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Published by M. R. Pai, for Forum of Free Enterprise, "Sohrab House", 235 Dr. Dadabhai Naoroji Road, Bombay 1, and printed by P. A. Raman at *Inland Printers*, Victoria Mills Building, 55, Gamdevi Road, Bombay 7.

8|Oct|1960

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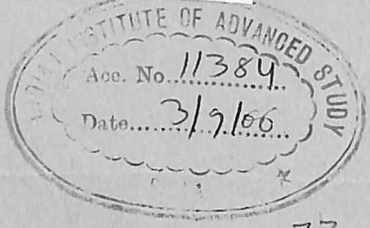
M. R. Masani M.P.

FORUM OF FREE ENTERPRISE
SOHRAB HOUSE, 235, D. NAOROJI ROAD, BOMBAY-1



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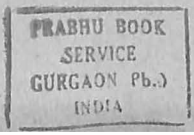
President, World Bank



PLANNING FOR PROSPERITY

M. R. Masani M. P.

THE title, *Planning for Prosperity,* might give rise to a question: "How can there be planning for anything else? Is not all planning, planning for prosperity?" The answer is that there can be and is planning for other things than prosperity.

Let us take Soviet Russia. There they have had planning for some forty years now. At the end of forty years it is possible to say that the standard of life and the prosperity of the people are not substantially better than they were under the Czar. If planning is for prosperity, then Soviet planning has utterly and miserably failed. The Soviet Premier, a few months ago, gave some interesting figures. He made two statements. They were reproduced in *Pravda* of November 7, 1959. He said that the average harvest for the years 1949-53 was no higher than it was under the Czar in 1913 before World War I. During this period the rest of the world had doubled, trebled, quadrupled or multiplied its crops many times over. Even our own poor country had made better progress than this. Mr. Khrushchev admitted that in 1953 they were back to 1913 in so far as foodgrains production was concerned as a result of the system of planned economy and collective farming. And then he went on to say that the current year's crop, i.e., last year's crop—10 years later—was no larger than the average crop of 1949-53. In 1953 the foodgrains production was the same as in 1913, an achievement which no other country in the world can boast of under any system of cultivation or landowning. So, obviously if planning was

for prosperity, then it was a failure. But planning in Soviet Russia was never for prosperity. The fact that today in Moscow there is an average of six people sleeping in one room, that such a thing as a private bathroom for a family is considered a privilege, and the shocking state of Soviet slums, do definitely show that their planning was not for prosperity.

The same thing holds true with regard to the production of consumer goods. One could quote Mr. Khrushchev about the shoddy quality of Soviet consumer goods and how the Soviet consumer grumbles about the miserable quality and the high prices. Therefore, one comes to the conclusion that the aim of Soviet planning, which has been in operation for some forty years and despite the fact that it produces millions of tons of steel which are not devoted to producing houses and consumer goods for the people has not been the prosperity of the people. What then can it be for? The answer is provided by *Sputnik* and *Lunik* and the various startling phenomena with which we are faced every few months. Soviet planning was designed and is carried out not for the prosperity of the people but a monopoly of power, for the glory of the dictatorship; in other words, for the purpose of world domination, if necessary through war. Lenin and his successor Stalin were frank about it. Lenin once said, and was quoted with approval by Moscow Radio on August 20, 1950: "Promises are made to be broken." Mr. Kozlov who followed Mr. Khrushchev to the U.S., said: "I repeat the words of Mr. Khrushchev: 'The children of the present day Americans will live in a communist society.'" And Lenin had said, "First we will take Eastern Europe, then the masses of Asia, then the U.S. which will be the last phase of capitalism. We will not have to attack. It will fall like an

overripe fruit into our hands." This then is the motivation behind Soviet planning. It is not for a better life for the people of Russia but for world domination, for the establishment of the most ruthless tyranny.

We have to make a choice in our country as to the kind of planning we want. Do we want planning for prosperity or do we want the other kind of planning for the establishment of a power monopoly for those who are at the top?

