

8th International Colloquium

4384

Europe and the Developing Countries

Bonn :

27th November—4th December, 1972

Report of a conference held by
the Liberal International and
the Friedrich Naumann Stiftung

Even Adam Smith, as a good knowledgeable friend of mine keeps repeating, never advocated unqualified *laissez-faire*. He quotes Adam Smith as writing in *The Wealth of Nations* :

"People of the same trade seldom meet together even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise the prices".

For Adam Smith, a man was perfectly free to pursue his own interest in any manner he liked "as long as he did not violate the laws of justice".

The charge is often made that liberals are capitalists and the agents of big business. If that were so, then men like Locke, Blackstone and Montesquieu should be described as spokesmen of business interests. Thank God, these political philosophers lived and worked before industrialisation produced the tycoons! What moved these men was not the working of a free market system but constitutionalism and the rule of law. And Sartori, the political scientist, points out that liberalism existed long before the doctrine of *laissez-faire*. There is also evidence to prove that even during the heyday of the so-called *laissez-faire* economy, state intervention and *laissez-faire* ran parallel in the 19th century.

Concerning trade or industry, therefore, all that liberalism sought to do was to ensure that there was no cheating, that unfair trade practices were not resorted to and to impose only such controls as were necessary to stop people from doing something they should not do. But it did not try to stop people from doing things which they should be doing.

But, what is the role of the State? one may ask. What are the limits of its authority? It is necessary for us to consider this very carefully in order to nail the canard that the doctrine of individual liberty meant either anarchism or what Lassalle described as the "night watchman State" where there would be no restrictions or regulations, for the State's only role was the maintenance of law and order.

Let me quote from Ludwig Von Mises who is one of the foremost liberals of the 20th century. Von Mises said :

"The Liberal understands quite clearly that without resort to compulsion, the existence of society would be endangered and that behind the rules of conduct whose observance is necessary to assure peaceful human co-operation must stand the threat of force if the whole edifice of society is not to be continually at the mercy of its members. One must be in a position to compel a person who does not respect the lives, health, personal freedom, or private property of others into obedience

The concept of individual liberty vis-à-vis the state in Europe and the developing countries.

Mr. S. V. Raju, India

For one coming from India the topic before us today is not only topical but one of crucial importance to the future of democracy in this country. Liberals everywhere—and those represented here at this table—would naturally be concerned with what is happening in our part of the world, particularly India.

I am therefore grateful to the Friedrich Naumann Stiftung for giving me this opportunity to place my views on this vital subject but even more for enabling me to learn from the discussions that will follow.

Liberalism in Europe began as a revolt against State authority and the tyranny of the rulers. It was also a revolt against dogma and superstition. And then in the 18th century it sought to liberate trade and commerce from needless restrictions which had been imposed by the theory of Mercantilism. Because liberalism was a revolt against authority it sought to lay limits to the authority of the State. It placed the individual at the centre and emphasised the capacity of rational man to reason out things for himself. Consequently, it emphasised his right to trade and enter into contracts, his freedom to bargain and the freedom of enterprise—what we now refer to as private or free enterprise. Above all the right to property was seen as part of the freedom of man.

In other words the rights of individuals and the functions of Government were for the first time sought to be clearly demarcated and in so doing Liberalism brought into focus the concept of the Rule of Law.

One of the common errors in this field is the belief that liberalism stood for *laissez-faire* and the negative State. This is an absurd view and has been completely rejected by historians. There never was a *laissez-faire* State in Europe.

the provision of drinking water facilities and projects for the conservation of water.

The Liberal State ensures that individual liberty *vis-à-vis* the State flourishes. The people's initiative and enterprise get full expression and the creative energies are unleashed bringing prosperity to themselves and to the society in which they live instead of bemoaning people's indifference to plan projects. A liberal State is therefore a pragmatic State.

With this for a background let us consider the States in Europe and the developing countries.

When I speak of Europe, I refer to the free societies of Western Europe and not to the communist States of Eastern Europe or the Soviet Union where totalitarian tyranny has snuffed out the liberties of their peoples. But even a cursory knowledge would suffice to bring home the fact that even in the Scandinavian countries with their socialist and welfare State concepts, the individual still reigns supreme. There are any number of voluntary organisations and institutions constantly mobilising public opinion and acting as an effective check against any state action that threatens their people's rights. They have a free Press (too free perhaps *à la Anderson!*); media of mass communications like the radio and television which are not government departments but autonomous corporations; free elections are held at periodic intervals and, what is more important, an electoral system which by and large reflects the real will of the people.

