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Foreign Aid Must Go

M. R. MASANI

ONE of the positive fall-outs of the Indo-Pakistani hostilities is the suspension of U.S. economic aid to India by President Nixon and Mrs. Gandhi's repeated statements that India does not want that aid and the country should learn to be self-reliant. While the motivations of the two Heads of their respective Governments are very much their own, there are deeper and more fundamental reasons why this development may well turn out to be a blessing in disguise for this country as also for Indo-American relations. It is, therefore, devoutly to be wished that neither of them will back down from the stand they have taken.

Liberals believe in international cooperation and international division of labour. They do not believe in autarchy as the Communists do. Then why do I welcome the suspension of government-to-government aid? The answer is that government-to-government aid distorts the *international division of labour.* It comes in the way of the natural laws of the market which should decide which country should produce what. By reason of government-to-government loans, distortions take place by encouraging a country to manufacture what it should not be manufacturing at that time and neglecting what it should be promoting.

The need for international economic aid arises because of social backwardness and a lag in technology. There is an imbalance in our country between the man-land ratio and the man-capital ratio. We have a massive population growing rapidly but the quantum of land in India is static and, while our population is growing rapidly, our capital does not grow correspondingly. Therefore, what economic cooperation does, whether it is capital or loans or grants, is what Lord Canning, the British statesman, once described as "bringing in a new world to redress the balance of the old." It is to redress the imbalance between man and land and man and capital that, in a country like India, foreign capital, whether it is given by governments or private parties, is required because it brings in more tools, more machinery to put to work idle hands and feed hungry mouths.

The response given by the prosperous countries, led by the United States, is something unparalleled in human history. Never in human history have one set of human beings put their hand into their pockets and shelled out funds as the American, the British and West German people have been doing for the sake of feeding and keeping going a huge country like ours.

What are the basic motivations why people do this? These are a mixed lot, some good, others unworthy. The first, which is a good instinct, is a sense of human obligation—a desire to help out. John Donne, the English poet, referred to this when he said: "No man is an island entire of itself," and ended up by saying: "Do not ask for whom the bell tolls, it tolls for thee."

Another motive is a sense of guilt on the part of those who give. Past empires like the British, the French and the Japanese suffer from a sense of guilt and feel they must make some kind of reparation.

There is another doubtful motive, that foreign aid helps in combating Communism: if you help a country, it will not *go Communist. This is a delusion.* By now it should be clear that economic aid does not help in stopping Communism eating up a country. First of all, foreign aid does not raise living standards. Secondly, there is no essential link between poverty and Communism. The theory that poor people go Communist and rich people do not is, I may say as a student of Communism, baseless. Empty hearts, empty minds and empty souls are as much a cause of Communism and Marxism as empty stomachs.

Foreign aid often strengthens the pro-Communist trend. It may even help a country to go Communist. American aid helped Sukarno to take Indonesia to the brink of Communism. Western aid helped Ghana under Nkrumah to go near absorption into the Communist bloc. I am not sure American aid has not done its bit to make our Government a satellite of the Soviet Union.

What are the psychological implications of government-to-government aid for the donor country?

It is amusing to observe how the donor becomes the appeaser. An example is the way in which the West started by calling these countries "backward," then "underdeveloped," then "developing," and now "new,"—terms increasingly inaccurate but meant to assuage local vanities.

Professor Peter Bauer, Professor of Developing Economics at London University, says that aid has become an instrument in the cold war on the Communist side. In America, in England, in West Germany, there is no more any proletariat. The working class has never had it so good. So the Communists have to find a new proletariat, somebody on whose behalf they must campaign, and what more appropriate than the peasants in India, Indonesia and Ghana? So "the third world" has become cannon fodder for Communist propaganda, replacing the no longer "oppressed" workers of the West. The theory of neo-colonialism which the Communists have invented and which many amongst us have swallowed is an instrument of this propaganda.

What about the effect on the donees? First of all, there is pauperisation. Government-to-government grants and aid are like a dole. In fact, they only too often become a crutch.

Secondly, the psychological effect on the aided party is a sense of inferiority and resentment. Hence the ingratitude that the aided countries have shown to the countries that help them.

The oldest testimony one can cite in this respect is that of Confucius who reports a man asking another: "Why do you dislike me? I have never done anything to help you."

What is the effect on the economy or the economic policies of the helped countries? Government-to-government loans encourage socialism, Communism and Statism, concentration of power, and waste. When a government aids another government, who disburses that aid? The government of that country. Aid thus transfers economic power from the people,

See overleaf

OUR INDIA

Why Work a Charka?