Soviet planning consists of Five-Year Plans, a National Planning Commission, and a command economy under which the National Planning Commission decides what shall be produced, how it shall be produced, at what price it shall be sold, and so on. Our Government, unfortunately, has borrowed the whole paraphernalia of Soviet planning. The Five-Year Plan and the National Planning Commission are instruments of Soviet Communism. Outside our own country and some other newly liberated countries in Asia who have yet to find out the implication of this methodology, there is no free country in the world which has either a Five-Year Plan or a National Planning Commission. These are institutions that are inherent in planning for war, domination and power. Yet, we profess a shallow admiration for Soviet "achievements", as we call them, when none of these achievements are there—except armament—and try to fit their pattern of planning into a democratic society with a democratic Parliament and a democratic Constitution. The result is that, without meaning to, we are creating a kind of super-government behind the facade of Parliamentary democracy. Some of us have suspected this now for some years. As soon as the Plan Frame for the Second Plan was published, some of us said that this was the beginning of Soviet planning in India. We pointed out that the Plan Frame has been prepared in Calcutta at the

Indian Institute of Statistics where several Russian Government planners had been imported from Russia for a year along with a communist professor from Poland and another from France. This was the team that prepared the Plan frame which was placed before National Planning Commission, Cabinet, Parliament, and the country.

In *The Times of India* of May 11, there is a report of a speech made in Poona by a leading member of the Congress Party, Mr. Ajit Prasad Jain, our former Food Minister. Commenting on the working of the National Planning Commission, says the report, Mr. Jain observed that the leadership of the Prime Minister as its Chairman gave the Planning Commission a position of prestige which rivals the Cabinet. Secondly, the system gave rise to the dual responsibility at the top, one as a Minister and the other as a member of the Planning Commission, tackling the same subject. There are occasions of rivalry and friction and cases are not unknown when the Planning Commission has encroached upon an area which by all standards is reserved for Parliament and the executive. This widening gulf between our policy making and departmental working, said Mr. Jain, has given rise to various difficulties and unsatisfactory achievements of Plan targets. Departments are losing confidence and it is time to restore the equilibrium between the authority exercised by the Planning Commission and the Government Ministry.

Here comes clear corroboration in practice from someone who, no doubt, is now telling how the shoe pinched when he was in office. It is good that the facts are out; and the fact is that there are Cabinet Ministers who are not being given the free hand that their position and responsibility to Parliament demands. The Planning Commission—that extra-constitutional body—is sitting on their

heads and trying to dictate to them. These planners do not have to come to Parliament and answer questions that members of Parliament put every morning. They do not have to stand for election and take the consequences of defeat. The Planning Commission has tended to become a non-responsible super-government. Now, appropriate organisation for planning the affairs of the nation and submitting an annual programme is the Cabinet responsible to Parliament and the people. While the Government may get such expert advice and assistance as it desires, there should be no other body engaged in making policies affecting the life of the nation. So there should be a distinction between advisers and policy-makers. A National Planning Commission *making policy* can obtain only in the Soviet-type of Planning and not in a democratic type of planning. It has no place in a free society, because what it logically attempts to do is to establish a command economy.

You will find an innocent communique carried by our newspapers the other day that, in the opinion of the National Planning Commission, greater investment should take place in capital industries and not in consumer goods industries. Who gave the Planning Commission the authority to decide how much we are entitled to consume in this country out of the money we earned? What the Commission is trying to arrogate to itself is a right to decide how the little money that gets into our pockets will be invested or consumed. That is the beginning of a command economy, the beginning of totalitarianism, and that is why Mr. A. P. Jain's warning is extremely important.

Last year, when the Andhra Government wanted to fix a land ceiling somewhat higher than that dictated by the Planning Commission and introduced a Bill with a higher

ceiling—it was Rs. 5,400 a year instead of Rs. 3,600 for a family of five, the National Planning Commission called the Minister up to Delhi and said, "This won't do." It said that the ceiling must be reduced to Rs. 3,600 and no more. The question arises as to what happens to Parliamentary government in Andhra, what happens to the constitutional responsibility of the Andhra Government to the electorate of Andhra? Who were these gentlemen, who have never been elected by the Andhra electorate, to tell the Andhra Government what legislation was to be passed by the Andhra legislature?

