan "Two or three children—enough" and the Red Triangle to identify the programme and the location of family-planning facilities. This simple message is being propagated through motion pictures, on the radio, through a family-planning song, in the press, on bill-boards, posters, cinema slides and on the sides of buses.

But the villages pose a problem; and it is the 60 million farm couples, illiterate and poor, who need family planning most. Talks, group discussions and *Bhajans* (religious musical discourses) on family planning have been promoted; and peripatetic clinics have been organized in rural areas. But although radio should be the most effective instrument of our propaganda, the community radio sets presented to a fourth of the village *Panchayats* are frequently out of order.

Though India is the second largest film-producing country in the world, commercial films deal primarily with mythologies and religious subjects and very few are devoted to family planning. The Government of India has produced movies that deal with the subject in most of the regional languages, but all movies reach only about 20 percent of the total population. As for television, only one experimental station in New Delhi with a 30-mile radius is functioning now. Fortunately, the Prime Minister is in



favour of developing TV stations all over the country, for the educational value of TV for an illiterate country like India cannot be overemphasized; but our financial resources are limited and some consider TV a luxury for a poor country like ours. In view of these difficulties, audiovisual methods are found most rewarding.

### III

Perhaps the most difficult problem before us is the choice of a contraceptive that is acceptable under Indian conditions, particularly in the depressed rural areas where privacy, running water, electricity, any knowledge of reproductive physiology and, most important, motivation, are more or less absent. Besides, among such diverse groups no single method, however good, can be suitable to all. Hence, we have adopted what we call the cafeteria approach: theoretically all the scientifically approved contraceptives are available to the people in the Government Family Planning clinics, but for mass consumption only four methods are now advocated and made available.

The first of these is sterilization—vasectomy for fathers or tubectomy for mothers. Vasectomy, the simple operation on the male, which I popularized in Madras State fifteen years ago, has now caught on and is becoming popular. Generally Indian couples marry early and have three or four children; they then want a simple and permanent method of conception control. Sometimes, when the husband is unwilling, the wife may undergo tubectomy, which is a relatively major operation needing at least a week's hospitalization. All services are free—the surgeon's fee, the hospital and drugs, and in addition a few rupees are given to the patient to offset the loss of wages and incidental expenses. These few rupees—about five dollars—have assumed the nature of an incentive. In fact, in large industrial establishments like the Tatas and others, workers who are willing to undergo vasectomy after the third child are offered an incentive of Rs. 250/—and a few days' leave with pay. Up to mid-June 1968, 4.2 million persons had been sterilized. Ninety percent of these sterilizations are vasectomies and the rest are tubectomies.

The second widespread method is the IUD (intra-uterine contraceptive device), or the loop, introduced in 1965. So far 2.4 million loops have been inserted. But the method is not very

popular as it has led to excessive bleeding in about 10 percent of the cases, as well as involuntary expulsion in about 6 percent. Research to devise a better loop is under-way. All the needed loops are manufactured in India in a government-owned factory.

The third contraceptive method we are advocating is the condom or sheath. The total requirement is well above 300 million pieces per annum, and so far indigenous production totals only about 30 million. The rest have to be imported, involving foreign exchange. However, in 1968 we have been able to obtain from the United States Government, as a part of its aid to India's Family Planning Programme, 200 million sheaths. In addition, we have set up a factory owned by the Government of India—the Hindustan Latex Limited—in Kerala, with technical assistance from Japan and the United States. This concern will go into production in a few months and will produce 145 million pieces a year.

But apart from production there is also a marketing problem. We have to devise a distribution mechanism to reach the people in our far-flung rural communities, where demand has to be created and supplies provided. Of course, all hospitals, clinics and Family Welfare Centres carry all supplies and distribute them free. Another distribution channel is through postmen, school teachers and members of cooperative societies; they receive the condoms free and in turn sell them at a nominal rate of 5 *paise* (less than a cent) for three pieces, keeping the proceeds as *commission*. Thus a large number of people who otherwise would not go to the Family Planning Centres are reached.

Very recently a new system of mass distribution was devised, using such commercial houses as Union Carbide India, Western India Match Company, Lipton India, Hindustan Lever, Brooke Bond India, and the Imperial Tobacco Company India. These large companies have an estimated 400,000 sales outlets penetrating into rural markets. Here the condoms are sold at the rate of 15 *paise* (less than 2 cents) for three pieces, of which 8 *paise* comes back to the Government and 7 *paise* goes for the remuneration of the distributor. This is the first time the Government has ever undertaken the distribution in this manner of any commodity, much less a contraceptive.

The latest contraceptive method we are making available is the pill. My predecessor was opposed to including the pill in the official family-planning programme, but after discussions with



experts in the World Health Organization and the USAID I have approved its use. Since we do not manufacture the pill in India, the import cost in hard currency was a matter of some concern. But during my discussions with President Johnson and USAID officials earlier this year in Washington, generous American dollar aid to our programme was forthcoming and has made it possible for us to embark on a pilot project in which about 100,000 highly motivated urban wives are put on the pill under medical supervision. If the pill proves successful, its use may be extended.

Family-planning methods and the necessary supplies and advice are available in 26,202 centres all over the country, made up of 1,815 urban centres, 5,133 main rural centres and 19,254 rural sub-centres. In addition, 1,592 hospital and urban institutions and 7,401 rural institutions do family-planning work. The Federal Government has taken the necessary steps to provide male and female doctors for these centres. So far, 13,087 doctors have been trained in various family-planning methods to work in the centres and some 120,520 paramedical personnel have been trained to assist the doctors.

But the paucity of doctors, particularly women doctors trained in family planning and willing to work in rural areas, continues to be an acute problem. In fact, we are faced with the perennial problem of finding trained workers at all levels—whether nurses, health educators or health visitors. But by dint of scholarships to medical students who opt to work in family planning and special emoluments for doctors working in rural hardship posts we hope to meet this difficulty.

#### IV

What factors—political, economic, social and religious—favour our current efforts to reduce India's birth rate? The foremost factor is the Government's awareness that population growth is the nation's number-one problem, ranking with the question of modernizing India's agriculture and food production. Indeed, food production and family planning are simply two sides of the coin of national economic and social development. Awareness of this fact has led to the creation of the largest official family-planning programme of its kind in the world. The Prime Minister, Mrs. Indira Gandhi, is a dedicated champion of the cause and is the chairman of the Federal cabinet committee on family

planning. The fact that she is a woman and the mother of two sons gives her support special significance in the Indian cultural milieu.

During the First Five-Year Plan (1951-56) a small sum of Rs. 3 million was appropriated for family planning, but the Health Ministry's energies in popularizing the rhythm method were so misspent that only Rs. 1.5 million was actually used over the five years and only 147 family-planning clinics were set up. During the Second Five-Year Plan (1956-61) Rs. 22 million were spent and the number of clinics increased to 4,165. The Third Five-Year Plan (1961-66) witnessed the introduction of all methods of family planning, including the loop, disseminated through the extension education approach. For the Fourth Five-Year Plan begun in 1966 and currently being discussed, a tentative sum of Rs. 2,300 million is proposed. Under today's programme, there is one Primary Health Centre for 80,000 of rural population and one urban centre for 50,000 population.

As almost all the world's religions are represented in India's population the religious attitude to family planning is important. Fortunately there is no objection on religious grounds as such to family planning in India today. As was pointed out by Professor Radhakrishnan, distinguished philosopher and India's former President, "The Hindu *dharma* gives us a programme of rules and regulations and permits their constant change. The rules of *dharma* are the mortal flesh of immortal ideas and so are mutable." Social flexibility has been the essential characteristic of the Hindu code of ethics. Nor do the Muslims and other religious groups oppose the official family-planning programme. Even the old opposition from the small Indian Catholic minority is now diminished.

During the last year and a half, international assistance, support and sympathy for our programme have increased. Aid, large and small, is coming from the United States (\$30 million),<sup>2</sup> Sweden (\$2.2 million), Japan and Denmark. Several foreign agencies have also helped, the largest aid coming from the Ford Foundation. This foreign assistance covers a wide variety of programmes—provision of technical experts, commodities and

<sup>2</sup> For a discussion of American aid to the various sectors of the Indian economy, see S. Chandrasekhar, "American Aid and India's Economic Development." New York: Praeger, 1967.

supplies and training for our personnel both in India and abroad. A random listing includes vehicles, audiovisual equipment, paper, printing and mailing units, films, condoms, oral contraceptives, raw materials, training and research facilities.

## V

However, there are some unfavourable factors with which we have to contend. Perhaps the most distressing of these is the injection of communal and religious bias into the programme. While we have made every effort to keep it truly national, above and beyond party and religious politics, certain opposition parties attack us on the ground that its actual implementation is changing the ratio among the existing religious groups. The argument frequently voiced by the Jana Sangh, the right extremist Hindu opposition party, contends that considerably more Hindus than Muslims (in relation to their respective total populations) are being sterilized. And, secondly, since Hindus are bound by the monogamic law while Muslims are permitted to have four wives according to their law, the total population of the Hindus is likely to dwindle while that of the Muslims is likely to increase rapidly. Since in a democracy numbers matter and since many vote on the basis of religious (and caste) loyalties, the present family-planning programme might eventually change the entire complexion of the Indian (Hindu) nation. So runs the argument.

Our reply is that Muslims, Christians (both Protestant and Catholic) and other minority religious communities are all coming to the government clinics and that the communal ratio of the Indian population shows no signs of changing. All evidence shows that these Hindu extremist fears are groundless and that educated and motivated husbands and wives resort to family planning while the very poor, the ignorant and the unmotivated do not—among all religious groups.

But there is force in the argument that in a secular democracy the Muslim minority community alone should not be permitted plurality of wives, no matter what the Islamic religion says. When even avowedly Islamic countries like Turkey, the United Arab Republic and Pakistan have given up polygamy, there is no reason why Indian Muslims should not give up their right to more

than one wife, particularly when in practice 95 percent of Indian Muslims have only one. But the demand for this belated social reform must come from the Muslims, especially the Muslim women.

Another serious difficulty is the want of an efficient, modernized and national welfare-oriented administrative machinery. The present bureaucracy owes its existence to the British rulers, who were understandably interested in maintaining law and order and collecting revenues.

The late Prime Minister Jawaharlal Nehru said many things about this "creaking," "slow moving," "red-tape-minded," "delaying bureaucracy" with its countless pettifogging rules. Several serious but by-and-large unsuccessful attempts at reform have been made during the last twenty years. Recently the Administrative Reforms Commission has been working on plans to reform the administration but some believe there is no particular reason to expect any radical recommendations or their immediate implementation. I agree with Nehru that the present administrative machinery is manned largely by men who have been trained to be extremely proficient in old and outdated methods, unsuited to the demands of a modern industrializing economy in a changing world. What India needs is a band of dedicated civil servants who are trained to examine issues competently and quickly and take serious and responsible decisions. In our programme particularly, a generalist is at a great disadvantage because he is innocent of basic knowledge of such subjects as demography, vital statistics, gynecology and obstetrics. To this difficulty is added a general ignorance of conditions in advanced countries. However, there are a few exceptions and the family-planning programme is being implemented to the greatest possible extent.

There is also some cultural resistance to family planning among certain communities, particularly in rural areas. The desire of Hindu parents for sons is well known. A couple with two sons, for instance, is highly motivated in favour of family planning, but a couple with five daughters would like to try again for a son. This desire for sons is in part a religious attitude, but basically it corresponds to an economic need, for with farming completely unmechanized a villager needs sons as workers on his farm. The village couple with two or three children but only one son is



often reluctant to practice family planning on the ground that, given the high rate of child mortality, their son might not survive the critical first five years. This very real problem argues the need for the intensive programme now being launched in India to combat malnutrition (the basis of most child mortality) among pre-school-age children. In this group malnutrition is a qualitative as well as a quantitative problem and calls for a reduction in nutrient deficiencies through food fortification (wheat, rice and salt), low-cost formulated foods, and large-scale child-feeding programmes. A recent study estimates that nearly 70 percent of the childhood malnutrition in India could be eliminated by the limitation of families to three children.

