

PRATAP BHANU MEHTA
SHYAM SARAN
KUMAR KETKAR
SURJIT S BHALLA
GURCHARAN DAS
RAMA BIJAPURKAR
PARTH J SHAH
TONY FERNANDES



उदारवाद

India's Liberal Agenda



INDIAN COUNCIL ON GLOBAL RELATIONS

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3rd floor Cecil Court, M.K.Bhushan Marg, Next to Regal Cinema, Colaba, Mumbai 400 039
T: +91 22 22023371 E: info@gatewayhouse.in W: www.gatewayhouse.in*

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*Editors: Sharmila Joshi
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Introduction

India is surely on the most arduous part of its journey to being a truly free and democratic nation, one which accommodates diversity of opinion and person, and achieves growth, equality, and the dignity of the individual. We are currently beset by multiple setbacks in the form of identity politics, crony capitalism, corruption, and ethnic conflict. The role of the individual is nearly subsumed by a dominant and powerful state seeking to be benefactor.

Our Constitution, a generous and liberal document, built in provisions to end traditional discriminations of all kinds. But we have failed to build the sophisticated institutional capacities to deal with the demands of a more complex global economy. Instead, we have fallen back on the old certainties of caste, religion, and gender.

Our large youthful population is struggling to find its pulse in a global environment that is awash with the desire for change. Everywhere, societal, economic, political, and technological transformation is bringing on a collision between an increasingly independent individual and a state determined to control and curtail.

As the world's largest democracy, India must lead the debate on the new political processes. We are viewed as a model for democratic aspirations; people involved in the continuing upheavals in West Asia, South Asia, the Americas, even Europe, are looking for a re-examination of political systems, unchanged now since the end of the Second World War.

The 66th year of our Independence, when we are still young enough to adapt but also mature enough to understand the need to do so, is the right time to re-examine our socio-economic and political condition. Some voices have begun to question, vigorously, our decrepit current system and to imagine a new one. What can work for an India that is yearning for change and progress, yet is comfortable in its history and tradition?

Among the many ideas for a new India that are finding resonance among respected scholars and citizens alike, is that of a liberal society, polity, and economy. A liberalism that is the opposite of paternalism, which does not prescribe but expands access and availability for the citizen in whom the state places trust and ensures a level playing field. This releases the entrepreneurial spirits of a people.

For years, liberalism has been studied and viewed mostly from the western texts. In fact, India has its own rich liberal traditions, which have not been studied as well. The leaders of a newly-independent country also espoused a liberal agenda for India – Mahatma Gandhi, Babasaheb Ambedkar, Ram Manohar Lohia, Minoos Masani – to name only a few.

It is these views which are recalled in this anthology, and others examined. The eight thoughtful essays within look once more at India through the liberal lens. Pratap Bhanu Mehta examines whether traditional liberalism stands a chance in the new India; Shyam Saran shows how terrorism and the security apparatus curtail liberal values; Kumar Ketkar explains why liberalism is often mistaken for post-modern opportunism; Surjit Bhalla fears the economic illiberalism that has settled in; Gurcharan Das argues for a strong liberal state that works with the dharma of the individual; Rama Bijapurkar writes about how re-thinking the education system can invigorate the liberal agenda; Parth Shah speaks of the importance of liberal principles in the domains of economics, politics and social life; Tony Fernandes weaves Gandhian liberal views with those of economic liberalisation.

On this Independence Day, we offer you this rich repast and look forward to your responses.

MANJEET KRIPALANI
EXECUTIVE DIRECTOR
GATEWAY HOUSE: INDIAN COUNCIL ON GLOBAL RELATIONS
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Liberalism in the large

Liberalism is a politics of hope, mutuality, compromise and reason. If that has been replaced by a politics of fear, egotism, polarisation and unreason, it is India's elites that are responsible. How can liberalism be made an object of mass politics in India?