It is therefore not at all surprising that having tasted individual liberty, democratic socialists pay, if at all they still do, lip sympathy to the dogma, but have not, whenever put in power, done anything to seriously implement their belief, except those of a peripheral nature and which do not truncate human rights.

The *Oxford Dictionary* defines socialism as:

"The principle that individual liberty should be completely subordinated to the interests of the community—with the deduction that can be drawn from it *viz.*, the state monopoly of land and all capital".

In the context of this definition let us look at two western Socialist parties—the Labour Party of Great Britain and the Social Democratic Party of Germany.

The British Labour Party continues to have in its programme the nationalisation of the instruments of production, distribution and exchange. Apart from the Steel Industry, I cannot think of any major instance of nationalisation in Great Britain. It has not when in office sought to implement its objective in any big way.

to the rules of society. This is the function that the liberal doctrine assigns to the State: the production of property, liberty and peace".

One might argue that this role assigned to the State was perhaps adequate in a pre-industrial society. But what about the numerous social problems created by rapid industrialisation? The liberal philosophy has shown its capacity to adjust itself to the requirements of a situation by assigning additional roles to the State even while jealously guarding human rights. As Giovanni Sartori has observed:

"However much the Constitutional State may have been conceived of as a small State, and also as a do-nothing State, this does not prevent its becoming, if need be, a large State which does something, and even a great deal—on this essential condition: the more it ceases to be a minimal State, the more important it is that it remains a Constitutional State".

In other words, the greater the role of the State, the greater the need to guard the liberty of the individual. The last part of Sartori's observation is the crux of the problem we are facing in India today. With the growth of technology, and rapid industrialisation the availability of various media of communications, state activities grow and with it governmental functions became increasingly complex. Modern industry has made it necessary for the State to act as an umpire to regulate the economy and as I mentioned earlier to ensure that everybody played the game according to the rules. Liberalism is not opposed to the growth of State power as such; but every step in the increase of State authority must be taken with an eye on the individual and his freedom. Mere State expansion without checks will doubtless weaken the individual.

Liberalism believes in pragmatism, in a State which is the instrument of social progress, but a State which emphasises individual freedom.

Such a State rejects central planning but accepts regulations and controls necessary for the effective functioning of a free economy. Its accent is on the provision of services and goods to the citizens and will itself become the producer of such goods only if private enterprise fails. Its slogan is "The business of government is government—not business".

The State provides the infrastructure—efficient running of public services like the railways, the Post and Telegraphs and Telephones; a good network of roads and other means to facilitate easy communications; dams and electric power projects for facilitating agricultural and industrial production;

The Party holds that a sense of stability and incentive for individual effort can be restored only by strict adherence to the Fundamental Rights and guarantees specified in the Constitution as originally adopted in respect of freedom of property, trade and occupation, and just compensation for any property compulsorily acquired by the State for public purposes.

It is up to the State to protect freedom of belief and conscience. The State must help all men to develop their personal responsibilities freely. Fundamental Rights should not only protect the freedom of the individual against the State, they should also help to form the community and the basis of the State.

Those who own the means of production have a right to be protected by society as long as their property does not hinder the development of a just social order.

The SDP aims at creating conditions in which all men can freely decide to accrue property from their own rising incomes.

INDUSTRY

The Party believes that, in the field of production, the free choice of the producer and the consumer must be given basic place and importance.

In industry, the Party believes in the incentives for higher production and expansion inherent in competitive enterprise, with adequate safeguards for the protection of labour and against unreasonable profits, prices and dividends, where there is no competition or where competition does not secure the necessary corrective.

The free choice of consumer goods and services, free choice of a place to work, free initiative for employers are decisive foundations and free competition an important element of a free economic policy. . . . Totalitarian control of the economy destroys freedom. The Social Democratic Party therefore favours a free market, wherever free competition really exists. Where markets come under the domination of individuals or groups, however, manifold measures are necessary to preserve the freedom of the economy. As much competition as possible—as much planning as necessary.