While, as already pointed out, there are no religious objections as such to family planning, there is always the weight of custom and tradition, apathy and inertia. Here again the difficulty appears to be cultural but the roots are also economic. Our dilemma is that *whereas fertility control is needed to check the threatened decline in the already low living standards of our people*, the successful widespread practice of family planning requires, and to some extent presupposes, a far higher level of living than is the situation in India. Poverty and low income lead to malnutrition and under-nutrition, which in turn lead to apathy and inertia. It is amazing that our rural labour force is able to do as much work as it does in the light of the protein deficiency of their meagre, unbalanced diet. However, both government and an awakened public are constantly endeavouring to bring about change through a multipronged effort to modernize our whole society, an adequate examination of which is not possible here. Despite an apparent resistance to change, the cake of custom is gradually being broken, the weight of caste is slowly lessening and, in the process of engineered social change, obscurantism is on its way out.

## VI

Such are the major features of India's current programme to cut down its birth rate. Two further proposals which will help reduce the country's total fertility have been before us for some time and will now go before Parliament in the form of bills to raise the age of consent for girls and to liberalize abortion.

It is an established fact that either as a result of being generally

more mature, or because of greater opportunities for education and for gainful employment, or a combination of these, girls marrying at a later age favour and adopt family planning more readily. There is a correlation between raising the marriage age of our girls and reducing the nation's birth rate. Marrying at a higher age cuts down the reproductive span. Some recent studies have shown that if the minimum age at marriage for females were fixed at 20 years the reduction in the birth rate in a decade would range from 12 to 30 percent.

The minimum age of marriage for girls, fixed at 14 by the Child Marriage Restraint Act of 1929, was raised to 15 in 1957. We are hoping to raise it to 18 years. Opposition is not lacking, for some critics maintain that this may cause hardship to rural girls who have no educational opportunities and who marry—the only career open to them—as early as they can. But we feel that Parliament will approve the proposed measure in view of the pressing need to reduce the nation's birth rate.

The second proposal before us is to liberalize the existing law on abortion. The provisions regarding abortion in the Indian Penal Code were enacted about a century ago, in keeping with the British Law on the subject. Abortion was made a crime for which the mother as well as the abortionist could be punished in all cases except where it had to be induced in order to save the mother's life. This law has been observed in the breach in a very large number of cases in rural and urban areas all over India. Whatever may be the moral and ethical feelings professed by some sections of society on the question of induced abortion, it is an undeniable fact that large numbers of Indian mothers are prepared to risk their lives in an illegal abortion rather than carry that particular child to term. Furthermore, it is revealed that a great majority of these mothers are married women.

The main argument in India against liberalizing abortion is that the strain on the existing medical services would be too great. But a recent breakthrough in the Soviet Union would soon make this argument out of date. Soviet scientists have prepared an aborting device on the suction principle which is virtually harmless and does not need special surgical supervision. Moreover the entire operation lasts no more than five minutes.

## VII

The skeptics—Indian and foreign—who doubted whether an agrarian, underdeveloped, conservative and “religion-ridden” society could become aware of its excessive fertility have been silenced. Despite many difficulties we have been able to create at many levels an intellectual awareness of the threatening nature of our population explosion. It is remarkable that the people’s attitudes toward family planning have changed rapidly during the last twenty years, from unhesitating condemnation of a device believed to promote promiscuity and immorality to approval of a welcome innovation promoting women’s health and economic prosperity. India is after all a free society and there is more mental freedom in India than in certain advanced countries. The progressive, positive policy of population control initiated by the late Prime Minister Nehru is being continued with even more vigour by the present Prime Minister.

In the past, family-planning work was confined to doctors on the Government’s payroll. The private medical practitioners who naturally charge a fee for advice, supplies and services were not brought into the Government programme. The result was a latent hostility on their part. During the last year, however, we have successfully brought private doctors into the national programme on the basis of a mutually agreed payment. Besides these regular allopathic doctors, we have now secured the support of such diverse groups as practitioners of the three indigenous systems of medicine (*Ayurveda*, *Unani* and *Siddha*), women’s organizations, trained social workers, foreign Christian missionary hospitals and doctors, business and industrial leaders who care for industrial labour, the army of civil servants of all ranks in various Ministries and Government Departments, various religious organizations, *Panchayati Raj* and other rural elected agencies, municipalities and other local government bodies, and the vast number of Gandhian *Sarvodaya* workers in the rural areas. This has given family planning real national support from a wide spectrum of voluntary agencies.

Obviously today’s population policy cannot yield full results at once, but it is encouraging to note that a perceptible beginning of the decline in the birth rate is already visible in certain areas where there are dedicated doctors and paramedical



personnel, ready supplies, good incentives, excellent administrative machinery and satisfactory public relations. As pointed out earlier, we have so far sterilized 4.2 million persons. Since a majority of the sterilizations is done on parents with three children and since most of these come from a socio-economic group which normally has 6.2 children, each sterilization has prevented the arrival of some 3 children who otherwise would have been born in the next six to ten years. In other words, at a conservative estimate, we have prevented the arrival of some 10 to 12 million babies so far. Besides, 2.4 million mothers have accepted the loop and an unestimated number use the condoms. These methods jointly have perhaps prevented the birth of about 15 million babies. We hope to step up the present pace of progress in the next few years. We are determined that India's birth rate shall decline to 25 per one thousand per year by 1975-76 at the latest. The available signs indicate that we shall succeed.

In the India of my dreams no citizen shall have to beg for his next meal, or sleep on the pavements of our city streets, or live a life of illiterate darkness, or suffer from a curable or preventable disease, or lead a demoralized life of enforced idleness. The future citizens of this ancient land must have pride in their cultural heritage, feel dignity as valued members of the community and hope for an ever better future of peace and prosperity for their children's children yet unborn.



## Western Democracies

THERE ARE THREE possible approaches to Western Democracy. The historical approach: to see how a certain process of democracy was built up, how a certain number of problems have been solved in the historical process. The second approach is a sort of comparative and comprehensive compilation of different types of Western democracy we have in mainly Western European countries, And the third one would be a comparison of the theory and practice of politics. Much as I regret to say this, I am a representative of one of the countries where the process of the decay of democracy has gone too deep and it appears that in the present French situation, there is a lot of information about what democracy should not be. We have a tendency in Western Europe to say, in text books mainly, that democracy is purely a Western European process originating from ancient Greece and so on and so forth. I have a suspicion that this picture is a little too simple and that in other civilisations also there would be some elements of democracy, e.g. in some African societies, which I happen to know, we find interesting elements of democracy. But I would rather stick to this conventional approach that everything came from Western Europe.

So let us begin with the assumption that Western democracy originated in ancient Greece where it was based mainly on the assumption of a free and responsible human being and consequently that each man was the centre of initiative and responsibility. But there is a vast difference with the situation at that time and the present, for, the Greeks considered the State as 'we' and not as 'it'. In fact they were participating in it and my opinion is that the State is more often nowadays 'it' than 'we'. This is an important element of this decay. Of course the Greek experience was very peculiar because it was made up of small sections of people inside cities and the concept of nation was still very far away.

Here we come to something which we have in most European countries forgotten for a long time except in desultory traditional processes—that people sometimes were not elected but just that their names were drawn at random. The main point that the dialogue is between power and liberty and the necessity not to concentrate power in too many hands is what Greece gave us. Then Rome brought us the importance of defending the individual ‘defend the individual to protect liberty’, and so on. Let us say that in the main what Rome brought in was mainly a desire to rationalise the process of democracy but, of course, this still remained the problem of cities and not the problem of nations.

Christianity, later on, probably opened the society and brought about the possibility of, by stages of course, applying democracy on a larger scale. Then came probably one of the most important problems of democracy—the problem of representation and we will have to look more fully into this problem. And all this will combine in substantial principles or what we could consider central principle of democracies viz., (i) confidence in the individual, (ii) belief in dialogue and (iii) desire for rational organisation. But despite all this we are very far away from the problems. Of course, democracies proclaim most liberties are protected but I must say that in very many European States and mainly in mine I would not say that we have *reached a perfect state of democracy*.

One of the reasons for this—probably one of the most important—is the poor information of the people concerned and poor education. Let us start with the electorate. Of course, it is not possible to say that it will be possible some day to turn each man into a specialist of any important political problem. But I would say as an economist, that the lack of basic knowledge of most citizens of Western Europe in the field of economics—and may be my country more than any other—is something terrible. They need not know about elaborate economic theory of course, but it seems to me that in most secondary schools and even in primary schools some things like a balance sheet should be taught.

Either we are taught nothing about it at all in school or we are just getting a very scattered view of the problem, or through classical mathematics we are trained in too

deterministic a reasoning process which is not, in my opinion, a logical process to be applied to economics. So you should use the school as a medium for politicisation, which however is considered as a sort of dirty word since people think that if we bring economics to the pupils through schools some teachers will use this opportunity to make long lectures on Marx or on anybody else. I do not think that is the problem. The problem when you are learning mathematics in class is that you are not spending so much time on Euclid or anybody else, but just giving some basic tools. I think the same thing could be done in respect of economics.

In the field of information we have also the problem of newspapers. Newspapers are free to say what they want but in countries like ours where the economic power is rather important, the newspapers very often are somewhat restrained. On the one hand what they could say about important political problems would not interest very many people because of a lack of political culture and on the other even news or articles are not of a serious nature. We have seen for example in the last political elections (in France) some provincial newspapers writing about what was happening in the streets, who met with an accident and so on but practically never wrote about the election though towards the elections they had a rather strange formula. They asked each candidate—and that was true in the city where I was a candidate—to write something like 80 lines about a certain problem and what he would do and so on. All this was reported in the course of two or three days on one page and the rest were devoted to reporting some cocktail parties attended by some Government candidates (because they probably wanted some help from the Government), without getting into a real political choice and decision. They just made some national comments in very wide terms on what would be the most probable outcome of the election.

Of course the picture is not always as bad because for example we have had in France in recent years an increase, a rather big increase, in the circulation of what could be considered the serious political newspaper. *Le Monde*, is of course, a newspaper which has got some peculiar ideas on some problems, particularly a profound dislike of my party. But I must say that it is a rather serious newspaper and in the last four or five years its circula-

tion jumped from roughly a little under 300,000 to a little under 500,000 which is, let us say, a good omen for the Frenchman.

As a consequence we have also a poor education of the representatives if only because they are chosen from among the electorate and also for the fact that politics really do not attract or at least was not attracting very many educated people. I am sorry to say the participation in French politics of university professors, of businessmen, of responsible union leaders, men of the liberal profession is rather poor. The quality of the representatives is low, their knowledge of problems is low and it *becomes an excuse for the rest of the system to become worse too.*

### *The Civil Service*

I think the second set of difference is more common, more widely found and not as well understood by many people, i.e. the confusion between the role of the civil service and the role of Government. The role of the civil service is to put aside every solution which, on a technical ground, is worse than any other possible solution. Though I talk as an economist, I think the same sort of reasoning might be applied to all the governmental choices. You have a whole set of possible solutions and amongst these without making any choice, without showing any preference between the present and the future, between national defence and the wealth of the common people and so on there are certain other solutions which from a technical point of view are worse than some solutions. The first duty of the civil service is therefore to draw the attention of the Government and the political bodies to the diverse consequences of each of the possible decisions to be taken—whether you want to be richer but be somewhat dependent on foreign countries; whether you want to have a big chance to earn, to have a higher rate of development; whether you want to have a policy of prestige or whether you want to be mainly businesslike and try to earn as much income as possible for your fellow countrymen, and so on. It seems to me that this is the sort of alternatives which are to be presented to the Government. Very often some of the final decisions are taken by the civil service and what is left to the Government or to the political body as a whole is just the sort of techni-



cal problem which is not their job. Very often you see Government discussing whether this railroad is needed or that. That is usually, not the role of the Government. This is the role of the technician. For years we have had technicians prohibiting Frenchmen from making highways. These technicians who think in terms of the problem of railroads are prominent and they are forcing on the Government what are in fact disguised political choices dressed with minor decisions.