PRATAP BHANU MEHTA

Liberalism in India has been embattled by two mutually reinforcing tendencies. For its detractors on the Left and Right, "liberal" is a derogatory term. The Left associates it with a defence of property and inequality; the Right associates it with a kind of freedom that is a threat to its narrow conception of culture. But in India more damage has been done to liberalism by its friends, who have reduced its meaning to the "marketization" of all relations, in opposition to the state. They have emphasised its instrumental aspects, wealth and efficiency, at the expense of its complex moral, civic, and psychological claims.

If liberalism is to be credible, and an object of an overlapping consensus, to use American philosopher John Rawls's phrase, it will have to draw upon a number of elements that mutually reinforce each other.

First, liberalism places the freedom of individuals, their presumptive equality, and claims to be treated with dignity, at the centre of attention. India has made considerable progress in creating space for the *de jure* recognition of individual rights. But our political culture far too often immobilises the claims of individual freedom in the face of community identity or group coercion, putting at risk assorted values from the freedom of expression to gender equality. We have promulgated the idea that India is a federation of communities and the task of politics is to keep a balance between them.

This idea can have deeply illiberal consequences. It traps individuals in the tyranny of compulsory identities. It readily mobilises state power against individuals in the name of community sentiment. Diversity should be an outcome of individuals freely exercising choices. The Congress cares for diversity, but not freedom. The Right cares for neither diversity nor freedom.

Can this "moral individualism" be convincing? The answer is yes. This is because it draws upon the very idea that communities appeal to in protecting their collective rights. All communities in India have, at one point or the other, invoked the moral claim that they should not be forced to do things they have not freely consented to. All we need to do is extend this courtesy down to individuals.

Second, liberalism has a presumptive faith in citizens. The Indian state has acquired inordinate powers over citizens by setting itself up as a vanguard over society. The state is often needed to secure justice and reform society. But cutting across party lines, there is a more insidious idolisation of the state that is legitimised by a pervasive distrust of citizens. The state knows better than the citizens; citizens cannot be trusted to make choices. And perhaps more damagingly, this distrust of citizens is a license to micromanage them. The state is all virtue, society all vice, so society needs superintendence.

This construction of the citizen as incapable and untrustworthy is deeply entrenched in administrative practice. No liberal society can flourish on the basis of a pervasive distrust of citizens.

Third, liberalism distrusts the concentrations of power, wherever they are found. Nothing has damaged Indian liberalism more than the idea the Left has propagated that Indian liberalism simply replaces the power of the state with the power of large corporations. But temperamentally, a genuine liberalism has been as much suspicious of private monopolies and the inordinate influence of private actors, as it is of state power.

It also believes in what the American political theorist Michael Walzer once called the Art of Separation: the considerations and norms appropriate to one sphere of activity should not contaminate another. Politics has to be shielded from economic power, considerations appropriate to culture have to be shielded from politics, and so on. Not one political party in India believes in this separation, and in the related idea that institutions are not simply instruments of power, but should be governed by public reason.

Fourth, liberals are not radical democrats. They recognise that participation is necessary to secure rights, foster a sense of citizenship, prevent power from becoming remote, and for producing decisions that are legitimate. For this reason they are committed to forms of self-government where possible. For all the talk of decentralisation, none of our political parties think of local government as genuine sites of self-government. They think of them as, at best, instrumental conduits for plans hatched at higher levels of government.

Fifth, the presumption of liberals is towards well-regulated markets. But the state has an important role in protecting the vulnerable and enhancing the capabilities of citizens. The test of such an intervention is whether it enhances the citizen's ability to participate in the economy, society, and politics, not whether it keeps them tethered to a debilitating dependence.

Unlike the Right, liberals care about equality, because inequality can have corroding civic consequences and militate against fairness. Unlike the Left, they do not believe that a simple measure of equality is all there is to an economic system. But unlike the Left and the Right, liberals, in many matters of economic policy, do not presume to give the same answer to every question even before the question is asked.