I do not like the idea of our peasants receiving a low income. I believe in high wages, high salaries and high profits. I believe in the German policy of letting the men and the money loose. I am not one who quarrels with the salaries of the members of the Planning Commission or the Ministers. At the same time it is not open to them to try to reduce the salaries of a less unfortunately placed class of people. Of our people, some 52 per cent are landed cultivators. The Planning Commission has prepared a nice future for them—a future which says that for a family of five the earnings are to be no more than Rs. 300/- a month! If you are a farmer, howevermuch you invest in land and howevermuch you work, you will remain a poor man; you and your children will always remain poor. You will never have a radio set in your house. You can never afford to sit at a table or lie on a bed. You cannot send your son or daughter to college, however bright they may be. This is creating a new depressed class in society. All this is done under the beautiful slogan of Planning and Socialism! Nothing more anti-social can be conceived. This is not planning for prosperity. It is planning for poverty and servitude for the majority of our people, for the power and

glory of the "New Class" as the disillusioned Communist leader of Yugoslavia, Milovan Djilas, has described in his book—for which he is spending a ten-year term in prison. It will create a class of politicians in office and bureaucrats who believe it is right that their children alone can go to foreign universities for education while a peasant's child cannot go even to high school.

It is interesting to know that not all members of the ruling party feel that way. I recently read a report in *The Hindu* to which nobody refers in the current controversies. Mr. Subba Reddy of Andhra may have committed a crime by casting a certain vote in a certain way at a Party meeting but there is a much bigger mistake he has to answer for, which perhaps some of his colleagues and the Chief Minister know about also and for which perhaps he is now suffering. His big mistake is that he does not believe in joint co-operative farming. Mr. Subba Reddy said in a speech on April 29—it was at the Krishna Central Co-operative Bank, who gave an At Home in his honour—that co-operative farming is not likely to prove successful in India. He added that he had recently visited Yugoslavia, a communist country. Even there co-operative farming was not successful. Owing to its unpopularity, the Government had to relax its rigidity. As a result, where there existed 3,000 farms there are today only 300. Therefore joint co-operative farming in India on individual lands is not possible. Without understanding the implications fully, said Mr. Reddy, people who advocate joint co-operative farming on private lands are misguiding our national leader.

Progressively, members of the Planning Commission, or some such extra-constitutional busybody like the Statistical Adviser to the Prime Minister, will decide whether or not

you will buy soap, how much you need, etc. Already in the case of motor cars we are driven to that. We have no free choice, but have to choose from three or four models and for that we have to wait for years before we can get it. Therefore, in so far as the choice of a motor car is concerned, the consumer is already governed to some extent by the command economy. Gradually, the encroachment of freedom of choice will move from motor cars to radio sets, to typewriters, to tooth brushes, clothes, chappals and so on, and in another ten years, if we do not rid the land of the idea of communist planning and the command economy, the Marxist tail will wag the Government. This is the kind of society to which the Russian people have been subjected for over forty years. In Soviet Russia, they have rationing of all the necessities of life in peace time. We are heading towards that state. I am not against planning as such, but against Soviet pattern. In democratic planning, the consumer would feel he would be the main factor deciding the economic pattern. I do not say he would be the only factor as we cannot have complete *laissez faire*, or completely undiluted free conomy. There is need for a certain measure of State intervention which should be like an umpire or referee. The State is there to see there is fairplay for all sides. But it is none of the business of the State to produce goods. It is the business of the State to see that certain fundamentals of life like clothing, water and shelter are provided to the people.

