

Freedom First

No.464, January-March 2005
Rs.25/- only

A Liberal Quarterly

Good Governance for 21st Century Aspirations

A. D. Moddie

Accountability of an Elected Representative

S. P. Sathe

India's Economic Liberalisation

Ajit Karnik

Indian Agriculture and Rural Indebtedness

R. M. Mohan Rao

Rajaji : The Last Phase

S. V. Raju

Religion, Rajaji and his Social Philosophy

R. Srinivasan

Convention Special



INDIAN LIBERAL GROUP

February 18-20, 2005 - Mangalore

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Freedom First

A LIBERAL QUARTERLY

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Contents

How the Indian Liberal Group Came into Existence	Minoo Masani	2
Good Governance for 21st Century Aspirations	A. D. Moddie	3
Accountability of an Elected Representative	S. P. Sathe	9
India's Economic Liberalisation	Ajit Karnik	17
The Politics of Freeness	Sankar Ramamurthy	23
Indian Agriculture and Rural Indebtedness	R. M. Mohan Rao	27
Ethics, Corruption and Economic Freedom	Ana Isabel Eiras	33
Religion, Rajaji and his Social Philosophy	R. Srinivasan	39
The Life and Times of Louella Lobo Prabhu		45
Masani in Parliament		47
No Stamps for Minoo	Jaithirth Rao	55
Rajaji : The Last Phase	S. V. Raju	59

BETWEEN OURSELVES

We are glad to be associated once again with the Indian Liberal Group with a special issue to mark their 2nd National Convention from February 18 to 20, 2005. The income from many of the advertisements in this special number will help meet the expenses of the Convention.

This is also the birth centenary year of Minoo Masani who was the founder of *Freedom First* and of the Indian Liberal Group as well. Also, your editor is the current president of the ILG. We therefore have a special interest in this organisation!

We present this Convention Special to the delegates with our greetings and our good wishes for useful and successful deliberations.

We have published on page 2 in Minoo Masani's own words (from his autobiographical "Against the Tide") how the ILG came into existence. This ought to interest not only the delegates to the Convention but also our regular readers. Though the ILG was born on December 10, 1965 and will be 40 this December (*Freedom First* is 53), the ILG took a structured form only in March 2000 – earlier it was a platform to disseminate liberal principles and values. As a movement to strengthen liberal democracy and as a pressure group, the ILG has set for itself a formidable task. *Freedom First* will lend full support to the ILG in this noble endeavour.

We published last year a summary of the first Liberal Budget produced by the Indian Liberal Group in association with the Project for Economic Education, yet another organisation founded by Minoo Masani! The first of its kind, it received much appreciation from the right quarters. Encouraged, the ILG hopes to make this an annual feature. In fact The Liberal Budget 2005-06 with the sub-title "The Way Forward" will be released on February 14, a fortnight before the Union Budget is introduced in Parliament. We hope to carry a summary in the next issue, April-June 2005 along with expert opinion on the Union Budget *vis a vis* the Liberal Budget.

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How the Indian Liberal Group Came Into Existence

Minoo Masani



Some time in 1957 or 1958, I received a letter from McCallum Scott, an English liberal publisher...saying that the Liberal International, the World Union of Liberals, wished to honour me by electing me as one of its patrons ... He explained that this move was prompted by their appreciation of the uphill fight that I had put up in India for liberal values and principles

I was surprised and deeply touched by this act of solidarity in what had been a somewhat lonely struggle against Nehru's personality cult and the Communist conspiracy in India. When this invitation came, the Swatantra Party had yet to be conceived.

I wrote back to McCallum Scott saying that I would be honoured to be included among the Patrons who then were Don Salvador de Madariga., Professor W. Roepke, Count Raczynski, Rene Mayer, Count Apponyi and Henri Queuille.

Later, after the Swatantra Party had been established in 1959, I received an invitation to attend the impending conference of the Liberal International in Gardonne...in Northern Italy from October 1 to 4, 1959. When in Gardonne, I distributed among members of the Executive Committee of the International copies of the 21 principles which then formed the basic policy of the Swatantra Party...

The following day, when the Committee met, Signor Giovanni Malagodi, President of the Liberal International, and many others round the table told me that they found in the principles of the Swatantra Party the milk of pure Liberalism. Why, they asked, should Rajaji want to call it a Conservative Party? They also asked why the Swatantra Party should not affiliate to the Liberal International and become its national unit in India.

I explained that it was too early to say how the party would develop and that it would be fair to concede that there were people in the party who could be called conservatives rather than liberals. ...I therefore suggested that we should leave things somewhat flexible. The result was that for several

This is a passage from the second volume of his political autobiography, "Against the Tide"

years I was the only link between the Liberal International and liberal elements in India.

In 1963, I had an occasion to discuss with leaders of the Japanese Democratic Party in Tokyo, the possibility of their joining the Liberal International. Unlike the Swatantra party, they had been in power since the end of World War II...

*

When the Japanese Liberal leaders including Takeo Miki saw the programme of the Swatantra Party, they told me that they greatly admired the courage of Rajaji, myself and our colleagues, in presenting such a sophisticated 20th century programme to the people of India. They, of course, could afford to do so because the Japanese people were literate and affluent, unlike the Indians who were both illiterate and poverty stricken and would obviously respond more readily to the dangerous demagogic promises of the communists and the socialists, who unlike us would be promising them the moon. This was a forecast of the *Garibi Hatao* slogan which was to appear on the scene a few years later.

My answer to my Japanese friends was that what they in their politeness referred to as our courage was in reality what they undoubtedly considered to be foolhardiness. I pleaded guilty to that charge. It was true that we had consciously struck a posture well ahead of our times. We were convinced that the Indian people must and would ultimately turn to these policies. Meanwhile however long this might take, we were quite prepared to be the wilderness. It did not matter to Rajaji or me whether we personally came to power so long as our principles were accepted. My Japanese counterparts, who were tough power politicians must have considered us very unrealistic and idealistic...

I felt that that the best thing would be to form a Liberal Group in India which corresponded to those which existed in several other countries, either alongside with, or in the absence of, Liberal parties. On 10 December 1965, the Indian Liberal Group came into existence with a modest membership. An Executive Committee to run the affairs of the Group included Sophia Wadia, founder of the Indian PEN, as Chairman, Khushwant Singh, editor of the *Illustrated Weekly of India*, Professor B. R. Shenoy, H. V. R. Iengar, Dr. F. Mehta and myself. The Indian Liberal Group is a non-partisan body entirely unconnected with any political party. While some individuals may belong to one party or another, most of its members are not members of any party at all. This is as it should be.

Good Governance for 21st Century Aspirations

A. D. Moddie

The effective management of Indian coalition politics and coalition governments at the Centre and the States will probably be the central political challenge in the globalizing 21st century.

India will require all its ancient wisdom to pursue that pragmatic Golden Mean, a synthesis between the best in its ancient civilization and a modern globalizing society on a turbulent planet.

In the 21st century, every major national issue will have a global context, and every such issue can best be solved globally in an interdependent world; whether they are such fundamental ones as green house gases and climatic change and its consequences; the demographic challenge of an India exceeding a billion people; global problems of trade, technology and cross-border activities as never before; new global diseases of AIDS and SARS; the oldest issues of war and peace, and now terrorism. If Indian leaders wish to make India a global power by 2020, they must think and act both nationally and globally. That will be the central challenge for a dated, insulated leadership with minds limited to constituency, caste, community and linguistic state; given to financial profligacy and indiscipline at high cost for the nation's development and security.

In his address on "Good Government" at the IIPA in 1964, Mr. S. G. Barve a senior civil servant turned Congress minister in Maharashtra, observed: "There is substantial agreement as regards what needs to be done; most of the political argument is how well or badly it is in fact done. That is why so many issues of political controversy on close scrutiny resolve themselves into nothing but simple problems of good government." A Bangalore study of public activities showed that 85% of the people were dissatisfied with the performance of public utilities. The question why must be addressed seriously and operationally by political parties, legislatures, and top administrators. There should be no more buck-passing to enquiry committees and commissions, which have been as exercises in futility in the past 50 years. We have to perform now, to avoid the foreign jibe that "India is always a country of future potential".

Areas of Failed Performance

40 years later in 2005 Barve's identification of areas of failed performance have not changed much. Let's take a look at some chronic cases:

- Bihar is a classic example, with the richest alluvial



soils in north Bihar, and the richest mineral resources in south Bihar. Yet all governments at the Centre and in the erstwhile composite state of Bihar have in the last 50 years failed disastrously

and made Bihar India's Central Africa. Today Bihar's politicians match total non-performance with fantastic largesse balloons from the Centre. After failing to spend more than Rs.20,000 crores in the last 25 years, the present RJD government of Laloo Prasad Yadav has the profligate irresponsibility to demand Rs.1.79 lakh crores as compensation for the partitioning Bihar into Bihar and Jharkhand! The late Prime Minister, Rajiv Gandhi announced a Rs.5,500 crores package for Bihar in 1989 with a separate section in the then PMO's office for Bihar's development. Despite this the incompetent politician-bureaucrat establishment of Bihar has not sent a single project in the past 14 years, though its own consumption of public resources has multiplied. Rs.100 crores given for flood control remained unspent! And more was promised in Mr. Chidambaram's 2004 budget! Unless new performance and accountability systems, backed by political will are introduced, UPA government will only perpetuate the 50-year failures.

- The Eastern states which, in the Ganga-Brahmaputra system, hold 30% of India's water and 40% of India's hydro-power, remain undeveloped.
- Despite self sufficiency in the production of foodgrains, at least 300 million still suffer from malnutrition and we can 'boast' of being among the lowest HDI standards in the world - some say even below Sub-Saharan Africa - and this after nine Five Year Plans!
- Unemployment continues to be a potentially explosive with far more unemployment now when Barve pointed out its alarming magnitude in 1964.

How much longer will India be the world's biggest

performance failure to potential, when the whole of East Asia has gone far ahead since shared underdeveloped levels in 1960? Political will is the plain, honest answer, and all political parties, including the Congress, the 'Left', BJP and varieties of Janata have failed conspicuously over 50 years. Can the revived Congress-led coalition perform significantly better?

Do we have good answers that Barve raised even after 40 years after he raised them?

- Do we have a system (political and bureaucratic) which would tend towards securing in places of political authority and responsibility, persons capable of exercising it with the necessary comprehension, integrity and skill?"
- "Do we have a system whereby they would be quickly brought to book and displaced where they are seen to fall short of standards?"
- "Is the administrative structure at the Centre, States, in the Zilla Parishads and at still lower levels coherently organized? Does it nourish initiative, secure power and responsibility appropriate to each level where government power is exercised?"

Today, these questions seem like a public joke. The short, truthful, publicly known answer to each of these questions is a clear 'No'.

'Swaraj' or 'Sauda Raj'



Mahatma Gandhi

Twenty five years ago, a senior Congressman told me bluntly, "*Aap nahin jante. Is desh me har baat ke liye 'sauda'.*" So we are reduced to 'sauda raj' by all political parties, bar none; first sensed by Gandhiji, the man who led us to *swaraj*.

The generation of independence leaders prior to 1947 demanded *swaraj*, but it never occurred to them to seriously study the Indian state and Indian governance in the historical period of two millennia between the Mauryas and the British. Future *swaraj* surely deserved such a study of past *swaraj*, its positive and negative lessons. In his 'Discovery of India', Nehru failed to discover two lasting legacies of India. First, out of twenty five centuries of recorded history, India knew good central government for only five centuries; three of which were provided by



Chandragupta Maurya

foreigners, the Mughals and the British! For most of the remaining 20 centuries, India knew only ephemeral and regional kingdoms and principalities, no enduring, organized systems of governance, and continuous disorder. C. Rajagopalachari was the only one of that generation who made a prescient remark: "India has been a governmentless civilization". The people of India knew only local customary governance in local communities, as elsewhere in Asia. In Kipling's words,

"They bowed their heads before the storm, And let the legions thunder past;" resuming their sustained local customary governance in village, tribe, 'jati'.

Instead of seeing the great historical strength of local customary governance, especially of natural resources of forests, water, and land; and the failure of all centralizing governments in Asia, colonial, and indigenous, since the 18th century clearly destroying such indigenous systems; the political generation of Independence borrowed the British colonial state, lock, stock and barrel, in administrative systems, in law, in the Police and judicial systems, even the Official Secrets Act, and World War II controls. This led to the "transfer of power" from white hands to brown. It was virtually a continuation of British governance by Indian hands.

Scope for New Youth Leaders

The Press, like the rest of India, suffers from the belief that people can do national work only in Cabinet jobs, when, it speculated on the fate of what they called the 'Baba Log' or young dynasts, the sons and daughters of leading political leaders in the Cabinet making. I refer specifically to the 'thirties generation of Rahul Gandhi, Jyotiraditya Scindia, Milind Deora, the young Pilot, Naveen Jindal, Marvendra Singh *et al*. May I suggest they be formed into multi-party committees, reinforced by the best NGO leaders, and promising faculty from IIM's and IIT's to explore 21st century ideas, based on past Indian experience, in the following three vital areas:

1. Family welfare and population planning, with high literacy, primary education, and basic health needs for the lower 500 million of India's population.
2. More effective Panchayati Raj at the village and 'block' levels. Reviving traditional systems of customary governance of local resources of forests, grasslands and water, with new Water User Associations, with new conventional and non-conventional energy potentials. Better district level governance as facilitators in development, not as neo-colonial rulers, Improving the investigative competence in crime detection at police, thana and district court levels, and raise India's poor conviction rate from a low 6% to at least 30% - 70%

being the conviction rate in Western democracies.

Employment and Productivity, not Labour

Jobs seemed to be one of the four major recent electoral issues with agriculture, '*bijli*' and '*pani*'. The very concept of a Ministry of Labour - a name going back to pre-1947 days - is based on the simple early 20th century economic concepts of land, labour, and capital. A century down the road we have learnt that rising employment with rising population makes it imperative to have high GNP growth rates at least a sustainable 8% p.a. in India. We have also learnt that the present labour laws which protect the existing jobs of 20 million in the organized and government sectors at the cost of 37 million in the unorganized sector is a gross travesty of social justice, which the dated Indian Left still finds hard to face.

To enable a transformation into 21st century views and circumstances, the first need is to change the name of the Ministry of Labour (with its static link with labour laws and protection of only existing organized sector employment) to Ministry for National Employment and Productivity. Its primary tasks should be:

- ❑ higher job creation, especially in the service industry and new opportunity sectors;
- ❑ the raising of Indian productivity in all organized and unorganized sectors for higher Indian competitiveness in globalising world markets, a high priority national objective above any single party's vested interests;
- ❑ and new policies, institutions, and budget provisions for higher training in employability in a host of new employment potentials. No more Macaulayan Babu Breeding!

What Markets will Need?

- ✓ I.T. and outsourcing jobs, including I.T. '*chaupals*' in rural, agrarian areas for better farm science and market orientation;
- ✓ Expansion of telecommunications, and, Sam Pitroda's 'yellow box' revolution of PCOs, ISOs and STDs;
- ✓ small entrepreneurs and self-employment (e.g. *Bharatiya Yuva Shakti Trust* grooming 1000 entrepreneurs), which with farmers, vehicle drivers, and shopkeepers already account for 92% of Indian jobs. There are estimated to be about 55 million waiting for such opportunities;
- ✓ The enormous Services sector, calling for skilled plumbers, carpenters, masons, electricians, electronic workers, hotel and restaurant staff, tourism staff, nurserymen and gardeners, and insurance and

investment agents;

- ✓ Transport workers, mechanics, automobile drivers, service station workers, repair shop mechanics.

What Government Plans Can Create?

- ✓ Skilled workers in a range of eco-system management, e.g. forestry in all sectors, water-harvesting, sprinkler irrigation, check-dams for better water retention in upland areas;
- ✓ Skilled workers in a range of Alternative Energy systems, wind, solar, bio-gas, fuel cells, etc., 'snail-paced' so far; (Nothing for alternative energies in the 2004 budget in a country with 70% dependence in crude oil in a terrorist region!)
- ✓ Skilled workers in urban and rural sanitary systems, with no sanitation in 31 m. rural and 16 m. urban households;
- ✓ Skilled primary and secondary school teachers;
- ✓ Para-medics for health needs in villages and urban slums, a vast potential field. (Dr. N. Antia's project in tribal villages in Maharashtra was able to train women to diagnose and treat 80% of human ailments for a small stipend, against the highly capital-intensive hospital route, followed by most governments with limited scope and effectiveness.)
- ✓ Skilled employees for a range of jobs in the Infrastructure sector, power, water, transport, and for viable infrastructures to ensure sustainable employment. Free water and free power are obviously unsustainable political bluff, offering no employment growth, and a major cause of the anti-incumbency factor in elections;
- ✓ Skilled trainers for all the above employability skills. All these could be India's most challenging 'Performance Tasks' in the proposed Ministry for Employment and Productivity, in cooperation with Chambers of Commerce and Industry and Trade Unions.

In the real world, be it market or government, there is no such thing as the Right to Employment by the unemployable. Social justice calls for the Right to Employability by way of education and training, and equitable job opportunities on merit. Every inefficient, unemployable employee (and there are millions in the state sector with political patronage), takes away resources from the education and training of many more efficient and employable. Besides, the former is a 30-year liability on national competitiveness and productivity; the latter is a 30-year asset.

The New Face of Poverty Dr. Jodha's Researches

In the past, the face of poverty was seen and

measured largely, (a) by the economist's per capita income, and (b) the nutritionist's calories; both statistical concepts. Dr. N. S. Jodha's researches have shown that (a) poverty has reduced greatly since the 1960's; (b) that we are unable to understand poverty merely through statistical figures, and (c) villagers (in Rajasthan) use several non-economic concepts to measure poverty. These could well be beyond Rajasthan.

Dr. Jodha found that going by the conventional measure of rural consumption per head of Rs.175 per month at 1982/84 prices, the ratio of people in poverty went up from 17% in the mid-1960's to 23% in the 1980's. In all 38% of families suffered a drop in income. He found that despite an apparent fall in income, families had improved their well-being in both social and economic ways. The social ways, as perceived by the villagers, were:

- a rise in households where women and children wore shoes to 86%;
- the ratio of families with 'kutcha' houses dropped from 91% to 34%;
- the proportion of households with separate quarters for humans and animals went up from 6% to 52%;
- the ratio of households withdrawing children from schools to work at harvest times declined from 17% to 6%. Some families pull their children out of odd jobs and put them to school, a move which reduced family income, but improved aspired well-being;
- the reduced dependence on the landlord or patron as labourers, or living of the patron's/landlord's land, or the reduced proportion of families borrowing grain and increase consumption of green vegetables; not least the wooing of poor villagers by landlords for votes; all adding up to a reduced dependence on feudal relations.

Dr. Jodha also places emphasis on:

- better availability of free or subsidized social facilities in health, education, and security; and
- food-for-work programmes with institutional credit.

The lessons from this are that:

- we have probably been exaggerating poverty for political purposes;
- we should not ignore factors beyond per capita income and calorie consumption, which also lend themselves to measurement, as they did to Dr. Jodha;
- we may have underestimated the impact of improved social services of health and education, and institutional changes in food-for-work and credit, all helping to

reduce the age-old burden of debt. Dr. A. M. Khushro also observed that the consumption of social services has improved greatly, but is missed by conventional sources of income.

All this points to the need for a more sophisticated understanding of the problems and measures of poverty, especially in the perceptions of the poor themselves. Planning Commission, Centre and State governments ought to go down Dr. Jodha's street to understand poverty better, and pursue more effective ways of reducing it.

Two Deadly Political Sins

If the Congress-led coalition wishes to take a more serious look at the "human face" of public policies beyond the limited eight million well-to-do organized sector labour unions, then there has been nothing so starkly criminal in the last fifty years as the political community's inhuman neglect of the basic human needs of Food and Water. If corruption has been India's political cancer, the prolonged neglect and failures in the food and water fronts have been political murder. For this neglect the people of some states have thrown out state governments in recent elections. Two thirds of Members of Parliament and a higher proportion of members of the state legislatures are supposed to represent rural India's 700 to 800 million all these years.

Profligate spending and profligate waste lead to that "human face" of poverty, which politicians are only prepared to look at, at election time with false promises.

Could the Prime Minister and the Congress-led coalition government give India a full-fledged Water Resources Management Ministry for rural and urban areas, not tagged to Agriculture, as Power is not tagged to Agriculture or Industry. Water is the most serious threat to a population rising above a billion, with per capita consumption fallen to half the 1950 figure, and with ground-water levels dangerously receding.

Whilst the Golden Quadrilateral of highways has no political problems, a century of Cauvery water disputes makes the sharing of the proposal interlinked river waters macro project a political nightmare not merely because of its technical problems and gargantuan costs. Ironically, with international help, the Indus Waters dispute between India and Pakistan was resolved in the first decade. The sub-continental water problems with Nepal and Bangladesh, and the internal Cauvery problems internal to India, make it wise to approach the sub-continent's water problem with prudence; and also with the technical skills of our ancestors in which water systems even in deserts and arid regions lasted for centuries, and were locally sustainable without costly Irrigation departments. In places like Kangra and Lahaul, the local people have managed well for centuries without costly,

inefficient Irrigation departments. They just need bank financing and customary local management, the least cost and most efficient of all.

Trends in 21st Century Economics

Fundamental changes have been taking place in the "hybrid economies" of the world at the end of the 20th century, indicating continued trends in the 21st century. This involves significant changes in mind-sets of the 1930's Depression, early Capitalism, and early Communism or Socialism.

First, technological changes have led to reduction in the primary products economy, and it has become "uncoupled" with the industrial economy. The raw materials required for one unit of industrial production is less than 1/5th of 1900. For example, fibre glass is replacing copper wire, and plastics is replacing steel, wood and wool/cotton. Technology has introduced new substitute materials, the most staggering being the silicon chip.

In the industrial economy itself, production has become "uncoupled" from employment by automation, robotisation, and the knowledge society. In the 1920's the proportion of non-blue collar workers to the rest was only 1:3. It then fell to 1:6 in the 1980's, and it has been dropping since. Left and ex-Janata politicians will have to appreciate this technological and inevitable change. The labour costs of micro-chips is less than 10% (over 70% knowledge), in drugs less than 15% (over 50% knowledge), and in robotized automobile plants it is only 20% of costs. So, cheap labour costs and non-blue collar workers are vanishing elements as economies inevitably technologise.

The 'invisibles' of capital movements are far superceding the 'visibles' of trade in goods and services and is becoming the driving force of global economies. This makes the source of capital more global, and the investment climate global too. Our politicians' notions of largely government investments, especially Centre to states, has to change. The enormous investments for infrastructure, tourism, and even agriculture, apart from industries, may increasingly have to come from global capital. And global capital is no longer from the Ford's and G.E.'s, but from unseen investment managers in Pension Funds. So capital movements, exchange rate changes, and credit flows will become "the flywheel of the global economy". This flywheel is multiplying the rate of money flows over 25 times the rate of capital flows for goods and services. Indian politicians of all parties need to see this significant change, a big change from neo-classical economic theory confined to goods and services.

The famous management expert, Peter Drucker said, "We are left with one conclusion: Economics dynamics have decisively shifted from the national economy to the world

economy. From now on, any country that wants to prosper will have to accept that it is the world economy that leads, and that domestic economic policy will succeed only if they strengthen, or at least do not impair, the country's international competitive position." The best Indian companies now have 20% to 40% business in the world markets.

Indian politicians have had the simplistic and wrong idea that only large infusions of money create development and remove poverty. That is a well established fallacy for many reasons. The fundamental of this point is that poor eco-systems make poor people. Infusions of money alone do not reduce water and bio-mass shortages, nor atmospheric, soil and water pollution; all of which reduce productivity and the quality of life; and for future generations also. There is an incalculable cumulative social and human cost.