Further in the administration not only is there no clear separation of power between the civil service and the Government and the political body but we have also abuses. For example, in France we have in the field of building, or in the field of justice, terrific delays which when we talk as Liberals we very often associate with the socialist form of government. But in France at the present, delays occur in a government which is much more on the conservative side than on the socialist side.

As a consequence of the intervention of this civil service we also have an excessive centralization. Every decision has to be decided at the Paris level, the highest level. Very many people in France consider that there can be no legitimate group between the individual and the State. The notion of federalism which would solve many of these problems is really considered in France as a way of destroying national sovereignty. And so there are no legitimate partners whether regional or sectorial—they are just a lobby that is all, but they are not considered legitimate partners in a political discussion. Further, as a consequence of this, law is, in certain cases, neither respected nor enforced. For example, as regards the Constitution—you know we are very legalistic in France and we change our Constitution very often—in recent years those very people who had brought about the new constitution saying it would be a panacea to every problem we had, are just not respecting it. I will give you two instances. A few years ago due to some trouble in the field of agriculture, half of the deputies asked the President of the Republic to convene the National Assembly to discuss it and because of the constitutional procedure, it was clear to everybody that he *had* to do it because half of the deputies willed it. But he did not. There is a notion generally prevalent that according to the French Constitution the policies of the nation are decided by the Government and the Prime Minister. It is not true. It is done by the

President of the Republic. There are violations in other fields also. For example, though we have a good labour legislation it is not enforced. This sort of thing may have been natural at the start of this century but it is not so now. In the field of fiscality the law is of course violated everyday but it is equally violated in other European countries, probably more in France.

To come to very small problems, the driving code is not respected which indicates there is a general discrepancy between the law and its enforcement. If a law could not be made to be respected, it just should not be passed. You may have a law which is respected at a level of 80 or 90 per cent but a law which is respected at half per cent is nothing. To tell people they are not allowed to go to the other end of the state, to tell them that they are not allowed to park in a certain part of the city is alright but not to have enough policemen to enforce the law is without any meaning. People start feeling that the law is not to be respected.

### *The Decay in Party Politics*

Next we come to the problem of the decay in party politics. The biggest manifestation of it is the ridiculously low number of people in political parties. I would say that all political parties including the communists probably have much less affiliated members in France than the Belgian Liberal Party alone. And all this is a cumulative process. Parties, to be frank, are no longer a very interesting place to be in. Important problems are not discussed. Problems that are discussed are whether we should support such and such a statute because his constituency has some problem of industrialisation and whether we should help him to write a paper and things of that sort. But real, big, important national problems are not for the ordinary members of the party. Thus the parties are not, as they should be, playing their role in educating the citizens. Newspapers do not help them as a channel, and because the electorate is of such a low level one would have to start really at the basic level; in fact they would have even to replace the school in some fields. While we are still hopeful, of reversing this trend I think at the present moment my country is probably an outstanding example of the difference between theory and practice of Western

democracy. I do not say that my country is the only country where the situation is bad. It exists in most European countries. But we have reached a point where it has become clear to everybody.

Another important problem is the problem of federalism. May be the same situation does not prevail in countries like Switzerland, Belgium, Netherlands, which are rather small countries where you do not have an impression like the French electorate have that authority is at a great distance. You do not have it either in Germany where due to the Federal system, at least on some problems you have some communication between the politician and the electorate. In France as compared to Great Britain probably one of the reasons you do not have it as fully is because of the important role played by the local self-government. You probably have it at its worst in France because of this long distance between the solitary citizen and the Centre. The actual problem is however that people do not feel that it is their concern and this is the static aspect of the problem; but it also is the dynamic aspect of the problem. As one of the speakers was saying yesterday people are just asked every five years, in our case, to legitimate a certain number of people who are representing them in the Parliament and there is practically no other contact in between only because the party structures do not play their role of being an intermediary between the people and politicians. Of course in France we also have another institution—the referendum. This is a bad one because in my opinion when the questions are put by the Government it is very difficult to say 'no' when Government asks you "do you want peace in general and peace in Algeria" at the same time. It seems to me that it is a very dangerous system—I mean the French brand of referendum. It has quite a different approach from the Swiss brand of referendum. This is due to the lack of fairplay in our system which is the basic cause of our troubles.

## Guided Democracies

WHAT 'GUIDED DEMOCRACY' is, is a matter of controversy; how it arose is not. Mr. Sukarno introduced it into the vocabulary of the Politics of developing states and for a while, it enjoyed respectability among usually skeptical Western political scientists. The occasion for the conception and the birth of 'guided democracy' was the condition of Indonesia in the mid-1950s. The conflict among the political parties was intensive and the inter-faction tussles within the armed forces were breaking out into the open with provincial military juntas seizing power.

Mr. Sukarno "discovered" that the virus attacking the domestic peace and tranquility of Indonesia was 'liberal democracy'. Nearly 170 parties contested the parliamentary elections; 29 parties entered parliament but none with an absolute majority. As a result, the energies of the politicians were exhausted in the making and breaking of coalition governments. Therefore according to Mr. Sukarno 'liberal democracy' by creating a plurality of parties, had introduced into the Indonesian body politic the main source of divisiveness and conflict.

He therefore "conceived" a plan for Indonesia without political parties, and a democracy without 'liberalism' where Society was not to be artificially divided into political parties but would retain its natural divisions into occupational groups (peasantry, proletariat, bourgeoisie and intelligentsia). Delegates from these occupational groups ('functional groups' according to Mr. Sukarno) would arrive at decisions not by majority votes (since that was divisive) but by *musjawarah-mufakat* (or the traditional Indonesian way of reaching a consensus through discussion, persuasion and compromise). Parliament was to be of course, 'guided' in its work by the executive branch of government led by the president.

Strangely enough, Mr. Sukarno's criticisms of 'liberal democracy' and conception of 'guided democracy' struck a responsive chord in the hearts of many Western students of Afro-Asian



politics. By the mid-1950s, sanguine hope was giving way to disappointment and disillusionment. By 1958 "the year of the great collapse" (Rupert Emerson), military governments had seized power in Pakistan, Burma, Iraq and Sudan and one-party governments had appeared in Ghana and Guinea. Western scholars were in a mood to entertain suggestions that perhaps the nature of non-Western political traditions and social systems was such as to make it resistant to an alien, imported system of constitutional democracy. They, therefore, viewed Mr. Sukarno's attempt to 'indonesianize' democracy with enormous interest and sympathy.

However Mr. Sukarno's conception of 'guided democracy' was not unopposed within Indonesia. Leading political parties fearing diminished power and influence, resisted it while it found support among the leading army generals. Eventually, the political parties were prevailed upon by the threat of a *coup d'état* to embrace 'guided democracy'.

In 1959 Mr. Sukarno decreed a return to the 1945 Constitution when the elected Constituent Assembly failed to act decisively. This constitution drafted during the first days of the revolution did not provide for a multi-party system but allowed the chief executive (president) extremely wide powers—to initiate legislation, to proclaim martial law and to rule by decree. The only restraint upon the president's power was the people's consultative assembly which was expected to meet only once in five years.

Following the resurrection of the 1945 constitution, the number of political parties was reduced to eight, by outlawing parties with less than 150,000 members in at least 65 regencies. Soon Masjumi and Partai Socialis Indonesia were banned for allegedly taking part in anti-government activities. Parliament was dissolved in 1960 when it refused to approve Mr. Sukarno's budget. A new parliament 'appointed' by Mr. Sukarno was created with the seats divided equally between political parties and 'functional groups'. The theoretically independent judiciary was absorbed by the government. The chief judge being made a Cabinet member. In 1962 he was given the power, through a presidential decree, to exile, according to the instructions of the president, any citizen considered dangerous to the achievement of the objectives of the Revolution.

Whatever the formal structure of government under 'guided

democracy', it mattered little in the day-to-day politics. Power was held and exercised by Mr. Sukarno by virtue of his charisma and his key-stone position, by the Army, navy, air-force and police in view of their monopoly of fire-power and by the Communist Party as a result of their popular mass-support. The utter indifference of these three groups to the new rules of the game made nonsense of the theory of 'guided democracy' and the farce ended with the showdown in 1965.

### *Why Constitutional Democracy Failed in Indonesia?*

Mr. Herbert Feith, offers us six distinct characteristics of constitutional democracy: \*

- (a) a dominant role in politics by civilians.
- (b) very great importance of political parties.
- (c) respect for 'rules of the game' by contenders for power.
- (d) commitment of the political elite to the symbols of constitutional democracy.
- (e) respect of civil liberties.
- (f) sparing use of coercion.

It is very surprising that he omitted completely the idea of representation, the very essence of democracy. By this omission, Mr. Feith has made the period from 1949 to 1955 (when only nominated governments existed) a part of the period of constitutional democracy.

I shall use a more fundamental and precise definition. It concentrates on the nature of power and the representativeness of the power-holders. Carl J. Friedrich, Professor of Political Science at Harvard and Heidelberg, says, "A government is constitutional when its power is divided and shared".\*\* For example, in the United States, it is divided and shared by three branches of government—presidency, congress and supreme court. Division of power has one great consequence, namely, the safeguard of the individual's liberty. The power-holders being plural, they can effectively and regularly restrain the power of each other.

\* H. Feith, *The Decline of Constitutional Democracy in Indonesia* (Cornell, 1962) p. xi.

\*\* C. J. Friedrich: *Constitutional Government and Democracy* (Waltham, Massachusetts, Rev. ed., 1949).

On the other hand, in a government where power is concentrated (as in a monarchy or military government), no effective, regularized restraints upon governmental power exist. The liberty of the individual is in peril.

A government based on divided power is not necessarily democratic because power can be divided between the monarchy and aristocracy (as in pre-revolutionary France). To make it democratic, it must represent the people. Universal suffrage of men and women and the right of participation in politics, irrespective of class, colour or creed—these are essential conditions for democratization.

To put in a nut-shell, we may say that Professor Friedrich insists on two criteria for constitutional democracy, namely, division of power and popular representation. On the basis of this definition, one cannot agree with Mr. Feith that constitutional democracy existed in Indonesia since 1949. Only the Ali Sastra-amidjojo government formed in 1956, fulfilled, albeit imperfectly, these two criteria for constitutional democracy.

The representative character of this government was acquired in the September 1955 nation-wide election, the first ever held on such a scale in the history of Indonesia. 38 million voters living in 3,000 islands went to the polls to choose 257 deputies.\* The constitutional character of this government was derived from the divided nature of its power which was divided between parliament (the legislative branch) and cabinet (the executive branch) though in practice the presidency enjoyed considerable power by virtue of the charismatic personality of Mr. Sukarno.

Yet twelve months later, the Ali government was dissolved and martial law enforced. A new cabinet composed not entirely of MPs<sup>1</sup> was formed. In 1960, parliament—a 'dead duck' by then—was formally disbanded.

Why did this experiment in constitutional democracy fail? Was it because constitutional democracy was Western, alien and, therefore, ill-adapted to the soil of Indonesia, as Mr. Sukarno alleged? Two factors precipitated the end of representative government. The first, political; the second, military. Neither had anything to do with the Western, alien origin of the political system.

\* H. Feith, *The Indonesian Elections of 1955* (Cornell, 1957).