We won't throw a tantrum
Over this news
From Trivandrum;
We choose
To suppress
Rather than express
Our views,
With our habitual
Tact.
Our weekly ritual
Is merely to find a fact
Gay or solemn
To fill this column......
The lack
Of the odd lakh
Is not thought
To be a matter of much
Import,
And as such,
The authorities
Of the Khadi & Village Industries
Are of one accord.
1,000 charkas worth 2 lakhs of rupees
Are lying idle, as the Board
Felt too bored
To start distributing these
Among the Khadi societies.
They felt
The matter need not be dealt
With, in a hurry.
Only ten years have gone by—
And we all know how time can fly—
So, why
Should they worry?
Their work they decided to slow down,
And the charkas, though damaged, have been stored
In a godown.
However, the conscientious Board
Are bent
On paying from their funds for the upkeep;
This includes the godown rent
(At their budget we took a peep),
A high-salaried Manager, and
An upper division clerk. We understand
The Board spends Rs. 50,000 in the name
Of upkeep. Isn't that a
Handsome sum? If in this matter
The Board we blame,
It would be a crying
Shame!
A thousand charkas may be lying,
Damaged and unused,
But the Board incurs a big expense
For their storage, hence
They should surely be excused—
It is only fair,
As they take so much care
To keep them there.

★ NURGESH KOTHAWALA

Rationalisation of Railway Fares

VIRENDRA AGARWALA, M.P.

THE Railways have done fairly well, but still have a long way to go. They are no longer in the red but have not yet moved into the black. An anticipated deficit of Rs. 6.9 crores in 1971-72 was turned into a surplus of Rs. 9.1 crores and the Budget estimates for 1972-73 show a revenue surplus of Rs. 32.5 crores. It is in spite of a sharp rise of nearly Rs. 19 crores in expenditure under the head "Ordinary" working expenses. It is the Parliamentary Railway Convention Committee which has enabled the Railways to reduce their dividend liability to the Central Government by exempting payments of dividends on certain types of capital at large and awarding them interest payments on fund balances kept with general revenues. Without this relief, the deficit in 1971-72 would have been of the order of Rs. 12 crores. This improvement in the financial position hardly represents greater efficiency and better management, but still the Railway Minister deserves to be congratulated for putting the Railways in order.

The Railway Minister has spoken of the past year as a highly significant year. Never before in our history after freedom had the Railways been called upon to do such strenuous and devoted work as they did prior to, during and subsequent to the now famous 14-day war. The Railways ran well over 2,000 special trains for movement of the Defence Forces and equipment, while continuing with their normal duties. 13 railwaymen lost their lives and 26 were wounded in the border areas. The railway system also suffered from breeches and inundations, when floods devastated the Gangetic plains in the States of Uttar Pradesh, Bihar and West Bengal.

1972-72 is not likely to be subjected to the same strains and stresses as the preceding year. The most important feature of the year's prospect is the upward trend in our economy. Throughout 1971, there were complaints of wagon shortage. But the transport bottleneck was not considered the main reason for industrial depression and, consequently, the Railways escaped blame. The economy has continued to be lethargical and further imposts in the form of increased freight rates will not improve matters. The total volume of originating goods traffic decreased by 5.52 per cent but the net tonne kilometres dropped by only 0.69 per cent in 1970-71. The freight movement by rail expressed in terms of freight tonne kilometres, increased from a bare 100 in 1950 to 291 in 1970, while the road index jumped to 855 over the same period.

On the basis of the existing fares and freights, the Railways can expect to earn a sizable surplus next year. The users of rail wagons have good reasons to be spared from additional burden, at least this time, if not, get a relief from the existing fares and freight. The Railway Minister has preferred to meet in full the dividend liability of about Rs. 160 crores, finance development works expenditure of Rs. 20 crores, and also make a repayment of Rs. 12 crores against loans from the general evenues. The total of these payments amounts to Rs. 191.73 crores. One can certainly question the propriety of the additional burden to be borne by the people, whether the Railways run into deficits or surpluses. All possible efforts need to be made to bring down the price levels, but the Budget will actually defeat the objective of price-stability.

An all-round increase in freight rates and passenger fares, except ordinary third class fares, will net an additional Rs. 17 crores in 1972-73, just a little more than what is required to meet the anticipated deficit of 16.50 crores on revenue account. In the name of rationalisation of the freight structure, the Budget has reclassified low-rated commodities, the effect of which is to raise the freight tariff on all commodities other than coal and coke, foodgrains including pulses, and iron and manganese ore intended for export. It is widely recognised that an improvement in wagon utilization could have saved the situation from this sort of juggling with fares and freights in order to stay out of the red. What is required is not superficial management of Railways finances, but an all-round improvement in the functioning of the Railways to meet the requirements of the growing economy.