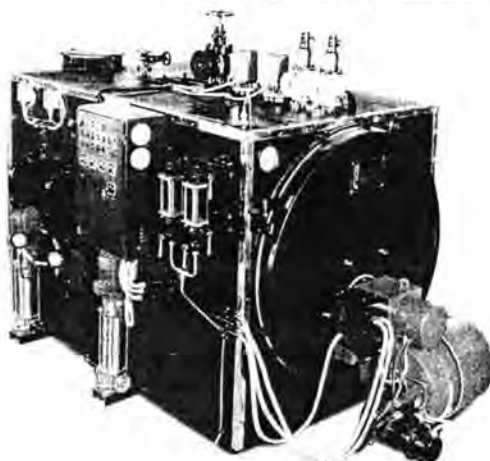
As a result of environmental degradation, agricultural productivity per capita in Africa has declined since 1967, and in South America since 1981. As a result, the World Bank found that life expectancy declined in nine African states. In *Zambia*, twice as many children died from malnutrition in 1984 than in 1980. The health of environmental systems is, therefore, fundamental for poverty alleviation and Mother Earth.

Good environments and conservation of natural resources is also an imperative obligation to our children and future generations. Indian politics has not yet accepted that obligation. We brown Indians going the way of the white Americans in the 19th century, should learn from these words of wisdom from the Red Indian Chief Seattle to the President of the United States in 1854: "Every part of the earth is sacred to my people. The rivers are our brothers, they quench our thirst.... There is no quiet place in the white man's cities. The air is precious to the Red man, for all things share the same breathe, - the beast, the tree, the man, they all share the same breath.... All things are connected.... Whatever befalls the earth, befalls the sons of the earth.... To harm the earth is to heap contempt on the Creator."

Can India, whose ancient culture had its roots in forests, on river banks, on the great Himalayas, feel the spirit of Chief Seattle, in its government-led 'Gaderine Swine' rush for suicidal materialism? Chief Seattle's eloquent, moving words are relevant for India in and beyond 2004. Can parents, teachers, companies, governments learn his deep wisdom?

MR. A. D. MODDIE was in the first batch of the IAS (1947-48); a representative of industry to government. Author of the well-known book 'Brahmanical Culture and Modernity'. Mr. Moddie was, until recently, Chairman of the Central Himalayan Eco-Development Group.

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Accountability of an Elected Representative

S. P. Sathe

It seems that Indian politics is shifting from its obsession with charismatic leadership to a choice for a more performing leadership.

Accountability means justification of the confidence reposed in a functionary by the people. It is essentially a moral concept and is an integral part of the political morality to be observed by various role players in a democracy. Democracy itself is a moral system. Although constitutional law is its infrastructure, not super-structure, morality or ethics are its flesh and bones. Where such morality does not form part of the constitutional process, mere law cannot sustain it. While the law is in writing, morality is often unwritten and operates as conventions. When countries like India adopt a Western model constitution, without internalising the moral system, there is a tendency to find space for behaviour which does not conform with morality by exploiting the gaps in the written text. This has happened with accountability too.

The President's Advice

I shall give two examples of this. The Constitution of India provided for the British type of parliamentary government in which the council of ministers is collectively responsible to the lower House of Parliament and the Queen acts on the advice of the Council of Ministers. The same system operates in Australia, Canada and New Zealand. In none of these countries' constitutions is it said explicitly that the King or the Queen is bound by the advice of the cabinet. Yet it is presumed that she is so bound. In India, the Constitution says that "there shall be a council of ministers with the Prime Minister at the head to aid and advise the President". In the debates of the Constituent Assembly, the view that the President would be bound by such advice was shared generally. The first President Dr. Rajendra Prasad, however, raised a question whether he was bound by such advice. For a long time the controversy continued. Ultimately the Constitution was amended to make it explicit that the President shall, in the exercise of his functions, act in accordance with such advice.¹ Similarly, Article 75 (5) provides that a person may be appointed as a minister even though he/she may not be a member of either House of the Legislature. He/she, however, would cease to be a minister after six months if he/she is not elected to the House. This provision was made only for rare occasions. But in some states, a person defeated at the elections or ineligible to be elected having incurred some disqualification got herself appointed as chief minister (CM). She could have resigned that post before six months were completed in order to get herself appointed as CM for another six months. Ultimately the Supreme Court

put its foot down and declared that such a provision could be used only once. The Court laid stress on the words "six consecutive months" to arrive at such a conclusion.² This happened because the Constitution was read strictly as a law and not as a code of political morality which was inherent in it. Reading a Constitution as law is done in two ways. One way is to adopt a positivist interpretation which means giving effect to the intention of the law maker by strictly construing its text without taking the social, political or historical context into consideration.

The other is a legalistic interpretation in which the law is interpreted by invoking its text to totally frustrate what was intended by the Legislature. Both approaches are not suitable for interpreting an organic law such as the Constitution. A structuralist interpretation involves looking at a Constitution not as "mathematical formulae having their essence in their form"; but as an organic instrument whose meaning is to be "gathered not simply by taking the words out of a dictionary, but by considering their origin and the line of their growth".³ The question of accountability must be understood in the light of a structuralist interpretation of the Constitution.

In a representative democracy, a person elected to a legislature is elected for a period laid down in the Constitution. It may be five years as in the case of a member of a legislature in India or four years as in the United States. She may however lose her seat if she resigns or dies or incurs any of the disqualifications mentioned in the Constitution or in the Representation of the Peoples Act, 1951, (RPA). However, if none of such disqualifications are attracted, she remains a member for a period of five years or until the House is dissolved. She cannot be removed, or dismissed or recalled. However, the other offices such as the President of India, the Vice President of India or the Judges of the Supreme Court or High Courts or the Chief Election Commissioner, can be removed from office by a procedure laid down under the Constitution. In some statutes, provisions are made for the removal of the chief functionary such as the Protection of Human Rights Act, 1993 which provides how the chairperson is to be removed. There is no such provision for elected representatives. The only requirement in a parliamentary democracy is that the Council of Ministers must be collectively responsible to the lower House of the

Legislature and the Prime Minister or Chief Minister has to tender her resignation if she is defeated in the House on a major policy issue or by a vote of no confidence; Ministers lose their office on the resignation of the Prime Minister. Members of the legislature lose their membership of the House if it is dissolved.

Legislators with Criminal Records

How do we ensure that elected representative remain accountable to the people? The only way accountability is reinforced is by the rejection of that representative in the next election. But this means he is irremovable for five years. How do we ensure that an undesirable person does not get elected again after five years? In a country such as India, where voting is much influenced by caste, religion and gender considerations, or consideration of utility, will accountability be reinforced through elections? We have seen that persons with known criminal records or who have made money through reprehensible means have been elected by a large majority. Often we come across persons with criminal records or who are corrupt getting elected because they have done something for their constituency. They have opened a school or built a road or opened a factory in the public sector for their constituency. They get elected despite their abominable record. There are some Robin Hoods who rob the rich and help the poor. Obviously such people have no regard for the rule of law. But regard for the rule of law is obviously not a consideration for their fitness. He represents the people.

A Maturing Electorate?

Democracy in India has puzzled many political and legal pundits. It has survived for more than fifty years despite pessimistic predictions of many Western as well as Indian thinkers and politicians. There have been some positive signs too. In 1977, the people defeated the Indira Gandhi government and punished it for its faults committed during the 1975 emergency. When the Janata regime which came with big assurances miserably failed, they brought back Indira Gandhi in 1980. In 1985, they gave a landslide victory to Rajiv Gandhi. From 1991, started a new phase in Indian politics. The electorate refused to give their mandate to any single party. The fractured mandate brought in coalition governments. Some of these governments were short-lived (Deve Gowda and Gujral). In 2004, the electorate dismissed the Vajpayee government and brought in another coalition, headed by Dr. Manmohan Singh. Have such electoral verdicts brought greater accountability of the elected representatives? Recent elections have shown that promises of feel good or a strong India did not lure the people. Even sermons on *Hindutva* or secularism seem to have lost their appeal for the electorate. Recent elections show that a performance audit by the electorate is increasing. People are judging their representatives by the results on the ground, viz. how far has the quality of life improved; what have they done to control prices, provide electricity or better governance? Are we going towards greater accountability? Is our electorate

maturing? Do unstable governments signify a stable democracy?

Empowering Civil Society

It seems that Indian politics is shifting from its obsession with charismatic leadership to a choice for a more performing leadership. The elected representatives are not as sure of their return in the next election as in the past. In other words, they can no longer take the people for granted. The main problem is how do we empower our civil society so that it could exert greater pressure on the elected representatives? People can be empowered through education and also through law which facilitates the exercise of freedom. Civil society's education in the democratic process is also done by institutions which deepen its commitment to the rule of law and other constitutional values. This is, however, not a one way traffic. Civil society is not only influenced but also influences such institutions. The constitutional authorities who have contributed to such a dialogue between civil society and the ruling elite are: (a) parliament; (b) the judiciary, particularly the Supreme Court; (c) the Election Commission; (d) the National Human Rights Commission and (e) the media

Membership of Parliament

The Representation of the People Act has many provisions which prescribe disqualifications for membership of the House. Persons convicted of offences mentioned in S.8(1) such as gang rape or custodial rape, practising untouchability, taking or giving dowry, glorification of *sati* and those sentenced to not less than six months of imprisonment by a competent criminal court, cannot become members of the House from the date of their conviction till six years after the end of their sentence. In the case of other offences, a person convicted and sentenced to imprisonment for not less than two years cannot hold membership of the House from the date of his conviction till six years after the end of his sentence. In fact these provisions should be amended and persons convicted for such offences should be disqualified for life. The RPA also prohibits appeals on the ground of religion by persons contesting elections. The Act also makes it a corrupt practice to make hate speeches against a class of people because they belong to a particular religion. An election won through such advocacy can be declared null and void by court.

Freedom of Information Act

The Thirteenth Lok Sabha passed a bill called "Freedom of Information Act 2002" [FOI] which has now come into force. The Supreme Court had already declared that the right to information was included within the citizen's right to freedom of speech and expression. Now the Act gives access to information to the common man. Secrecy had been an important heritage of colonialism. Unfortunately it remained part of governance for more than fifty years

after independence, FOI was enacted with a view to facilitate access to information and thereby increase the accountability of the administrators including the peoples' representatives. Every elected member of Parliament and state legislature gets a development fund which she can spend for development in her constituency. How is this amount spent? We hope that this Act will be executed in its true spirit.

Excessive Secrecy

With the opening up of the economy, transparency in administration has become all the more necessary. In the last fifty years, elected representatives had access to many public sector undertakings and many of these PSUs incurred huge losses because they treated them as private properties. Without transparency, governance cannot become accountable. In this context, Parliament must clearly repeal the Official Secrets Act [OSA]. Although the FOI provides that it will prevail over any law inconsistent with it, that clause might secure freedom of information only after prolonged litigation. A court will have to decide whether there is inconsistency and if it is there, courts might make an effort to read them harmoniously. A clear repeal of the OSA by incorporating provisions regarding espionage within the FOI would be desirable. The reports of the Comptroller and Auditor-General are submitted to Parliament. They need to be scrutinized more closely. The whole concept of secrecy is a hangover of the colonial State and needs to be revised in a democracy. Each minister is required to take an oath of secrecy as given in the Third Schedule. Should such an oath inhibit a minister from disclosing information which is in the interest of the people? Are we not planning to have a whistleblower protection legislation? If accountability of a minister is to the people who elected him, how can he withhold information whose disclosure is required in the public interest? An ideal governance must be participatory.

The Budgeting Process and Secrecy

An advance publicity of a budget may bring in peoples' reactions and finance ministers may be able to improve it in the light of suggestions that come from the people. There are some matters which are confidential such as military operations during war or may be secrecy during the investigation of a crime. Only such matters may be excluded from disclosure and that too temporarily. Evidence collected by an investigating agency is ultimately produced in court and becomes public. Similarly military secrets do not remain so after the event.

The exceptions to the giving of information are rather too broad in the FOI. MPs and MLAs must inform the electorate as to what they did during the previous session. Mere adversarial politics should not engage them. How many members take part in debates in the Legislature? How many have asked questions seeking information on behalf of the people? How much of the Legislatures' time was spent in

filibustering? Even budgets have been passed without any discussion. Should members be paid their allowance for the day when they obstruct the legislature from transacting any work? Should they not be held responsible for the financial loss they cause by constantly having sessions adjourned? Should there be an 'ombudsmaning' of the behaviour of members of the legislature?

Controlling Defection

Parliament passed the Ninety first Constitutional Amendment in 2002. This amendment has significantly restricted the freedom of politicians in the interest of the people. That a constitutional amendment had to be passed for bringing about such changes shows that self-correction and self-discipline among our elected representatives was totally absent. Since the emergence of various regional political parties, and the need to satisfy each component of the coalition, the size of the council of ministers went on expanding. Members were willing to join any coalition which gave her a ministership. Unprincipled defections totally contrary to their obligations as elected representatives had snowballed. These defections took place not out of ideological commitments or similarities of outlook, but for getting personal power and money. The Constitution had been amended by the fifty second amendment in 1985 which brought in some curbs on defection. It provided that if a member changed her political party on whose ticket she had been elected, she would lose her seat in the House. The Act however left some loopholes. It provided that if one third of the members of a political formation withdrew support and joined some other formation or remained a distinct formation by themselves, they would not incur disqualification on the ground of defection. This amendment prevented an individual member from defecting but it allowed groups to do so provided they constituted one third of the total number of members of a political party. This led to even greater abuses. Defecting members could extract heavy monetary consideration as well as insist on getting ministerships. The size of the council of ministers increased inordinately imposing heavy costs on the exchequer.

The Ninety First amendment limits the size of the cabinet including the Prime Minister or the Chief Minister to not more than 15% of the total number of members of the House. Even this allows for a large cabinet. In the case of smaller states, the cabinet can be of not less than 12 ministers. Further, it provides that if a member leaves a political party on whose 'ticket' she was elected, she would cease to be a member and cannot be appointed as a minister until she is again elected. A new article 361-B was inserted which provides that a member who has been disqualified to be a member on the ground of defection shall be disqualified to hold any remunerative posts (chairman of incorporated bodies) during the period of such disqualification. The provision permitting one-third members to defect and merge in another party have been deleted.

This is a significant provision which will curb defections.

Candidates with Criminal Records

The Supreme Court commanded the Election Commission to ask every candidate filing her nomination papers information regarding her assets and liabilities, past prosecutions and convictions or acquittals, and pending prosecutions, if any. All political parties unanimously opined against the ECs power to seek such information. An ordinance was drafted to deny such information to the Election Commission. This was later converted into the RP Amendment Act 2003. The Supreme Court struck down the ordinance and the Act as being violative of the right to information which was a fundamental right. The Court observed that the people who constituted the electorate had a right to know about the candidates for whom they had to vote. They were entitled to know such of their antecedents as would be relevant for voting. This has had some beneficial effect on the elections. The Association for Democratic Reforms in a report observed that there was a decline in the number of candidates with criminal records in the elections after the Supreme Court decision mandating information from candidates about their criminal records and assets and liabilities as compared to the number found in the elections held prior to that decision. In the Gujarat elections held in 2002 such candidates constituted 18% of the total number of candidates. In the elections held in 2003 in Rajasthan, Delhi, Himachal Pradesh and Madhya Pradesh, the number of such candidates came down to 9%. In the 2004 Lok Sabha elections, the number of persons with criminal record from among the 542 MPs elected were as follows – Cong 10%; BJP 19% BSP 37% CPI (M) 12% NCP 56% RJD 40% DMK 13% Shiv Sena 33%.⁴ In the elections to the Maharashtra Legislature held in October 2004, out of the total number of 2678 candidates who contested, 1,625 submitted their antecedents. According to a survey made by the Association Democratic Reforms, out of 1625 candidates, 22.5% (366) were those against whom criminal cases were pending. The party-wise break up of such candidates with criminal prosecutions pending against them was as follows – Congress 19%; BJP 40% NCP 25% and Shiv Sena 56%. The wealth of such candidates ranged between 1 crore to 100 crores.⁵

Wealthy MPs

In a recent study of the affidavits submitted by 541 contesting candidates in the 2004 Lok Sabha elections, the profiles of members of Parliament have been analysed. Assets declared by candidates show that many members are affluent. The average wealth of a candidate party-wise was as follows: Congress Rs. 3,10,76,000; BJP Rs.96,91,000; CPI (M) Rs.22,95,000; Bahujan Samaj Rs.1,19,83,000; CPI Rs.25,40,000; Samajwadi Rs.1,53,78,000; RJD Rs.56,19,000; DMK Rs.1,05,06,000; Shiv Sena Rs.1,51,29,000 and BJU J. Rs.53,51,000. Average: The average assets reported by the SC and ST members were less than one-third of the assets reported by the rest. The average value of assets of non-SC/ST MPs was Rs.2 crores.

Nearly half of all the MPs have outstanding debts in excess of Rs.10 lakhs, 13.6 % have debts above 1 lakh. Debts below 1 lakh are owed by 5.4%. The total outstanding debts of these MPs amount to Rs.413 crores. The party-wise break up is as follows: Congress 45% though they comprise less than 30% of M.P.s; BJP 23%. Larger debts exceeding Rs.10 lakhs are owed by the Shiv Sena 41.7 %; DMK 20%; Congress 17.9%; BJP 12.5%. A substantial proportion of CPI MPs have debts exceeding 10 lakhs CPI 80%; CPI (M) 65.7%; BSP 66.6%. Dues on telephone charges, taxes, rent, electricity are owed by 13 % MPs. Dues in excess of 1 lakh are owed by 8.4%. Total dues to the government amount to Rs.7 crores.

The party-wise break up of persons without any criminal record is as follows: Congress - 120 out of 145 (82.80 %); BJP 110 out of 138 (79.70%); CPI(M) 35 out of 42 (83.30%); Bahujan Samaj Party 11 out of 19 (61.10%); CPI 8 out of 10 (80.0%); Samajwadi 25 out of 39 (69.40%); RJD 13 out of 23 (56.50%); DMK 10 out of 15 (66.70%); Shiv Sena 5 out of 12 (41.70%); Biju-J 10 out of 11 (90.90%). Other smaller parties 66 out of 88 (75.01%). This shows that there are substantial numbers of MPs with criminal records and they cover almost all the political parties.

This study observes that there is convergence between money power and criminality. Nearly one fourth of the MPs have criminal cases registered against them. A large proportion of MPs who are less educated are richer than the better educated MPs. They are also ahead in criminal matters. Out of 132 MPs who are undergraduates, 30% have criminal records. Of the remaining MPs, 21% have criminal records.

Considering the wealth owned by MPs and the high incidence of criminality on their part, we wonder how far Parliament will really show concern for the poor and for social justice.

Such information leads us to realise the fact that only very wealthy persons can contest elections and persons with criminal record abound in practically every political party. The number of such persons is highest in a small party like BJU-J. It is almost identical in the Congress, BJP, and both the communist parties. It is less in Bahujan Samaj, Samajwadi, RJD, DMK, and Shiv Sena. In fact RJD as well as Shiv Sena are often stigmatized but the number of persons with criminal records is less in them than in major parties like the Congress and the BJP.

MPs' Source of Wealth

How have these MPs acquired so much wealth? Have their income tax returns been verified? These questions will have to be perused. The inference could be that only the rich can contest or that they become rich after becoming members. Corruption of members has been a perennial problem. Unfortunately very few have been successfully prosecuted for corruption. The Supreme Court held that

members of legislatures are public servants for the purpose of the Prevention of Corruption Act. Under this Act, a public servant cannot be prosecuted unless sanction is obtained for such prosecution from government. This provision exists in the Code of Criminal Procedure as well as the Prevention of Corruption Act. It is intended to protect honest officials from vexatious proceedings. Sanction is not to protect a dishonest and corrupt official. The sanctioning authority must ascertain whether there is a *prima facie* case. If there is, it should allow the prosecution to proceed thereby leaving the decision regarding the guilt to a court. Often such sanction does not come easily. It is either delayed or is rejected.

Recently the Supreme Court held that sanction for the prosecution of a minister can be given by the Governor. This has given real power to the Governor. His position under the Constitution is rather dubious. Unlike the President who is required to act on the advice of the Council of Ministers, there is no provision making it obligatory on the Governor to act on the advice of his Council of Ministers. At the same time the Governor is appointed by the President and has to act during the pleasure of the President. He can therefore be removed by the President. Unlike the President or the Vice-President or the Judges of the Supreme Court and the High Courts, who can be removed only according to the procedures laid down under the Constitution, there is no such provision for Governors. If the appointment of Governors are done on political considerations, they can be removed also on political considerations. In the absence of a convention for appointing independent persons as Governors, such power to give sanction might be exercised at the instance of the Centre and it may adversely affect Centre-State relations. However, this does not pose any threat to the rule of law. Even if the Governor gives sanction out of partisan considerations, a public servant can defend and obtain acquittal if he is innocent.

Sometimes it is provided that prior sanction is required even for investigating a crime allegedly committed by a public servant. The Supreme Court expressed its disapproval of such a provision in *Vineet Kumar's* case.

Freedom of Speech and Immunity from Prosecution

There have been some imponderables in the area of accountability. The Constitution gives to every member of the legislature freedom of speech within the house. She enjoys immunity from any legal action for what she says in the House.⁶ Freedom of speech and immunity from legal action are complementary provisions. One would be a nullity without the other. In *P. V. Narsimha Rao v. State (CBI/SPE)* these provisions came up for interpretation. Some members of the Jharkhand Mukti Morcha were alleged to have taken a bribe for voting against the no confidence motion moved against the Rao government in Parliament. The bribe was given by members of the Congress party. Both the bribe-givers as well as bribe-takers were prosecuted.

The members of the JMM filed a writ petition in the Supreme Court challenging their prosecution on the ground that since they enjoyed freedom of speech within the House and could not be held liable for whatever they spoke, they could not be prosecuted for bribery in respect of voting in the House. Voting, it was contended, was an aspect of freedom of speech and was therefore protected by the immunity granted by the Constitution. The Supreme Court by a majority held that while members who gave the bribe could be prosecuted, those who received the bribe and voted could not be prosecuted. In order to prosecute those who allegedly received the bribe and voted, it would have been necessary to find out how they voted. Since how they voted was protected by the guarantee of freedom of speech, it could not be enquired into! The minority judges, however, held that such an interpretation would run contrary to the spirit of the Constitution. Freedom of speech was given to a member in order that she should perform her duty as a member without any fear or favour. It was her duty to represent the people who elected her as a member. Freedom of speech of a member was coupled with a duty not to barter away such freedom. If a member spoke out of fear or for a consideration, did she not commit a breach of her duty to represent the electorate in the House? Freedom of speech given to a citizen by article 19(1)(a) was subject to reasonable restrictions that may be imposed by law. Freedom of speech

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Hymn:

O Thou who seest all things below,
Grant that thy servants may go slow,
That they may study to comply
With regulations till they die.

Teach us, Lord, to reverence
Committees more than common sense;
Impress our minds to make no plan,
But pass the baby when we can.

And when our tempter seems to give
Us feelings of initiative,
Or when alone we go too far,
Chastise us with a circular.

Mid war and tumult, fire and storms,
Strengthen us, we pray, with forms.
Thus will thy servants ever be,
A flock of perfect sheep to thee.

A. D. Moddie

of a member is not subject to such restrictions. But it is restricted only to speeches made in the House. If she makes the same speech outside the House, she will be liable for defamation or contempt of court. The scope of such freedom must be interpreted in the light of the purpose for which it is given. The purpose of that provision is to help her speak fearlessly in the House. If the member uses such freedom for personal gain or out of fear, she is in fact not exercising that freedom for the purpose for which it was given by the Constitution. The provisions regarding freedom of speech and immunity from legal action for what she says in the House must be so interpreted as to reinforce the accountability of the member to the electorate. Freedom of speech given by articles 105(1) and 194(1) is a special attribute of a member of the legislature, which she enjoys in addition to the freedom of speech and expression which she enjoys as a citizen. The former is not subject to restrictions to which the freedom of a citizen is. But it must be subject to the purpose for which it is given.