*The Political Factor*

The political factor relates to the role of two political parties—Masjumi and Partai Socialis Indonesia. Leading politicians from both withdrew from constitutional politics in 1957-58 and resorted to extra-constitutional action, viz. the formation of a rebel government.

The main cause of this revolt was discontent with the balance of political forces after the 1955 election. Madjlis Sjuro Muslimin Indonesia (Masjumi) was the most popular Muslim party in Indonesia in the 1950s. The population of Indonesia was overwhelmingly Muslim (over 90%) and not unnaturally, the Masjumi leadership expected to emerge as the strongest party. They felt sure of at least, 40-50 per cent success at the polls.\*

The election returns came as a shock. Masjumi polled 7.9 million votes or 20.9% of the national vote. It was beaten into second place by Partai Nasionalis Indonesia which polled 8.4 million votes or 22.2% of the national vote. A break-down of the vote by provinces produced a second shock. In East and Central Java, two provinces which accounted for 48.8 per cent of the country's registered voters, Masjumi obtained 25.4 per cent of its total vote. This contrasted sharply with 65.5 per cent obtained by Partai Nasionalis Indonesia, 73.9 per cent by Nahdat ul-Ulama and 74.9 per cent by Partai Kommunis Indonesia. These figures clearly showed that the Javanese in East and Central Java were Javanese first and Muslim second.\*\*

Masjumi's reactions to the results went through three phases. In the first phase, it attacked PKI and 'atheistic communism'. next it attacked PNI and 'Javanese centralism'; and finally it resorted to extra-constitutional actions.

The arithmetic of parliamentary seats showed that a coalition of the three Javanese parties—Partai Nasionalis Indonesia, Nahdat ul-Ulama and Partai Kommunis Indonesia—would yield 141 votes, 12 above the required majority. Masjumi calculated that by attacking communism and its atheistic philosophical basis, it could whip up the anti-Communist sentiments of powerful western governments and the anti-atheistic sentiments within the Nahdat ul-Ulama and use these sentiments to deter PNI and NU from

\* *Dawn*, 24 September 1955.

\*\* Calculated from statistics in Feith, *Elections*, pp. 65-72.



collaborating with PKI. The Javanese merger would be blocked and Masjumi, by virtue of her 57 seats, would appear as a desirable, indeed, indispensable coalition partner. This strategy succeeded. PKI was excluded from the Ali Sastroamidjojo cabinet which was based on a PNI-NU-Masjumi coalition.

Soon Masjumi was again unhappy because getting into government did not bring them the power and influence they expected. Prime Minister Ali was doing his utmost to cut Masjumi down to size. Mr. Ali had been prime minister of a nominated government from 1953 to 1955. He had to resign in an army crisis. Mr. Burhanuddin Harahap (Masjumi) succeeded to power. During the next eight months, Mr. Harahap ruthlessly undermined the structure of power and patronage Mr. Ali built up. When Mr. Ali resumed power in 1956, this time armed with 8.4 million votes, he was not disposed to be friendly to Masjumi who however, were now reluctant to use the threat of resignation as a bargaining instrument because PKI with its 39 seats was waiting on the sidelines to jump in the moment Masjumi quitted.

Leading Masjumi politicians most of whom hailed from the non-Javanese provinces pondered over the situation. The election results had revealed that their party could not score in the Javanese provinces which had 48.8 per cent of the electorate. 20.2 per cent lived in Sundanese-speaking West Java but here too Masjumi was not successful. A mere quarter of its vote had been cast for Masjumi in the 1955 election. Therefore, as long as proportional representation and unicameralism formed the basis of the existing political system, their influence in government was bound to be very small.

The final phase—resort to extra-constitutional action—began after Masjumi failed to obtain satisfaction of two demands: the creation of a second chamber in parliament and/or the establishment of an extraordinary cabinet headed by Mr. Mohammed Hatta.

It was argued that a senate offering equal representation to each province, would allow the thinly-populated but highly-productive provinces in the outer islands some countervailing influence to the power already mustered by the thickly-populated Javanese provinces in the existing chamber. Mr. Ali and his party opposed bi-cameralism on the grounds that a loose political frame for a nation so fragmented geographically and so diverse ethni-

cally would set in motion the inherent fissiparous tendencies and break up the republic. In the absence of a senate, a Hatta-led cabinet was for Masjumi and PSI the last straw. Mr. Hatta was Sumatran and pro-Masjumi and PSI. Mr. Ali and his party not unnaturally opposed the demand.

In January 1957, Masjumi withdrew its five ministers from the Ali cabinet and when in March the cabinet fell, Mr. Sukarno backed by the top military generals, declared martial law. In February 1958 the leading Masjumi politicians in collusion with rebellious colonels in the provinces set up a rebel government with its capital in Padang, West Sumatra.

### *The Military Factor*

The military factor relates to the role of various factions within the army—which led to a series of local seizures of power culminating in a nation-wide military revolt. Four colonels who hailed from non-Javanese provinces, were unhappy with the promotions and transfers within the army during 1955–1956. They were Zulkifli Lubis, Maludin Simbolon, Alex Kawailarang and Jan Warouw. Lubis and Simbolon were from North Sumatra while Kawailarang and Warouw hailed from North Sulawesi.

The chief bone of contention was the post of army chief of staff made vacant in May 1955 by the resignation of Bambang Sugeng. Four senior officers—Lt. Col. Zulkifli Lubis, the deputy chief of staff, Col. Maludin Simbolon, commander of North Sumatra, Col. Harris Nasution, ex-army chief of staff and Col. Gatot Subroto, ex-commander of East Indonesia—declared themselves in the race for this office.

The PNI-led government surprised everybody by appointing Bambang Utojo, a colonel whose only virtue was his sympathy for PNI. Protests from the officer corps of the army was so vehement that the government resigned. The next cabinet led by Masjumi chose Harris Nasution. Nasution was an experienced man as he had held this office before, but unfortunately, he was a bitter personal enemy of both Lubis and Simbolon.

Nasution was aware of the precariousness of his position and he set out immediately to undermine the power of Lubis, Simbolon and other rivals within the army organization. Lubis was ordered to hand over his No. 2 post in Djakarta to Subroto, a Javanese not noted for his dynamism, and to take over the com-

mand post in North Sumatra. Simbolon was to be retired. Kawilarang, commanding officer of the Siliwangi Division and commander of the West Java military district (which included Djakarta) was appointed military attache in Washington and Warouw, commander of the vast military district of East Indonesia, military attache in Peking.

The first reaction to this came from Kawilarang. On August 13, 1956, as military administrator of West Java, Kawilarang issued a warrant for the arrest of the Foreign Minister, Ruslan Abdulgani on a charge of corruption. Just as Ruslan was being taken into custody, a counter-order arrived bearing the signature of the new army chief of staff, Col. Harris Nasution. The release was effected; Ruslan flew to London as scheduled to attend a conference on the Suez Canal problem. Lubis, Simbolon and Warouw accused Nasution of condoning corruption.

Infuriated, Kawilarang and Lubis manoeuvred to unseat Nasution and to displace the elected government. In November troops and trucks were seen on the move in Bogor and Bandung but the assault on Djakarta never materialised. Lubis fled to Sumatra; Kawilarang reluctantly flew off to Washington and Warouw to Peking.

Action now shifted to Sumatra and Sulawesi where, owing to distance, plots could not be nipped in the bud. Local district colonels, unhappy with the high command, collaborated with Lubis and Simbolon, Lt. Col. Ahmad Hussein and Col. Dahlan Djambek of the Central Sumatra Command, Lt. Col. Barlian, Commander of South Sumatra, Lt. Col. Abimanju, Commander of Kalimantan and Lt. Col. Ventje Sumual, (the new) Commander of East Indonesia in collusion with the fugitive from the high command, Col. Zulkifli Lubis and Col. Maludin Simbolon initiated a series of *coups d'état* in the outer provinces in 1956 and 1957.

This revolt of discontented colonels soon merged with the revolt of discontented politicians and crystallised into a single movement with the colonels supplying the brawn and the politicians the brains. In January 1958 at Sungai Dareh in Central Sumatra, the colonels and the politicians secretly formed a rebel government and soon after, the Pemerintah Revolutionary Republic of Indonesia was proclaimed. Sjafruddin Prasirangara, ex-Masjumi

politician was named prime minister and Alex Kawilarang, ex-commander of West Java as the commander-in-chief.

It was this set of events—inter-party conflict leading to Masjumi's withdrawal from constitutional politics and intra-army factionalism leading to revolts in the provinces and finally, a combined political and military revolt—which led to the death of constitutional democracy and the birth of 'guided democracy' in Indonesia.

### *The Democratic Experiments in Malaysia and Indonesia*

Mr. Sukarno's analysis of constitutional democracy and his solution of Guided Democracy is in my view utterly deceptive because the problem lies not in the existence of many parties but in the absence of appropriate mechanism for the leading political parties to reconcile differences and arrive at a working consensus. This point is aptly illustrated by the experience of Malaysia, Indonesia's next-door neighbour.

In the mid-1950s as Britain released her colonial grip on Malaya and allowed freedom of association, political parties reflecting the heterogeneity of Malayan society—both in terms of class and race—soon emerged. Among them were the Labour Party, the People's Progressive Party, the United Malay National Organization, the Malayan Chinese Association and the Malayan Indian Congress. Likewise freedom of association led to a proliferation of political organizations and if Mr. Sukarno was correct, the parties should have torn the country asunder and made constitutional democracy unworkable. But that result did not obtain in Malaya. The national election held in 1955, the very year Indonesia held her historic national election, was followed by two more at regular intervals (in 1959 and 1964) and the next election is scheduled for 1969.\*

Why has social and ethnic cleavage which invariably manifests itself in a plurality of parties led towards continuity in decision-making in Malaya and a break-down in decision-making in Indonesia?

In Malaya the ethnic cleavage was recognized as the most serious division of society and a system to regulate and moderate inter-ethnic differences was deliberately created. This is the alliance pattern in which parties while retaining their racial

\* In this the UMNO emerged as the single largest party.



structure and composition agree to hammer out their differences within the framework of an inter-party alliance. Occasionally the process of resolving conflicts and arriving at consensi—and this takes place only among the top echelons of the party hierarchies—can get extremely heated. In 1959 the dispute between UMNO and MCA over the share of parliamentary seats broke out into the open and nearly rent this tri-party coalition asunder.

In Indonesia the cleavage between the Javanese and non-Javanese peoples was not only not recognized but deliberately glossed over. Proportional representation and unicameralism were insisted upon for the sake of a unitary Indonesia; as a result the Javanese MPs' dominated the single-chamber parliament and Javanese parties dominated the political scene. The Sumatran and Sulawesi politicians in Masjumi and PSI felt that their interests were not adequately represented in the councils. This grievance was aggravated by the fact Sumatra and Sulawesi were *surplus*-islands while East and Central Java were heavily *deficit*-areas.

It seems possible that a continued PNI-NU-Masjumi coalition might still have saved constitutional democracy in Indonesia. This would have entailed a greater spirit of give-and-take on the part of PNI but Mr. Ali Sastroamidjojo was most uncompromising—not only for *revanchist* reasons but more particularly because Masjumi was not indispensable to the existence of his cabinet. Alternatively, a federal form of government based on the principles of bi-cameralism and decentralization might have allowed Masjumi and PSI some scope in the senate and the state governments to pursue and represent the interests of the islands of Sumatra and Sulawesi.

The other factor which caused Indonesia's democratic experiment to fail—which Mr. Sukarno completely ignored—was the factional strife within the country's armed forces. Malaya, fortunately, was spared this problem. There was of course no absence of violence after the war. The Japanese Occupation had turned society upside down and undermined the public's respect for the rule of law. Resistance forces organised in the Malayan People's Anti-Japanese Army in fact resorted to violence in 1948 and murdered British miners, planters and administrators. The British Army remained; it pacified the rebellion and a framework

of law of order was restored before the democratic experiment started.