Mr. M. R. Masani, a patron of the Liberal International, once asked the late Mr. Herbert Morrison "how much of industry they would nationalise without losing their freedom, without having a communist dictatorship ruling England". And Mr. Morrison replied to him, "well, in England I would risk about 15%" but went on to add "so far as India was concerned, if I were you, I would not go so far". In other words the term "democratic socialism" would according to the late Mr. Morrison be 85% democratic and 15% socialist!

The Swatantra party was founded in August 1959. It then adopted a Statement of Principles. Three months later that year in October 1959, the Executive Committee of the Social Democratic Party of West Germany adopted the draft of its New Socialist Programme. For Liberals like us in India the SDP Programme made startling reading, for it was evident that the German Socialists had decided to throw overboard, lock, stock and barrel the entire methodology of State Socialism. To educate the Indian socialists, my party published a pamphlet called "Who is Outdated?" (this was in answer to Mr. Nehru's charge that we with our belief in individualism, a narrower concept of the role of the State and with our emphasis on individual initiative and enterprise were far behind the times). We sought to prove that it was liberalism and not socialism which was the Twentieth Century Ideology. I would like to quote the following from that pamphlet:

GENERAL PRINCIPLES

Swatantra Party

The Party holds that the progress, welfare and happiness of the people depend on individual initiative, enterprise and energy. The Party stands for the principle of maximum freedom for the individual and minimum interference by the State, consistent with the obligation to prevent and punish anti-social activities, to protect the weaker elements of society, and to create the conditions in which individual initiative will thrive and be fruitful. The Party is, therefore, opposed to increasing State interference of the kind now being pursued.

German Social Democratic Party

Socialists are striving for a society in which the individual can live in freedom, responsible to the community and in which he can determine the political, economic and cultural shape of his existence with the help of others. The life of man, his dignity and his conscience come before the State.

Democratic governments in the newly independent nations were snuffed out even before they had a chance. Yet India has worked a democratic government for the last 25 years. She is a democratic oasis surrounded by dictatorships in the East, West, North and South.

But that does not mean that democracy has come to stay in my country. Democratic institutions and the concept of individual liberty are currently under severe strain. This is not surprising. Historically speaking, we share with the rest of Asia and Africa the absence of democratic traditions. Ours is an authoritarian society. Scholars who have gone into this question have more or less come to the conclusion that even if there were democratic features in Hindu thought and political organisations, they did not develop sufficiently and that the content of social life was on the whole undemocratic. Malcolm Hause in his essay on "India and the Impact of Western Political Ideas and Institutions" published in the December 1961 issue of the *Western Political Quarterly* was very clear when he said:

"Although contemporary Indian thinkers receive much inspiration from the traditions of early tribal republics and vedic assemblies, if there have been earlier constitutions of an oligarchical or republican character, they have long since perished without leaving a trace. Autocratic government is the only type that exists in the Indian historical perspective . . . the basic principle . . . was authoritarianism. The orthodox tradition in regard to leadership was the acceptance of authority. . . . There was no concept of freedom of the individual nor of his inalienable rights . . . the popular theme of Western political thinkers—as against a ruler, however bad".

The relation between the ruler and the ruled was one of paternalism on the part of the ruler and filial loyalty to the king on the part of his subjects. The king was all-powerful. Indian history for instance, does not record any people's movement resisting the actions of a tyrannical ruler. And the caste system enabled this. The Brahmins, who were the priestly class, were the king's advisers. They exercised enormous influence over the king and any restraints they exercised on the king were only to the extent of protecting their own interests.

One is not sure of its origin but the system as it developed divided the community into different categories based on occupation or profession. There were four Castes: the Brahmins were priests and advisers to the king; the Kshatriyas were the warriors. Kings generally sprang from this class. The Vaishyas were the mercantile community and finally the Shudras who performed the menial tasks. In the beginning

Consequently none of us were surprised to see the Free Democratic Party in a coalition with the SDP. In fact I might go as far as to state that there are no fundamentals dividing European political parties. All Democratic Parties of the west accept that a pluralist society alone can guarantee individual liberty. The division is largely on matters of detail concerning the mode of approach or a matter of emphasis.