Public Interest Litigation

An important method of reinforcing accountability has been civil society's effort to use courts for that purpose. After the Emergency, the Supreme Court liberalized its rule of access by permitting citizens to access itself for the protection of public interest. Such public interest has been in the human rights of the poor and the powerless such as the minorities, tribals ousted from their lands in the name of development, the scheduled castes, women and project affected people, in the preservation of a healthy environment and in governance. Through Public Interest Litigation (PIL), the acts of many politicians were exposed in courts. For example, re-promulgation of ordinances in Bihar, transfers and appointment of judges in derogation of the independence of the judiciary, and abuse of power by the ministers or elected representatives. It started from a PIL in the Bombay High Court where distribution of cement by the Government of Maharashtra was challenged. Cement was an essential commodity and subject to the control mechanism provided by the Essential Commodities Act (ECA). It was alleged in the above writ petition that cement was allotted on considerations which were totally alien to the criteria provided by the ECA. The Bombay High Court upheld that contention and ordered that cement allotment should not be based on objectionable criteria. Since then Public Interest Litigation or PIL has been a very important method of ensuring accountability.

The Election Commission

The Constitution provides for an independent Election Commission. The visibility of the Chief Election Commissioner (CEC) increased since the time Mr. T. N. Seshan occupied that office. The fact that the CEC could be removed only by a process requiring resolutions in the two Houses of Parliament similar to that prescribed for the

removal of a judge of High Court or the Supreme Court acted as a great deterrent against disobedience of his orders. Moreover, his insistence on the rule of law endeared him to civil society. It was not his personal visibility as much as the visibility of that office which made political parties and their bosses take its mandates seriously. After his retirement, the succeeding CECs continued to enjoy the same legitimacy. Mr. Lyngdoh asserted that he would not hold elections in Gujarat until the tempers raised by the post-Godhra communal carnage subsided and he was upheld by the Supreme Court. The EC has continued to enjoy legitimacy even though the successors to Seshan did not carry as much flamboyancy as Seshan did. The EC has come to acquire a strong legitimacy in India's Civil Society.

The National Human Rights Commission

Although the Commission does not have teeth to bite, it has acquired great moral stature in recent years. Its report on the Gujarat carnage and its ultimate special leave appeal in the Supreme Court against acquittals of the accused in several cases and obtaining orders for the re-trial of some cases outside Gujarat has undoubtedly strengthened the rule of law. Politicians of the ruling party who had thought that they could exterminate a minority were definitely told that such actions would not be tolerated in a democratic and pluralistic India. The NHRC reports have doubtless played an important role in sensitizing the country and deepening consciousness of human rights.

The Media

Both the print and electronic media act as ombudsmen of the political process. They expose the politicians to public gaze. In my view it can play a very constructive role in exposing politicians who indulge in violence and criminality. Unruly behaviour in the houses of the legislatures telecast live can be seen by people. This not only deters the members but also educates the people as to how those they have elected are behaving.

India is on the road to a transparent and participatory democracy. There cannot be a strong economy unless there is a strong polity. A strong polity means the rule of law, utmost regard for individual liberty and a definitive and determined advance towards elimination of social injustice.

1. S.13, the Constitution (Forty-second Amendment) Act, 1976.
2. *S. R. Chawdhury v. Punjab* (2001) 7 SCC 126; AIR 2001 SC 2707; *B. R. Kapur v. Tamil Nadu* (2001) 7 SCC 231.
3. Justice Oliver Wendell Holmes in *Gompers v. U.S.* 233 U.S. 604, 610. (1914).
4. EPW Sept.11-17 (2004) p.4136
5. *Indian Express*, October 5, 2004
6. See articles 105(1) and (2) for Parliament and articles 194(1) and (2) for state legislatures.

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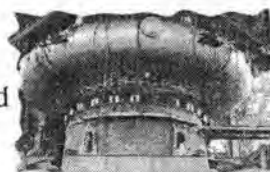


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The Unfinished Liberal Agenda*

Ajit Karnik

The liberal position recognizes a synergy between the State and the market, and believes that each has its legitimate area of efficient operation. Neither can, nor should, attempt to do what the other can do.

I begin by making two apparently contradictory statements:

- India has come a long way since the initiation of economic liberalisation; and
- India has a much longer way to go before it can deliver the benefits of economic development to its people.

These two apparently contradictory statements contain an important lesson of history, namely, economic development is a despairingly slow process, which can take decades. And, worse, there is no guarantee of success at the end of this process. China is often cited as an example of a country achieving economic development very rapidly. While one should not belittle China's achievements, by no stretch of imagination is it a developed economy: large parts of it are still steeped in poverty even though prosperity is now spreading its warm glow over huge swathes of the country. China's poverty persists despite its astonishing growth rate of almost 10% per annum for the last 25 years. Adjusting for a population growth of about 2% population growth, China's per capita GDP will double every 9 years. In contrast, India has been growing at an average of about 6% for about 15 years; with a population growth rate optimistically assumed to be 2%. At this growth rate India's per capita GDP will double every 17 years.

Indians have an average income of Rs. 2,000 per person per month, which by any stretch of imagination is a very low. And, remember, this is an average, with a significant number of individuals earning much less. Given a doubling period of 17 years, we could expect Indians to have an average income of Rs.4,000 per month only around the year 2020. I wrote an article a few years back, which I called "Look Back in Anguish" in which I had compared the divergent paths to development that India and Korea followed. The anguish stemmed from the fact that had India followed a different development strategy – a less *dirigiste*, less state-dominated one – we could well have had average incomes of about Rs.8,000 per month. We could have been four times better off than we are at the moment and the grinding poverty that confronts us today could have been a thing of the past.

But that was not to be. For far too long policies designed to eliminate poverty were confused with policies which are pro-poor. The distinction between the two kinds of policies is best captured by the adage that distinguishes between giving a poor person alms and giving him (or her) some education; the former will take care of his next meal while the latter will set him free from hunger. This confusion between policies has led us down the path to hell which was paved with good intentions: we sought to subsidize the consumption of the poor but did not do enough to guarantee them assured and adequate income; we protected those who had employment without sparing a thought for those who hoped to get a job; we sought to divide the existing pie equitably but did not seek to increase its size. We were enamoured (rightly so!) by the so-called socialist dream of welfare enhancement, equity, elimination of poverty, and social justice. There is no doubt that these must be the main objectives of economic development. Unfortunately, the means we employed were the biggest hindrance to achieving these objectives. It's a paradox but socialist means are the worst enemy of socialist ends! Many of the so-called socialist objectives are, of course, part and parcel of any liberal agenda (about which I shall have something to say later), the difference lying in the means employed to attain those objectives.

INDIAN ECONOMIC LIBERALISATION

We have come a long way from the crisis of 1991 which made it necessary to launch a stabilisation programme coupled with structural adjustments. Much has been written about the achievements of the liberalisation programme. I will briefly list out those that I think are very important. I would focus on what further needs to be done to advance India along the liberal path.

- India had one of the quickest recoveries from a crisis-induced stabilisation programme among all countries that had gone down this path. There was just one year in which India's growth rate fell to under 1.5%.
- India's growth process has become far more stable in the post-1991 period and has hardly ever fallen below 5% per annum.

- The fiscal situation of the central government has improved since the 1991, but is still fragile enough to remain India Achilles' heel. The situation of state government finances, where fiscal indiscipline has plumbed new depths, has, in fact, worsened
- The external situation has witnessed a remarkable turnaround. The problem of extreme scarcity of foreign exchange reserves has given way to a problem of plenty! Now, we do not know what to do with our overflowing foreign exchange coffers. However, if development is a continuous process of problem solving, I would much rather solve problems of plenty than problems of scarcity!
- However, by far, the most important achievement has been the reduction in poverty over the last ten years. Official estimates suggest that the number of persons below the poverty line is down to 26% from about 37% in 1993-94. Unofficial, but credible, estimates suggest that the poverty ratio may be lower still. The achievements in poverty reduction should teach us an important lesson, namely, that growth is the most important antidote to poverty. This also shows that the liberalisation followed since 1991 already had a human face and the calls by the present government to introduce reforms with a human face are just so much rhetoric. Much of course remains to be done if poverty is understood in the sense of the Millennium Development Goals i.e. a minimum income of \$1 per day per person

Impressive as India's achievements have been we still have long miles to go before we can rest. There are major issues that need to be addressed if the arduous journey is to result in genuine welfare improvement for all.

THE LIBERAL POSITION

While the Liberal position makes a clear distinction between the functioning of the market and the State it does not set up a false dichotomy of "State versus markets"; it rather believes in the complementarities between "State and markets". The liberal position recognizes a synergy between the State and the market, and believes that each has its legitimate area of efficient operation. Neither can, nor should, attempt to do what the other can do. For the liberals, the State and the markets have only instrumental value – to promote the welfare of all. Investing them with intrinsic value is a path that leads to ideology and dogma. It is our belief that for far too long the productive potential has been shackled in India and this needs to be torn asunder if the promise of improving the welfare of all is to be realised. It is our belief that welfare improvement is contingent on superior growth performance and, for this, the government has to create the necessary environment by creating and nurturing market-enabling institutions and implementing growth-promoting policies. However, there is quite often the danger that all individuals will not be able to benefit

from the market and our system must be sensitive enough to provide a safety net for those who fall through the cracks. Only the government will be in a position to provide such a safety net for those left behind in the development process.

The liberal view of the government is captured in the oft quoted statement: "The business of government is governance and not business". This is a call for modesty in the domain of action of the government. This call springs, not from a dogmatically etched role of the state, but from recognition that the capabilities of any institution or individual are only finite. In contrast, the planning process that was witnessed in India assumed the government to be:

- Omniscient: The government was completely aware of what was best for society and took decisions on behalf of all actors.
- Omnipotent: The government had the power to enforce its decisions throughout society

Such a view of the government leads to, what Hayek so famously called, "The Fatal Conceit", that believes that a single authority can somehow do things better than the spontaneous, unstructured, complex, and creative forces of the market. One has to consciously move away from the idea of a perfect government, while taking care that one does not touch the other extreme of assuming perfect markets. In the second best world that we inhabit, one has to live with imperfect alternatives: the search for perfection and utopias is a red herring that diverts us from what is feasible. We must steel ourselves not be seduced by such utopias much as Odysseus did in the Greek legend to escape the haunting music of the three Sirens. Hence, we must remember that there will be market failures, which will call for government intervention and there will be government failures, which require a modest role for the government.

THE UNFINISHED LIBERAL AGENDA

The liberalisation that has taken place in India since 1991 has generally been in keeping with the Liberal position. However, important tasks still remain. Major market failures have still not been corrected; likewise significant government failures, arising out of acts of omission and commission, remain.

As far as the unfinished reforms agenda is concerned there are some areas where there has been a fair amount of discussion and consensus has emerged on what needs to be done. The disagreement is with respect to the speed with which this needs to be done and the sequence in which this must be done. But, at least, some of these items are on the discussion table. I will deal with such items first. However, there are other aspects of reforms that have not been fully recognised and, hence, are not part of the usual discussion. I shall call these the institutional aspects of running a market economy and shall discuss them later.

Privatisation

The word "privatisation" is much abused and usually provokes great opposition. The guiding principle here must be the fundamental idea that the business of government is not to run businesses. Very often when a proposal for privatisation comes up, the question regarding its rationale inevitably crops up as well. I think we need to turn the question on its head: unless a strong rationale can be provided for keeping an enterprise in the public sector, it must be privatised.

There are a total of 240 Central Public Sector Undertakings and most of them have no business to be there: For instance, I cannot think of a single reason why the government should be running national or international airlines, running hotels, producing chemicals, steel, watches, tyres, automobiles, petrol or diesel. The question here is not whether the public sector companies are making a profit or not; the crucial question is whether their presence in the public sector promotes social welfare. It is also important to ask whether any of the profit making public sector companies is located in a competitive environment. If they are not, then their profit making is tantamount to exploitation of consumers. Our public sector oil companies come immediately to mind.

Labour Laws

We talk very proudly about the great strides we have taken in the development and export of software services as well as services in general. However, this development hides a major anomaly. The structure of the Indian economy is completely out of alignment with its levels of development. The distribution of GDP, with respect to shares of agriculture, industry and services, that India has is quite similar to that exhibited by the more developed countries. Over the last three decades, the share of agriculture has declined from about 46% to 22%, a change that would have been expected. However, what is unexpected is only a marginal rise in the share of industry: from 16% to 20%. The most significant redistribution has been from agriculture to the services sector whose share has risen from 38% to 57%. To obtain a perspective on how different this is from other developing countries consider the current shares of agriculture, industry and services in China: they are 16%, 51% and 33% respectively. The slow growth of industry in India has been coupled with the very low generation of employment in this sector. Formal sector employment has grown from 23 million in 1978 to a meager 28 million of which 19 million are employed in the public sector, yielding an increase of under 1% per annum. China's performance has once again been much better: employment over the same period has grown from 95 million to 160 million, an increase of 3% per annum. The inability of the industry sector to generate employment has meant that the pressure on agriculture has not reduced: even now more than 60% of the labour force depends on agriculture.

The mainstay of employment generation in India has been the informal sector in both industry and services.

Why has this happened? Why has Indian industry been so reluctant to generate employment? Why have our production techniques been relatively more capital intensive when we are a labour surplus economy? Has Indian business been so foolish as to employ the more expensive factor of production – capital – rather than the cheaper factor, namely labour? Whenever one encounters strange economic behaviour, it makes sense to look at the incentives facing the decision maker. And this is where one does find the answer to the strange behaviour of Indian industry. Indian labour laws, as they have evolved in the formal sector, have tried to make as secure as possible the employment of those who already have jobs. In the apparent pursuit of improving the welfare of labour, these laws made it very difficult for business to reduce employment should the situation require that to be done. Laying-off workers requires the permission of the government and this is usually never given. Hence, even though wage rates in India were low, the cost of employing labour became very high due to the very high carrying cost of labour when it was not required. Businesses, faced with these constraints, then had clear incentives to not employ labour and adopt capital-intensive technology.

Indian labour laws thus acted as a barrier to the entry of those who did not have a job, while it protected those who did. Hence, formal sector employment remained virtually stagnant for decades. It bears pointing out that countries which have much more flexible labour markets, such as the U.K. and the USA, have operated close to full employment levels for long stretches of time. Hence, it is fair to say that, while flexible labour laws may be inimical to those who have enjoyed the security of employment, such laws will most certainly be of enormous advantage to those who do not have jobs.

The rise of the informal sector – in services and industry – must be seen as a way of escaping the rigours of Indian labour laws. The rapid growth of the services sector is a clear testimony of this fact. Please note here that I am not arguing here for a domination of capital over labour, as is usually portrayed whenever one talks of flexible labour markets. In fact, what I have argued for is a *pro-labour* policy, where the term labour covers all those in the labour market and not just those in the organised sector.

Globalisation

Globalisation has become a pet object of hatred for a large number of people. Whenever an issue becomes emotionally charged, as has happened in the case of globalisation, usually reason and science go out of the window. Given that globalisation has affected our lives in such a large number of ways, any ill observed in society is laid at its doorstep; the opposite is, of course, never

articulated! In the debate on globalisation, I must state that I have far greater sympathy for Jagdish Bhagwati's "*In Defense of Globalisation*" rather than for the strident and wrong-headed criticism of Joseph Stiglitz in his "*Globalisation and its Discontents*". One way of systematically discussing globalisation is to separate out the various facets of globalisation, rather than pretending that it is one single monolithic phenomenon.

As far as trade liberalisation is concerned, there are any numbers of systematic studies available that show that it benefits growth and that growth unambiguously lowers poverty. Hence, this aspect of globalisation, like Indian economic reforms, already has a human face and does not need to be put on a mask. Foreign direct investment, since it results in physical investment in the country, adds to productivity and employment. Further, given the constraints on availability of domestic resources for investment purposes, FDI will play a crucial role and so far there is no evidence that it has crowded out domestic investment. As far as liberalisation of services is concerned, there are apprehensions that India will lose out to foreign competition. However, this is still in the future and at the moment is mere conjecture. However, if the robust response of Indian industry to foreign competition is any indication, many of these fears may be unfounded.

Cultural globalisation can take many forms. It can take the form of foreign symbols dominating the domestic landscape; or it can be in the form of foreign TV soap operas captivating domestic audiences; or it can be a Hollywood *Terminator* erasing the exquisitely wonderful Bengali *Charulata* or *Spiderman* squeezing the breath out of the Marathi *Shwas*. But then it can equally mean availability of regressive India soap operas on satellite channels all over the world or the mauling of a beautiful Jane Austen novel at Indian hands. All I am trying to convey is that there is a very good chance that India will not be dominated by the cultural imperialism of the west; Indian culture itself is likely to become quite mainstream in a large number of western countries.

I do recognise that there may be adverse effects of globalisation on some segments of the Indian economy; but equally some segments might genuinely benefit. The evidence that has been collected for a large number of countries, including India, suggests that the benefits outweigh the costs. However, those who suffer the costs of globalisation cannot be ignored. But the correct way is not to reject globalisation - as do the mindless yahoos that throng to protest at IMF and World Bank meetings or congregate at the World Social Forum meetings - but to devise appropriate safety nets to lend a helping hand to those who suffer. Shutting the door on globalisation would be like throwing the baby out with the bathwater.

Government Finances

India's public finances continue to be a matter of grave

concern. Even though the level of the Central Government's Gross Fiscal Deficit relative to GDP has come down, it is still quite high and its quality leaves a lot to be desired since high levels of revenue deficits are also being generated. However, if one considers the Central and State governments together, it is disconcerting to note that the levels of deficit are almost as bad as they were at the height of the crisis in 1991. Elimination of these deficits, especially revenue deficits, must be a top priority and will require attacks on the revenue and the expenditure sides of the budget.

On the revenue side, it is important to note that taxation levels in India are very low. The tax to GDP ratio is just above 10%, while, internationally, tax levels are as high as 30%. Even though the coverage of indirect taxes is all pervasive, our direct tax collections are extremely low. There is an urgent need to increase the number of income tax payers in the country and capture in the net many others, apart from the poor salary earners who have had to bear the brunt of the tax burden.

On the expenditure side as well, India's expenditure to GDP ratio at 15% is low compared to other countries. What is required is certainly, not a reduction in the level of expenditures, but a drastic change in its composition. Expenditures on the capital account have to be stepped and three specific heads of expenditure cry out for attention: (a) physical infrastructure (b) expenditure on basic health (c) expenditure on basic education. If this is to happen at the same time that deficits are eliminated, it will require a major re-orientation of the activities of the government. This will clearly be difficult since numerous vested interests, which benefit from the status quo, will resist any change. It will require that elusive quality known as "political will". To overcome the inertia of the status quo will require a change in the institutional aspects of policy-making.

INSTITUTIONAL REFORMS

The institutional aspects that I wish to deal with cover the following:

Credible Commitments & Predictability of Policy Making

When government policy impacts the decisions of millions of private sector players, it is imperative that the policy be credible and predictable. With a history of broken promises, it is difficult to believe the government when it announces a particular course of action. For instance, the Government of Maharashtra has once again stated that it is serious about setting its public finances in order, that it will reduce subsidies, that it will not be hostage to the demands of powerful lobbies and so on. The question is: How many of us believe that it will do so bearing in mind the tangle it has got into with respect to free power to farmers and the abject surrender to the demands of builders for mill-land in Mumbai? When governments have a history of making

commitments that they do not keep, their commitments lack credibility and policy making becomes unpredictable. If the rot is endemic, we have a situation as in Bihar and Uttar Pradesh, which sees very little domestic or foreign investment. If the rot persists in Maharashtra, investment will migrate out Maharashtra as well.

In order for the government to convey that it is serious about a particular course of action it must evolve an institutional mechanism such that it can deviate from that course only at great cost. In effect, the government volunteers to give up its discretion over policy and promises to abide by certain rules which it will not change. This is the single most important lesson to be learnt from the contributions of Kydland and Prescott, the two Economics Nobel Laureates of 2004. The best example in the Indian context of such an institutional mechanism is the Fiscal Responsibility and Budget Management (FRBM) Act that was recently passed. Within the broad context of the FRBM, I would like to see a much greater earmarking of taxes. Thus, for instance the government will make a credible commitment to spend a certain minimum amount on basic education, basic health, and ensuring nutrition to the deprived. Earmarking will serve the purpose of further reducing the discretion of the government and make availability of funds for specific sector more predictable.

Security of Property Rights

Among all the institutions that contribute towards economic development, one of the most important, but quite frequently ignored and often deliberately suppressed, is that of property rights. In economics, *property rights refer to the entitlements that define an owner's rights, privileges and limitations on the use of a resource.* One person who has done much to drive home the importance of property rights is Hernando de Soto of Peru. He has forcefully pointed out in his book *"The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else"* that developed nations are able to guarantee their citizens property rights, which developing countries have not done. This means, not just having laws in place giving people right to property, but having the means to enforce those rights. It is this confidence in the ability of the government to protect their property rights that allows long-term transactions between strangers; it is this that allows sellers to accept cheques from buyers they do not know; it allows people to buy confidently over the internet without knowing the identity of the seller. In many developing countries property rights do exist, but these are not properly enforced.

Far too often it is supposed that calling for protection of property rights is, in fact, pleading the case of the rich. The truth of the matter is that government guaranteed security of property rights is far more important for the poor than for the rich. The rich have always been able to protect their property rights while the poor have been deprived of

theirs with depressing regularity. When a contract labourer is denied wages by an unscrupulous contractor, his or her property rights are violated; when dalits are routinely deprived of their livelihood, it is an assault on their property rights; when women, due to our inheritance laws, are denied their lawful share, there is a violation of property rights.

It is not as if Indian laws do not have a provision for protecting property rights; it's just that these rights are not enforced. Our legal system does not deliver justice quickly enough to act as deterrent to those who will violate property rights. This inevitably leads to enforcement mechanisms that seek to substitute for courts e.g. credit card companies hire collectors to recover their debts and some others take the help of the mafia to recover their property.

Enforcement of Law and Order

The constitution of any country creates the environment within which an economic system operates. For a constitution to deliver on its promise, it is best if it is incentives driven i.e. to the extent that agents self-regulate, operationalising the constitution becomes easier. Since monitoring actions of citizens is always costly and necessarily imperfect, a constitution that creates incentives for self-regulation is certainly to be preferred.

Of course, no constitution can completely eliminate the need for monitoring and penalising deviant behaviour. To the extent that penalties for deviant behaviour are in keeping with the law, and are certain and immediate, it reduces the need for and the costs of future monitoring. Exemplary penalties for deviant behaviour can also act as powerful incentive for rule-based behaviour.

Enforcement of law and order as well as regulation has been lax in India and this has imposed an enormous cost on society. We have been loath to inflict exemplary punishment on those who break the law or violate regulations. We see this all the time on Indian roads. Even in Bombay, which is supposed to have more disciplined traffic than other cities, random signal jumping has become endemic. The penalty for this should be harsh: possibly after the second or third offence, the driver should have his or her licence cancelled. To make my point stark, we should do this even if the offender livelihood depends in driving. Yes, after the cancellation of the licence, the driver will have no source of income, his family will have no means of sustenance, they might starve, and his children may not go to school. Now, am I so cruel that I think such punishment to be desirable? Consider the following situation: the driver continues to jump signals and during one such episode, knocks down a person who dies and his or her family is ruined. Now, our "humanity" in not destroying the livelihood of the driver has led to the devastation of another family. And, worse, it emboldens others to violate laws.

