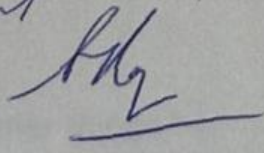
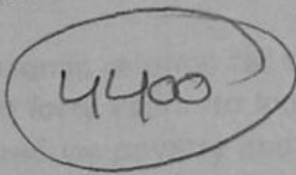


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 Public Services and the New Role of the State and Government

 S.V.Raju

In a letter of condolence on the passing away of Minoo Masani, the eminent Bangalore-based economist Prof.P.R.Brahmananda wrote, *inter alia*, "Masani lived both in the world of ideas and also in the world of action. He will be remembered in India specially for his bold concept of mixed economy which he visualised in 1947 itself."

In 1940 Masani wrote in *Our India*, the book for the young, that made him nationally known: "... how do people all over the world manage their affairs, run trains, carry letters, irrigate the land and control the flow of goods in and out of their countries? They do it through their governments. The State or Government is the machine or instrument which does - or at least, should do, because it does not always do so - what you and I and all those who live in a country want to be done."

Though Masani gave up his belief in socialism, he retained his belief that the State had a role to play in public services in addition to dealing with foreign policy, currency, national security and defense. In his "Plea for a Mixed Economy" to which Prof. Brahmananda refers, Masani cites with approval both Professor Hayek's conclusion that total planning means total slavery and British socialist Barbara Wooton's assertion that the secret of success in planning lies in knowing where to stop. Masani's new Liberalism lay somewhere between Hayek and Barbara Wooton.

This can be seen in the Swatantra Party's Statement of Policy "To Prosperity Through Freedom", adopted in March 1960 (and in the drafting of which Masani played a major role). Even while demanding the abolition of the Planning Commission, the Statement of Policy did not reject the concept of Planning *per se*. Masani's model was Indicative Planning of the French variety not the Gosplan of the Soviet Union - on which unfortunately, India's National Planning Commission was modelled.

Freedom First the journal Minoo Masani founded, published in its January-March 1994 issue, what turned out to be his last public statement, an

"Open Letter" from him to his "Younger Friends". Among other things he wrote:

"If the economic reforms fail then the one opportunity the people of India have had in forty years to look forward to a better life and a fighting chance to reduce poverty and unemployment, will have been lost and it will be a long time before another such opportunity presents itself.

"Why do I lay so much stress on liberalisation? I do so because I believe that the business of government is to govern and not to be in business. How true the Gujarati proverb: 'Where the king becomes a trader, there his subjects become beggars'. The policy of involving itself in industry, trade and commerce has led to the state neglecting its primary responsibilities: the maintenance of law and order, the provision of drinking water facilities, primary health care, primary education, and a network of good roads and rail lines

"These ought to be the objectives of the new economic policy.."

Concepts, for Masani, were means to an end whether one called it a 'mixed economy' as he did or 'social market economy' as the German Liberals did – so long as the end was the enhancement of individual freedom and dignity. For, Masani believed in the primacy of the individual in society. Society is for the individual and not individual for society he would keep repeating. This belief was non-negotiable. Anything which in his view contributed to strengthening individual freedom and dignity' was alright by him; anything that weakened individual freedom and dignity was unacceptable.

This is the New Liberalism that he espoused. He drew freely on Adam Smith and John Stuart Mill; on Hayek and Friedman ; on Gokhale and Gandhi and fashioned a mix of free market economics laced with social welfare.

This is the New Liberalism that the Swatantra Party stood for; the journal he founded, *Freedom First* stands for. This is the Liberalism that the Indian Liberal Group seeks to promote.

The policy of Nehruvian socialism (which led to an amendment of the Preamble to the Constitution resulting in India being re-named as a "Sovereign, Secular, Socialist Republic) penalised thrift (for instance those industrialists who produced more than they were licenced to produce were

punished), encouraged dishonesty (witness the ~~the~~ all-pervasive stench of corruption in every walk of life), promoted a dynasty but denied the Indian people opportunities to grow; and in the socialist obsession with grandiose schemes neglected the public services that were the State's responsibility.

Economic necessity compelled the Indian State to descend from its 'commanding heights', move away from statist policies and accept the fact that it had a diminished role to play in trade and industry. So far so good. ~~Though~~ one could be critical not only of the painfully slow pace of the reforms but also of the manifest lack of commitment to the reform process, the Liberal could only welcome the direction that the reform process had taken.

But the Liberal even while seeking the withdrawal of the State from areas in which it has no business to be in, wants a greater involvement of the State in areas where its presence is warranted by circumstances. And the circumstances in India warrants its active role in the area of public services.

What are these public services ? Let us list some of them:

The maintenance of law and order

The easy availability of clean drinking water facilities

Primary health care,

Primary education,

A network of good roads and rail lines

A fair public distribution system for the poor and those who needed support.