Indonesia was less fortunate. The Japanese impact caused a far deeper upheaval in society than in Malaya. Before law and order could be restored by the republican government, the Dutch forces attacked and for four years, rural Indonesia was left in the hands of guerrilla-warriors who were inspired by their own notions of law and justice. The task of re-organization and consolidation after the revolution was hampered by continued indiscipline and inter-faction feuding within the armed forces. Their guerrilla origins accounted for their indiscipline; the heterogenous origins of the officer corps accounted for its factionalism. The restoration of law and order depended largely on the army and police but they were themselves the very source of lawlessness and disorder.

To sum up, two factors caused the failure of the democratic experiment in Indonesia, namely, the absence of an appropriate mechanism for resolving conflicts and attaining consensi and the absence of a stable frame of law and order within which civil government could thrive—and neither of these factors has any bearing upon the Western alien origin of constitutional democracy.

### *The Case for Constitutional Democracy in Southeast Asia*

There are very pragmatic reasons why constitutional democracy is necessary in Southeast Asia. The states of Southeast Asia are undergoing a crisis in authority. Traditional authority—the authority enjoyed by divine or semi-divine kings and sultans—has been or is being eroded by the impact of modern economic and political forces. Colonialism extinguished kingship in Burma and Vietnam; revolution destroyed the sultanate in Indonesia (except Djogjakarta) and voluntary abdication ended kingship in Cambodia. Singapore and Philippines are without traditional authority of any recent memory. Brunei, the Malay States and Thailand still retain their traditional rulers but the powers enjoyed by them (except in Brunei) are exceedingly limited.

In the absence of tradition as a source of authority, how can present-day authority in Southeast Asia be made acceptable to the people or to put it differently, how can it be legitimated? According to Max Weber, a person possessed of *charisma* (a

certain super-natural or super-human quality) could assume power and make his authority acceptable. But charisma is a most unpredictable course of authority and Weber himself admits that charismatic authority is inherently unstable. The states of Southeast Asia need urgently rapid economic growth and political instability will invariably retard economic growth.

The other and more predictable option is to obtain the authority to govern from the people themselves in an election as the people having delegated to their representatives the authority to govern will naturally be prepared to accept their power to rule. In such a system, the cabinet is responsible to parliament and parliament to the people. This system of checks and balances among cabinet, parliament and people, as the experiences of Britain, United States, Canada, post-war Germany and Malaysia have shown, allows social change and economic development to be rapid and orderly at the same time.

The hard choice facing Southeast Asian states is *not* between constitutional democracy and traditional kingship but between constitutional democracy and unconstitutional dictatorship, be it the dictatorship of one man, one party or one army. 'Guided Democracy' as it existed under Mr. Sukarno was merely unconstitutional dictatorship by another name.

## Interaction of Democracy and Development

### EUROPEAN EXPERIENCE

I SHOULD PERHAPS say at the outset that I take the view that Democracy has not only certain moral values but is actually the most efficient form of Government. It used to be argued in Europe that Mussolini made the Italian trains run on time. It is noticeable that this is the only noted achievement which is ever remembered by European autocracy. I think democrats and Liberals should put more emphasis on this. We are all apt to say that so long as there is free discussion in the country that is alright but we must be prepared to sacrifice a certain amount of democratic action for the sake of efficiency. My experience is that democracy must lead to action; discussion must be followed up and if it is followed up it can lead to efficiency.

I shall use the word development in the ordinary sense. But I have certain reservations about it which I notice are also present in Mr. Masani's paper. I am wholly in favour of simple action to make people happier such as to provide them with more clothing, food and transport. But when we get into more sophisticated realms particularly of development statistics, I must say I become rather suspicious.

It seems to me that most development statistics involve a series of value judgements and that a great many things should be looked at from the qualitative and not merely from the quantitative view. For instance even in the production of steel there is considerable wastage. And when it comes to comparing the output of motor cars this year with that of last year (some people may prefer last year's model) the mere fact that it may take more man hours or steel to make a new car should not necessarily mean that the human race is any better off.

It seems to me that Democracy and Development have interacted in Europe, in two stages. The first stage penetrating the second.



In the first stage they have both, in the form which we now know them come to a great extent, from a common root. This root being the rise of the Protestant North in Europe. It is of course true that both democracy and economic development owe a very great deal to other sources; Jewish, Greek and Roman. But the idea of economic progress as *a* main aim for mankind and sometimes as *the* main aim and the notion that it is a prime purpose of democratic government to foster this aim received its modern impetus when much of Europe broke from the Catholic Church and when the values of the North superseded those of the South. Or perhaps, I should say when the North put a new interpretation on some of the Mediterranean values, including a very strong infusion of nationalism.

Development, as it is now normally understood and the dominant form of democracy grew up together out of the same soil. They both have a narrow cradle. A cradle between the Loire and the Alps in the South, the Arctic in the North, the Atlantic in the West and the Oder in the East. This is a very small part of the World. Of course this idea was then carried across the Atlantic and taken to other parts of the World but largely by people from this region. It cannot be taken for granted that these Protestant North European ideas, which have so far proved enormously dominant in the world will nevertheless suit all parts of the globe for ever.

It was not a coincidence that these two ideas grew up together. As Mr. Masani has observed economic development is difficult if not impossible in any society which does not believe in change—for instance societies which believe that the way in which human beings live has been laid down once and for all. At the same time if you hold that human beings should be allowed to dismiss their government, which I regard as the prime feature of democracies, then you reinforce this whole notion of change and you bring it into the political as well as the economic sphere. Again development is materialistic. So is Western democracy. It looks upon the main task of government as one of keeping order and creating conditions in which trade flourishes and wealth increases. Democratic government of the type I am talking of is not theocratic. They believe that government power should be limited and they do not attempt to enforce a detailed code of personal morals. Democracy is not other worldly. On the contrary,

it proclaims that men have important rights and duties in this world. It creates and flourishes in a climate therefore, in which the organisation of wealth and the promotion of prosperity are possibly virtuous. Further this Protestant North European civilization enjoyed a society in which both political and economic matters were subject to competition. But competition within the frame of law. From the European experience this framework is of immense importance. The whole system allows for discussion, invention, change and enterprise, but within a framework. And it maintains unity and gives stability which is essential for continuous and fruitful investment. This frame of law makes it possible to treat politics as a respectable profession. And there is of course respect for the law itself and the impartiality of the law. The honesty and effectiveness of law enforcement within the European context is to my mind of prime importance.

I am aware that this is a very rough picture of the origin of both democracy and the notion of economic development. In Europe and in the countries which were influenced by the European outlook such as America and the white colonies of Europeans there are many other influences. But it is extraordinary how dominant the aims and assumptions of Northern European democracy have become. Even in countries where you would expect these aims to be repudiated absolutely and where certainly the methods of achievement are not practised at all lip-service is still paid to them. They constantly use the word democracy. They never explicitly in their propaganda, reject the values of the North European way of thought. Yet theoretical communism and nearly every great religion and morality has in fact rejected in whole or in part most of the main features of this north European civilization. Not only has the way of life sometimes described as W.A.S.P. in America departed from the self-abnegation and unselfishness of Christianity, it has cast aside much of the tradition of Greece. Yet it has set the pace throughout the world.

Next I turn to the impact of Northern European democracy on development. The second stage in this process as I see it is the stage where democracy and development not only grow side by side but to some extent come into conflict and carry on some dialogue with each other.

Some ex-Marxists have explained the failure of Marxist pro-

phency that under the capitalist system the few rich would become so very rich and the many poor so very poor that the system would collapse, by saying that democracy by enabling the masses to achieve some fairer distribution of wealth by constitutional processes has staved off the marxist revolution. I would not myself put too much faith in this argument. I believe that democracy by preserving change within a framework of law has made it possible for the poor to believe that their lot has become more tolerable and therefore to some extent to accept it, and on the other side it has enforced on the rich certain obligations to help the other members of the community. But perhaps in this context these differences between myself and the Marxists are not so important. What is important is that in either view Democracy through the social services and economic regulation certainly tried to push the economic system in the direction of development for the benefit of the poor. The whole product of growing prosperity was not allowed to fall into too few hands. Let me say how much I agree with Mr. Masani, that I still believe it is the primary function of a democratic government to regulate the economic system to ensure a high standard of basic services like roads and so forth and of social services but not to deal directly in the business of manufacture itself.

Apart from this effect of democracy and development there then grew up another interaction between them in Europe. A criticism of the economic and social effects of the free economy grew up within the democracies. These criticisms are well-known. There was the old and fundamental view that freedom leads to abuse; that an acquisitive, competitive society is morally wrong. This criticism was directed not only at the means by which the economy was run under free enterprise but at the whole scale of values of the European industrial, increasingly material and urban world. More numerous were the critics who wanted material development and the benefits which the capitalist system could give but objected to the capitalist system itself as a method of achieving it. They alleged that this system led to resources being misdirected; to intolerable inequalities of wealth, power and status, and to waste through senseless competition. Further, some claimed that private capitalism could never generate the investment needed by big modern enterprise, and also that planning was essential if stability and expansion were to be continued.

In their view, concentration on general social projects which they believed only governments would undertake, should take precedence over the satisfaction of individual appetites. An example of this view is Prof. Galbraith's complaint about private affluence in the midst of public squalor.

I do believe that in the democratic countries of Europe the age old political controversies between freedom and equality which I think is very closely bound up with the *tendency* of the free competitive system to generate inequalities of wealth were wrongly ignored. Those of us who believed in a free enterprise system were too ready to think that there was some technological inevitability which the socialists then took over about the development of mankind. Personally I am totally opposed either to economic or technological man. I believe that if human beings do not want to go to the moon they need not go there. If you do not want computers you need not use them.

*But let me again emphasise that socialism took over a great many values of this economic system.* This general move towards socialism was stimulated further by two world wars. But the seeds of this criticism of free enterprise were endemic in the democratic system. The politicians to win votes must dispense patronage and promise action. And indeed the capitalists themselves came to work hand in glove with the State. They welcomed monopolies and demanded subsidies. And in Europe, socialism has received more encouragement from capitalists than from any other single Class. The Working Class has never been so enthusiastic about it but as soon as the entrepreneurs discovered they could have a comfortable monopoly they became extremely enthusiastic.

The State and its bureaucracy became in Western Europe more and more to have an interest on its own. The *dialogue* in politics now in Britain is much more between the State and the bureaucracy and various other interests than it is between the political parties. This tendency was accentuated in some Western European countries by the decline in the cohesion and the appeal of the political parties.

Development was affected very much by the increased power of the State in the democratic system and by the new demand for more State intervention in the economy. The aims of development were then determined not only by the pressure gene-



rated by the large impoverished vote in these countries but by pressures set up within the bureaucracy itself and by the interplay of the bureaucracy and organisations of various kinds—employers' federations, Trade Unions, Professional bodies etc., which were themselves bureaucratic and many of which were brought into being by the Government bureaucracy itself. This is a common feature of modern British political life that the Government actually encourages the setting up by industry of a counter bureaucracy of its own with which it may deal. Otherwise it has no one to speak to or more important to write to! And therefore, and this is where I think it had a very important and undesirable effect upon development, a great deal of development has gone into prestige projects, into armaments and into very advanced research which has a strong appeal to governments. And there also goes with this increasing governmental tendency the bolstering up of government glory and the satisfaction of the bureaucratic soul. It is not in the democratic countries alone that this change has taken place. That Governments have an interest on their own and the power of bureaucracy is growing is shown even more clearly in the Communist world. In some ways this bureaucratic tendency is a sign of the defeat of democracy. The revolt of students and others is, in some of its aspects, a democratic revolt against just this tendency. Insofar as it is that to my mind it is to be welcomed. Nevertheless anyone who wants to profit from or examine the European experience must take into account this inevitable tendency for pressures to build up within the system and they must ask whether these pressures are wholly beneficial from the point of view of development.