There is no shortage of examples where such laxity

in enforcement of laws and regulation results in enormous burden on society: banks have huge non-performing loans, powerful consumers of electricity refuse to pay bills, tax evaders continue to live freely, those who burn women for dowry go scot free; the litany of woes can go on, but I think I have conveyed my point.

CONCLUSION

The entire focus of the Indian liberalisation process has been to re-orient the strategy of economic development that had been followed since mid-1950s. These long decades has been a learning experience, often very painful especially for those who were left behind as the juggernaut of Indian planning marched forward. And, just as the *Owl of Minerva flies at Dusk*, India has at last shown the sagacity of moving down the path of liberal economic policies.

There seems to be widening consensus that unshackling the market will not let loose the horrors that Karl Polanyi so graphically and falsely painted in his popular book, *The Great Transformation*, more than half century ago. Polanyi's description of pre-market and market societies has been grist to the mill of those opposed to the economic transformation that has been taking place. The market system has been demonised as the 'satanic mill', which leads to the subjugation of society and the people inhabiting it. In contrast, the pre-market society has been romanticised as one in which 'man's economy, as a rule, is submerged in his social relationships' and as one in which there is no threat of starvation. This, it was believed, made the pre-market society more humane than a market society. Now specious, but influential, parallels are being drawn between Polanyi's great transformation a century and a half ago and the transitions that are taking place in the former communist countries and other developing countries of the world.

In response to those who might, like Polanyi, still harbour suspicion of the liberal market economy, let me raise a question that I may not be able to answer fully. I have always wondered why it is that social scientists are so uncomfortable with the notion of the market. The discomfort with a liberal market system, possibly, stems from the fact that no one is in obvious control of what the market system does or the way it performs. It is somehow believed that a system that is controlled by human beings will do a better job of promoting human welfare. The experience of the last century suggests that this, alas, is not at all the case. In fact, most experiments with devising a system under the control of human beings have been abandoned as unmitigated failures. In spite of the wealth of experience regarding the unworkability of such systems liberals have had to continuously and persistently argue the case for the alternative liberal market economy. This persistent effort has been akin to the punishment inflicted on Sisyphus by the Greek gods, who condemned him to ceaselessly roll a boulder up the mountain.

In conclusion, let me state that I do not, even for a moment, propose that a market system does everything right: it clearly does not and this is a fact well appreciated and acknowledged by most votaries of the liberal, market economy. However, like liberal democracy, the liberal market economy, at the very least, scores over other, practically feasible alternatives for promoting social welfare.

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This paper is based on the Lalit Doshi Memorial Lecture delivered by the writer at St. Xavier's College, Mumbai on 20 December, 2004.

When Swaraj Comes ...



We all ought to know that *Swaraj* will not at once or, I think, even for a long time to come, be better government or greater happiness for the people. Elections and their corruptions, injustice, and the power and tyranny of wealth, and inefficiency of administration, will make a hell of life as soon as freedom is given to us. Men will look regretfully back to the old regime of comparative justice, and efficient, peaceful, more or less honest administration. The only thing gained will be that as a race we will be saved from dishonour and subordination. Hope lies only in universal education by which right conduct, fear of god, and love, will be developed among the citizens from childhood. It is only if we succeed in this that *Swaraj* will mean happiness. Otherwise it will mean the grinding injustices and tyranny of wealth. What a beautiful world it would be, if everybody were just and God-fearing and realised the happiness of loving others! Yet, there is more practical hope for the ultimate consummation of this ideal in India than elsewhere.

(From C. R's 1920 Jail Life, see p.67.)

The Politics of 'Freeness'

Sankar Ramamurthy

The moral of the recent Lok Sabha elections is that freeness pays.

We will pay neither for power nor for water, but will want copious and uninterrupted supplies of both. We want free passage on world class highways that cost a tidy sum to build and maintain. As squatters, we feel we are entitled to the land on which we squat and bristle with righteous indignation when told we are guilty of trespass. We want free education for our children and free medical attention for our families.

In this environment of unbridled freeness, it is easy to win and lose votes. Promise freeness and deliver freeness, and you can bet you will win. Promise reform and long-term betterment, and you will lose. And, as he cannot deliver all things free to all of the people all the time, the winning politician focuses on his largest constituency – the rural poor.

But we know there is no such thing as a free lunch. We also know that it is simply untrue that the laws of economics or of normal human behaviour do not apply in India. We know that freeness must come to an end one day. The longer it is prolonged the worse it becomes for the beneficiaries, for when it dies, they will not have learned the tools and the techniques of self-reliance and survival. But who cares? Certainly not the politician for he would be dead and gone too, leaving the mess for someone else to clean up. Irresponsible politics has many takers. Responsible politics has none.

Few among the intelligentsia who have been analyzing the election results have bothered to ask why the rural poor have remained poor all these years. Sure, some among the poor have managed to break away from the shackles of poverty. But the number of those that are still very poor (perhaps even below the poverty line) is high. For decades, the farming sector in many of the states has benefited from free power and water, subsidized fertilizer and other inputs and enjoyed the luxury of an assured price for its produce. Why then the mess in Indian agriculture? Surely more of the same freeness is not the solution. Why do people not invest in agriculture as they do in industry or the services? Andhra Pradesh is a case in point. Here, the new Chief Minister signs an order for free power and a waiver of old dues at a public meeting organized for his swearing-in. How much more populist can we be? Where but in India will we see major expenditure decisions involving crores of rupees taken so cavalierly? Where but in India will you see expenditures being committed to without a clue as to their funding?

Freeness is morally indefensible. It corrodes character by encouraging irresponsibility and sloth. For, the man who

gets things free will never need feel the need to strive for his betterment. It enfeebles individuals and societies and entrenches servitude and bondage. The man who is given things free is forever indebted to the one that gives. And therefore, a society habituated to freeness is a society in bondage.

Freeness causes incalculable long-term economic harm. By encouraging profligacy in the use of scarce resources, freeness harms the cause of conservation. Thus, free power and water to the farmer would encourage unrestrained use of these scarce resources and cause long-term damage to the farmer himself as well to the wider society. Is it not ironic that those who clamour for free power and water should also be fighting for the cause of conservation? And by preventing the operation of market signals, freeness perpetuates inefficiency and delays death rather than provide an early lease on a new life. Thus, by not allowing market signals to operate, a state wedded to freeness prevents farmers and businessmen and ordinary people from identifying and understanding changes in consumer preferences and the demand-supply condition. As consumer tastes and the resultant demand-supply situation cannot be changed by executive action, ignoring or not acting on them would mean certain death and destruction. As the state cannot insulate its citizens for ever against such eventualities, it can postpone, but not avoid, the day of reckoning. Postponed, the consequences are usually more severe.

Freeness deprives men of personal responsibility for their lives and actions. A farmer who is given free power, water, seeds and fertilizer and who is assured of a market for his produce at a pre-determined price, tends always to blame the state and looks to it when misfortune befalls him. Have the rains failed? No matter, the state must look after him. Have his fields been laid bare by locusts? No matter, the state must compensate him. It is true when national calamities occur, the State has to intervene, as in the recent Tsunami tragedy. But every crisis is not a Tsunami and dependence on the State has become a habit of mind. The reason is clear - freeness breeds dependency and absolves the individual of responsibility and the freedom to act. As the state vouchsafes my life and prosperity, I do not have to do anything myself and if my prosperity is adversely affected by any factor whatsoever, why, the state it is that must come to my rescue.

And as freeness cannot be sustained without resort to expropriatory and confiscatory measures aimed at robbing Peter to pay Paul, the state soon turns predator. And it is

the predatory state that has turned us into a nation of hoarders, black marketeers and tax evaders.

Thus it is that freeness corrodes. Thus it is that it is morally indefensible.

In India, freeness pervades all aspects of society. Thus, the trader derails VAT and the transporter the imposition of service tax. The propertied class resents the imposition of or an increase in property taxes.

Unless we free ourselves of freeness, we can never hope to be free citizens and autonomous, responsible human beings. And, as we know, individual freedom is not incompatible with social justice. Nor does it mean the end of the state or of state action.

But who is to bell the cat? How to rid ourselves of this pernicious freeness? Depending on the political class would be of no avail as they will look to short-term electoral gain, even if they see the folly and dangers of freeness. The only hope is a massive, sustained, long-term effort in education. The reason for the failure of economic reform to take root in this country is that neither the pro-reform political class nor the liberal intelligentsia has thought it fit to invest in widespread economic education. Such education is the more necessary for the fact that freeness as an ideology is deeply entrenched in our academia, the media and our bureaucracy, not to speak of the citizenry at large.

Economic education must start early. All school children must be taught the dangers of freeness and the harm it has caused to our society. A basic course in liberal economics must be an integral part of the school curriculum. However, so long as freeness advocates control our polity, this would be hard to achieve. Therefore there is a duty cast on responsible, right-thinking (no pun intended) individuals to organize themselves into a movement for liberal thought and action. The principal aim of such a movement would be to spread the gospel of freedom and to educate the citizenry on the dangers of freeness – how it breeds irresponsible politics, how it keeps the masses in bondage and how its allure is illusory, how there is no such thing as a free lunch, how one man's gain is another's pain and most importantly, how freeness eventually corrodes character, creates a soft society that will be in perpetual subservience to the state and its guardians.

The movement must make use of the radio, television and print media to create a sustained, attractive campaign against freeness. The campaign must be targeted not only at the urban, educated class but more importantly at the large rural population. It must therefore be produced in Hindi and other languages and not confined to a small minority of those who can read English. It must relate to the lives and environment of the rural poor.

This effort must be supplemented by personal communication efforts throughout the length and breadth

of the country. Meetings, booklets and skits in the local language must explain the message – freeness does not pay and people must take responsibility for their lives and actions.

Second, we need to create a network of high quality, liberal economic institutions to teach liberal (read real) economics as well as to carry out world class research. Today, it is hard to find one such institution in the country. If the illiberals dominate the polemical landscape, it is because there are few liberal intellectuals in the public domain. This is because our educational system, in keeping with our political, has been deeply influenced and infiltrated by left-oriented social scientists and economists. A reversal of this trend will take time to achieve. In the meantime, it is necessary to create think-tanks and liberal economics institutions to carry out public policy research, provide alternative solutions to economic and social problems.

Business must play a big role in this movement. Can Indian industry be expected to stand up and be counted? Will they unite on a liberal agenda or will they be meek and pliant, choosing not to antagonize the government of the day, but using industry associations and forums merely to lobby for specific remedies to their individual problems? Can the CII, ASSOCHAM and FICCI be expected to support a liberal agenda? Will they have the courage of conviction to speak out loudly and clearly for the cause? Or will they, as they have done so often, look to their immediate, individual interest? Fighting for the cause means taking a firm and consistent stand against Freeness, even if doing so will hurt their short-term interest. In other words, business must not plead their special interests but make bold to oppose illiberal policies, even if by doing so, they will be putting some of their community to short-term disadvantage.

Business must also provide the funding for the cause, but the movement must spread its net wide. There is no reason to suppose that the farmers, artisans and the self-employed are illiberals. Indeed, most of them resent the heavy hand of government and if they have voted away from liberal policies or agitated for freeness, it is only because they, like most of us, wish to exploit the predatory state and use the decadent system to their advantage.

In short, the time has come for a liberal movement in the country – a movement of dedicated men and women who are prepared for the long march. For, changing minds, especially those long used to freeness and servitude will not be easy. There will be several obstacles on the way but the movement will have the backing of global experience. Above all, the participants in the movement will have the satisfaction and the inner glow of having worked for a noble cause – of freeing their countrymen from the bondage of freeness – even if many of them may not live to experience the sweet smell of success.

MR. SANKAR RAMAMURTHY is a corporate executive keenly interested in public affairs and in economic education of the common man.



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Indian Agriculture and Rural Indebtedness:

The Liberal Perspective

R. M. Mohan Rao

Executive Summary

This is the Executive Summary of document entitled 'Proceedings of the National Seminar on Indian Agriculture and Rural Indebtedness', held at Guntur.

Contents:

Indian Agriculture : A Brief Overview

Agriculture Policy Framework : Critical Issues

Policy Initiatives

- (i) The Role of the State
- (ii) Institutional Initiatives to mitigate Rural Indebtedness and enhance credit flow
- (iii) Measures to promote viability and profitability of farming
- (iv) Safety nets to overcome risk and uncertainty
- (v) Reforms in Social Sector and Peoples' Participation

The spate of suicides among farmers across the country in the post liberalization period due to growing indebtedness among others continues to be a source of major concern. Of equal concern is the failure of the Government to usher in Economic Reforms (E.R) in Agriculture though the country continues to be principally a primary producer country. What is more disturbing is that keeping agricultural sector outside E.R is not an oversight or omission but a deliberate matter of choice. Further, the E.R introduced in the non-agricultural sector has adverse impact on the agricultural sector. This is manifest in the form of a decline in institutional credit flow and consequent increase in rural indebtedness. The enfeebled and impoverished Indian farmers cannot be expected to face their powerful adversaries in the world market unless collective measures are taken for reform and removal of inadequacies plaguing Indian agriculture.

Indian Agriculture : A Brief Overview

With more than 60 percent of marginal holdings Indian agriculture is small farm agriculture. Yet, during the past half century it contributed a great measure to help the Nation to switch over from food-deficit to food-surplus economy as well as a net exporter of food grains for the last seven years despite trebling of population since Independence.

Notwithstanding the macro level success of Indian

agriculture, the worsening nutritional securities and growing distress of farmers manifest in the widespread and continued Diaspora of suicidal deaths is a matter of grave concern. Equally worrying is the fading away of the resilience of Indian agriculture with the deceleration in growth.

Persistence of old problems

The problems plaguing Indian agriculture are largely due to the persistence of old problems viz. that agriculture continues to be a gamble in monsoons and the farmer continues to live in debt, die in debt bequeathing it to his children. Rural infrastructure facilities like road connectivity, storage and marketing continue to lag behind in terms of coverage accessibility and quality. Input supply by public agencies is limited with telling effects on the distress of farming community.

Emergence of New Problems

The old problems affecting our agriculture have not withered away but it is also facing new problems viz. growing fragmentation, decline in soil fertility, ground water levels, erosion of capital stock, absence of significant investments from public sector. The growing commercialization of agriculture and consequent increase in risk and uncertainty, exposure to the vicissitudes of the market economy coupled with a decline in institutional support further weakened the farmers.

On the social front too, the disintegration of the joint family system and the kin and community networks that used to be the shock absorbers together with the growing privatization of health and educational facilities added to the woes of the farmers and rural people at large.

Thus, Indian agriculture, despite its past credentials is in a state of flux with the persistence of old problems and the emergence of new ones, the weakening of the social fabric coupled with commercialization of health and education resulted in the decay of the rural economy and society. This calls for collective action to make Indian agriculture vibrant and to improve the livelihood of millions of farmers in ways, which should be more equitable than in the past.

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Nutrient Values per 100g

Proximates :

Water	5.2 g
Energy	566 kcal
Protein	18.22 g
Total lipid (fat)	46.92 g
Ash	2.54 g

Minerals :

Calcium, Ca	37 mg
Iron, Fe	6.68 mg
Magnesium, Mg	292 mg
Phosphorus, P	593 mg
Potassium, K	660 mg
Sodium, Na	12 mg
Zinc, Zn	5.78 mg
Copper, Cu	2.195 mg
Manganese, Mn	1.655 mg
Selenium, Se	19.9 mg

Vitamins :

Vitamin C,	0.5 mg
Total ascorbic acid	
Thiamin	0.423 mg
Riboflavin	0.058 mg
Niacin	1.062 mg
Pantothenic acid	0.864 mg
Vitamin B-6	0.417 mg
Folate	25 mcg
Vitamin E	1.458 mg

CHOLESTEROL 0%



Nutrient Values per 100g

Amino Acids :

Tryptophan	0.287 g
Threonine	0.688 g
Isoleucine	0.789 g
Leucine	1.472 g
Lysine	0.928 g
Methionine	0.362 g
Cystine	0.393 g
Phenylalanine	0.951 g
Tyrosine	0.508 g
Valine	1.094 g
Arginine	2.123 g
Histidine	0.456 g
Alanine	0.837 g
Aspartic acid	1.795 g
Glutamic acid	4.506 g
Glycine	0.937 g
Proline	0.812 g
Serine	1.079 g

All Values as per USDA
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Agricultural Policy Framework: The Critical Issues

Agriculture has been the most neglected sector of the economy both during the socialist era and after liberalization. This is evident from its low share of investment as a percentage of G D P. Agriculture contributes approximately 25 percent of G D P, provides direct employment to 56.7 percent of the workforce and 69 percent of population are dependant on it for their livelihood. In agricultural policy framework the liberal groups calls for a reversal of the retrograde, lopsided, unjust and inequitable treatment to Indian agriculture and its farming community in particular and the rural masses at large.

The problems confronting today's Indian agriculture are many and each needs an in-depth independent analysis to arrive at appropriate policy initiatives. The liberal group has picked up a few, which it considered are critical at this juncture. They are:

- (i) The role of the State vis-à-vis Indian agriculture.
- (ii) The rising burden of rural indebtedness.
- (iii) Shrinking credit flow to farm sector.
- (iv) Increase in risk and uncertainty in farming.
- (v) Viability and profitability of farming.
- (vi) Technology and extension related issues.
- (vii) Neglect of agricultural marketing.
- (viii) Weakening of social infrastructure, and
- (ix) Rhetoric of participatory development.

The Role of the State

With growing distress among farmers and deceleration in growth, Indian agricultural scenario is unenviable. Though free trade regime is on the anvil, agriculture continues to be outside the reform process, thus there is need for clarity on the role of the State in relation to agriculture.

Growing Burden of Rural Indebtedness and Shrinking Credit Flow

Increasing share of paid out costs in farming, privatization of health and children's education, successive droughts and crop failures coupled with dependence on non-institutional sources resulted in growing burden of rural indebtedness and farmers' distress in many states.

The positive trend in rural credit flow through institutional sources till 1991 got affected after financial sector reforms forcing farmers to rely on input dealers and others to meet farm credit needs.

Increase in risk and uncertainty

High susceptibility of new varieties of seeds to pests and diseases, growing commercialization and increased use of modern inputs, adulteration and deterioration in the quality of farm inputs have increased risk and uncertainty in farming. In the absence of effective crop insurance, farmers alone are bearing all the risks.

Viability and Profitability of Farming

Proliferation of marginal holdings under demographic pressure, lack of value addition to farm products at local level and absence of supplementary incomes from on-farm and off-farm activities in rural areas, sluggish expansion in irrigation and non-availability of dry land technologies are threatening the viability of marginal and small holdings.

Greater use of purchased inputs and their rising costs and doubtful quality in a scenario of decline in output in the recent period had adversely affected profitability in farming.

Technology and extension related issues

Stagnation in Green Revolution, neglect of technologies for dry land areas and 'orphan crops', post-harvesting value addition, limited involvement and concern for farmers' requirements are technology problems affecting agriculture.

In the post-Green Revolution era, extension encountered challenges in terms of relevance, sustainability and accountability. In dry land farming with widely varying local conditions it faced many limitations and failures. It was found to be unsuccessful in diversified agriculture, viz' high-tech farming, horticulture, livestock fisheries etc.

Neglect of Agricultural Marketing

Agriculture has become a gamble in marketing largely due to government interventions of forceful procurement in periods of rising prices and leaving farmers to their fate in periods of falling prices. Market imperfections, infrastructure deficiencies and absence of marketing extension further worsened the situation.

Weakening of Social Infrastructure

The decline of joint family, kin and community networks that used to absorb shocks in periods of distress, decline in the quality of government social services like health and education and rising costs of expenditure on these services contributed to farmers' distress.

Rhetoric of Participatory Development

Developmental programmes implemented with peoples' participation proved ineffective in practice is evident from experiences of participatory irrigation management and water users' associations due to reluctance of technical and bureaucratic channels. Similarly agricultural research has become laboratory oriented with an utter disregard for farmers' knowledge, practices and concerns.

POLICY INITIATIVES

The role of the State vis-à-vis Indian Agriculture – Broad

Framework

The challenges confronting Indian agriculture are so formidable that farmers alone cannot face them successfully. It demands a comprehensive national effort to be an effective player in the liberalization regime. In this, the State which steered its destinies for more than a half century has greater responsibility. In view of this the State must spell out its role with a focus on basic and fundamental issues confronting Indian agriculture. This is necessary to send the right signals to farming community to reflect on future course of action, promote private investment in agriculture and allied activities.

Liberal conception of a State is that of a promoter and facilitator and not a detractor. On this premise, Liberals expect the State to play a pro-active role on the following lines:

- Land and the water are the most crucial but limiting factors for agricultural development. The State must initiate effective measures for the upkeep and strengthening of these basic foundations through participatory institutional structures at the ground level.
- Growth promoting services viz' research, extension, supply of inputs; credit and marketing are essential for farmers in developing countries to withstand the powerful forces of modernization and globalization. The State has to pay greater attention to these aspects.
- Removal of all restrictions on movement of farm products by farmers within the Country and Exim restrictions to strengthen national marketing and to build up sustained international markets for farm products.
- Evolving effective foolproof safety nets to protect farmers from volatile markets and vagaries of nature.
- Focus on increasing the earnings of individual farmers particularly the small and marginal in unfavourable areas.

Against this broad framework of conceived role for the State, policy interventions on various issues are spelt out.

Institutional initiatives to mitigate rural indebtedness and enhance credit flow

Rural Indebtedness

- Invoke debt relief measures on the lines of the Debt Relief Scheme of 1990
- Evolve a well thought out policy to scale down or wipe out the debt on the lines initiated by the provincial governments in the pre-independence era to keep the farmer alive with his productive potential.
- There is need for a comprehensive Debt and Investment Survey on the lines of the All India Rural Credit Survey of 1950's for a proper assessment of the burden of indebtedness among farmers and to initiate corrective steps of a long-term nature.

Credit Flow

The following policy interventions are considered

necessary to enhance institutional credit flow.

De-politicisation of Co-operatives.

- Issue of Kisan Credit Cards to all eligible farmers with increased credit limits to meet part of the consumption expenses and other family needs like children's education and health without restrictions on the end use as in the case of non-priority sectors.
- Interest rates charged on agricultural loans should be lower compared all other advances by the Banks.
- One-time settlements of NPA should be made applicable to agricultural loans as well.
- Banks' lendings to agricultural sector should form 18 per cent of their annual advances rather than outstanding advances of loans.
- Scales of finance must be revised realistically by taking the changing market prices into account rather than treating it as a routine ritual.

Safety nets to overcome risk and uncertainty

At present, farmer alone is bearing all the risks while many are enjoying fruits of agriculture. In this context the following interventions are considered helpful to mitigate the risks faced by the farmers:

- Crop insurance must be recast by considering the village as unit with relatively low premium to start with to induce a majority of farmers to get into the scheme to make it viable and operative in the long run.
- Transparency in settlement process of claims.
- Involvement of Bankers' and farmers' representatives as part of damage committees to build confidence and facilitate greater participation among farmers.
- The minimum support prices must be extended to all crops and they must be notified well in advance of sowing season to send right signals to the farmers to choose what to grow.
- There must be nodal agencies to purchase all major agricultural produce, as there are no such agencies for many crops.
- Introduction of an effective marketing extension system goes a long way in increasing awareness as well as enlightening farmers about the nature of market risks associated with the crops grown by them.

Measures to promote viability and profitability of farming

The problem of viability of farming is of an urgent nature and cannot be bypassed till long-term solutions materialize. The following deserve attention in the near future:

- Evolving a unified policy framework for livestock sector targeting women as development partners in animal husbandry projects for their successful implementation helps in a large measure to make small farms as viable entities.
- Investment in small agro-processing units in rural areas

based on crop and dairying deserve attention as they help value addition and are livelihood intensive with potential for employment generation in the rural areas.