Sixth, liberals have a more complex view of the "tradition" question. The Left positioned itself in the vanguard of progressivism by a whole scale delegitimising of everything past; secularism for the Left was not so much a political ideal as a weapon of cultural assault. The Centre and the Congress were interested in culture only in so far as it was aligned with identity. And the Right was interested in assimilating culture into a stultifying uniformity.

Liberals will defend political secularism and not compromise on basic ideas of individual freedom, equality, dignity. But liberalism has no stake in polarising cultural wars. Like the best moments in the nationalist movement, it believes that tradition can be transcended without making all its animating impulses despicable. Indeed, liberalism cherishes the idea that there are spaces where not everything is reduced to either an instrumental logic of efficiency or a political logic. The human quest for self-knowledge is a complicated one that involves a conversation across generations.

Seventh, liberalism recognises the horrifying social inequalities perpetuated by caste. And it recognises that many of these, particularly in the case of Dalits, will need to be taken into account to build a society that is fair and inclusive. Liberals have been compromised by the fact that while their critique of affirmative action has some validity, their avoidance

of the "social" question has left them incapable of addressing the fears of historically marginalised groups.

The fact of the matter is that Indian liberals have reduced their response to the historical legacy of oppression and discrimination to a banal recourse to technocratic language. Education is the answer, we say. Yes, it is. But it is not enough. Where will the ethical imperative of treating people with dignity come from?

Frankly, credibility on this issue comes from behaviour and exemplars, not simple argument. This is liberalism's biggest historical failure in India. But unlike all political parties, it wants forms of affirmative action that do not trap individuals in their identities, that do not reduce complex questions of discrimination to an indiscriminate formula of power-sharing. Its goal is a conception of citizenship where identities matter less and less to what people get *qua* citizens.

Finally, liberals have two dispositions as a matter of moral psychology. First, they take on board a complex view of historical causality, where there are more shades of grey, unintended consequences, and strange juxtapositions than the narratives of Left or Right allow. Second, they do not reduce everything to either the question of power, as in the case of the Left, or the identity question, as in the case of the Right. Intellectual argument, questions of culture, or possibilities of self-knowledge and self-realisation cannot be simply reduced to power or identity.

Does this kind of liberalism stand a chance in India? I believe it does. I also believe that these elements have sustained Indian democracy against the depredations of its self-deluded elites. Liberalism is a politics of hope, mutuality, compromise, and reason. If that has been replaced by a politics of fear, egotism, polarisation, and unreason, it is India's elites that are responsible. It is its elites that somehow lost the plot, the self-confidence and commitment to higher ideals. The question in India now is how liberalism can be made an object of mass politics. The question is how to get its leadership to understand what it means. Societies don't destroy their values and aspirations. Elites do.



Pratap Bhanu Mehta is President, Centre for Policy Research, New Delhi. He received the 2011 Infosys Prize for Social Sciences-Political Science. He writes extensively on political theory, constitutional law, society and politics in India, governance, political economy, and international affairs.

A war on terror or an assault on liberal values?

The war on terror and the global financial crisis have tilted the balance of authority on the side of the state, which the liberating forces of cyber space have only partially counteracted. Can we prevent this seeming convergence between democratic societies and authoritarian states, so that the forces of liberalisation can prevail over the forces of incipient oppression?

SHYAM SARAN

Since the terrorist attack in 2001 on Manhattan's iconic twin towers, the world has been at a relentless war against terror, led by the United States. This has been a war that has been adopted by democratic and authoritarian states alike. In both cases, there has been a steady erosion of the rights of citizens, communities and other social groups, while the coercive powers of the state have multiplied. This has been justified with the argument that it will not be possible to safeguard the people's right to life and property unless the state has additional capabilities and expanded authority to intervene in the lives of its citizens.

There is little doubt that international terrorism and its violent predilections require an effective response, and that the state needs to be empowered to deal with this menacing challenge, which has now assumed global dimensions. However, the empowerment of the state in a democratic society cannot be allowed to subvert the very nature of a democratic state and the respect for the rights of individuals and social groups.