It is often suggested that democracy is not suitable to an underdeveloped country because the great mass of the people living in abject poverty will demand instant relief. And this will therefore inhibit such a country from investing enough and from taking a sufficiently long view. In fact it will begin eating the seed corn. This is their argument for saying that they must be authoritatively controlled. In Europe, as I have said, once the mass vote was organised in the 19th Century it did convince politicians that a better distribution of wealth and well-being were needed. This was no doubt responsible to some extent, for increased social services; for some increase in consumption and to

this extent possibly for some inflation. And therefore you may say this lends colour to the view of the danger of too direct a democracy in a comparatively poor country. Indeed higher consumption has been a factor for economic growth in many respects and this has been realised as such since Keynes. I have never accepted myself that forced saving alone is the way to get higher investment. I think there is a great deal to be said from the European experience that a high rate of consumption and pressure from the poorer people to get more money is a very important factor making for economic expansion and a good one. And therefore I would set aside this argument for rejecting democracy.

What has been more serious is the wasting of resources and the creating of inflation by various groups and organisations. The increasingly bureaucratic nature of our government at home has led to heavy pressures outside the conventional democratic processes. These pressures now operate direct from the government and to a large extent bypass the politicians and parliament. The trade unions, the farmers' unions, architects etc. either get into the machine or they operate direct upon it and not necessarily through democratic processes. Now this sets off not only a demand for all sorts of projects but for a whole range of demands. I think in theory it can be argued that a regime which has perhaps one or two major objectives might find it easier to concentrate the national effort on these objective by *non-democratic methods*. If you should decide to concentrate your entire effort on housing you might find it easier under dictatorship than under a democratic system subject to all the pressures from different groups all of which have to some extent be placated. But who chooses the main objective? I have no doubt that Pyramid building in ancient Egypt, space travel and armament manufacture as in Russia are a great deal easier under dictatorial systems. But are they the right objectives? The constant re-examination of objectives is one of the great advantages of democracy. So, to my mind, we, in Western Europe are in danger of paying far too little attention to long term debates of what our objectives are and in weighing up value judgements between various choices that may be open to us. In fact dictatorial regimes seldom pursue the right aims and are usually extremely inefficient in pursuing them. I can think of few, if any, cases where a departure from a democratic regime in a basically democratic country

has led to any better sustained effort in development. I have no doubt myself that had Russia not gone communist she would be a great deal better off today. She was an industrialised country in 1917 with a fairly good rate of expansion which has fallen since then.

Nevertheless though dictatorship is not the answer it must be admitted that democracy may be in difficulties over a concentration of resources on the prime targets for development owing to the need to placate different groups. And I emphasise again that to my mind these interests gained their power through a failure of the democratic system. Also democracy may be in difficulties because it may lack the channels for getting its development to the right places even if we agree that the main function of Government should be to act upon the infra-structure to provide the roads, transport and so forth. It must have an instrument by which the money reaches the object for which it is intended. And again democracy can be a failure not only through incompetence but through corruption of various sorts—be it politicians making general promises they cannot perform or through actual corruption. I have constantly harped on the danger of too much bureaucracy because in its broad sense, this is now one of the main difficulties of Western European democracies. This is not to underestimate the paramount need for any democratic system having a good civil service. I would emphasise that to my mind a *good* civil service does not necessarily mean a *big* civil service. It must be trained for its job and we should give far more attention than we have done in Europe to the relationship of the politician with the civil service and to the structure of government.

In Europe therefore, experience seems to show that democracy of the Northern European kind, and development spring from the same sources. Once democracy is established it raises certain questions about itself and the free economy. But there is no evidence that dictatorship in practice can cure the faults of democracy. On the contrary it accentuates many of them and introduces others. Democratic politicians owing their position not to membership of some association, nor to government patronage but to election are essential to good government. In my life time it has been a minority of democratic politicians who



have been right on major issues and it has been the leading so-called experts who have so often been wrong. But if the democratic system is to be efficient as the political arm of development it must be adopted to the circumstances of the people concerned. As I said earlier I regard development as intimately concerned with value judgements. Even American and West European Parliaments have not been conspicuously good at fixing the aims of development. People and members of Parliament in the West are badly informed about the facts on which economic decisions must be founded. Democracy does not look ahead. Too little do we discuss the choices before us e.g., railways or roads, space travel or education, housing or the increase of the bureaucracy.

What about the interaction of European democracy and development outside Europe?

First it is worth looking at Southern Europe, and indeed to some extent at Celtic Europe. The urban, protestant, commercial methods of Northern Europe have not greatly benefited Sicily—and for many years there was little or no development in Greece, Spain or Ireland. There are now signs that this is changing. But it illustrates something I said earlier and something Mr. Masani said that there are other values besides mere production; there are other enjoyments in life than toil for commercial success. Each country must decide what it means by development and what it is prepared to do to achieve it.

Undoubtedly a small circle in the Western democracies now want to help development in the poorer countries. The majority I would say look on the subject with feelings, ranging from benevolent neutrality to indifference. It is no good pretending that in Britain a campaign with greater aid to the underdeveloped countries as its main plank would sweep the country. Democracy requires a feeling of unity. In the long run for development to become a really popular ingrained part of the political thinking of the West there will have to be a closer identification between Asia, Africa and South America. That is one reason why I am more favourable to bilateral aid than some people. We should not be ashamed to build on the affinities and sympathy which do exist between some nations e.g. France and some of her ex-colonies. It is also a reason for encouraging investment



by private firms. They have the will and they have not to bend with passing phases of public opinion. But if the cry for more money for development does not always raise the response it should in Western democracies, at least we do a great deal more than the autocracies. America is incomparably more generous than Russia. Where more can be achieved is perhaps through concentration of effort, for instance in the fields of education and the infrastructure.

One last word about future developments in Europe. I did mention that the party system in Europe must undergo a change. To my mind the marxist analysis of how this system grew up is a valuable starting point. The present party system was shaped by the social conditions particularly the working conditions and the methods of production of the 19th Century. These conditions have changed. Now the parties have neither the intellectual cohesion nor the economic interests which they once had. As they are still the main guiding force within the system this is a serious matter. I believe this will end not in the dissolution of the parties but in a loosening of the structure. For instance the party system finds it quite difficult to deal with many matters which are of great importance to people. The attitude to the Viet Nam War for example. There has been practically no dialogue between the Parties on this issue and it is one which rightly or wrongly many people feel passionately about.

The next thing that has happened is the discontent with our society. It is a discontent with a valueless society. A society which believes that you must accept the benevolent dictates of experts; that you must accept technological man and go where technology happens to take you. It is this sort of society which considers it wholly wrong to discuss larger issues like freedom and order or liberty and equality; where value judgements are frowned upon; where young men are trained at universities to become scientists and even before they have taken a degree they are interviewed by big companies and virtually indented for the rest of their lives into a rat race where the rewards are no doubt considerable but in which satisfaction is not noticeable; it is a revolt against too much advertising; too much pressure for a consensus not only in politics but in everything else as well.

We should not stifle this revolt but attempt to show that there

are other ways forward. I do not object to protests. I think all political movements are largely protests. The great changes in politics have been achieved by protests. Indeed if the under-developed countries push ahead with development it will be much more through protest than anything else.

## Interaction of Democracy and Development

### ASIAN EXPERIENCE

I WOULD LIKE TO suggest that we start by defining the two terms—which I shall be using in the course of this talk—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 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.

Let us consider whether there is any correlation between Economic Development and Political Stability. Is there any correlation 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 for 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 Paktoonistan. 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 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 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 Tatas, 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 1958 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, prices 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, rising 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 Government 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 per cent 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 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 corrupt 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 bureaucrats, 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 infrastructure 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 autarchic planning, again taken from the Soviet Union, has been another handicap.

Then we have excessive taxation. Alongside of it deficit finance. 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 results 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 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. Jayaprakash Narayan, who is a little weary of parliamentary democracy and has shown sympathy for "the basic democracies" of Nepal and Pakistan, has complained that we vote for Parliament only 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 infrastructure 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 obscurantist 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 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.



## Security—The Opportunity to Experiment

SECURITY takes many forms, has many functions and objectives and who can say with which of them we want or have to experiment. I was, however, a little bit comforted in my distress when on my way here I read an advertisement of a rather big and controversial investment trust which read, "people say financial security depends on world peace". And this trust replied "the fact is however that world peace depends on financial security". Now having survived the May revolts in Paris and finding ourselves in the aftermath of the Czech crisis, having flown over the Mediterranean including the Soviet Navy there, having gone through the Middle East to come here, having read about Vietnam and Nigeria intensively and passed through overpopulated towns and villages on my way here, I dare say that financial security for a long time to come, if at all, is about one of the last things world peace really depends on. So I am not going to talk about this kind of security nor am I going to talk in any direct way about various wars and crises I have just mentioned. I would rather like to talk about what I consider to be new threats or challenges to security and their implications for the internal and external security of all countries, but particularly, of course, of those of the developing countries; security as a condition of independence and a pre-condition to peaceful internal development.

Let me start with a few thoughts about what these new threats or challenges to security are. There are, as far as I can see, five main trends in world politics that are relatively new and likely to influence the security of our countries and our society.

First, there is what I would call the "trans-national" challenge, i.e. the interaction of socio-political and ideological challenges transcending national boundaries. We are all familiar already with the ideological challenges of parent parties leading to revolutionary wars and subversion, and which of course transcend national boundaries because they precisely have an international or trans-national appeal. But the new phenomenon in this respect is what

I could call the spill-over or rather the simultaneity of revolts as an expression of alienation with modern industrialised society. Revolts witnessed this summer, more particularly in the northern hemisphere of students going little beyond the student world is the growing sub-national nationalism if I may call it so. Be it Wales or Scotland, or be it Canada or be it other countries including my own we have this kind of sub-national nationalism which perhaps is a kind of reverse reaction to the same phenomenon of alienation with modern industrialised society. Anyway, here is a challenge to our society; perhaps more so in the industrialised world which may, however, spread to the rest of the world thanks mainly to the mass media of communications and so on.

The second challenge I would like to mention is perhaps more imminent and possibly also a more long lasting one. This is the growing gap between the developed industrialised world on one side and the developing third world including of course the problem of demographic explosion. Contrary to our expectations this gap is not going to be closed but it is most likely to grow still further.

The third challenge is the increase of violence with different causes and effects and along with this unfortunately is the diffusion of power—the spread of weapons including the potential threat of nuclear weapons. Depending on the criteria and definitions employed, one can count upto 400 conflicts since 1945 ranging from clashes as between India and Pakistan in 1947-48, through the revolt of the Iraqi Army in 1958 to the war in Vietnam—about 400 major conflicts which have occurred since 1945 and which inevitably have had their impact not only on the international order but on the security of the countries involved.

The fourth challenge is what I would call the growing gap between the small middle powers on the one side and the super powers on the other in terms of politico-military power. That means that here again this is not a gap which is going to be closed but a gap which is certain to widen—between the military-political potential of the super powers and the small and middle powers.

In conjunction with this I would come to the fifth challenge which I would call the continuing technological innova-

tions in the field of strategic armaments which leaves few if any hopes for a standstill in the arms race.

Now coming to the practical implications of some of these challenges—I won't be able to deal with all of them—I will mention one potential danger which I think is still being overlooked to a great extent but is nevertheless very important indeed. It is the spread of civil nuclear reactors. We must pay attention to this, for the development in this field of peaceful proliferation of civilian reactors and fissile material will become in the future a growing challenge to security. Civilian reactors will greatly diffuse much of the essential material and knowledge of nuclear armament. They will therefore reduce the extra cost and time to acquire nuclear weapons. It is estimated that by the end of the 1970s, civilian reactors alone will have as a by-product about 10,000 bombs worth of plutonium and in the following 20 or 30 years perhaps a million bombs worth of plutonium—that is doubling every ten years. We have here through the spread of what is certainly a most useful technological invention—civil nuclear reactors for all kinds of energy programmes—developed indirectly a potential source of conflict or of strength i.e. nuclear armaments which sooner or later, must be brought under some kind of international control.