Imparting certain skills and developing professions exclusively for rural women helps marginal and small farm households to become viable and face crisis situations without resorting to extreme steps.

Cost of Production and Profitability

The rising cost of production and decline in yields and profitability have to be addressed urgently as they are causing growing indebtedness and severe crisis among the farming community. Some of the steps that call for attention are:

- Lack of supply of quality seed and its high cost which is playing havoc with farmers' lives has to be sorted out immediately through ensuring part of supply to Government/Cooperatives.
- Announcement of Minimum Support Prices before the commencement of the sowing season help farmers to take appropriate decisions.
- Notification of nodal agencies for purchase of various crops well in advance.
- Private agencies can be encouraged to procure farm produce on lines of FCI.
- Developing cost-effective technologies particularly for crops grown in rain-fed lands and largely grown by marginal and small farmers.

Government's meddling with the market for farm products should be ended or at least limited to abnormal situations.

TECHNOLOGY

Given the current situation of agricultural technology in the Country and the likely neglect of the problems of 'orphan crops', rain-fed areas and poor farmers, where returns to investment are likely to be comparatively less with recognition of Intellectual Property Rights, the following interventions are essential to make technology farmers friendly in unfavourable areas and particularly the small and marginal:

- Technological advances in crop production should reorient to issues which greatly reduce dependence on water, chemical fertilizers, pesticides and fungicides
- The focus of attention of technology has to shift from increasing production to increasing earnings of individual small and marginal farmers and particularly those in unfavourable areas.
- Given the predominance of small and marginal holdings, the technology has to address itself to the cost-effectiveness and affordability of a vast majority of the poor farmers.

Technology bears fruits only when it is widely adopted

at the field level. This emphasizes the need for relevance, with a focus on farmers' concerns and requirements. In this context, farmers' involvement in research process, which is very limited at present, assumes significance.

Reform of extension system:

Farming in India in general and small farm agriculture in particular is a diversified activity with on-farm and off-farm pursuits. This calls for a holistic approach towards farm as well as farm households' activities covering aspects such as nutrition, food security, sustainability, risk minimization, income and employment generation, marketing strategies of farm and off-farm products. Viewed from this perspective, farming system approach to extension is suited in Indian conditions.

- Multi-Agency Approach to public extension is desirable for expansion of coverage. But effective measures must be taken for better coordination to avoid wastages and for reasons of accountability. Similarly, private sector extension through farmers' organizations, SHGs and farmers' interest groups is desirable for a better acceptance of the guidance offered.
- Utilisation of para-extension workers though help ease the stress on the public extension system, extension through input suppliers and dealers who are not trained for the purpose are more inclined only to push their product brands is evident from the experiences in suicidal deaths of cotton farmers in Andhra Pradesh during 1997-98. This has to be curbed.
- Private sector extension with a focus on profits particularly involving input suppliers and dealers and corporate sector gravitate towards better-endowed regions and farmers. In view of this Public sector has to continue to play a central role in technology dissemination with a focus on economically backward regions, landless, marginal and small farmers likely to be untouched for reasons of profitability by the corporate houses.
- Media has emerged as a major source of information to the ruralites and this must be used much more extensively than at present to disseminate extension through support from Government for a separate channel for agricultural extension in regional languages.

Extension system has to be recast with a focus on gender and marketing issues, in the context of the agro-climatic and socio-economic diversity of the Country.

Marketing

Agricultural marketing is an area awaiting greater revamping. The urgency for such an action is all the more in the changed context of liberalization. The following steps are suggested for the purpose.

- Freedom and liberalization for all, except for farmers, sounds odd, irrational and unjust. The farmers must be

given freedom to transport, process and sell the product according to their will, if Govt. really wants them to be equal partners in the development of this Nation.

- Steps must be taken to provide marketing extension services, together with measures for more effective dissemination of market arrivals, and prices at different trading centers similar to stock exchange news. A toll-free market intelligence service is the need of the hour.
- Greater use of electronic media for creating awareness and motivating farmers in marketing practices, like proper grading, handling and packaging of products at their level for obtaining better prices.
- Creation of price stabilization fund for select important commodities which are volatile to market fluctuations and put an end to ad hoc market interventions in export of agricultural commodities.
- Post harvesting credit is crucial to avert distress sale, particularly among the marginal and small farmers. Credit against warehouse receipts is totally absent now. Traders are given pledge credit against goods stored in their premises while farmers are denied this facility. This needs a reversal.

Market access calls for proper connectivity. With more than one half of the villages not connected with pucca / all-weather roads, and 41 per cent of villages are without telephone facility is an example of how not to prepare farmers for global trade and this calls for an urgent action.

Reforms on social Sector and Farmers' Participation

Social sector

Given the poor state of social infrastructure like education and health in the countryside the following interventions deserve attention.

- The quality of primary education offered in government schools must be improved with due attention paid to physical access, for participation of all children
- At the secondary stage, introduction of vocational subjects like agriculture dairying and communication helps rural youth to acquire the needed knowledge and skills.
- Educational loans must be extended to farmers' children on par with their urban counter parts.
- Ensuring protected water supply, which goes a long way in preventing water-borne diseases need priority in rural development programmes.
- Over emphasis on curative aspect of health care without due attention to preventive and promotional aspects had its adverse affect on public health, particularly those in the countryside. Greater attention must be paid in this regard.
- A separate scheme of rural health with group insurance concept is essential for coverage of farmers' at reduced premium.
- Institutional credit should also take into account the consumption needs, education of children, health and

social expenditure.

- Insurance limit under KCC be revised upwards to Rs.1 lakh and it must be extended even after the loan period.

Special health insurance scheme for small and marginal farmers with provision for waiver in case of death should be explored to mitigate the crisis.

Farmers' Participation

In view of the significance of farmers' participation for accelerated development of farm sector, the following measures are suggested.

- Administrators look at participation as people's involvement in the implementation of development projects or programmes which generally comprises of some components like contributing labour or finances and participation in group activity to carry out the pre-determined decisions of the Government. This concept of participation is lopsided and people must be involved at all stages of the project or programme right from the stage of decision making, planning with due weight age to their concerns etc.
- Participation calls for organizations at the community level to identify the groupings of people in the community, which have significance for the participants, and the identification of the leaders of these groups. Thus, there is every need to promote farmers' organizations at village and higher levels.
- Participation needs knowledge and this needs capacity building of the farmers and their leaders depending upon the programmes identified for farmers' involvement.
- Participation involves cost in terms of the time spent for common purpose. The ideal time for involving people in participation is during agricultural slack season when they have relatively free time for community work.
- Agricultural research must be decentralized, if farmers' participation in research process is to be realized.

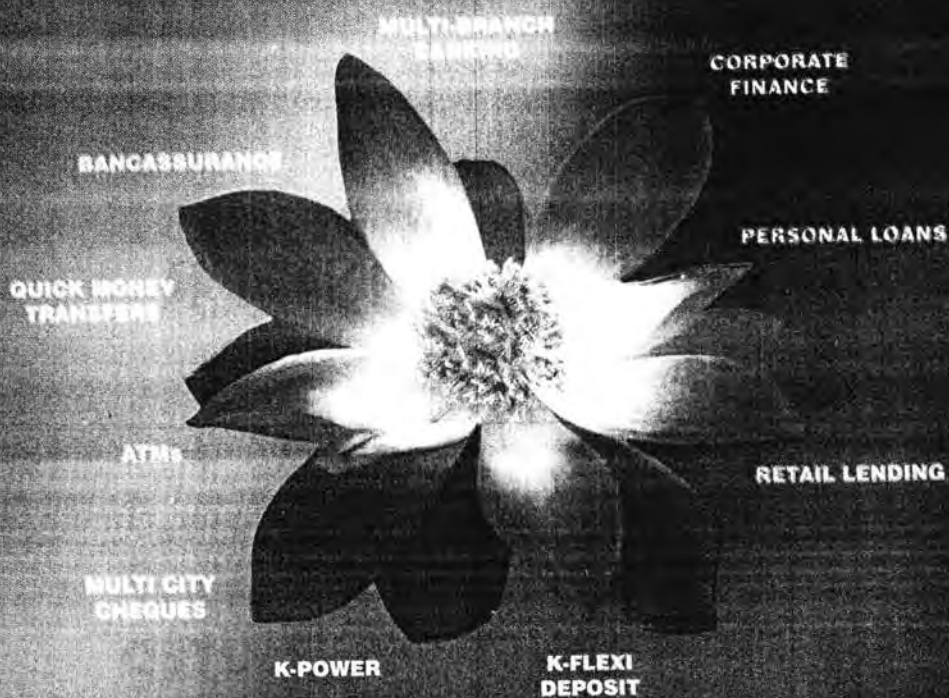
As a matter of principle, farmers' organizations and representatives must be given representation on bodies concerned with farmers' issues.

Resume

To conclude, in the final analysis, in the post-reform era, the agricultural sector has to compete in an integrated world economy. This calls for reversal of many past policies and new initiatives to strengthen the basic foundations and to bring about a parity between agricultural and industrial sectors and a recognition the private investment is no substitute for public investment given the majority of the vulnerable farmers who cannot be left to market forces. Towards this end, the state must clearly define its role *vis-a-vis* agricultural sector.

PROFESSOR R. M. MOHAN RAO is retired Professor, NABARD Chair Unit, Andhra University and member of the Indian Liberal Group.

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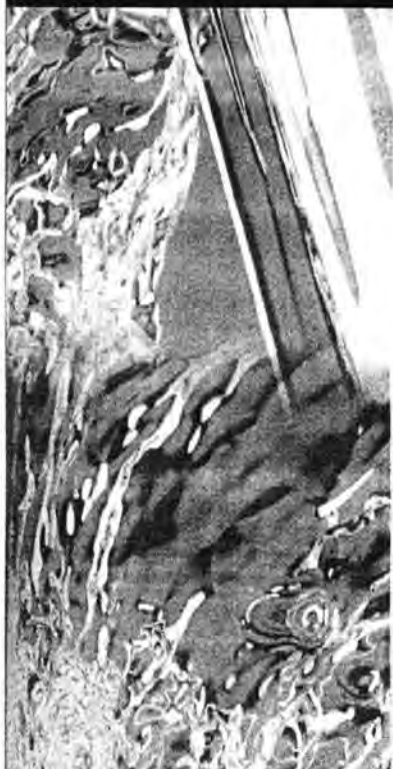
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Of all the values, I put Freedom first. I believe with Lord Acton that Liberty is the highest good and that other values, like peace, for example, must yield when freedom is involved. Here again, I reject, as Gandhiji did, the "peace of the graveyard". While war is bad, I believe that appeasement and submission to tyranny are even worse.



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Ethics, Corruption and Economic Freedom

Ana Isabel Eiras

The subject of ethics has increasingly been present in economic analysis, although not without considerable debate. Some economists believe that the importance of economics is purely technical. Others believe that moral considerations in economic analysis provide a more accurate picture of possible outcomes since it takes into consideration the human aspect of economic actors – that is, people.

I confess that, as an economist, it makes me nervous to insert subjective measures such as morality and ethics when I do my own analysis, both because my conclusions may be applicable only to a few cases and because morality and ethics are hard to measure. But since economics is the study of choice, human behavior cannot be ignored in economic analysis if we want to have a meaningful insight into people's economic life.

I will try to explain corruption, therefore, in economic terms and show how economic freedom removes opportunities for corruption and promotes ethics not just for its moral implications, but also because of its economic value.

Ethics, according to Merriam-Webster's dictionary, is "the discipline dealing with what is good and bad...." In general, we call unethical those actions for which there is a social consensus that they are a bad thing.

Corruption has several meanings, depending on whether it takes place in the public or private sector; however, for most people corruption is something unethical, something considered a wrongdoing. A closer look at human behavior in economic life suggests that, in some instances, corruption does not reflect so much a lack of ethics as it reflects a lack of economic freedom.

Economic Freedom and Corruption

To better understand the link between corruption and economic freedom, let me first describe economic freedom and then explain how its absence fosters corruption. I will examine the relationship between economic freedom and corruption both in the form of informal economic activity and in the public-sector bureaucracy.

According to The Heritage Foundation/*Wall Street Journal* annual *Index of Economic Freedom*, economic freedom is "the absence of government constraint or coercion on the production, distribution, or consumption of goods and

services beyond the extent necessary for citizens to protect and maintain liberty itself."

The *Index* measures the level of economic freedom in 161 countries around the world. To measure economic freedom, it focuses the study on 10 different factors:

- Trade policy,
- Fiscal burden of government,
- Government intervention in the economy,
- Monetary policy,
- Banking and finance,
- Capital flows and foreign investment,
- Wages and prices,
- Property rights,
- Regulation, and
- Informal market.

The *Index* provides a framework for understanding how open countries are to competition; the degree of state intervention in the economy, whether through taxation, spending or overregulation; and the strength and independence of a country's judiciary to enforce rules and protect private property. The 10 factors of the *Index* allow anyone to see how much or little economic freedom a country has.

Some countries may have freedom in all factors; others may have freedom in just a few. One of the most

Points to Ponder

- As Frederick von Hayek foresaw more than 60 years ago, economic freedom is required in all aspects of economic life in order for countries to improve their economic efficiency and, consequently, the living standards of their people.
 - It is essential to understand that corruption is a symptom – of overregulation, lack of rule of law, a large public sector – not the root of the problem.
 - Countries must advance economic freedom in all possible areas of the economy, with particular emphasis on regulations affecting small and medium business, in order for corruption and informality to decrease.
 - Economic freedom with a strong rule of law will foster a culture of investment, job creation, and institutional respect – all essential factors in massively improving the living standards of ordinary people.
-

important findings of the *Index* is that, as Frederick von Hayek foresaw more than 60 years ago, economic freedom is required in all aspects of economic life – that is, in all of the 10 factors – in order for countries to improve their economic efficiency and, consequently, the living standards of their people.

The *Index* shows that corruption does not always reflect inherent unethical behavior. This is particularly the case for those who are forced out of the formal economy into the informal economy through burdensome regulations, taxation, and weak property rights.

Economic Freedom and the Informal Economy

Charts 1 and 2 illustrate the relationship between economic freedom and the size of the informal economy as a percentage of GDP in OECD [Organisation for Economic Co-operation and Development] countries and 22 transition economies. Chart 1 shows a positive correlation between these two factors. As economic freedom vanishes, the informal economy takes a larger share of GDP.



On average, as shown in Chart 2, the size of the informal economy in economically unfree and repressed economies is almost three times the size of the informal economy in free economies, and almost double the size of the informal economy in mostly free economies.

These charts illustrate the perverse effect of economic repression on the ethics of ordinary people and on the perpetuation of their poverty conditions. For example, in most developed countries, people have a better standard of living thanks to credit access. In the United States, for example, without credit, I would not have a house, or a car, or a TV, or a vacation, or many of the products that add comfort and convenience to my life. Credit makes

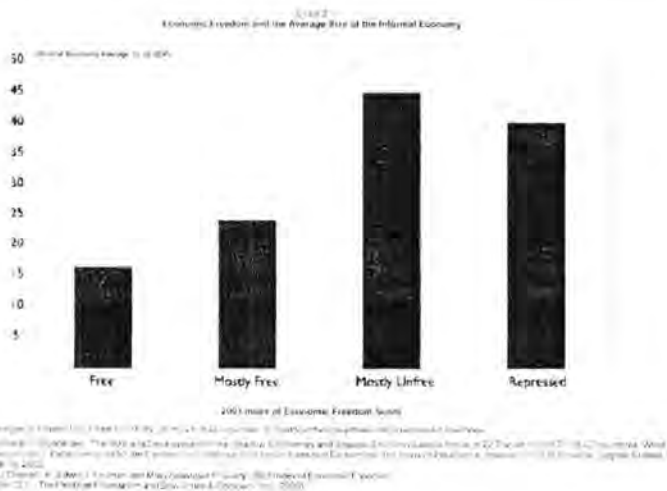
it possible for me, an ordinary middle-class person, to improve my standard of living in many ways.

To have access to credit, however, I need to prove that I have an income or property. To prove that I have income, I need a formal job, and to prove that I have property, I need a property title.

The amount of available formal jobs depends, of course, on how easy or difficult it is for people to invest, whether in a small retail shop to sell groceries or in a big factory. The friendlier the business environment, the more likely formal jobs will be available. According to the *Index of Economic Freedom*, however, in most low- to middle-income countries, it is extremely difficult for small and medium investors – which are the largest source of jobs – to operate, both because of the regulatory environment and because of the lack of a strong rule of law.

Consider labor regulations in Argentina. In this country, an employer must grant, by law, several employee benefits, including holidays, vacations, sick leave, health insurance, paid overtime, an annual bonus, and some paid months before laying off an employee. Or take France, where employers must grant, by law, at least 2.5 working days of paid vacations per month; pay over 30 percent in contributions to social security; offer a complementary pension scheme, 35 hours of work per week, and time off; and abide by a burdensome bureaucratic procedure to dismiss employees.

The immediate problem with this kind of legislation is that it assumes that all employees are equally good, equally responsible, and equally productive, which is not true. If the employee arrives late, treats customers poorly, and makes the employer lose money, the law grants that employee the same benefits that it grants to a good employee.



Perhaps large businesses, like a multinational factory, can afford to comply with these regulations because of the size of the business and its diversification around the world. But the burden of these regulations destroys small and medium entrepreneurs, who may put their entire savings at stake in their investment.

Small and medium businesses therefore choose to do business and create jobs in the informal sector, where these benefits are negotiable and tied to performance, and not forced by law. This is a clear case in which the rules of the state create perceived unethical behavior by private employers and employees when what is really in question is the ethics of such a regulatory burden in the first place.

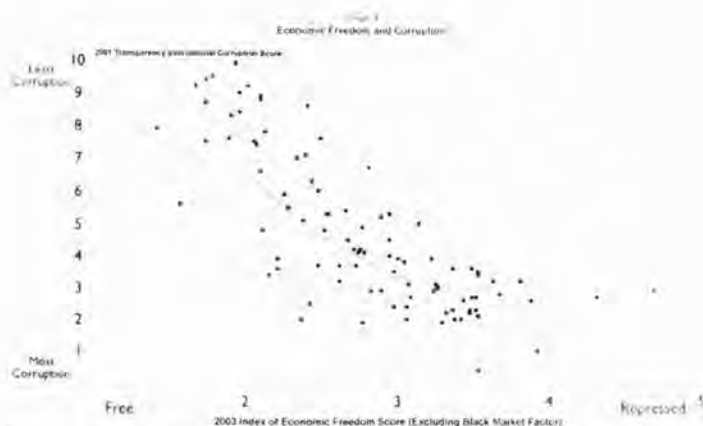
If they do not have a job, people can still get access to credit if they have a property title to use as collateral. According to Peruvian economist Hernando de Soto, many of the poor in the developing world have property but the bureaucracy they have to go through in order to get a property title is, at best, huge. For example, in Perú, "to obtain legal authorization to build a house on state-owned land took six years and eleven months, requiring 207 administrative steps in 52 government offices.... To obtain a legal title for that piece of land took 728 steps."

It is just as bad in other countries, such as Egypt, where it takes 77 steps in 31 government offices (anywhere from six to 14 years), or the Philippines, where it takes 168 steps through 53 offices (anywhere from 13 to 25 years). The poor own many things that they could use as collateral, but it is bureaucratically impossible for them to validate their property rights. As a result, they are unable to convert what they own into capital and, therefore, raise their standard of living.

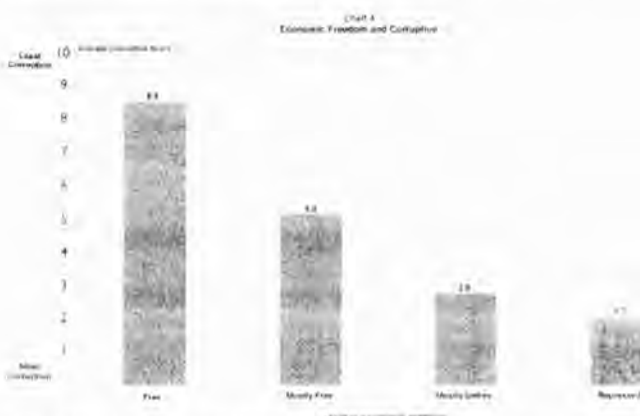
Informality is a response to economic repression, not to something inherently unethical in those who circumvent legislation. What is most unethical about informality is the condition in which the government forces the poor to live. Informally employed people are condemned to a standard of living that is significantly lower than that of formally employed people, who have credit access. Also, informality creates a culture of contempt for the law and fosters corruption and bribery in the public sector as a necessary means to navigate the bureaucracy.

Economic Freedom and the Rule of Law

Charts 3 and 4 illustrate the relationship between economic freedom and the level of corruption in 95 countries around the world. Chart 3 shows a strong correlation between



Sources: Ronald P. Godek, Jr., Brian J. Frazier, and Mary Anastasia O'Lalley, 2003 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Company Inc., 2003); Transparency International, The Corruption Perception Index 2001 and 2002 (Berlin, Germany, 2001 and 2002) and <http://www.heritage.org> and <http://www.transparency.org>



Sources: Ronald P. Godek, Jr., Brian J. Frazier, and Mary Anastasia O'Lalley, 2003 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Company Inc., 2003); Transparency International, The Corruption Perception Index 2001 and 2002 (Berlin, Germany, 2001 and 2002) and <http://www.heritage.org> and <http://www.transparency.org>

these two factors. As economic freedom vanishes, corruption flourishes. On average, as shown in Chart 4, the level of perceived morality – as a contrast to corruption – in economically free countries is almost four times the level of perceived morality in the public sector in mostly unfree or repressed economies, and almost 60 percent greater than in mostly free economies.

Having a weak rule of law significantly adds to the level of corruption in the public sector as well as the amount of informal activity. A weak judiciary is a "blind eye" on anything done outside the law. With a weak judiciary, corruption goes unpunished and informality flourishes.

This is one of the most serious problems we find in the world today. Of 161 countries evaluated in the 2003 Index of Economic Freedom, 108 received bad scores in both regulation and property rights, "undermining any effort to improve the living standards of the poorest in those 108 countries."

Conclusion

To be sure, there are cases of corruption that respond to the unethical nature of the corrupt individual. But for the most part, the unethical behavior stems from the environment in which individuals must interact. Convoluted regulations and weak rule of law foster a culture of corruption and informality both in the private and public sectors.

In the public sector, convoluted regulations and weak rule of law provide ample opportunities for public officials to accept bribes without punishment. In the private sector, those two factors push some people to do business informally as a means to survive and others to profit far more than they would if the possibility of bribery did not exist. The result is an increasingly unequal society, in terms of the opportunity to create wealth and improve living standards.

To fight corruption and informality, it is essential to understand that corruption is a symptom – of overregulation, lack of rule of law, a large public sector – not the root of the problem. The perceived problem is unethical/corrupt behavior of the private sector, which leads the government to press more on private-sector activities. The real problem is the government action/regulations causing undesired behavior of the private sector. The optimal solution would be to eliminate burdensome regulations so that unethical behavior does not occur.

Countries must advance economic freedom in all possible areas of the economy, with particular emphasis on regulations affecting small and medium business, in order for corruption and informality to decrease. The *Index of Economic Freedom* is an excellent guide to identify what is obstructing economic activity and, therefore, perpetuating poverty.

Countries must also preserve the independence and effectiveness of the judiciary to punish corrupt actions. Economic freedom with a strong rule of law will foster a culture of investment, job creation, and institutional respect – all essential factors in massively improving the living standards of ordinary people.

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Courtesy: THE HERITAGE FOUNDATION. This appeared in Heritage Lectures no.813, delivered on October 14, 2003.