Therefore, as I see it, Western Europe does not have any serious problems concerning the rights of individuals *vis-à-vis* the State. They have their problems of course; but they are problems of affluence—what to do with their leisure; how to revive pride in their work which has been dulled by automation and assembly line production. There is the problem of permissiveness; there is again the very serious problem of unrest among the younger generation who precisely because they have been brought up comparatively free from economic worries feel dissatisfied with the absence of challenge. They have the problem of what James Mitchener calls the Drifters—young men and women wandering aimlessly searching for things they do not know what; there is the dissatisfaction of students with their curricula; their demand for a greater role in the administration of their educational institutions. These are the kind of problems facing the West—not the problem of protecting individual rights but problems that have arisen as a result of such rights.

But the problems of the developing countries are far different. I need not labour the point that the developing countries of Asia and Africa have never had democratic traditions. Europe can trace back its fight for individual liberty and human dignity to the days of the Magna Carta.

The Reformation pulled Europe out of the dark ages; the liberating influence of the printed word with the first printing press in the 15th century; the expansion of trade and increased mobility that arose as a result of the crusades—these were some of the factors that contributed to breaking authoritarian trends in Europe.

No such factors were present or can be traced in the developing countries. Most of them were colonies of Western nations. But the colonial rulers did very little to inculcate in the local population the values of individual liberty or democratic government. It was therefore not surprising that with the departure of the colonial rulers, the newly independent nations lapsed into dictatorships or semi-dictatorships. Either a military junta took over or they fell prey to charismatic personalities. Ghana in Africa and Indonesia in Asia are two prime examples of this trend.

first think in the armour of the caste system. People from different castes were ^{at} shoulder to shoulder in the same offices or factories. They were compelled to eat together, even share the same room. The social problems and tensions created by industrialisation resulted in people from different communities and castes being thrown together resulting in the development of common aims which were often directly contrary to what their caste ordained.

Demands for higher wages, better living conditions or better schools for their children were matters which transcended the caste situation. Today, the caste system is not quite noticeable in urban areas. But unfortunately, the caste system is still powerful in the rural areas. And 70% of the Indian people live in the villages. We still come across frequent reports in the Press of the lower castes being denied drinking water from wells used by caste Hindus. We still read of Harijans being stoned for defiling caste Hindu areas. But these incidents get instant publicity leading to strong resentment and corrective action. At this point I would like to say that the government of free India deserves all credit for the manner in which it has sought to destroy this pernicious system through the Press, through official enactments and documentary films.

Nehru's personality cast a spell over the people of India, over the rural masses as well as the Western-educated classes. He was all the time on the move, speaking to the villagers about modern science, technology and the vision of a modern India.

He did not misuse his extraordinary hold over the people to become a dictator. But it did prevent the emergence of an effective opposition. Even his own Party or for that matter Parliament were reduced to rubber stamps. The Congress Party under Nehru's leadership were returned in large majorities. Opposition parties in Parliament were present. But in pitifully small numbers. This was so till 1967. Thus although Nehru sought to strengthen democracy, in some ways he weakened it.

The 1967 elections were the first general elections after Nehru's death in 1964. Devoid of his spell, his charisma and with a poor record in office, the Congress just managed to cling on to office in Delhi by a very narrow margin. The Opposition came into its own with spectacular victories. Over half the States of India saw opposition parties assume office. These were mostly coalition governments. But their record in office was dismal. Most of these coalition governments were opportunistic, post-election arrangements. Continuing in power became an end in itself. The game of defections and the toppling of governments got under way.

there was a degree of mobility between the classes. A Vaishya could become a Brahmin or a Brahmin could become a warrior or Kshatriya.

But gradually the caste system hardened. Allegiance to one's class was possible only if one was in that caste. Each caste developed its own vested interests. Rules and norms of social behaviour were prescribed for each caste. This stratification proceeded to such an extent that even punishment for offences were graded according to caste. For instance if a Brahmin committed an offence against a Kshatriya, his punishment was lighter. The punishment was higher if the offence was the other way round. This system however suited the ruler. It was a guarantee against rebellion as it prevented the different castes from combining against the king.

Traditional Hindu society emphasised compliance with social norms and duties rather than rights. What rights the individual had were related to his caste functions. It prevented the growth of social organisations where men could meet together to discuss social or political problems on a basis of equality.