The nature of any state is inherently predatory. In a democracy, its predatory instincts are kept in check by constitutional and legal safeguards and, above all, by an alert and vigilant civil society.

The "war on terror" has weakened both categories of checks on the state. This has happened through the cynical exploitation of fear among citizens of terrorist violence. They have acquiesced in the adoption of laws that enhance the powers of the state vis-a-vis the people. The people, in most cases, have become complicit in the limitation of their own rights and freedoms in the mistaken belief that this is necessary to ensure their own security. In other cases, the state and its political leadership have used the label of terrorism to conveniently abdicate responsibility to deal with widespread ethnic, tribal, and social and economic grievances through democratic political processes, thereby exacerbating already severe social and even regional fragmentation.

We see this clearly in the manner in which the Indian state has sometimes handled insurgencies or violence born out of desperation and deprivation among some of our communities. Those who protest against such

deprivations of the state are condemned as being accomplices of such "terrorists" and civil society is often rendered mute.

Recently there has been considerable controversy generated by the Snowden affair, which brought to light the global surveillance infrastructure, named Prism, which the U.S. has put into place. Its intrusiveness into the lives of ordinary citizens of that country, and of virtually all other countries of the world, is truly breathtaking. This has been justified, of course, by the need to keep the homeland safe from terrorism. It is claimed that there are legal safeguards for protecting the rights of U.S. citizens (but not of non-U.S. citizens), but these safeguards are secret. The very essence of democratic jurisprudence is for the affected party to have a hearing of his side of the case. Here, only the state needs to make its case.

The U.S. case shocks because of its pervasiveness. But many other states, which profess democracy, follow the same example, limited only by resources and technological capability, rarely by intent. The point is this: If you hand over instruments of immense power to a state, it is likely to use them against citizens at home and against other competing states, precisely because the constraints against the exercise of power have diminished.

The big worry is that the American example may become a template for our own Indian state.

The unprecedented, powerful, and globally comprehensive surveillance infrastructure that the U.S. has established will only grow in strength, given that country's technological lead. Cyber space, in its entirety, which is the target of such surveillance, is dominated by U.S.-based corporations, by Google, Microsoft, Facebook, Amazon, and Twitter. These are internet-based, which in turn is governed by a supposedly neutral non-governmental institution known as the ICANN or Internet Corporation for Assigned Names and Numbers. This operates under a contract with the U.S. Department of Commerce. Therefore, it is only nominally stakeholder-based. In reality, it is under the authority of the U.S. government. The U.S. has long resisted legitimate demands on the part of other states to have a say in internet

governance, on grounds that this will restrict freedom of expression and content on the internet. The disclosures made by Snowden make clear that such claims are specious. All the service providers are compelled by law – which remains confidential – to give the U.S. government agencies unlimited access to data passing through their systems. This includes data relating to foreign governments, entities and citizens. Any state possessed of such power is unlikely to be able to resist the temptation to exploit it, if national interests, however defined, are believed to be under threat. This puts other nations at grave risk.

If information is power, this is power with a vengeance in our cyber age.

The internet has also been a powerful instrument for empowering the individual and in bringing together peoples within countries and across borders. In one sense, it has enhanced individual freedoms, unleashed individual creativity, and given voice to those who would otherwise have been forced to remain mute. This has put constraints on the abuse of power by the state, mobilising the power of public opinion to discipline the state. It is visible most clearly in authoritarian states like China.

What this tells us is that, like most technological achievements, the internet and cyber space in general, can be put to positive use – but also spawn negative consequences. The war on terror threatens to undermine the positives and enhance the negatives. This is particularly so when the state uses instruments such as email postings and Twitter feeds on a bulk scale, to create its preferred “public opinion.” This is a common practice in China. It could become an accepted means of shaping or managing public perceptions in democratic societies as well.

The war on terror has coincided, more or less, with the global financial and economic crisis, which is still ongoing. The crisis in capitalism and economic depression is often contrasted with the rapid GDP growth and apparent economic health on display in China, an authoritarian state, which has embraced market principles. When the Cold War ended, the West, led by the U.S., declared victory in the ideological war between democracy and communism, and between the logic of free markets and command economies.