Note: Due to space constraints, we have deleted the footnotes and their references. Those interested in learning more of these references, can avail of the same from the webpage, <http://heritage.org/tradeandforeignaid/h1813cfm>.

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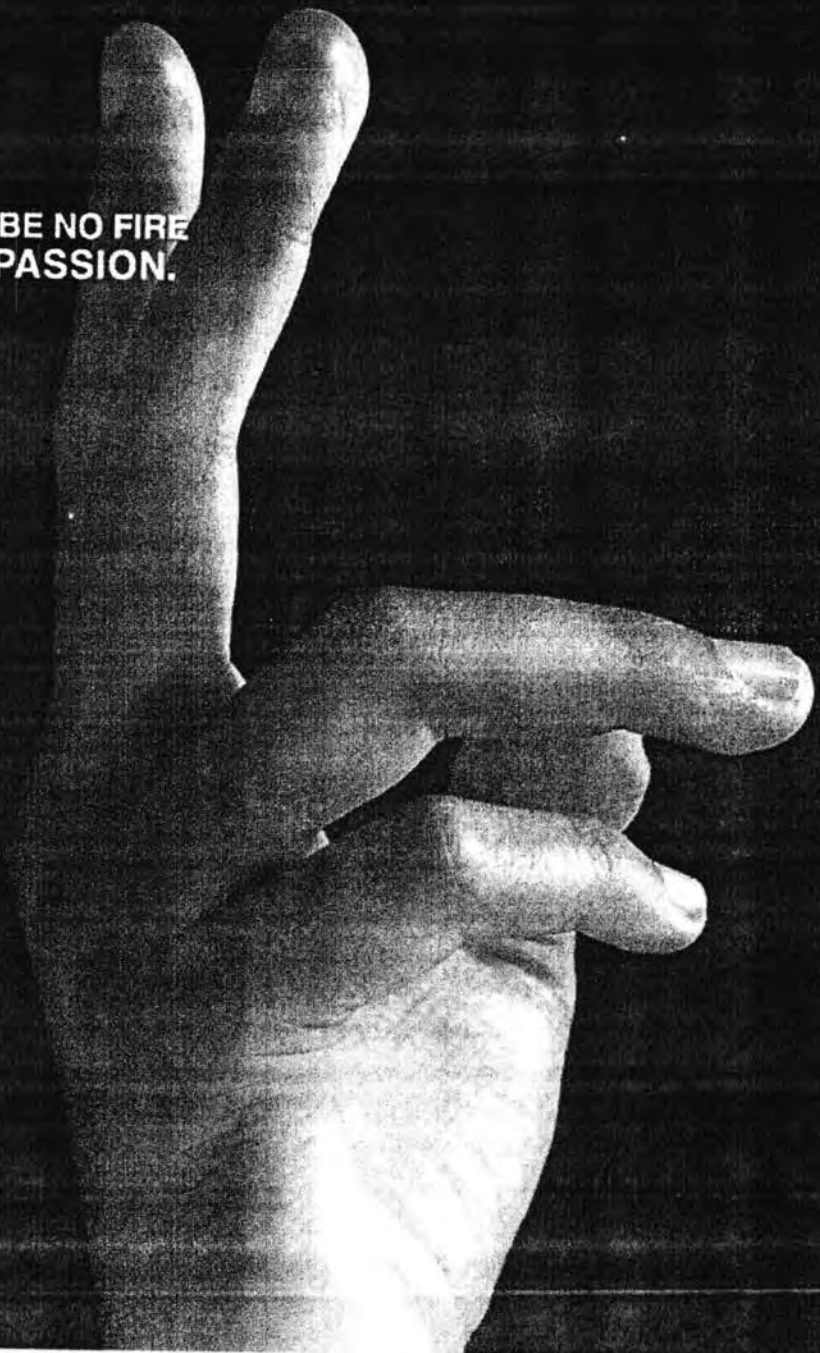
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Religion, Rajaji and his Social Philosophy

R. Srinivasan

One of the things that is striking is that South India has not produced a national figure that dominated the all-India scene lingering in public consciousness for half a century – if we except Rajaji.

Modern Indian liberal thinkers with a few exceptions have been Janus-faced both backward and forward looking – Akshay Kumar Datta, Phule, Agarkar and Gokhale would be exceptions. If one were to regard Periyar as a liberal, he too will fall under this category. However, almost all others had nostalgic attitudes to the past and looked with hope to the future. Liberals with unquestioned credentials like Ranade and Gundappa have regarded the past as deeply worthy of respect though they did not view it uncritically and were prepared to accept that many of its tenets and practices needed modification. In this respect, our liberal tradition is different from the Western which is essentially forward-looking, is critical of the past which it regards as an incubus to be jettisoned away and which treasures the values of individual rights, secularism, equality before the law, civil liberties and limitations on State power, as fundamental.

Law to Liberalism

Indian Liberals regard these values as very important indeed, and yet they are not considered as being inconsistent with Indian traditions. Rajaji would share this approach. He like other liberals derived his principles from the study of the law, for most of the liberals went to school in the newly arrived science of Western laws. These were regarded as universal social axioms on which a civilized edifice could be built up and were not to be questioned.

Secondly, they had only a distant acquaintance with the deep passions, the unbelievable violence and social disruptions that Western societies had experienced over two centuries and more. Issues like the separation of the Church and State were distant for the Indian for he had never had the experience of the questions involved. The Church and the State were not as united in Indian historical experience; they were distinct identities, though they had a close relationship. And we had no way of knowing how oppressive a combination of these two could be. Generally Aurangzeb is identified with reprehensible policies but there was nothing remotely to be seen in the Mughal Court similar to the Inquisition that was briefly introduced in Goa. The Edict of Nantes and the struggle of the Netherlands with the Duke

of Alva, the 16th and 17th century witch trials, the rule of the saints in England or the religious tyranny of the Calvinists were not happenings that were pondered over. To Indian liberals, the deep suspicions of State power once backed up by the Church and the need to keep the Executive in check did not have the resonance that it had to their Western counterparts. They learnt to live with the absolute power of the rulers, reconciled themselves to colonial politics and tried to temper this with principles such as Equality before the Law and continuously criticised unequal treatment meted out to Indians and Europeans.

In a society that was pervaded by religious values that had seeped to the very pores of the community, the liberals could not escape the widespread reach of religion. Were Hindu society to be stripped of religion, very little would have remained to them of value. Many of them observed the festivities and rituals of religion rather scrupulously. The objectionable aspects of religious rituals and of superstition had gradually given way to more acceptable practices and religion was continually modifying itself all the time.

Rajaji's Writings

One of the things that is striking is that South India has not produced a national figure that dominated the all-India scene lingering in public consciousness for half a century – if we except Rajaji. Not one of the Southern nationalists (who were intellectuals of exceptional brilliance) wrote any book of abiding importance on the nationalist experience compared to the *Hind Swaraj*, *The Doctrine of Passive Resistance*, *Gita Rahasya*, *Towards Revolution* etc. If any one leader could have written something similar, it was Rajaji. Like Acton's unwritten treatise on Freedom, CR's unwritten masterpiece perhaps would have reconciled religion and liberalism. If we look for classical liberal principles in the writings of CR, during the pre-Swatantra period, we look for them in vain. In fact, there is very little of discussion of any basic liberal principles in the numerous small books that he penned. In the twenties, he translated into Tamil the thoughts of Marcus Aurelius and the Apology of Socrates. These were not followed by translation of Western classics. *Chats behind bars* is much too slight a book and the long essay on Bolshevism is to say mildly is most curious. He wrote a number of

* Paper presented by Dr. R. Srinivasan for discussion at the Seminar on "Understanding Rajaji", December 10, 2004, Chennai.

**“MANY TAKE THE FREEDOM
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pamphlets in the thirties on the problem of the abolition of Untouchability, and of the Right of the Harijans to temple entry, on the problem of drink and its evils. He was also engaged in writing books on Congress politics, on issues of non-cooperation, council entry, the issue of communal politics, Pakistan. They were issues that agitated Congress members. Simultaneously, he was writing small sized books on more important classics as on the *Bhagavad Gita* (1936), on the II book of the *Kural* (1935), the *Upanishads* (1936), on *Vedanta, Basic Cultures of India* (1946). He also had a collection of stories published in 1946. These were reprinted and some of them revised and expanded. In 1965, he published *Our Culture*. The earlier pamphlets on contemporary national issues went out of print but his religious books and the retelling of the two epics were constantly reprinted. After the founding of the Swatantra Party, he had no time for any new full-length publication, but wrote copiously for the press – the exception being his three lectures on *Our Culture*. His speeches on different occasions have been collected together and from all these, one has to draw out his social philosophy.

Religion obviously was central to his social philosophy and like the Mahatma, his deep interests were in religion but as a matter of duty, he engaged in politics. He derived his understanding of Indian culture and civilisation from religion and particularly from what he called the Vedanta.

Its sources are in the *Upanishads*, and the *Bhagavad Gita*. We find many of his pages suffused by a religious sensibility. Life, society and politics in all their manifestations are shot through and through by religion. He pleads for humility in the presence of the awful cosmic presence and an acceptance of faiths other than one's own leading to a harmony of communal co-existence. The past, present and the future are bound indissolubly; a spirit of oneness pervades the world and there is a continuous stirring for a better world. Interestingly, his central concern is with Hindu religion of the Sanskrit texts. He alludes only in a couple of places to the regional religious expressions.

Individuality rejected

In the social philosophy of Rajaji, we see (a) the individual subordinated to the larger community, (b) emphasis on *Sva-dharma* emphasising one's social station and his duties, (c) an upholding of pre-modern social arrangements, and of an agrarian community.

Individuality in itself which is the foundation of Western liberalism has no appeal for Rajaji. What he stresses are the eternal truths of moral values emphasizing individual self-control (stressed by the *Upanishadic* texts). Not individual indulgence but individual self-control forms the foundation for a civic order. Not individual liberty, nor State regulation but *sva-dharma* not revealed in abstract principles but in concrete situations is central to his social philosophy. *Sva-*

dharma also enjoins on him duties. He echoes Burke "The individual is foolish, the multitude for the moment is foolish when they act without deliberations; but the species is wise and when time is given to it, as a species, it is always right".

Sva-dharma has to be based on spiritual foundations and tradition, family upbringing backed by creed and faith are essential. He reminds that "many states which experimented utter rationalism found themselves compelled to return to old-fashioned church going and national festivals" (*Vedanta*, p.95). The best intentioned man cannot run a polity for long unless it is built upon religious or spiritual foundations and Vedanta is one such.

What Vedanta emphasises is the feeling of oneness "with the world and responsibility to its future. Social and civil cooperation permanently benefits the town or village wherein one is a citizen; patriotism benefits the future generations of the country to which one belongs; Vedanta sees the welfare of the future world of which we are the present builders. If we live detached and dedicated lives as Vedanta lays down, the world will be peopled by better men as time goes on." (*Ibid*, p.94)

Rajaji would be in total agreement with the statement of Burke: "All persons possessing a portion of power ought to be strongly and awfully impressed with an idea that they act in trust, and they are to account for their great Master, Author and Founder of Society."

Rajaji explores Indian Culture

While *Hinduism* is abstract in its presentation, the three lectures collected together in *Our Culture* (1963) are specific. According to him, Indian culture's central concern is with the "curbing of wildness, barbarity and over-indulgence of the passions and appetites" (*Our Culture*, p.12). Two agencies, he says, are generally used for this; one is government and the other is culture. In contrast to government, culture "acts through family training, tradition, religious belief, literature and education". (*Ibid*, p.13) Its working is subtle, pervasive and far from being compulsive. A developed sense of right and wrong and of empathetic sensibilities are promoted – putting oneself in the shoes of another is basic. A sense of humility, of discipline, and enlightenment are the characteristics of culture. Recalling Matthew Arnold, he says that "culture is what is desired and expected by the best among the people, actually to prevail and govern their daily life" (*Ibid*, p.22) If we compare Arnold's statement "culture is the acquainting ourselves with the best that has been known and said in the world, and thus with the history of the human spirit" the elitist overtones are apparent. This is buttressed by another thing; his exposition of Vedanta has little place for regional expressions; the great saint-poets in Tamil are practically passed by. He doubtless was familiar with the great outpourings of the Vaishnavite Alvars; and in his *Jail Diary*, he refers to the reading of *Thayumanavar*, the Saivite saint-poet.

Indian culture has deliberately chosen simplicity as its hall-mark. *Kula Dharma* and *Desa Dharma* are special features of our country. The large joint family, a special feature of India is extolled by Rajaji, for it combines creatively both unity and separation, leaving it to the members to choose what they desire. Based on the ethics of the joint family, the individual's loyalties gradually widened to embrace larger constituents, such as Kula and Jati. This is regarded by him as peculiar to India and this has been weakened according to him by "Western individualism and perverted movements of so-called social reform". (*Ibid*, p.33).

Even with limited activism a great deal can be achieved. "... If everyone in prosperity felt the obligation even as limited to his circle, the entire nation would be satisfactorily covered in this voluntary way, leaving a minimum to the State to fill any gap left out." (*Ibid*, p.32).

The fine balancing of individual limited activism with larger social needs is regarded by him to be a marvellous social invention – it is this that explains the vast periods of history where there was no central government, but yet the community ran on with no hindrance, "order maintained ... trade and arts flourished," culture took care of markets, business and charity. The nation continued; *Kula Dharma*, *Jati Dharma* and *Bharata Dharma* took care of the larger

community. This self-propelling spirit is without parallel in any other civilisation.

All that is valuable and worth treasuring is due to the persistence of the old faith and old culture. *Bhakti* has had a pervasive and abiding influence in our land and culture. *Karma* and reincarnation ensure reverence for all living entities, and this is fortified by a belief that God resides in the heart of every living being. He upholds the traditional place that the woman had in Indian society. Marriage is a sanctified bond for life, and the wife's share in the family life is even larger than her spouse's. This is reflected in our ritualistic aspects of religion where the consort of God is as important as God himself, raising the status of women in our society. In spite of great social changes, the arts and professions are still hereditary and they run in families.

Rajaji had to pay a heavy price (in fact, his Chief Ministership) for upholding the concept of *Kula Dharma*. In his second ministry in Madras, a debate arose on education. While almost all sections of opinion were ranged for universal primary education, Rajaji was sceptical and did not want children to be compulsorily weaned away from the family avocations but to supplement their educational requirements to the family profession – they would be part time students and help their families in their profession and yet pursue



Rajaji's Greatest Achievement

"Not for Rajaji is the satisfaction of enjoying in placid quiet the autumn years of his life. For him, even at the age of 93, there is only the intense, unrelenting fervour to carry on with the task that can never end. Of all his great achievements, perhaps Clio will regard his achievement after the age of 80 as his greatest. Surrounded by politicians whose minds were shrouded in opaque ignorance, he once more decided to do what he had so often done in the past – blaze a new trail. At a time, when, despite a Constitution which enshrined the highest ideals of liberty and freedom, the citizen's basic freedoms were stifled by an all-powerful bureaucracy, when a permit-quota-licence Raj had laid its steel claws upon the nation's economy, and corruption stalked the land, this frail man of 80 rose once again at the centre of the national scene, and campaigned in support of true freedom. The old world of culture and *dharma*, of values and decorum in public life, seemed to be doomed; but it did not lack its standard-bearer. He started a new political party. Pithy, trenchant thoughts and phrases poured from him week after week. His articles in *Swarajya* and his speeches in various States acted as a solvent of fear and despondency. In the crowded story of freedom and democracy there is no parallel to what Rajaji has attempted during the last thirteen years. Perhaps no other figure in world history has, at Rajaji's age and against such overwhelming odds, tried so much, dared

so much, toiled so much and given so much to his people. This man, cast in a heroic mould, has sought to bring back to India the Spirit of Liberty, to whose defence he summoned every resource of oratory and dialectic, character and action. His message is simple, freedom cannot be inherited in the bloodstream but has to be cherished, defended and preserved by eternal vigilance and struggle."

"The measure of Rajaji's stupendous contribution in the last decade is not the number of the members of his (Swatantra) Party or the number of votes polled by them. His great work lies in the quickening of the seminal forces of basic freedom, and in the momentum which he imparted to the living principles of the rule of law so that democracy and civil liberty may survive in India beyond our own times and in the days when our place will know us no more."

Courtesy: Rajaji-93 Souvenir

- N. A. Palkhivala

their education. He emphasised the dignity of labour and of manual labour so dear to Gandhi. This was a bold radical departure but was seen as an insidious attempt to perpetuate the existing hierarchical social arrangements which had benefitted the upper castes.

This predominantly religious approach of Rajaji with its stress on the larger community and its emphasis on duties is far from the principles of Liberalism. When we see the enormous damage in civic institutions that religion has rendered we pause to accept its virtues. In contrast to the certitudes of religious liberalism is based on scepticism, that one has no monopoly of truth not even a long religious tradition. St. Augustine, one of the gentlest of Christian divines put it well, "I am in the right, you are in the wrong. When you are stronger, you ought to tolerate me for it is your duty to tolerate the truth. But when I am stronger, I shall persecute you, for it is my duty to persecute errors". It can be argued that the millennia of Hindu religion has been consistent with some of the most oppressive of social practices such as untouchability and rubbing down sections of people as inferior and subordinate and clubbing all women as unequals.

Can adherence to Hindu values be consistent with the professing of liberal values? We know that the leading liberals of South India were extremely religious and orthodox; they yet held on to the principles of liberalism in the public sphere. It has to be reminded that Liberalism in the West began essentially as a religious view emphasising the centrality of the individual and of individual conscience. In our religion the individual is clearly subordinate to other entities, to Dharma, to his familial duties and his obligation to the manes which he cannot disregard. These and of course other obligations put him in a position of dependency and subordination. Conscientiousness is not central here as in Protestant Christianity and out of these emerged the battery of rights of liberty, of choice, of publicly putting forth one's point of view etc. Liberalism in politics and subordination in religion were incompatible. But with us these positions uneasily coexisted and one did not always interfere with the other. We have noticed in the public life of Rajaji that when they were conflicted, liberal values, dominated over orthodox religious principles and he uncompromisingly cast away religious orthodoxies. In this, he had distinguished liberal contemporaries like Justice Subramania Iyer and P. S. Sivaswami Iyer, who shared this propensity. The elitist tendency already inhering in this approach should have led to an authoritarian personality. But the Congress culture of accommodation of conflicting positions, its decentralised politics and the need to carry along different cultural and geographical varieties militated against this.

What impressed overwhelmingly was the venerable antiquity and continuity of philosophical and religious ideas which deeply influenced later developments. A distinguished intellectual as far away from Rajaji, as Pandit Lakshman Shastri

Joshi (a traditional orthodox Sanskrit pandit, a formidable scholar of traditional learning, an authority on *Dharma Shastras* who became a Marxist and later a Royist) who had to suffer imprisonment for his nationalist activities towards the end of his life in a monumental volume *Development of Indian Cultures, Vedas to Gandhi* refers to the pervasive and deep influence historically of Vedic culture, even influencing heretical religious systems as that of the Jains and Buddhists, who "relied significantly on Vedic traditions for their germinal ideas" (p.380). He sees Vedic culture continually interested "in an unharmed continuity and healthy growth of various faiths ... and not in the annihilation of any religious faith" (p.505)

Not only does Rajaji go back to the study and explication of the religion of the Vedas but he finds that traditional social organisations and the philosophy far superior to that of modern times. His is a call for the decentralised social organisation of the ancient world where the State does not involve itself in any detailed regulation and the country carried on, on its own inner springs. It remains some sort of a religious philosophical gloss on *Hind Swaraj* and is a protest against modernity and a harking back to ancient times. Yet this view itself is romantic as any quick look at the *Arthashastra* will reveal. The State then was active and pervasive in its reach. Rajaji does not examine as to how one could build up a modern society on these principles.

With the founding of the Swatantra Party, CR has no leisure to write the books that he continually attempted earlier. Immediate issues had to be tackled and new battles to be engaged in. In what was essentially a confrontation with the State on secular issues, Rajaji continually reminded that the States rapidly hurtling towards modernity might forget their fundamental obligation was continuance of *Dharma* which could not be bartered away for building of modern Babylons. In its broad sweep of *Dharma*, he saw many of the principles of Liberalism enshrined.

Western liberalism arose as a protest against sections of the community claiming the right to advise individuals on the right religion, to admonish them for straying away and in attempting to guide them to the right path by persuasion where possible, or by compulsion if the individual was too recalcitrant. The Indian Liberals by upholding the sanctity of tradition and of religious ways buttressed the already impregnable fortress of all existing practices; they never guided the citizen to make his choice in matters social and individual. Their gaze was fixed on the colonial ruler and in fighting against him by using the tools of Liberalism. They finally succeeded against the raj but failed the larger Indian public – half a century after Independence, we find the same oppressive forces, patriarchy, feudal attitudes and a superciliousness towards the underdogs. All Liberals must partly take the blame for this, Rajaji included.

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The Life and Times of Louella Lobo Prabhu



Louella Lobo Prabhu, a long time friend of the editor, and a fellow member of the Swatantra Party and the Indian Liberal Group, sent this for her column, "Reflections Serious and Facetious". Perhaps this was her last piece of writing before death claimed her on Monday, January 31, after a fall in her house. In the last paragraph of this biographical note, she wrote her own epitaph. Freedom First will miss a good friend. May her soul rest in peace.

How I met my husband is an interesting story. I was writing a serial novel, which he liked very much. He asked the editor, who I was, and got my address from him. He thereafter wrote a letter to me, and that was the beginning of a long course of letter writing, during which we fell in love. When he came to Bombay, he introduced me to Rajaji, who invited me to a meeting of the Swatantra Party's General Council. It was fascinating to hear the interplay of ideas, although all members had the same basic philosophy. It was then also, that I met Minoo Masani, for the first time. He had a wonderfully precise mind, which cut through faulty logic, like a knife through butter.

The second time I met him was in tragic circumstances. I was at the Bombay airport, for the funeral of my beloved father. Minoo told my husband, that he had been selected, as the Swatantra Party's candidate from the Udupi Parliamentary constituency. He told him that a monthly assistance of Rs.6,000/- would be made available to employ an organiser with a jeep to assist him in his campaign. I believe this was the first time that a political party set about doing something political in an organised way. My husband's started a Kannada paper, 'Gaon Sevak' in 1964 of which I was the publisher-editor, and continued until he lost his election in 1971. It gave the news of our travels through the constituency and dealt with the genuine problems of the people in the villages. Every voting household received a copy and for many, it was the first time, they had received a printed communication, addressed to them. This method of communication with the voters and the organised campaign largely resulted in his success. He won the 1967 elections to the Fourth Lok Sabha by a handsome margin, and had the honour of addressing a mass meeting from the temple square in Udupi, the Benares of the South.

Parliament was an exciting experience. He was elected the Secretary of the Parliamentary Party at his very first meeting. His contribution to the House, was chiefly by way of amendments which took place, in the afternoon, in the Lok Sabha, which was then, as now, empty and speaking time was not restricted. Among the Bills that were passed was the Privy Purse Abolition Bill, and the I.C.S. Bill. The Socialist Opposition member, Madhu Limaye said that Mr. Lobo Prabhu should be allowed to have his way, as he was one of the members of the Service.

One of the nicest things about the Fourth Lok Sabha was that members could storm at each other in the House, but remain the best of friends outside. I remember attending the President's Tea, travelling in the car of Congressman K. Hanumanthaiya, and going back to dinner with CPM M.P., Jyotirmoy Basu! It was that time, that Mrs. Gandhi, floated the idea of a 'Conscience Vote' and induced the Congress and Leftist parties to vote for Mr. Giri, not Sanjiva Reddy, the official candidate. At the dinner, my husband and Mr. Basu had a heated argument about the result. Mr. Basu argued that Mr. Giri would win. He did.