The Maintenance of Law and Order

There has been a marked deterioration in the law and order situation in most parts of the country. While Bihar is generally held up as the most lawless state in India, other parts of the country are fast catching up. I refer not to those states which are the scene of terrorist activities but to those cities and towns which until recently were considered 'safe'. Bombay city for

instance. Once held up as a model where the citizen's life and limb were fairly secure, Bombay is today in the hand of gangsters and extortionists. Over the past few months killings, murders, and gang warfare have been a daily occurrence.

The Liberal's advocacy of limited or lean government does not mean a weak government. It is the primary duty of the State to protect its citizens by a ruthless enforcement of the law. On more than one occasion Mr. Masani recommended harsh measures to restore law and order. And it is perfectly consistent with the Liberal's belief that one person's freedom ends where the other person's freedom begins.

The Easy Availability of Clean Drinking Water.

Even as India celebrates its 50th year of independence, women in many parts of rural India have to trudge long distances to get just plain water, let alone drinking water. According to the *Statistical Outline of India 1997-98* the situation in rural India is appalling. A mere 19 per cent have access to electricity and drinking water; a little over 9 per cent have toilet facilities. 31.30 per cent of our rural folk have neither electricity, drinking water nor toilets.

Urban India is better served though even here large segments are without these basic human facilities. One has only to look out of the windows of trains and buses in the early hours of the day to see thousands defecating on both sides of the tracks and roads in cities and towns. Indeed large numbers of Indians lead a sub-human existence.

Primary Education and Primary Health

While the national average of literacy is 52.2 per cent, the majority of those constituting this figure are males. 60 per cent of the women of India are illiterate. Again the proportion of illiteracy in rural India is much higher than in Urban India. Rural schools are a sham. Often schools have one room, one teacher and four classes where there are schools at all. Often schools are only on paper - a ghost statistic on the records of department of education registers. How can there be real participatory democracy if half the people of India cannot read and write.

Primary health facilities are virtually non-existent in large parts of rural India. There are around 627,000 villages with a population of around 629 million

4 (including rural and semi-urban towns), To cater to these large number are 21,853 Primary Health Centres! A large number of these Centres do not have medical staff, often no medicines and housed in dilapidated structures.

Road and Rail Network

2 For the larger part of these 50 years since independence official policy was to discriminate in favour of the railways. Despite this the number of kilometres of railway lines added since 1947 is absurdly low for a country the size of India. The British left us with 53,600 route kilometres. In 1995-96 it was 62,900 route kilometres. In 45 years a mere 9,300 route kilometres were added - an average of 400 kilometre a year ! (The Konkan Railway was opened in 1997. But large parts of the country cannot still be reached by rail). The data on roads are even worse. Even today a large number of villages are not connected by feeder roads and it is common for the villager who dares to travel to the town market to go by bullock cart. And the roads that are there are mostly in a terrible state. Often due to absence of proper roads the farmer is unable to take his produce to the market nor are there storage facilities where he can store his produce.

A fair public distribution system

Should Liberals support a public distribution system?. Can it ever be fair ? Isn't this the proper domain of market forces. One can understand rationing during times of shortages or during emergencies. But in normal times why should the state dabble in the distribution of foodgrains and other essential commodities. These are questions that often trouble Liberals who believe open markets are an integral part of a free society.

The issue here is not merely of compassion but one of practical wisdom. The number of poor below the poverty line is around 320 million. The poverty line is based on those with a consumption expenditure of one US Dollar a day. The State can ignore such a large population below the poverty line only at its peril. It is not suggested that people below the poverty line be handed out doles. They need to be provided with work and earn an income in cash or kind to provide themselves with elementary necessities. The food for work programme is one example. The Liberal's objective would be to initiate policies to bring down the numbers below the poverty line on the one hand and on the other restrict the subsidised distribution of food and other essentials to those who need to be helped and

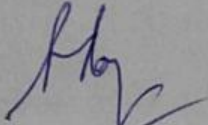
not to everyone irrespective of income levels as it is today in our Fair Price Shops. This is the real challenge that a Liberal has to deal with. The public distribution system merely treats the symptom not the disease. The Liberal has to devise cures for the disease which lie in the realm of sensible economic and social policies.

All these are areas where the State has to intervene. This does not mean that private initiative and enterprise are to be kept out. The essential difference between Liberalism and those who subscribe to socialism or statism lies in the fact that the Liberal throws open the gates to anyone who wishes to enter not only the field of infrastructure - roads, railways bridges, power projects etc. - but the areas of primary education or primary health. It does not matter whether his motive is altruism or profit. What matters is that public services, other than perhaps law enforcement, need to be quickly improved if civil society in India has a chance to survive. And all who wish to participate are welcome.

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