In fact, a further equivalence was sought to be established between democracy and free markets, between development and free markets; it was held

that the adoption of free-market principles would inevitably lead to political democracy. It was on this basis that it was argued that in helping China to grow as an economy increasingly based on free-market principles, western nations were nudging China towards becoming a democracy like their own.

The global financial and economic crisis has become a political and ideological crisis precisely because of the breakdown of the post-Cold War equivalence referred to above. If free markets had failed and generated an unprecedented crisis, then its political equivalent, democracy, must also be suspect. If China has continued to flourish economically without a change in its authoritarian character, then perhaps it has found an answer that merits reflection. In developing countries, in particular, the lure of the Beijing Consensus as contrasted with the now discredited Washington Consensus, is increasing. However, even in developed economies, the role of the State in the economic life of its citizens and in the affairs of its corporates, is at an unprecedented level precisely because state intervention was indispensable to dealing with the crisis.

In a strange confluence therefore, the war on terror and the global financial and economic crisis, have together tilted the balance of authority heavily on the side of the state, which the liberating and organising forces of cyber space have only partially counteracted.

If George Orwell were alive, he may not have been surprised at this seeming convergence between democratic societies and authoritarian states. In both his prescient novels, *Animal Farm* and *1984*, he envisaged precisely the kind of convergence which seems to be the trend in our world today.

Can we prevent this, so that the forces of empowerment and liberalisation that our modern world offers, can prevail over the forces of incipient oppression?

The answer may lie in the ordinary citizen and his refusal to surrender more of his precious freedoms to fear. There has to be a citizenry that is fiercely protective of its hard-won fundamental rights and the right of every human being to respect and dignity. The greatest danger lies in our becoming complicit in our own enslavement because of fear. I think it was Huxley who said that what is worse than a society where books are not allowed, is a society where people themselves no longer want to read books. That would be the ultimate historical and human tragedy.



Shyam Saran is a former Foreign Secretary. He is currently Chairman, National Security Advisory Board; Senior Fellow, Centre for Policy Research, New Delhi; and Chairman, Research and Information System for Developing Countries (RIS).

Liberalism is not post-modern opportunism

Over the past 30 years, Indian liberals have shed their values of tolerance, reason and dialogue. The rise of fundamentalism, strident socio-political discourse, and post-modernist individualism, are indications of the decline of the liberal ethos. This is a threat to India's secular democracy and to the 'argumentative Indian' who kept up the vibrant philosophical liberal tradition

KUMAR KETKAR

The world over, self-proclaimed liberals are on the defensive. Perhaps the time has come for them to reposition themselves – politically, intellectually, and philosophically. Over the last 30 years, they have lost their political space to all kinds of extremists, fundamentalists, and egotists. They have surrendered their intellectual space to technocrats, bureaucrats, and corporates. They have allowed the philosophical discourse to be conducted on television debates or in think tanks which work on a brief handed to them, or by polemicists who want to win an argument rather than make a statement.

Those liberals who do not want to get trapped in one of these predicaments are afraid that if they take a position on any issue, they will cease to be liberals! Many of them have defined liberalism as being totally open-ended. Some others think that all are right from their own points of view or their personal or social situation. And there are those who have “philosophically” concluded that there is nothing like a “correct” or “morally right” position and hence it’s a free-for-all. Some of them are post-modernists who have brought liberalism close to opportunism or to philosophical anarchy.

This was not so in the turbulent 60s and early 70s. All liberals, irrespective of their political hue, cultural background, religious persuasion or profession, were against the war in Vietnam, in favour of withdrawal of U.S. forces from Southeast Asia, critical of the oppressive state as well as dominating corporations. None among them felt that there was a case for President Richard Nixon. None among them wanted or defended communism as an ideology. Neither *The New York Times* nor the students or teachers on the university campuses were against the free market economy.