The Indian family demanded rigorous obedience from children to their elders and to rituals. The wife was subordinate to the husband; the younger brothers to the elder; the younger sister to the elder brother or sister, the bride to the mother-in-law and above all the subordination of everyone to the head of the family. This made it impossible for the development of independent thought and initiative. In school the teacher was to be obeyed and feared rather than loved and respected. Questioning him was regarded as a sign of disrespect. Naturally after being subjected to such an atmosphere at home and in school the Indian came out into the wide world with all the inhibitions arising from his experience.

If this was the tradition, how is it that India, 25 years after Independence, continues to enjoy basic freedoms with functioning democratic institutions? I would say that we should thank our British rulers and the first Prime Minister of India, Mr. Jawaharlal Nehru. The British had to rule a big country and obviously they could not import everyone from England. They had to educate Indians in English. The English language opened up western political thought along with its ideas of liberty, equality and freedom to us.

The growth of communication between various parts of India and the development of industries resulted in social mobility. There was migration from insulated villages into urban areas. In urban society, too rigid an adherence to caste practices became very inconvenient. This produced the

to two constitutional Amendments so as to get over the Supreme Court's verdict. The 24th Amendment sought to confer on Parliament the right to amend any part of the Constitution including the chapter on Fundamental Rights and the other, the 25th Amendment, removed from the jurisdiction of courts of law the right to declare the abrogation of any of our Fundamental Rights illegal so long as the preamble to a law stated that it was in furtherance of certain Directives of State Policy such as equitable distribution or the elimination of the concentration of economic power.

Presently the Supreme Court of India is examining the validity of these amendments—the 24th and the 25th amendments to the Constitution. The arguments are going on and we are awaiting anxiously the outcome. So far the record of our judiciary has been excellent. In a recent radio talk, the Chief Justice of the Andhra High Court observed:

"Our Constitution has endowed the judiciary with the power of judicial review. It is thus enabled to correct all illegal and arbitrary actions on the part of the State and its executive. It enforces the rule of law, in the absence of which no citizen can enjoy real freedom. Therefore, in order to safeguard the rights and freedom of the citizen, the rule of law must prevail and the judiciary must have enough sanction to enforce it".

And this the judiciary has been doing so far.

Economically India is facing a difficult situation. Almost half our population of 557 million are living below the poverty line—which according to Indian economists is Rs.40/- per month. The monsoons this year have failed. Apart from a dangerous fall in food production, hundreds and thousands of farmers, both small peasant proprietors and landless labourers, are without food and drinking water. Large numbers of them have trekked to the cities and urban towns in search of work, food and water. The unemployment situation is alarming. It is growing according to an eminent economist at the alarming rate of 6,000 a day. It was 14 million in 1970 and is expected to be 37 million by 1980. The population is really exploding. It is calculated that by 2000 A.D. or 28 years from now, the population of India will be 1,000 million, and that the number of unemployed then would be 100 million.

What is even more dangerous is the heavy infiltration of the Communists (the Moscow variety) into positions of responsibility. They are egging the country to an increasingly leftist path. Rather than seek to revive the economy by the adoption of pragmatic policies calculated to expand production, provide jobs and curb inflation, the country is being subjected to increasing doses of statism. One by one

People everywhere were disgusted. State Governments rose and fell with regular monotony between 1967 and 1971 and left a disastrous effect on the administration in contrast to what happened in France and Italy. The administrative machinery slowly came to a virtual halt in most governments run by erstwhile opposition parties as uncertain government officials refrained from taking decisions. Thus was lost an excellent opportunity to stabilise the parliamentary system.

Meanwhile, the Congress Party itself split. The split which began as an ideological cleavage degenerated into a wrangle of personalities. Demonstrating undoubted leadership qualities and decisiveness uncharacteristic of her father, Mrs. Gandhi dissolved Parliament and ordered a snap election. With her battle-cry of "Remove Poverty" Mrs. Gandhi's rump of a party swept aside a loose alliance of opposition parties to secure unchallenged power at the Centre. Most stalwarts of the opposition and experienced parliamentarians were eliminated from the scene. Mrs. Gandhi attained the unchallenged position held by her father. Earlier this year a majority of the Indian States went to the polls and Mrs. Gandhi scored an encore in almost all the states except two.