I was determined to make my mark in the Party, and in journalism. I was elected to the General Council of the Swatantra Party in my own right, at the age of 25. I won with a score even higher than that of my husband, which showed that the Swatantra Party was a truly emancipated body! I took an active part in the debates of the Party, and in drafting some of its policy resolutions. Rajaji's weekly, *Swarajya*, invited me to be its Parliamentary reporter. I also did a column on the personalities in Parliament. This covered a wide cross-section of MPs, most of whom were to become lifelong personal friends.

The Swatantra Party broke up over the issue of whether or not to merge with Charan Singh's Bharatiya Kranti Dal or the BKD as it was then known. Piloo Mody led the dissolution. However, the decision to join the 'Grand Alliance' with a one-point programme of "Indira Hatao" spelt the beginning of the end of its ideological purity and end.

I believe the finest hour of my husband and myself was our refusal to go along with this decision. Later during the infamous Emergency, we did not submit our weekly, 'Insight' to censorship, but continued to publish as independently as before. We lost advertising and subscribers.

My husband died in 1999. The end of the Swatantra Party was a long political *sanyas* for him and for me. However, we have lived comfortably with a clean conscience, and that must be our epitaph.

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Masani in Parliament

A First Person Account

During the life of the Parliament that lasted from 1967 till the end of 1970, there was a running battle between the Congress Government supported by their Communist allies and those of us who believed in the liberal values of a free society, on the other. It fell to me to make several contributions to that dialogue.

With the economic collapse all around, it was an alternative government I had hoped for in the course of that speech,¹ but what actually happened was a disruption of the ruling party. The cleavage between the two factions that emerged was partly ideological and partly personal and the leader of the two factions as they took shape were Prime Minister Indira Gandhi, on the one hand, and the Deputy Prime Minister Morarji Desai, on the other. The uneasy coalition between them was obviously breaking down. There was more and more mud-slinging between the two factions. This took the form of a whispering campaign carried on by the Communists and the colleagues of the Prime Minister against Morarji Desai because of his failure to dissociate himself from the business activities of his son Kanti.

A Brawl in the Ruling Party

When at last the matter was brought out into the open, the Treasury Benches picked on an Opposition member to do their job. This was Madhu Limaye, who preened himself on playing the role of 'Jack the Giant Killer.' This vociferous politician with a loud voice was one of those persuaded to act as a cat's-paw to pull the Prime Minister's chestnuts out of the fire. He moved a motion which came up for discussion on 19 August 1968. Our Party asked me to speak on it. It was a difficult and a distasteful situation, but we had to do our duty, however unpleasant it may have been. We had to express disapproval of the Deputy Prime Minister's weakness for his son that put him at the mercy of much worse people.

I suggested that there were three fundamental considerations by which the House should be guided. The first was the supreme necessity of maintaining the highest standards of integrity in our public life which was the basis on which democracy could survive in this country. The second was the consideration that there should be much more interest in policies and principles than in personalities, which, on occasions like this, became the main issue before the House. The third was that it was our role to play the

part of an Opposition and not to be involved or to be dragged into being satellites or a lobby of one group or another within the government or the ruling party.

The motion seemed to stand out against the backdrop of a brawl between two sections within the government and the ruling party, and I had no doubt that both of them would find their way into the same division lobby that afternoon. There was considerable evidence to suggest that the attack on the Deputy Prime Minister came, to some extent, from his opponents within his own party.

I appealed to Mr. Morarji Desai to recognize the need to maintain distance from his son's affairs and not allow personal affection to influence public policies.

We of the Swatantra Party were unable to vote against Limaye's motion but we also found it difficult to vote for it because we did not join those parties like the Communists which did not believe in democracy, which scoffed at 'bourgeois ethics' and yet expected Morarji Desai and others to practise virtues they themselves considered irrelevant. We also did not wish to join hands with that faction in the Congress Government which supported Limaye's motion because it was guilty of corrupting the press and politics by permitting the misuse of funds released by trade with the Soviet bloc.

Little did I suspect at that time what weird and kaleidoscopic developments lay ahead in the years to come. First there was the emergence of the Janata Party and its administration in April 1977 with Morarji Desai as Prime Minister and Madhu Limaye as one of the Party's Secretaries. Then the schism in that Party over the same, old issue of his son Kanti Desai and his affairs, with charges made by Mr. Charan Singh, a member of the Cabinet, and with Madhu Limaye once again coming out against Mr. Morarji Desai and his son.

How a Principled Opposition should Behave

After the Congress split of 1969 and three years after that Parliament (the 4th Lok Sabha) was elected Parliament

¹ The reference is to an earlier speech in the Lok Sabha during the debate on the President's Address on 21st March, 1967.

debated on 25 July 1970, a motion of No-Confidence in the government. Such a motion coming at the beginning of the session was apt to be counter-productive in more than one way. The Swatantra Party therefore decided not to support the motion, but I was asked to speak during the debate.

After giving the reasons why we had not supported the motion, I said that we wanted a change of government but only by democratic means. The undemocratic way, as practised in Britain during the days of Walpole, had been adopted in our country by 'toppling' State governments which had come to power with the people's mandate. We did not want to topple Indira Gandhi's government, because as I explained:

"You cannot fight something with nothing. You have got to fight something with something better. I do not want to remove Shrimati Indira Gandhi until I can put in her place a better Prime Minister and a better government. I do not want to bring chaos to the Centre as there was chaos in the States of north India under the SVD*. We want, therefore, an alternative government to come into existence before we remove this government. That is why I believe this country needs above all an alternative government, a shadow Cabinet, which the people can judge and see sitting on the benches and say: 'Do we prefer that lot of people or do we prefer this lot?'"

To the resolution passed by the AICC of the Opposition Congress on 28 June 1970, in which it proposed a programme of action and invited other nationalist and sound democratic parties to join it. That, I said, was the right way to challenge the government and defeat it.

By the end of 1967, the trend which was ultimately to take India into the Soviet bloc by means of a military alliance was becoming more marked.

Opposing Pro-Soviet Policies

One particular fact which pointed to this was the Prime Minister's visit during the month of May that year to Moscow to be present at the celebrations on the 50th Anniversary of the Soviet Communist Party. My colleague, Mr Dandekar, and I sent a telegram to her pointing out that her visit would be misinterpreted because there would be anti-democratic propaganda during the celebrations. Not a single Prime Minister of any country, with the exception of the Prime Minister of Finland, was present. The *Daily Telegraph* of London had described Mrs Gandhi as a "lonely figure from the democratic world..."

This trend was to become more and more obvious with the Indian government's attitude to events taking place in different parts of the globe.

* Samyukta Vidhayak Dal (United Legislature Group)

Of all the horrible things that were happening in the world, none was sadder than the brutal invasion and re-occupation of Czechoslovakia by Russian imperialism in August 1968.

Coming as it did after a lot of talk about de-Stalinization and the "winds of change" which were blowing across the steppes, [this reversion to the style of Stalin made a tremendous impact on the country. Indian public opinion did not lag behind [the rest of the world in the sense of shock and indignation that swept the intelligentsia.

A debate on this issue took place in the Lok Sabha on 22 August 1968. A colourless motion was moved from the official benches for taking the developments in Czechoslovakia into consideration. Some of us were certainly not prepared to let it go at that and moved a substitute motion on behalf of the Swatantra Party which sought to "condemn the naked aggression of the Soviet Union and its accomplices" and denounced the "violation of human freedom and threat to world peace." A similar amendment condemning the Soviet action was also tabled by Mrs. Sucheta Kripalani and other members of the Congress Party.

It was known that Prime Minister Indira Gandhi was not prepared to allow the Lok Sabha to condemn the action of her Soviet friends. As the debate proceeded, she worked hard to get the Congress members who had tabled their amendments to withdraw them. Mrs Kripalani was called to her room by the Prime Minister, who appealed to her to line up behind the official whip. Mrs. Kripalani, who reported on these conversations to me in the lobby, told me that her reply had been that she and I had arrived at an understanding about our withdrawing our amendment if she pushed hers to a vote. She was, therefore, not free to respond to the Prime Minister's request.

During one of these conversations, Mrs. Gandhi told Mrs. Kripalani that she personally had no objection to condemning the Soviet action but that her official advisers in the Ministry of External Affairs who were in the official gallery were not prepared to let her do so. When she said this, the Foreign Secretary, Mr. Rajeshwar Dayal, was then sitting in the official gallery in the Lok Sabha. Knowing the gentleman and refusing to believe that the story was true, I persuaded Professor Ranga to go around the House to make an appeal to the official concerned to withdraw his opposition and allow Mrs. Kripalani's amendment to be adopted. The poor official did not know where to look when he was faced with this request. He could not, of course, let the Prime Minister down for trying to shelter behind him, but his gestures and the words he mumbled quite clearly revealed that the real opposition came from none other than the Prime Minister herself.

In the speech I made on the occasion, I pointed out

that it had all happened earlier in November 1956 in Hungary when in similar circumstances Soviet tanks had invaded Budapest, destroyed the legitimate government of the country, imposed a puppet regime under Kadar and silenced the voice of Hungary even though it had a Communist Government. Was there to be no end to this kind of naked imperialism even in the second half of the twentieth century?

Asking what crime the Czech communists had committed, I said it could be summarized in one sentence: "They wanted to give a human, decent face to what they called 'socialism'."

Asking why the Soviet dictatorship had done this, I said that the answer was obvious: "They know something which we ought to remember - that freedom is indivisible. They do not want freedom to raise its head any where on the other side of the Iron Curtain in case it spreads into their own homeland."

Contradicting Prime Minister Indira Gandhi who had said a day earlier that, with the sole exception of the Prime Minister of Australia, no world statesman or government had been so brash as to say anything on the lines we had suggested to her in the House, I pointed out that during the twenty-four hours that had passed since, the British Foreign Secretary, Mr. Michael Stewart, had announced that Britain was taking the matter to the UN Security Council after describing the Soviet action as "a clear violation of Czech sovereignty and interference in the internal affairs of that country." De Gaulle had described the Soviet action as a "blow to the rights and destiny of a friendly nation." U Thant, the Secretary-General of the United Nations, had denounced the Soviet invasion as a "blow to the world order and East-West relations." Finally, the Prime Minister's non-aligned colleague, Mr. Tito, had condemned the Soviet invasion as "a violation of the sovereignty of a socialist country." I went on to ask:

Will she allow hereditary colour blindness, an ailment which she has inherited, to help her to maintain the guilty silence which she maintained yesterday?

On behalf of the Indian people and our Party, I made three demands of the government if they wanted to uphold the honour of India. My first point was that we demand the immediate withdrawal of the Soviet forces and the restoration of the normal functioning of the legitimate government of Czechoslovakia. The second was, that, in case a Quisling was found to declare himself to be the government of Czechoslovakia, we should refuse to recognize the puppet government. Finally, I urged that "our government, or parts of it, give up their policy of acting as satellites of the Soviet Union which had disgraced our country in the last year or two."

When the time came for taking the vote, a three-line whip was sent around the House by the Prime Minister

calling on all members of the Congress Party to vote against the Congress back benchers' amendment as well as ours. While four or five Congress members, including Mr. Asoka Mehta, then a Cabinet Minister, defied the whip, to the shame of the Congress Party the rest of them swallowed their convictions and trooped into the wrong lobby.

Budget Debates – Setting the Tone

I opened the discussion on the Annual Budget for four successive years in 1967, 1968, 1969 and 1970.

During one of the debates in the Lok Sabha on Economic Affairs, I wanted to make the point that the way to create employment was to give incentives for profitable production. I used to say that the official attitude to creating jobs reminded me of the way we were 'employed' during our spell in jail in British days. We were first asked to break up rope into coir, and later to make rope out of the coir!

I was therefore delighted when B.K. Nehru, Governor of Assam and Nagaland and an economist in his own right, made a speech in Jorhat in the course of which he tilted a lance at the official idea that giving a man a stipend irrespective of the result meant employment. He explained that a man was only employed when his output exceeded his input of what he received. Logically, he observed dryly, the government should give every man and woman a job at Rs 100 per month, print enough currency notes to finance the operation and then claim that there was no unemployment left in India! Actually, it would be a prescription for national bankruptcy.

I quote B. K. Nehru to his cousin, the Prime Minister. Mentioning that in the USA there was the 'Boston Brahmins' about whom it had been said: "The Cabots talk only to the Lodges, and the Lodges only to God." I ventured to hope that our own Brahmins, the Nehrus, who scorned to listen to humble mortals like overselves, might care to listen to a fellow-Nehru.

I sent a copy of my speech to B. K. When he next visited Delhi, B.K. asked me to lunch with him in his room at Rashtrapati Bhawan. He told me he was highly amused at my optimism in believing that she would listen to him any more than to me. She wouldn't listen to anybody.

M.P.'s Salaries and Allowances

On 5 August 1969, we had an interesting debate on a topic on which I did not endear myself to my colleagues in Parliament. This was a Bill to increase the salaries and allowance of members of Parliament. I moved an amendment for circulating the measure for the purpose of eliciting public opinion. I asked the House to delay the measure by a fortnight as, during that time, we wanted something to be done which would redound to the dignity of the House and to the interests of the country:

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Some months earlier, Prof. Ranga and I had written to the Speaker and the Deputy Speaker that they, together with the Chairman of the Rajya Sabha, should jointly invite some distinguished person or persons with an objective mind to consider the report of the Joint Committee and to give their opinion as to what had to be done in the light of the cost of living, the conditions in the country, our requirements and the needs of serving our constituents.

I also pointed out in my speech that the Prices and Incomes Board consisting of three wise men had been selected in the UK to fix up MP's emoluments. The British House of Commons was prepared to delegate its supreme authority over itself to these people and ask: "What is your advice? Whatever your advice is, we shall bow to it."

The subject came up again in the following year in the course of a discussion on the Budget on 10 March 1970. There had been a great deal of hot air from the government benches about tax evaders. Those who had spoken had adopted a tone of unctuous righteousness which made me see red. I decided to counter-attack.

I suggested that among those who escaped taxation were our own ministers. They maintained the fiction that their emoluments were only Rs.2,250 per month. Mr. N. A. Palkhiwala had estimated that the tax-free perquisites of

ministers amounted to Rs.17,000 per month. Their total income was over Rs.2 lakhs while they paid tax on only Rs. 27,000. Our ministers draw emoluments and perquisites "which amounted to 750 times the per capita income of India.

And what of MPs? They drew perquisites of about Rs.28,000 per annum tax-free for producing a lot of hot air and yet they had the impertinence to raise taxes on the incomes of honourable and hard-working engineers, technicians, chemists, managers, calling them exploiters and enemies of the people. If they were exploiters, so were Members of Parliament.

Opposing the Plan

In 1969, the Lok Sabha took into consideration on 8 May a draft of the Fourth Five Year Plan. Since it appeared to be even more pernicious than the Third Plan, we disapproved of the Plan for several reasons. The draft Fourth Five Year Plan indicated that the Government had learnt nothing from the failure of the Second and Third Five Year Plans. The undue emphasis laid on heavy industries at the cost of agriculture still continued. It ignored the fact of the high cost economy caused by inflation and the distortion caused by the "rupee countries rackets." There was no move to turn away from the regime of excessive controls towards increased competition. The Plan neglected the interest of the consumer. Explaining our basic attitude, I went on to say:

We are often asked: 'Are you for or against planning?' That is exactly like asking a man, 'Have you stopped beating your wife?' It does not admit of a 'Yes' or 'No' for the simple reason that planning is an umbrella word which covers many things, many kinds of planning. The choice is not between planning and non-planning but between different kinds of planning...

We do not stand for totalitarian planning and a command economy of a comprehensive, centralised kind such as this government has adopted in India. What we do accept is indicative planning of the kind that goes on in France, Britain, Western Europe and the Scandinavian countries. We are for the State to play its role in economic affairs. We are for a mixed economy. We are for regulation but on a minimum basis, and we are for Mahatma Gandhi's theory of Trusteeship to be put into effect.

It was against this background that I viewed the state of the economy, which was deplorable. I described the government as a doctor who had failed twice to cure his patient. When the patient went a third time, the doctor said: "The same mixture as before, but a double dose." "Such a

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doctor," I said, "is a quack and the members of our Planning Commission are indeed economic quacks and charlatans, and nothing better." I went on:

Men like Professor D. R. Gadgil, Dr. V.K.R.V.Rao and Mr. Pitamber Pant are economic charlatans, and no serious student of economics anywhere in the world would consider them as economic experts. Mr Jyoti Basu was reported in the press to have said at the National Development Council that he felt the speech of Dr V.K.R.V. Rao to be wonderful as he spoke like a communist. He should not have been surprised. Anyone who knows Dr V.K.R.V. Rao's long record of communist fellow-travelling would have known that it comes naturally to him.

Some time during the life of that Parliament, Herr Walter Scheel, then a Minister and later President of the Federal Republic of Germany, had occasion to pay an official visit to Delhi. Scheel and I were fellow-liberals and had met

during conferences of the Liberal International of which he was Honorary Treasurer and I was a Patron. Scheel sent word in advance of his arrival to his official hosts that he wanted time left in his programme for a quiet lunch alone with me.

When I called at the Ashoka Hotel, where he was put up, at the appointed hour, Scheel had just come back from his interview with the Prime Minister escorted by the Indian *Chef de Protocol*, Mr. Prithi Singh, who told me that at the end of their conversation, the Prime Minister had inquired who the minister was going to meet next. When told, Indira Gandhi was quick to make the most of the situation by quipping: "You see, Mr.Minister, what a real democracy we are from the fact that you go straight from the Prime Minister to the Leader of the Opposition with our approval."!

(Extracted from Minoo Masani's political autobiography, "Against The Tide")

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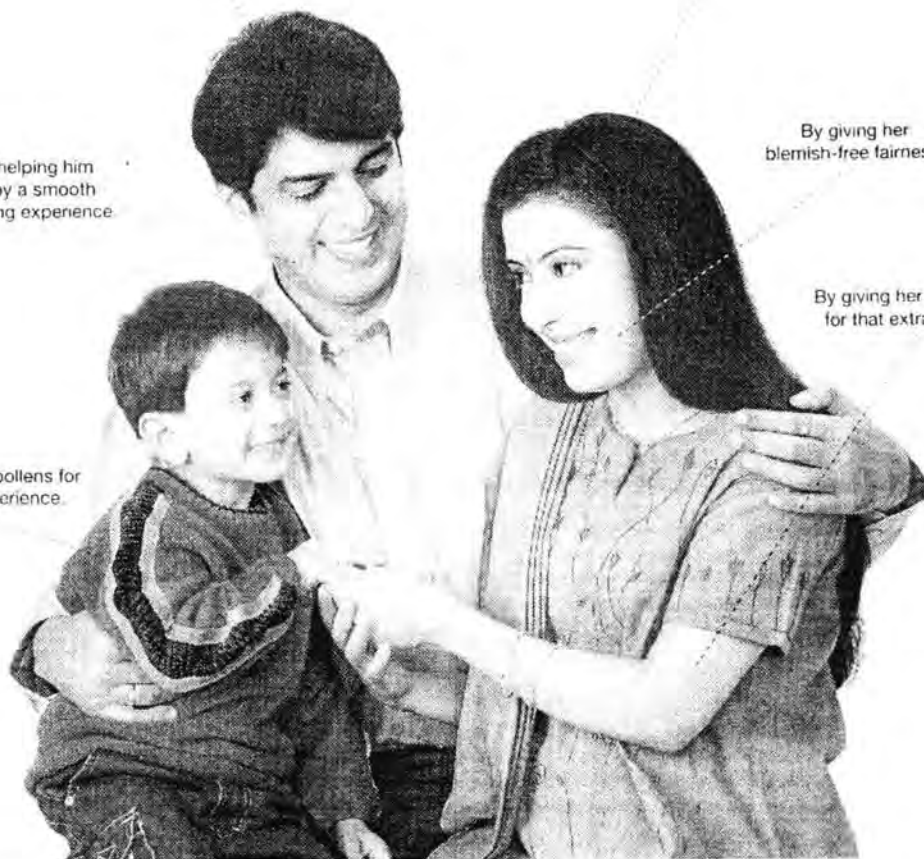
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No Postal Stamps for Minoo

Jaithirth Rao



Minoo, Rajaji, Piloo Mody...they all lost the political battle, not just the battle for commemorative postage stamps. Their defeat was our defeat, the nation's defeat.

When it is the birth centenary year of a great countryman... a Renaissance man who excelled in many spheres, a person who helped to shape civic and public discourse in India

along civilised and humane lines, a person who historians will recognise as a far-sighted thought leader well ahead of his times, you would think that even if his professional descendants in Parliament have forgotten him, the good old reliable Postal Department would come up with a stamp. No such luck. The trouble is that there is no contemporary lobby for Masani and his intellectual kinsmen. Leftist pseudo-intellectuals who monopolise too many of our quangos and too much of our edit-space cannot relate to his libertarian spirit. The Hindutva brigade, which is currently out of favour, would probably have ignored him anyway given Masani's universalist ethos. Life in modern India is simple. No lobbies. Ergo no Bharat Ratnas or postage stamps!

My acquaintance with Minoo started in school. We had a textbook edited by F.G. Pearce, which had included an essay by Minoo which echoed Donne's famous 'No man is an island' quote. The prose was delectable and gripping. The universal planet seemed close to our humid, noisy classroom. An interesting by-product of my love affair with this essay was that I actually read up a bit of Donne and liked him. (Years later, I discovered that I had joined good company for T.S. Eliot also liked Donne!) And, of course, the context of the quotation led one to Hemingway and so on. So I can thank Minoo for an important part of my literary education and predilections.

Having succumbed to the leftist virus in college, I spent my teens being dismissive of both Minoo and his compatriot Rajaji. I rediscovered Minoo's writings only after the Koestlerian revelation that was so important for so many of us. Minoo had seen through the fact that the totalitarian communist emperor not only had no clothes, but had an evil skin. He discarded the seductions of Moscow and its fellow-travelers well before others and became an advocate of freedom, both as an appropriate moral end for humans to pursue and as a means to the ends that human societies

seek.

My father always spoke highly of "Mr Masani", as he called him. Being from the audit department of the Government of India, he had ample occasion to interact with Minoo when he was chairman of the Public Accounts Committee. Minoo was always courteous, proper and hard-working. He took his parliamentary duties seriously. Earnest questions in defence of the fisc were his forte...but rudeness or high-handedness with civil servants who could not defend themselves was absolutely verboten. The Kannada expression my father used to describe Masani was *doddu manushya*...an essentially untranslatable expression which means "great man", "honourable man", "person tinged with nobility", "one you can be proud to be associated with" and so on.

In my thirties, I got an opportunity to meet Minoo several times. Our neighbour in Mumbai was Malati Srivastava, Minoo's sister-in-law. He used to visit her often and it was a real delightful treat to be able to engage with such a fine mind in a relaxed informal situation. He took to me right from the first. He loved the fact that I wore white "veshtis" (*ettu mozham*, or eight cubits as we call it). It reminded him of Rajaji and gave him ample excuse to meander down various memory lanes. What an awe-inspiring performance it was. He held forth on freedom, on history's "cunning passages", on India's missed opportunities, on the futility of building up a giant state which would sooner or later tyrannise us...and so many more matters.

Minoo, Rajaji, Shenoy, Dandekar, Ranga, Ruthnaswamy, Frank Moraes, Piloo Mody...they all lost the political battle, not just the battle for commemorative postage stamps. Their defeat was our defeat, the nation's defeat. The discourse shifted leftward with fatal consequences. Country after country which was as poor as us went ahead. We got trapped in a time-war where all the entrepreneurial instincts of our people were effectively smothered, where the state instead of being a protector of rights and liberties became a vast corrupt rent-seeking vulture feeding off the economic vitals of its citizens. The permit-licence raj and the enormous powers given to our executive branch (ministers as well as officials) became a tyrannical strait-jacket. We are still suffering from its ill-effects.