From Jean Paul Sartre to Bertrand Russell, from Osho Rajneesh to the Beatles and hundreds of rock music groups, from Steve Jobs to astrophysicist writer Carl Sagan, all were anti-war. None of them were socialist or thought that Vietnamese communism was better than American capitalism. In every respect, they were different from each other and yet they took a firm

position against war and against U.S. involvement.

They were the liberals who did not hypocritically cover themselves by saying, “Maybe Nixon-Kissinger have a point.” They were not afraid of the so called “domino effect” which would lead to the cascading communist victories in Asia. They were able to take a position without sacrificing their commitment to liberalism. They belonged to the philosophical tradition of liberalism that had its roots in the Enlightenment, the European philosophical trend in the 17th and 18th centuries which emphasised reason and individualism, life and liberty. Indeed, the American war of Independence in 1776 and also the French Revolution in 1789 were expressions of that Enlightenment.

This European liberal thought spread hand-in-glove with European colonialism. Even the Russian and Chinese communist revolutions, inspired by Marx, were in one way the culmination of that tradition, because Marx himself belonged to that legacy of Enlightenment. One can say in hindsight that because those revolutions deviated from the essential values of the Enlightenment, they developed aberrations and imploded.

The baton of that liberalism was passed on to the Indian resurrection. In fact, just when Europe was witnessing the rise of Mussolini and Hitler, the Indian freedom struggle was giving rise to Mahatma Gandhi, Pandit Jawaharlal Nehru and Dr. Babasaheb Ambedkar. They differed with each other, sometimes strongly, but never gave up their true liberal values. They could distance themselves from the regressive Indian tradition and yet could integrate progressive eastern values with western Enlightenment thought.

Mahatma Gandhi described himself as a proud Hindu and yet he could assimilate not only the Christian thought of the Bible but also the ideas of liberty, equality and fraternity. He evolved a philosophy of pacifism and global humanism at a time when many ideologies, from communism to fascism and from aggressive nationalism to expansionist capitalism, were advocating and practicing violence to achieve their objectives.

Initially reviled and ridiculed, Gandhiji soon became a symbol of an enlightened liberalism, which advocated the right to life, liberty, and fraternity among all religions, nations, and societies. Without giving up the "religious" foundation of his philosophy, he could bring together peoples of all religions. He emphasised that the freedom movement was not against the British people but only against the British *raj*, their rule and their laws. The hallmark of the liberal value is tolerance. Gandhiji personified that value.

Pandit Nehru, on the other hand, was committed to the ideas of science, secularism, and liberal democracy. On this score, he had strong differences with the Mahatma. Without Nehru, the democratic and secular ethos of India would not have come about. He always said that to his western friends, he appeared completely Indian and to his followers in India, he was regarded as a thoroughbred westerner. To him, that was a badge of liberalism.

Dr. Babasaheb Ambedkar, one of the architects of the liberal Indian Constitution, was in the forefront to implement the truly liberal programme – not only in the political sphere, but also in social and personal life. He founded the Republican Party of India. He believed in the republican values that were the product of the liberal traditions of the West.

Dr Ambedkar could integrate Mahatma Phule, Raja Ram Mohan Roy and Abraham Lincoln. Panditji could bring together the reformist tradition of our own past. Gandhiji could be philosophically at home with both Tolstoy and Tagore.

Indian liberalism has been truly global in its content. The regions of Bengal and Maharashtra had the glorious traditions of the social reform movement. So it was not difficult for the Mahatma to weave into the freedom struggle both the social reform movement and the idea of renunciation of material riches.

The secular, democratic, and federal Indian Union is based on this Indian liberalism, not just on the foundation of the European tradition of the Enlightenment. But in the past 30 years, slowly but surely, Indian liberals have begun to shed their values of tolerance, reason, and dialogue. The rise of Hindu fundamentalism in the 1980s, as a response to growing global Muslim identitarianism, stridency in socio-political discourse, and taking recourse to post-modernist individualism, are indications of the decline of the liberal ethos in India.