Let me come to the military-political threats which seem to me particularly the most important ones. The first is distance and mobility. Modern technological developments enable the great powers for the first time in history to have what I would call almost an instantaneous omnipresence or total intervention. That means that Prof. George F. Kennan's words about the effectiveness of power radiated from any national centre decreasing in proportion to the distance involved is not necessarily true. Today, military power can be projected over long distances within a relatively short and still diminishing period of time. To give you just one example there is at present in the United States about 500 long range transport aircraft which can deliver 1,100 tons per day at a distance of some 7,000 miles i.e. an air-borne division of about 16,000 men with 23,000 tons of cargo and equipment in 20 days over this distance of 7,000 miles. Now this capacity will improve with the introduction next year of the C-5A aeroplane. 58 of these huge transport aircraft are on order and 57 more are scheduled for purchase. This aircraft which can land

and take off from short (4000 ft.) unimproved runways can deliver a 110 tons of payload at 5,500 miles. Had it been available in 1963 at the time when the big air lift operation between the United States and Europe took place, only 54 of these planes instead of 169 actually used could have carried out the operations in 12 hours as against 63 hours actually required. This seems to be only an intermediary stage of development presently going on and it is well conceivable that in the 1980s the payloads and speed of such aircraft will be doubled or tripled enabling the great powers to move within very few hours over very great distances with considerable amounts of both military equipment and armed men. Similar developments must be expected or are already going on in sea transport, particularly in the field of submarine technology.

Now such developments are therefore likely to enable the great powers prompt and almost total intervention in every area of the world. There is a great 'but' to this. This prospect of long distance capacity massively exceeds their short distance performance. Thus, on the border of Thailand and Laos, the United States can lift from 8,500 miles away four times as much as China can from only 450 miles away. In the Himalayas support for Chinese and for opposing forces would be measured in tons per day—the 200,000 tons per day the U.S. might deliver over the long distance from Los Angeles to Calcutta are not the critical matter. It is here that the problem of guarantees of great powers against either conventional or nuclear attacks from other countries comes in and has its tremendous relevance. So despite the tremendous and staggering development in long distance feasibilities it is not so much the problem of bringing these military forces over long distances here to Asia or to Africa that matters but what I would call the so-called determinal problem that counts. The problem that deals with climate, the area they are projected into, the terrain, the fatigue and above all, the support or resistance of the local populations to this intervention. Consequently, the actual threat to security does not lie so much in continuing technological innovation but in the mistaken assumption of the powers that these developments can really buy them increased military and political influence and thus induce them to intervene. That I think is a greater danger than technological development itself. The real problem in this respect is whether, where, how and



to what extent strategic arms can buy real political influence and contribute to an improvement of security and stability in a given area or weaken and threaten its security.

The second problem is what I called the arms race in the third world. I think we should always have it present in our minds that the size of the third world military budgets—and I include in the third world only Asia, Africa and Latin America with the exception of some highly industrialised countries—is double the total economic aid given by the West, about \$6.9 billion in 1966. On an average, Asian countries spend 5.9% of their national income for defence, but Arab States rather significantly, 11.6 per cent. Imports of war materials by third world countries amount to \$1.2 billion a year with the real price being about three times as much. We can expect that the West alone will phase out before 1970 some 7,000 tanks and 1,200 aircraft and you can be sure that military hardware is going to countries other than the countries in which they are produced. And for the foreseeable future the developing countries will continue to be largely dependent on industrial states for their supply of military hardware and technology and this applies not only to some African and some Asian states, this applies also to countries like India which has made tremendous efforts to build up an arms industry. Now there are between 10 and 50 million small arms around in the third world; jet aircraft is being increasingly imported and about 5,000 jet aircraft are being sold particularly by the Soviet Union, U.S.A., U.K. and France, to the developing countries.

We must ask ourselves how this influx of aircraft, tanks and other large weapons affect the perceptions of national leaders in these recipient countries. They certainly may need them but it may also give them a sense of self-security, an unwanted confidence in the ability of their countries to initiate and win a war and the rapid build up by one party or one country can stimulate a pre-emptive attack by the other as we are witnessing in the Middle East. It is not just the fear of build up in weapons that can be a threat to security but it is even more their impact on the mind of the political leadership which can have a dangerous effect on the thinking and behaviour of some of the not too responsible Governments. And it has of course a considerable effect on the economy of these countries. Thus it is very difficult for a non-industrialised country to build up a pro-

duction on its own of a large weapons system. This applies even to countries like India whose attempt to develop indigenous high performance combat aircraft has for the most part been unsuccessful.

This applies even more to nuclear armament. There is no such thing as a modest nuclear weapons programme—once you have started you must go all the way as all the present five nuclear weapon countries have discovered. Whether there will be any limitation or restraint of this arms race our conclusions might be rather pessimistic. Quite on the contrary European countries, particularly the countries I had mentioned—U.K., France and also Italy, Germany and Sweden—will be more and more compelled to export or re-export weapons for economic reasons. To maintain their own arms industry they must—in order to achieve some kind of cost effectiveness—produce a certain amount of weapons which they themselves do not need and therefore are required to export, an example being the export of French aeroplanes to the Middle East countries and South Africa irrespective of French foreign policy.

Secondly, we can imagine and foresee that the Soviet Union with her increasing logistical capabilities will also carry out increasingly arms export in the form of sea transport or air lift which has dramatically improved. The third reason why I am pessimistic in this respect is that the conflicts in these areas—their number is probably not going to diminish—will inevitably attract new weapons. Here I would like to mention the problem of intervention and internal order. In close connection with the two preceding points—great power strategic mobility and capacity to intervene over long distances and arms trade—there is this third vital important point, i.e. the relationship between the great powers and the not-so-great powers. It is important to the extent that great powers still consider the internal order (and here I would include China) of weaker States as part of their global power game that they intervene in it, directly or indirectly, with their military force and attempt to change the political nature or direction of the system. However I would like to add immediately that I think the United States is going through a period of agonising reappraisal as far as this particular point—likelihood of their intervening again—is concerned. Nevertheless, there is this danger or possibility which

we would be wrong to dismiss too easily. Arms trade is, as we have seen, an important means of carrying out this kind of intervention and so is the case with strategic mobility. Obvious examples of this are Santo Domingo, Nigeria in a different way, and again in a different way the Mediterranean, whereas Vietnam and Czechoslovakia possibly belong to a different but certainly related category of great power intervention. On this assumption we must ask ourselves whether the domestic order of states and internal civil wars are not becoming more important problems of security than conventional international conflict or even the danger of nuclear war. And if this is so, we must ask ourselves the second question which follows from the first as to whether the military force of the great powers is becoming less or more relevant to these types of situations. Obviously there cannot be any clearcut answer to this. There are areas and situations in which the influence of great power military force is still highly important if not decisive.

This applies of course mainly to those areas and cases in which the great powers are physically present—Europe certainly being the main case in point but it is questionable in the Mediterranean. There their main presence—particularly the new naval presence of the Soviet Union—does not necessarily mean that the two great powers have anything like control over the client states they have in Europe. The main danger as far as I see it therefore in the Mediterranean is not the wish of the two super powers to exert some control in this area but that they cannot get as much control as to be able to prevent the breaking out of new conflicts and their possibly being drawn into them. So it is not so much their concentration in the Mediterranean as their lack of control over their client states which is a great danger in the Mediterranean.

As to Asia, the situation is different again. In a rather generalised way one can say that here the actual i.e. physical presence of a great power can have a stabilising or at least a war-preventing influence in areas where there is no open conflict and that is certainly a very important qualification. For instance in areas like Korea where it is said that the presence of the United States has certainly—I am told particularly by an observer who has been there—prevented the new outbreak of conflict if not a war. This can however be dis-

astrous when it is being established during a current conflict. It does not however really answer the complex problem of great power presence in Asia, nor in Africa for that matter, and its impact on the security and interests of the countries in these areas. Great power status and the military power that goes with it do not automatically buy political influence and control; that in a growing number of cases they are not even relevant or at least not decisively relevant to the problems of the areas in question; and that they may be even counter-productive insofar as they stir up nationalism, resentments and resistance and invite subversion and so-called liberation wars. This seems to have been commonplace—but not so only a decade ago when both super powers in their euphoria of the early missile age thought that they could buy political influence by having developed tremendous new weapons. What they misjudged was how to transform this kind of tremendous military superiority into political influence over the minds of the people—foes and friends alike. We are thus witnessing a gradual awareness, a kind of agonising reappraisal on the side of the great powers—certainly on the side of the United States perhaps and hopefully also to some extent of the Soviet Union—a growing awareness of the limitation of their power, military and otherwise. Whether they will draw right conclusions from that is quite another matter. Perhaps I may quote in this connection a passage from a paper by Prof. Robert Osgood in which he draws one conclusion from the American experience in Vietnam. On this particular point, he says: "If Vietnam exerts a fundamental impact on American policy with respect to limited war intervention, it will not be merely because of the national determination to avoid future Vietnams but to restrict American commitments to a scope more compatible with American power and the will to use it." The whole history of the expansion of the American commitments and their involvement is pervaded with the longing to avoid new commitments and involvements. Yet a succession of unanticipated crises and wars has led that nation to countervene that longing. Sometimes the desire to avoid the repetition of unpleasant involvement have only led to a further extension of commitment which in turn has led to further involvement. That is what has happened when the Eisenhower-Dulles administration formed certain alliances including SEATO to avoid another Korean war.



At the other end of the spectrum, we see that the diffusion of military power all over the world is far from being matched by a similar degree of what I would call the diffusion of economic growth or power (that is economic development) and of course a corresponding degree of stability. This depressing and still widening gap between more and more powerful weapons and their diffusion on the one side and the fragile internal and external structures on the other seems to be all the more dangerous as it is greatest in areas with numerous actual or potential conflicts ranging from the Middle East through Africa, Asia and Latin America on a different level. It is at this point that we see that problems of internal development converge with that of external stability and security. They are with different emphasis at different times two sides of the same coin. They interact with and react to each other.

Let me just refer briefly to internal development as a pre-condition for external stability. If this is so, if in other words the securing of continuous economic development, the maintenance of a more or less stable, internal order—hopefully a democratic one—becomes *a* or *the* main pre-condition for security, then we must realise that antagonisms like alignment and non-alignment, north and south contradiction, rich and poor antagonism, colonial and anti-colonial, remain the main problems the third world will have to face in the future. There will rather be issues of national security, international status, national cohesion, a proper balance between the Central Government and regional authorities, education and last but not the least subversion that *become their main preoccupation*. This reveals that to be reasonably successful they have to face their internal problems with less dependence on great ideals or ideological concepts, less addiction to the personal trappings of charismatic leadership and international prestige and pay more attention to the rather prosaic business of efficient Government. Internal strength will at the same time promote the readiness to tackle the unsolved conflicts with the neighbour countries. At present this applies particularly to the Middle East countries—it is not the weak and internally unstable countries that are more likely to compromise externally but quite the contrary it is only the strongest of Arab Governments that would dare to reach a settlement with Israel.

I think here is a correlation between internal strength and external readiness for compromise that is very important.

Finally on the question of nuclear armament, I think that in itself nuclear armament is no answer to either security or status. But equally I find it in itself not as dangerous as many proponents of the non-proliferation treaty want to make us believe. I have never considered the non-proliferation treaty as a particularly good thing though I think that it has been particularly well handled. Equally I am not so worried about the danger of nuclear proliferation in most states in which it is going to take place though at the same time I should say that I don't think a modest nuclear armament is possible.