In many ways, the present pattern of planning drives towards a monopoly of power. This monopoly of power is being created in a very few hands at the Centre. The minds of the people can also become the subject of such a monopoly. In the *Times of India* of May 14, 1960, there was an editorial which referred to a development, viz.,

New Delhi's decision to prohibit foreign news services except in so far as to canalise their news through an Indian news agency. This sounds beautiful because it is said to protect Indian agencies from foreign competition. *The Times of India* points out, however, that it is nothing of the kind. This is an attempt to prevent Indian newspapers from buying news from outside through foreign news agencies. It is all very well to say that the Indian news agencies will supply the news. But we know there is only one such agency in India. I have nothing against the news agency. It is doing an honest job. But the fact remains that it enjoys a monopoly. If the foreign news agencies are removed from the field, then it will become a monopoly. It is also known that the Indian news agency is beholden to the Government for subsidies for supplying news to be broadcast on A.I.R. So what it really comes to is that the Government wants to hold by the throat the only channel by which the Indian Press can get news. How is this outrageous attempt consistent with the Constitution? These acts of the government are not accidents—they come one after another. They are the attributes of a communist dictatorship which are slowly finding their way into our pattern of life. I do not say all of them are intended to be such, at least as far as some individuals are concerned.

In contrast to this pattern which would inevitably take us to communism, there is the free method of planning. By means of such planning, a nation can attain prosperity and yet retain its freedom. The distinguishing mark between the Soviet planning into which our Prime Minister has launched the country and the free way of planning are the respective roles of the State and of the people. In the case of democratic planning, there is economic democracy added to political democracy. Economic democracy

means that every day the people of the country have a right to decide the pattern of their economy. They do this when they go to the market by buying or not buying a particular product. When we go to market, we are casting an economic ballot daily—just as we do during a general election once in five years. When we decide to buy something, we cast a positive vote. When we do not buy, we cast a negative vote. Even when we cast a positive vote, we make a choice. When we go to the market and see different brands of soaps, we make a free choice. Now that is a very important thing—the right to make a choice is fundamental to human nature and to human feeling. In a planned economy of the Soviet kind, such a choice comes to an end.

Free Planning puts the needs of the common man as the first priority. It also believes in a mixed economy of free and State enterprise. Free planning means in practice enlightened free enterprise, subject to trusteeship, as Gandhiji used to call it.

Just to give an example of what a tonic effect such a policy can produce on our economy, on the minds of our people and their psychology, let me make some concrete proposals. Let the Government stop deficit financing, let them stabilise the value of the rupee and provide the citizen with an honest rupee which buys the same today, tomorrow and the day after. Let it raise the income-tax exemption limit, abolish the Sales Tax and reduce Land Revenue by 25 per cent. Just imagine what a tremendous tonic this would be to the economic vitality of our people! Our Indian economy has great vitality. Today our backbone has not been broken. I think if these measures were put into operation, they would act like vitamins. More food and more goods would be produced.

Some people might ask, "If you give up all these crores of rupees, how are you going to balance your Budget?" First of all, it has been computed by people whose opinion I respect that anything up to Rs. 200 crores go waste—not on Planning—but on non-productive expenditure every year. These sums can be better employed elsewhere. They are wasted on an army of bureaucrats and on wasteful projects where money goes down the drain. There is another way the nation can balance the loss and get back even more than the loss. Mr. A. K. Sen, our Union Law Minister, two years ago, wrote an article in a journal none other than the *AICC Economic Review*—where he made an unanswerable case that the law of diminishing returns had set in so far as taxation in India was concerned. In other words, the Law Minister argues that the higher the rate of tax the less the state gets. This is a well-known law of economics. If the Government lowers the taxes then it will get more because the volume of production and, consequently, profits will go up. The Socialists and Communists are indebted to Karl Marx for their theories. He was a great man in his time but he is out of date now. He once said that the only free and happy people in society are those who own property. He called the others the proletariat. Logically, therefore, everyone should be given property. But, perversely, the Socialists and Communists say that nobody should have property. In the result, nobody would be happy. What a funny way of creating a just society! Fortunately, the world has had enough of this nonsense and people all over the world are moving away from this view of life. The future is for freedom.

The views expressed in this booklet do not necessarily represent the views of the Forum of Free Enterprise.

Based on a speech delivered under the auspices of the Forum of Free Enterprise in Bangalore on May 17, 1960.

India - Economic policy

"Free Enterprise
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