The Railways must do something substantial for reducing their working expenditure. The Railway Minister has referred to the drain on railway earnings in the form of payment to compensation claims amounting to Rs 14 crores, Rs 25 crores lost every year on ticketless travel, and the cost of the Railway Protection Force amounting to Rs 12 crores. Losses due to theft and pilferage of railway property, have imposed a burden of payment of compensation to the tune of about Rs 13 crores last year. All this adds up to approximately Rs. 64 crores. The Railways could have devised ways and means for improving their actual functioning, which could have reduced administrative costs. The Railways must run entirely on commercial lines, rather than as public sector units, which are only known for squandering public finances.

The Railway Budget is surely socialistic in its content, because Third Class passengers are not required to bear an additional burden. In July 1971, Third Class passengers paid an extra 25 paise for ordinary trains and up to Re. 1 for Express trains. Third Class passengers must be provided with more facilities in all trains and a ceiling on their fares is vital for building up an egalitarian society in India. The travelling public expect better and quicker service and greater all-round efficiency and the most determined effort on the part of the Railways to improve productivity and hold unproductive expenditure in check. The ordinary Second Class passengers, however, have to pay more from 25 paise per ticket for a distance zone ranging from 20-50 kms. to Rs. 1.50 for a distance beyond 1,500 kms. For Second Class Mail/Express, the corresponding increase per ticket is in the order of 50 paise to Rs. 2 for distance beyond 1,500 kms. The Rajdhani Express also costs more. The additional revenue from increased fares of the upper classes is expected to yield Rs. 1.63 crores a year. It is really a paltry sum, though none would grudge to pay more, but the fact is most of the people travelling by the upper classes are those who are either connected with the Government or are in public life. They have often been observed misusing the facility. They must be required to pay some nominal penalty, in case they do not travel after making reservations. It is rather a poor reflection that the seats reserved for them go empty, while others are deprived of seats to travel, when they are willing to pay. The earlier this anomaly is removed, the better it is for public men for improving their image in the public eye. No Government officer, however highly placed he may be, may be granted a free pass, but it should be in the form of free tickets for the required journey. It would certainly reduce a great deal of wastage and they would travel only when they are required to do so. A close scrutiny on ticketless travelling is absolutely essential for improving the Railways' finances.

The Railway Plan has to be enlarged, to be in step with the growth in traffic demand. The mid-term appraisal of the Fourth Plan has increased the Railway Plan outlay by Rs. 125 crores to Rs. 1,400 crores. It enables the Railways to acquire Rs. 37 crores worth of additional rolling stock, and spend Rs. 60 crores more on line capacity works and construction of some new lines during the rest of the Plan period. The three conversion projects approved by Parliament through supplementary grants in December last will cover a distance of 1,057 kms. costing Rs. 63.53 crores. It is rather surprising that whenever there is a demand for a new line, there is a strong resistance from the authorities. It is often argued that the

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the industrialists, the businessmen and the people to the hands of bureaucrats and politicians. The patronage the politician can dispense increases; the politicisation of economic life goes on. So, in a very direct way, every rupee of aid given by America or any other country or the World Bank to any aided Country, including India, directly strengthens the forces of Statism, socialism and Communism and weakens the forces of people's free enterprise. It also breeds irresponsibility and waste. Djilas says in his book, *The New Class*: "Everybody's property is nobody's property." In Gujarati there is a proverb: "*Konna baapni divali?*" (Whose father's *divali?*) So government-to-government grants and loans breed irresponsibility, and irresponsibility leads to waste. In the result, a great part of foreign loans have, in India, been wasted by diversion to show-pieces and heavy industry while agriculture and roads have remained neglected.

Finally, one of the greatest disadvantages of government-to-government aid is that it discourages the investment of private equity capital in these countries. It does so because when one gets government-to-government aid at cheap rates, the temptation is not to raise equity capital abroad. This is a pity because our countries need foreign equity capital desperately. When foreign capital comes into India from any part of the world, it brings in foreign plant or machinery and engages Indian labour to work on it. It takes its profits out of the country only when it makes a profit. So such investment is in the interests of the Indian people. When a government-to-government loan comes, we have to repay the capital and interest to the foreign government, however badly the money may have been wasted by our government. This is against the interests of the Indian people. So foreign private equity capital is good for India; government-to-government loans are bad for India. Let us hope we shall be spared them from now on.

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