The second point here is of external relations as a pre-condition for internal development. In a way for the same reasons, both non-aligned and aligned policies were founded on a basically negative attitude. The aligned people wanted an alliance for a common defence against attack; the non-aligned an attack against common defence. Though I have sometimes had the impression that such non-aligned were more non-aligned against one side than the other. I would like to mention how disappointed—if I may say so—I was by reactions like the reaction of the Government of this country during the Soviet intervention in Czechoslovakia which is, I personally should say, not an attitude of real non-alignment I would have wished it to be. Anyway, non-alignment did not solve internal problems nor did it contribute as such to soften external conflicts particularly those in which oneself was involved nor did it really solve the problem of external security. In a way, this also applies to the alliance policy as well because these countries particularly the ones in Europe have realised that (and I think particularly Germany) the alliance itself, may have given greater security but it has not solved some of the most basic problems we are still faced with in Europe.

I come therefore almost logically to the second point which should follow from the first and that is regional co-operation. There is a need for new forms to adapt our countries to economic development and technological innovation and at the same time try to help through this kind of increased regional co-operation to create an intermediary level between weak nations on the one side and the super powers on the other. There is this gap I had mentioned earlier between the smaller middle powers on

the one side and the super powers on the other and there might be an increasing need for having some kind of an intermediate level. I was struck by the impotence of Europe both East and West, during the Czech crisis which I would attribute as far as Western Europe is concerned to the lack of European integration. This again has shown the need for promoting European integration so as to make Europe less dependent and less impotent *vis-a-vis* the two great powers. To some extent, though differently, this applies to Asia as well. Here we might say that apparently the Chinese threat does not seem to be big enough or that there are different perceptions of the Chinese threat as to allow the emergence of some kind of regional co-operation between the non-Communist Asian countries. There are different perceptions of this Chinese threat; Japan considering it basically in strategic, long distance terms whereas India considers it both as a strategic and conventional threat. Certain Indo-Chinese countries—possibly also India—as both conventional and internal subversion threat. I think that this idea of promoting some form, even if they are modest, of regional co-operation amongst Asian countries will help also to reduce the resentments against the presence of great powers in Asia. I remember an Indian having said that there cannot be co-operation amongst non-Communist Asian countries as long as these great powers are present in Asia because in a way they prevent or they take away from the Asian countries the incentive of going ahead with their regional co-operation and he said as long as there is no co-operation between the Asian countries the great powers will be present. Personally I think this is a wrong alternative or wrong dilemma. I should imagine that the great powers, particularly the United States and the Soviet Union and, of course here in Asia, China will stay anyway whether there is co-operation or not. Secondly their presence should not serve as an excuse for not solving our problems in this area though I don't believe in what is being called the national balance of power at least not certainly for a long time. I think there should be a glimmer of better understanding among the non-Communist Asian countries of their common problems and therefore the beginning of a modest regional co-operation.

In conclusion, and here, as I have promised you, I will try to answer the question whether we should experiment with secur-

ity or whether we should not. And my answer is possibly, simply a Swiss one,—a yes-and-no compromise. I think we should not experiment with security if security is not being taken seriously now. Somebody has said, and I think rightly, that before the Czech crisis the greatest threat to European security was not being taken seriously enough and we have seen particularly during the Czech crisis what has happened. But security is also not being taken seriously enough with regard to totalitarian countries. There I think we should not experiment with security nor should we experiment the security if it is seen in a purely national or even nationalistic context; if it is associated too closely with national prestige and status and consequently if it is dissociated from the pressing needs of internal development. I think that we should and the answer is therefore 'yes' we should experiment with security, if it is seen as a pre-condition for development and peaceful change both internally and externally. If it has forced us to rephrase some mistaken assumptions of our foreign policy—aligned or non-aligned and finally if it is understood as an incentive for improving regional co-operation, we then might be bold enough to claim that we have a better answer than the one which the investment trust gave about security, namely that such an experiment in security can indeed be a contribution to world peace.



## At the Colloquium . . .

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### Belgium

HERMAN DE CROO: Mayor, Michelbeke—Nederbrukel, Belgium; Member of Parliament, National Secretary—Partie pour la Liberté de le Progres (Belgian Liberal Party).

### Ceylon

CHANDRA H. SOYSA: Bar-at-Law; Member of the Ceylon Liberal Group.

K. V. S. VAS: Chief Editor, *Vira Kesari*, Colombo, Ceylon.

### France

JACQUES A. ZIGHERA: Associate Professor of Economics, University of Lyons; Economic consultant; member of the Executive, Radical Party; economist with Steel Division ECSC 1957-59; associated with European Development Fund 1959-62.

### Federal Republic of Germany

F. W. KIRCHHOFF: Member, Free Democratic Party, Germany.

WERNER LIEBICH: Member, Free Democratic Party, Germany.

MANFRED LOHMANN: Presently attached to the International Department of the Friedrich Naumann Stiftung, specialising in Indian affairs; studied at the University of Freiburg, Berlin, and the Indian School of International Studies, New Delhi.

FRITZ OELLERS: Co-founder and member, Presidium, Free Democratic Party; Industrial Manager and Diplomat.

KLAUS POTTHOFF: Counsellor, Ali Bachhamba Institute, Tunisia; Member, Free Democratic Party, Germany; Secretary-General, Federal Organisation of German Young Democrats; Representative, Friedrich Naumann Foundation in North Africa.

DR. JOACHIM TRAEGER: Economist; presently on an assignment in Indonesia for the German Ministry of Economic Development to evaluate technical aid projects and promote private investment.

GOTTFRIED WUST: Director, Foreign Department, Friedrich Naumann Stiftung; Member, Free Democratic Party; Lecturer, Economics and Business Administration, Hamburg University, 1955-1961; associated with the Friedrich Naumann Stiftung since 1963.

### Great Britain

VERNON DAWSON: Member, British Liberal Party; Secretary-General, Liberal International; Member, Royal Institute of Public Administration, British Institute of Management and Life Member, Royal Commonwealth Society.

JO GRIMOND: Member, British Parliament since 1950; Leader of the British Liberal Party from 1956 to 1967; Privy Councillor since 1961; after the Second World War was Director of Personnel of UNRRA's European office; Broadcasts regularly on television and radio; a regular newspaper and magazine contributor.

RICHARD MOORE: Member, British Liberal Party; Secretary-General, Liberal International 1961-64; Political Adviser to the Leader of the British Liberal Party and the Liberal International.

### India

PROF. R. BHASKARAN: Doyen of Political Scientists in India; Head of the Department of Politics and Public Administration, University of Madras, till his retirement in 1965. Died on June 1, 1969.

(MISS) PADMA R. BHAVNANI: Research Assistant; Honorary Secretary, Indian Liberal Group.

V. I. CHACKO: Secretary and Adviser, United Planters' Association of South India, Coonoor.

DR. S. CHANDRASEKHAR: Minister for Health and Family Planning, Government of India since 1967; was Director of the Demographic Research, UNESCO, Paris 1947-49; Director, Indian Institute for Population Studies, Madras; Author of *India's Population*, *Communist China Today*, and *Hungry People and Empty Lands*.

PROF. R. CHOKSI: Director, Tata Industries Pvt. Ltd.; Member, of the Staff, Wilson College 1922-51; Member of the Senate, University of Bombay.

ARVIND A. DESHPANDE: Executive Secretary, Leslie Sawhny Programme of Training for Democracy, Bombay; Associate Secretary, Maharashtra Chamber of Commerce, 1963-68.

M. N. GURJAR: Chief Reporter, Press Trust of India, Bombay; Member, Radical Democratic Party, India, founded by (late) Mr. M. N. Roy, till its dissolution.

D. K. KUNTE: Member of Parliament; Member, Bombay Legislative Assembly 1937-1957; Speaker, Bombay Legislative Assembly 1952-1956; General Secretary, Bharatiya Kranti Dal.

M. R. MASANI: Management Consultant; Deputy Leader of the Swatantra Party in the House of the People; Mayor of Bombay 1943-44; Indian Ambassador to Brazil 1948-49; Member of Parliament 1945-48, 1949-52, 1957-62 and 1963 to date; Chairman, Public Accounts Committee of Parliament 1967-69.

DR. FREDIE A. MEHTA: Economic Adviser, Tata Industries Pvt. Ltd., Bombay; Served as Member, Company Law Board Research Committee, Ministry of Commerce and Industry, Government of India and Study Team on Wages, National Commission of Labour, Government of India; regular contributor to Indian and Foreign journals dealing with economic and statistical matters.

A. G. NOORANI: Lawyer and journalist; regular contributor to Indian newspapers and journals; author of *Our Credulity and Negligence*, *The Kashmir Question*, and *President Zakir Husain*.

M. R. PAI: Secretary, Forum of Free Enterprise, Bombay; formerly Sub-Editor, *Times of India*, Bombay.

S. V. RAJU: Executive Secretary, Swatantra Party, National Headquarters, Bombay.

B. R. SHENOY: Director of Economic Centre, New Delhi; Director of the University School of Social Sciences, Gujarat University, Ahmedabad, till 1968. From 1951-64, alternative Executive Director of the International Monetary Fund and the World Bank for Reconstruction and Development. From 1945-51 Director of Research of the Reserve Bank of India. Author of several articles and books, well-known among them being *The Sterling Asset of the Reserve Bank of India* and *Problems of Indian Economic Development*.

**Indonesia**

ARIEF BUDIMAN: Journalist; Co-editor of a Cultural Magazine in Djakarta.

HADIWIMOTO SOETJIPTO: Deputy Director, Institute for Regional Research, University of Indonesia, Jakarta.

**Korea**

DR. WOONSANG CHOI: Served as Director, Political Bureau, Ministry of Foreign Affairs, Republic of Korea, as Counsellor, Korean Embassy, Washington D.C., as Counsellor, Korean Embassy, Ottawa, Canada, and as member, Korean Mission to UNO; presently Consul-General of the Republic of Korea in India.

**Malaysia**

GOH CHENG TEIK: Lecturer, University of Malaysia, Kuala Lumpur.

**Nepal**

KHADGA B. SINGH: University Teacher; Member, Free Thinkers (a democratic group in Kathmandu, Nepal).

**Thailand**

SUTCHAI CHERMISRIVATANA: Businessman; associated with Suksit Siam Centre, Bangkok.

**Sweden**

DAVID WIRMARK: Secretary, National League of Young Liberals from 1952-54; Secretary General, World Assembly of Youth, Brussels 1958-64; Adviser to the Swedish Government 1964-66; Secretary General, Swedish Liberal Party.

**Switzerland**

CURT GASTEYGER: Director of Studies, Atlantic Institute, Paris; Member, Liberal Party, Switzerland.

ROLAND MORI: Foreign Editor, Neue Zurcher Zeitung, Zurich; Member, Swiss Liberal Party; was foreign editor, *Der Bund*, Berne, 1965-68.

**Republic of Vietnam**

(MRS.) B. N. T. DAN: Social worker.



## Papers

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### *On Republic of China (Two Papers)*

- (1) S. Y. DAO, Secretary General, Council for International Economic Cooperation and Development, Republic of China, Taipei.
- (2) MRS. CARLA STEENBERG, Student of Chinese Affairs.

### *On India*

DR. A. D. MONTEIRO, Economic Research Officer, Tata Industries Private Limited, Bombay.

### *On Japan*

FRITZ STECK, Far East Correspondent, Neue Zurcher Zeitung, Zurich.

### *On Malaysia*

PROF. LIM CHONG YAH, Chairman, Division of Applied Economics, University of Malaysia.

### *On Pakistan*

DR. A. D. MONTEIRO, Economic Research Officer, Tata Industries Private Limited, Bombay.

### *Interaction of Democracy and Development – Korean Experience*

DR. WOONSANG CHOI, Consul-General of the Republic of Korea in India.