Mrs. Gandhi was not born with charisma. What nature had denied to her was sought to be provided by the official organs of publicity to *make her one*. And once again India had an all powerful leader on the one side and a demoralised and weak opposition on the other.

Would Indian democracy be twice lucky? That is the question worrying every thinking Indian. The various actions and pronouncements of those in power give little comfort to those who value individual liberty and free institutions.

Soon after the Congress Party split, Mrs. Gandhi, in a swift move nationalised 14 major Indian banks. This was a patently political move as there was no immediate justification.

The Privy purses and privileges of the erstwhile princes were abolished despite a covenant inscribed in the Constitution. These princes who were rulers of Indian States when British paramountcy lapsed became Independent. Most of these princes gave up their kingdoms which were integrated into the Indian Union and in return were guaranteed certain annual purses and other privileges. The Banks and the Princes appealed to the Supreme Court, which struck down both acts of expropriation as unconstitutional.

Returned in 1971 with an overwhelming majority adequate to fulfil constitutional requirements to amend the Constitution, Mrs. Gandhi struck again by getting Parliament's approval

trained personnel, the absence of a managerial approach and the shortage of entrepreneurial abilities; high taxation and the failure to mop up savings; financial difficulties and defective financial controls leading to inordinate waste in expenditure and, last but not least, traditional attitudes and ways of life—these are the factors which have been a drag on the country's economic development.

I shall conclude with the pregnant comment of another Westerner, Lord Hailsham, Lord Chancellor of England speaking to the Commonwealth Laws Conference in New Delhi on 7th January, 1971 :

"It is only in conditions produced by law that freedom can grow. It is only in conditions where freedom can grow that human dignity can be achieved. It is only free human beings who have attained human dignity who will be ultimately secure in the possession of food, homes and jobs, and the security which goes to make the good life. This is the basic philosophy on which I build what I have to say about law and the common man . . .

"Constitutional liberties—freedom of the person and of association, equality before the law and liberty of expression—precede and are the conditions of economic advance and social security, both of which are largely the result of constitutional freedoms and cannot be obtained without them. This is why those who throw away constitutional safeguards—elected governments, freedom to oppose, independent courts—in the name of economic advance are ultimately betraying the common man and depriving him of the chance of social progress and the very things they promise him in their party manifestos. They are the real class traitors, because in the end they impose themselves as masters on those before whom they parade themselves as liberators".

various Industries and trades are being taken over. And where they are still in people's hands, subjected to numerous restrictions. The power of the officials over the lives of the people has consequently increased immeasurably. And there is growing frustration with the insensitivity of officialdom.

Prices have doubled since 1962. The law and order situation though not alarming is worsening. People are increasingly resorting to violence convinced that they alone will make the government act.

In such a situation even some Europeans and Americans in India who know India well say "Well your problems are economic. Theoretical arguments concerning individual liberty or the right to property are not very relevant. After all the right to property affects only a small minority". Your problem is to feed the thousands of starving people; to provide employment to the millions of unemployed. As if this was not enough, they go on to add "we feel that free enterprise, the competitive system etc., will not work in India. The State has a big role to play. And in our view what the socialists say makes more sense than what you liberals prescribe".

What they imply is that the Indian is a human being different from the European or the American; that the Indian will not respond to challenge; that if encouraged to act on his own untrammelled by needless governmental restrictions, he will not respond.

What these men from the West fail to realise or sometimes refuse to acknowledge is that the average Indian is as fond of his freedoms as his Western counterpart; that a peasant loves his land however small as his Western counterpart. And that no other system of economic development has been given a chance.

The Constitution of India is being made the scapegoat for the failures of Indian planning; and in particular certain fundamental rights like the right to property—an integral part of individual liberty.

In the history of Indian planning it is not the Constitution which seems to have functioned as a brake on the country's rapid economic development but the Indian bureaucracy which Jawaharlal Nehru once described as India's "administrative jungle". Political instability and the wrangling among politicians; the politics of agitation which has led to hundreds of man-days being lost in factories and workshops every year; the tortuous system of licenses and quotas which in a scarcity economy must necessarily accentuate corruption; the inefficiency in the rank and file of the bureaucracy; the scarcity of professional skills and