But, as Camus says, defeat may be inevitable for all humans. It is the manner of conducting the struggle that matters. And in this sphere our "band of brothers" were second to none. In the darkest days of public sector domination and egregious state intervention, they stood their ground in the defence of citizen's liberties and property rights. Many may have forgotten that in heady days after the Avadi Congress there was a move to introduce collective farming in India. The Swatantra Party stood like a veritable wall against this assault on our farmers and the fruits of their labours. Can you imagine what would have happened if their resistance had not succeeded? Millions of dead peasants (as happened in the glorious Soviet Union and China), and in addition to inefficient steel plants, bakeries, hotels and fertiliser plants, we would have had massively inefficient rigidities and monopolies in agriculture. C. Subramaniam would never have been able to launch a Green Revolution by providing price incentives to farmers (who needs incentives when they can be bludgeoned or packed off to Siberia?).

We would have had famines, shortages and misery on a scale that would have been really spine-chilling. Well...the hard work and fights of Minoo and company spared us that at least.

Minoo, where you are, you are with your friends...the patriots who stood for freedom, decency and our own version of the Magna Carta. As you look down on us, wish us well, pray for your land as it slowly renews its spirit. Actually, given your sharp dislike for state patronage, the absence of a commemorative stamp is itself a tribute to you. As the history of our times is written by the impartial historians of the future you and your companions shall make the proverbial revisionist comeback. After all you were right... ahead of your time. That is no mean achievement!

MR. JAITHIRTH RAO is Chairman and CEO, Mphasis. Write to him at jerryrao@expressindia.com.

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Founder: Minoo Masani

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Mr. Abraham Solomon was an enthusiastic supporter of Freedom First who often advised the editor to be more business-minded and strengthen the financial base of the journal. He was the man behind the establishment of the Freedom First Foundation to help fund Freedom First. He would have approved of the gesture of his relatives in donating this space to publicise the Mission of Freedom First, including a subscription form!

Space donated in the memory of Mr. Abraham Solomon

Rajaji : The Last Phase

Innovating Traditions in Party Politics

S. V. Raju

Minoo Masani, in his biography, writes that their (the Congress Party's) attempt was to prove that Rajaji's political life ended after he stepped down from the Chief Ministership of the then Madras state in 1954.

As Executive Secretary of the Swatantra Party at its Central Office I was associated with Shri C. Rajagopalachari (Rajaji) the Party's founder along with Minoo Masani. It was the only central office of any national political party, to be located in Mumbai and not Delhi. I held the position from December 1959 to December 1973 - 14 of the 15 years that the party was active on the then Indian political scene. I met Rajaji for the first time in December 1959 and for the last time in June 1972. He passed away on December 25, 1972. I was a very minor player in his life. But he and Minoo Masani played a big part in my life. So this narration is in the nature of an observer who occupied a ringside seat, as it were, seeing Rajaji in action in the last decade of his political life.

In fact, during this period I had the good fortune of keeping company with a galaxy of distinguished personalities all in the leadership of the Swatantra Party - men like Shri K. M. Munshi, Professor M. Ruthnaswamy, Mr. V. P. Menon, Sir Homi Mody, Shri Narayan Dandekar Mr. J. M. Lobo Prabhu, Professor N. G. Ranga and Rajmata Gayatri Devi to name a few. Though this narration is not about the Swatantra Party but about its founder, the two were synonymous in the last decade of Rajaji's political life. The period before 1959 has been biographed, examined, analysed, dissected and interpreted by many leading and far more qualified writers ranging from Monica Felton to his grandson Rajmohan Gandhi. Not many people are aware of Rajaji's political life in the last decade. But those in the know have attempted subtly, or often not so subtly, to downplay it as if it was of no consequence.

Minoo Masani, in his biography, writes that their (the Congress Party's) attempt was to prove that Rajaji's political life ended after he stepped down from the Chief Ministership of the then Madras state in 1954.¹ This is simply not true. A recently published pictorial volume² has a chronology marking milestones in Rajaji's life. The milestone for 1959 says "Blesses (emphasis mine) the Swatantra Party"! A more factual statement would have been 'He founded the Swatantra Party'. He was its creator and architect. A documentary by the Films Division on Rajaji produced after he died had only a passing reference to the fact that he founded the Swatantra Party. The then Congress regime which Rajaji battled from 1959 till his death, was naturally not interested in the 'last phase' which as Nani Palkhivala observed could well be

regarding as Rajaji's greatest contribution to India's political life (see box on Page 35).

I saw Rajaji for the first time when he delivered the inaugural address at the Preparatory Convention of the Swatantra Party's on August 1, 1959. I was then a reporter covering the convention for a small Kerala weekly. Little did I realise that four months later I would be appointed Office Secretary of the Central Office of the Swatantra Party and destined to interact with him for the next 12 years.

His inaugural address did not give one the impression that he was a disgruntled politician. Quite the contrary. There was a sparkle in his eyes and a spring in his step.

This is how he began his inaugural address:

"When I was forty years old, after 20 years practice at the bar and 12 years of political life in connection with the Congress, the national party of the time and the Home Rule movement, I joined the non-cooperation movement in close collaboration with and under the leadership of Mahatma Gandhi"..."Now when I am twice that age, I am leading a revolt against what I have come to believe to be a fatally wrong direction taken by the Indian National Congress in the governance of this great country. I have come to the conclusion that a movement for freedom, as important as the movement for independence against British rule, is now to be inaugurated, against the misconceived policies of the Congress towards what it would finally end in the suppression of individual liberty and the development of the state into a true Leviathan"³

Moreover, if he were a frustrated, disgruntled individual and wanted to teach the Congress a lesson, the kind of political party he founded was hardly the instrument to seek revenge. His speech at the Preparatory Convention and the many speeches that he delivered thereafter for the next ten years clearly indicated that he wanted the Swatantra Party to be 'a party with a difference'. The Swatantra Party, he kept repeating, should seek power by educating the people; a party for which power was the means to an end. 'We should not chase power, power should chase us' he once

wrote in the weekly. The Swatantra Party's objective was the attainment of "Prosperity through Freedom" - the title of the document which outlined the party's policy document.

He emphasised on more than one occasion that his party was a party in the opposition, not an opposition party. The nuance is not so subtle. An opposition party is permanently in the opposition, whereas a party in the opposition is in opposition one day and in power the next - in other words opposition not for opposition sake. Time and again Rajaji made it clear that his party would oppose socialism. An assertion that required great courage to make because socialism was a "*mantra*" and to criticise it was considered political blasphemy; political suicide. No one who wanted to stay in politics dared challenge it.⁴

Trade Unions and Political Parties

Rajaji was very clear that political parties should not seek to capture or run trade unions; nor for that matter interfere in student unions. Why? Because trade unions are created to look after the workers' interests and should not be exploited by political parties and students have to first complete their studies before getting involved in politics. Rajaji thus took away from the Swatantra Party two very potential sources of cadres for doing party work. On the other hand he was mocked for being 'anti-labour'.

The 21st Principle of the Swatantra Party

He innovated a new principle in party politics. It was his belief that it was not necessary for members belonging to a political party to agree on everything. Insofar as the Swatantra Party was considered the only areas where it insisted on identity of views were economic and foreign policies and right conduct (*Dharma* as he put it). In fact he drafted 21 Principles to guide party members. The first 20 principles were party prescriptions. The 21st principle said that on all issues falling outside the scope of the preceding 20 principles, party members were free to act according to their conscience - be it prohibition, population control or the question of the national language. And this freedom extended to the party's legislators and members of parliament. The party whip should be used only to ensure attendance and attention to legislative duties and to issues relating to the economy and not be so oppressive that the party's legislators were mere voting machines. For this innovation Rajaji and the Swatantra Party were described as 'escapist'!

Setting Traditions in Party Politics

Clearly he had fashioned a different kind of political instrument and was fine tuning it all the time. His intention was to change the face of party politics in India. He never held office in the Swatantra Party. He was a member of the National Executive, a member of the General Council. He was not even a life member. He was an annual dues paying member which was Rs.Ten. The National Executive of the Swatantra Party was literally a Who's Who of well known and highly qualified personalities. But the lessons he gave

them could well be material for a book of ethics and etiquette for politicians of all parties. When taking a decision or passing a resolution he would say: "Every time you draft a resolution, imagine, how would you react to a situation if you were in power. This will ensure your resolution is in the country's interest even if, in the short term, it is not in the party's interests. He frowned on 'walk outs' in parliament and legislatures. There was only one occasion in the Swatantra party's 15 year history that Rajaji approved a walkout. This was when a patently unfair ruling was given by the Speaker during the debate on the 17th Amendment to the Constitution taking away the property rights of the farmer.

The Accountability of Legislators

He insisted on high standards of public behaviour, including accountability of elected legislators. The Speaker, whether in Parliament or the state legislature must be respected. At a meeting of the National Executive (As Executive Secretary I was in attendance at all such meetings and I recall that during my 14-years tenure I missed only one meeting of the National Executive and that too due to illness) Rajaji turned to me and wanted to know whether it was true what he had read in the newspapers that Sardar Goutu Latchana, Leader of the Swatantra Party in the Andhra Legislature had led a demonstration outside the Assembly when it was in session. I said 'yes sir, it is true' The next question: "Was he holding the party flag?" "Yes, sir, the party flag was very much in evidence". "Was the Assembly in session?" he asked. I replied in the affirmative. Rajaji was furious. He admonished Sardar Latchanna who as a member of the National Executive was present at this meeting. He got the Executive to record a decision that 'when the Assembly is in session, all Swatantra legislators should be inside the Assembly and not outside.' You are not elected to stand outside and protest. You are elected to be in the House and record your vote.

When Parties need to be Bipartisan

Then there was the occasion when the Congress Party led by Mrs. Indira Gandhi sought the support of the opposition parties to devalue the rupee in the late sixties. The economy was in dire straits and the rupee being overvalued foreign trade took a massive beating. Rajaji and Masani were clear that such issues should be bi-partisan and should be treated on merit and not politicised.. The Swatantra Party gave her the support to devalue subject to follow up measures that would make devaluation worthwhile to the country. The other parties in the opposition were furious but we stood our ground stating that the currency needed devaluation, the economists including Professor B. R. Shenoy had recommended devaluation.

The 'Liberation' of Goa

Earlier, when Pandit Nehru was the Prime Minister we were the only party to oppose the sending of troops to "liberate" Goa on the ground that it was an election stunt to ensure the election of Krishna Menon who was the then

Defence Minister and was being opposed in the Bombay North East Constituency by Acharya Kripalani. You don't use a hammer to swat a fly. All parties other than the Swatantra Party supported sending the Indian Army to 'liberate' Goa. Again the influence of Rajaji was evident when all parties other than the Swatantra and the Jan Sangh supported the abolition of privy purses.

Abolition of Privy Purses

Rajaji was clear that the Indira Congress's decision to get parliament to abolish the privy purses of princes was wrong as it was a violation of a solemn contract entered into between the Government of India and the princes of acceding states. It amounted to dishonouring Sardar Patel, the then Deputy Prime Minister and Home Minister. Rajaji asked the Swatantra Party to oppose the move because it involved a principle – the sanctity of a contract. Rajaji wrote about it in *Swarajya* and Masani spoke in parliament pointing out that though governments change commitments do not. A contract entered into by one government had to be honoured by its successor. This was something alien to communist and socialist parties.

Stunts Have No Place in the Swatantra Party

Then there was the question of responsible and dignified behaviour of party members. Once Rajaji read a report in the *Hindu* that the General Secretary of the Swatantra Party in Bombay, had, with a band of members swept the streets to demand a ban on the export of foodgrains. Why sweeping the street? Because some gunny bags filled with rice had tears through which rice was spilling on the road. So this Swatantra leader with his party workers, the party flag and all was sweeping the grain, and to draw public attention had informed the press which reported it the next day.

Rajaji wrote me a post card asking me if the report was true. When I affirmed its veracity he wrote a front page article in *Swarajya*, "Stunts have no place in Swatantra!"

A Lesson in Party-Government Relations

Then there was his belief, obsession would be a better word, that the party and government should keep away from each other once that party had been elected to office. We were having the National Convention of the Swatantra Party in Bhubaneswar. At that time, our party was the senior partner in a coalition government in Orissa. As Executive Secretary I had the responsibility of overseeing arrangements. After the decision to hold the Convention in Orissa was taken Rajaji called me aside and said that he realised that I had to visit Bhubaneswar in connection with the Convention. He instructed me that that under no circumstance was I to avail of official machinery; that all discussion should take place at the party's office at Kharavelanagar. If a government car was sent to receive me at the airport I was to decline and hire a rickshaw or taxi instead. Earlier, soon after the coalition government was sworn in Rajaji wrote an article in *Swarajya*

a veritable do's and don'ts on ministerial behaviour and party-government relations. What I remember most about that article was his admonition to his partymen: 'keep off the corridors of the government Secretariat!'

(To be continued)

¹ Rajaji was India's last Governor General, taking over from Lord Mountbatten in June 1948 and handing over to the first President of Republican India on January 26, 1950. He returned to Madras. Less than six months later, on the insistence of Pandit Nehru and Sardar Patel, he returned to Delhi and was a member of the Union Cabinet as Home Minister. Two years later he was asked to return to Madras as Chief Minister of the then composite state of Madras (which included large parts of what is today Andhra Pradesh). Two years later the state leadership of the Congress maneuvered to oust him. He left without demur.

² Unfolding Rajaji by C.R.Kesavan, EastWest Books (Madras) Private Limited, published in 2003

³ Twenty five years later, his prediction like so many others proved prophetic when dictatorship was clamped on the country by Pandit's Nehru's daughter Mrs. Indira Gandhi on the specious plea that India was facing an Emergency - which simply was not there

⁴ This reminds me of an interesting exchange that took place at a meeting of the National Executive in 1961. The discussion was on the manifesto of the Swatantra Party for the General Elections of 1962. Prof. N. G. Ranga, one of the finest persons I have ever had a chance to work with, said, 'Rajaji, why don't we declare in our manifesto that we believe in 'Gandhian socialism'? Rajaji looked at Ranga and, with a smile, asked "Ranga, what kind of an animal is that? I didn't know that Gandhi was a socialist!"

An Old Communist Stunt Revisited

Communists are in some ways very conservative – for example, in the methods they use to discredit and neutralize their enemies. Remember how uncooperative Western visitors to the old USSR had a way of being discovered in compromising circumstances in hotel rooms? The Communists of Beijing obviously believe there is still some mileage in that old stunt. Mr. Alex Ho, a pro-democracy (and therefore, of course, anti-Beijing) candidate in the forthcoming elections in Hong Kong, was arrested in a mainland hotel room while on a business trip. He was charged with having hired a prostitute. Mr. Ho signed a confession when told that, if he didn't, he'd be charged instead with rape, a capital offense in the People's Republic. He is now serving six months in detention. Apparently a trial was not thought necessary. The sentence will disqualify Mr. Ho from standing in Hong Kong's September elections. It will also, Beijing no doubt hopes, discourage others from pro-democracy activism. Old Chinese saying: 'Kill a chicken to scare the monkeys'.

COURTESY: *National Review*, September 13, 2004.



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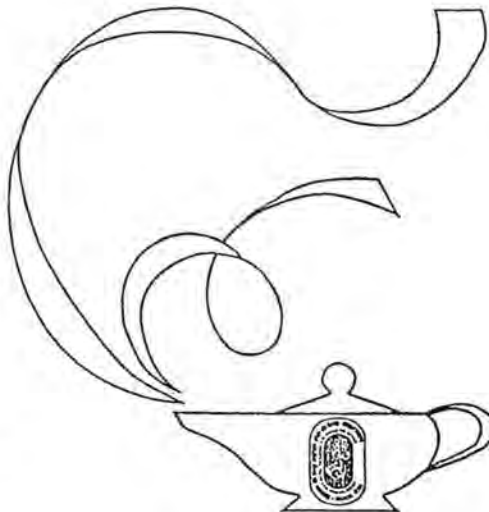
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Quotable Quotes from Minoo Masani

– During my innumerable meetings with him

S. S. Bankeshwar

These are based on the writer's notes and recollections – Ed.

'Very often, people think that what they know is worth knowing and what they don't know is not worth knowing!'

♦

'Never assume that you know, when you in fact do not know. Ask others when you don't know or if in doubt.'

♦

'People very often bypass a profession for which they are most suitable and opt for a profession for which they are least suitable, and the results are disastrous!'

♦

'All knowledge is good is not correct a correct statement. Knowledge is neutral like a doctor's scissors, which can be used to perform an operation or for killing. Yes, knowledge is power, if it is good knowledge. Knowledge can also be used for mass killings, for instance, or for making nuclear bombs.'

♦

'What is called 'general knowledge' in common parlance is a misnomer. The so-called 'general knowledge' is in fact general information. For instance, which is the capital of India, how many continents are there in the world, who is the greatest film star or cricketer, which film is running in which theatre, is information and not 'general knowledge'.

'We are still a feudal society in India. There is no place for dynastic succession in a democracy, or for that matter in sports, films, music or culture. Merit and performance alone should be the criterion in a liberal democratic country. We are far away from being a liberal democracy. Just holding general elections every five years is not true democracy.'

'Journalism in India has now become an industry. It is not a paying profession. Ghost writing for rich industrialists or top politicians or film stars is more paying than journalism. I therefore advise you not to take journalism as a profession, but take it as a hobby. S. P. Godrej needs a person like you and I have spoken to him about you. Please do meet him by prior appointment (1958). Take it from me that one day, even cricket, smuggling, gangsterism and corruption will also become industries.'

♦

'I don't understand why people who do not have any sense and value of time buy wrist watches, especially wrist watches indicating the day of the week and date. A person who does not know the date and day of the week is unfit to buy any watch at all', Minoo Masani said.

'Both Jinnah and Pandit Nehru had one thing in common. Monumental vanity. But for their vanity, Partition could have been avoided. Compromise was not in their dictionary. Compromise means some give and take'.

Minoo was a liberal democrat. Once I told him that I did not agree with his views on Kashmir, Nagaland and Sikkim and that it was not proper for me to be on the committee of Freedom First. He replied, "Sumant, what is wrong with you? Nonsense! This is what freedom is all about! Don't even think of resigning from the Committee."

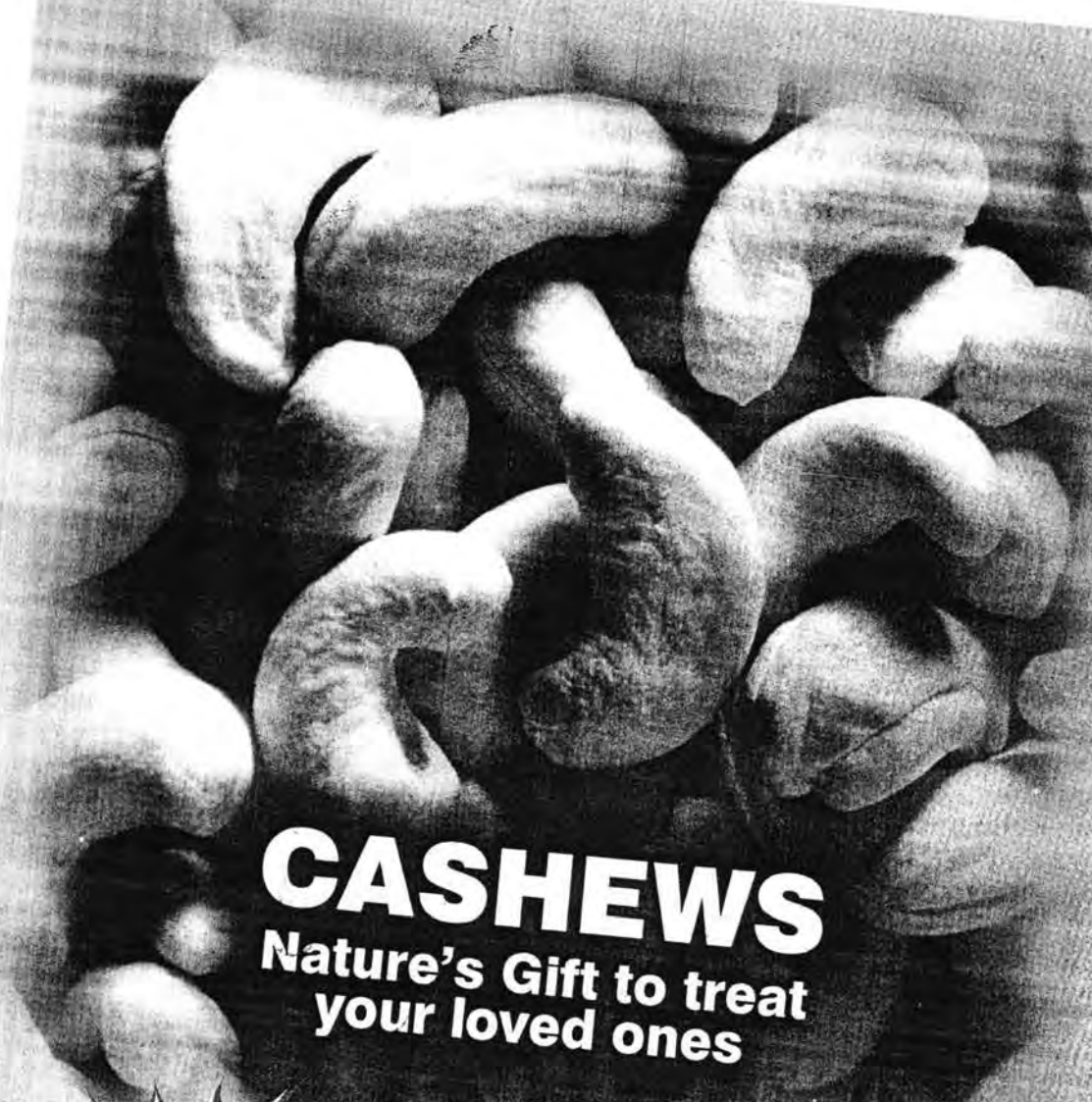
MR. S. S. BANKESHWAR is a freelance writer and member of the Advisory Board of *Freedom First*.

Obsession with Punctuality

Minoo Masani's one obsession was punctuality and purity of the English language. I might have met him on 30 or 40 occasions. Each meeting with him was an education by itself. Unlike Rajaji or Piloo Mody, Minoo Masani was not known for his ready wit or humour. His humour was often unintended.

One day somebody phoned him in my presence. Minoo lifted the phone and said, "How will I know whether you can or cannot speak". When I smiled, Minoo asked me, 'Why are you smiling? This is my way of correcting people'. I replied, 'Probably he asked you "Can I speak to Mr. Masani" instead of "May I speak to Mr. Masani", I said. "Yes", Minoo said.

Once Minoo Masani asked me to meet him on a Saturday at 10.30 a.m. in his office. I reached there at 10 a.m. and 'phoned him to say that I was in his office. He said, "Please wait, Sumant, as I have called a person for an interview at 10 a.m. and he is expected here any moment". At 10.25 a.m. he returned my call and said, "I don't think he is coming, you may come". Just when I took my seat, the person called for interview turned up. Minoo asked him, "At what time were you called"? He said, "10 a.m.". Minoo said, "When you come late by half an hour for an interview, how late will you come daily when you join us? Sorry, you may go. Don't you know that an hour means 60 minute"? Minoo asked him. He said, "Sorry, I was late because the train was very crowded and I had to miss two trains." Minoo told him, "Please do not give me excuses. Indians in general suffer from an incurable disease "Excusitis". You should have started an hour earlier."

A black and white photograph of a large pile of cashews, showing their characteristic kidney shape and smooth texture. The cashews are piled together, filling most of the upper and middle portions of the advertisement.

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– Minoo Masani



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