In fact, the rise of caste identity in the name of Mandalisation, the whipped-up pride in linguistic chauvinism and provincial consciousness, have begun to influence the media so much that it has ceased to remain an independent voice. Now the liberals are either Left Liberals or Right Liberals, Hindu Liberals or Muslim Liberals, Global Liberals or Patriotic Liberals. Their position is determined not by values and reason but by exigencies.

This is not only a threat to India's secular democracy, it is a threat to the "argumentative Indian" who kept up the vibrant intellectual and philosophical liberal tradition. It is time for liberals to unite, because they have nothing to lose but their freedom.



Kumar Ketkar is a veteran journalist, columnist and political commentator. He is currently Chief Editor of the 'Dainik Divya Marathi' newspaper of the Dainik Bhaskar group. He was earlier the Chief Editor of 'Loksatta', a leading Marathi daily of the Indian Express group.

In search of economic liberalism in India

The reforms of the early 1990s did not bring economic freedom to a majority of the population. That explains a large proportion of the economic and social ills that affect India today. Why is economic life in India of the 'Taliban type'? Why is illiberal thought still our guiding principle?

SURJIT S BHALLA

Economic liberalism is easy to define – it is what India does not have. And barring a few well-known exceptions, in terms of economic liberalism, India has been, and is, among the most 'Talibanic' of nations. This is surprising and counter-intuitive, given that we are celebrating the 66th anniversary of India's independence and the gain of political freedom.

But before we go overboard with self-praise, we should realise, accept, and appreciate that political freedom was not a gift bestowed on us by either the Congress party or Jawaharlal Nehru. India had a high probability of choosing democracy precisely because it had been colonised by the British rather than by the French, or the Dutch, or others. As it happened, former British colonies almost invariably ended up as democracies, starting with the most famous of examples, the United States of America. And if our cultural heterogeneity is taken into account, India had a more than an 80% chance of choosing democracy.

Unfortunately, for the citizens of India, independence came with a profound lack of understanding of that other very important component of freedom – economic freedom. The lack of economic freedom was in large part responsible for our exceedingly slow rate of growth from 1950 to 1980. Indeed, poverty rates stayed the same during those 30-odd years, as population growth ate up almost all the income growth that did occur.

That the reverse of economic liberalism was Nehru's agenda was clear when he explicitly stated in 1958: "Socialism to some people means two things: Distribution, which means cutting off the pockets of the people who have too much money, and nationalisation. Both these are *desirable* objectives." (Jawaharlal Nehru, *Hindustan Standard*, Delhi, May 17, 1958; emphasis added).

Freedom does have many advantages, and greater economic freedom means higher economic growth. The acceptance of this fact helps explain the Confucian paradox – why authoritarian East Asian economies grew under dictatorships. It also explains why authoritarian and economic freedom-repressed economies, and democracies, did not grow in Africa and Latin America.

The importance of economic freedom came late to Indian policy makers, but it did enter their psyche in the early 1990s. However, the sad reality is that the economic reforms of the early 1990s did not bring economic freedom to a vast majority of the population. That explains a large proportion of the economic and social ills that affect India today. The music of economic reforms, and faster growth, has however stopped. Is it too much of a coincidence that the music stopped precisely at the time when Manmohan Singh and Sonia Gandhi went back on the reforms initiated by Manmohan Singh and Narasimha Rao?

It is the ideology, stupid. A good question for psychiatrists and historians is to assess why India is the way it is – and why illiberal thought is the major guiding principle. The best way would be to compare India with what theory describes as economically liberal – but that would be subject to the justified criticism that one is comparing ground reality to sky utopia. So let us compare how economic life in India is of the 'Taliban type', and not of the liberal type.

More than half of India's population is engaged in agriculture, and production of food grains is a major component of individual and government life. There is no more telling example of Taliban economics than the story of food grain production and redistribution to the poor. In order to achieve the latter, the government bans the interstate movement of food grains, and makes the government the major buyer of marketable surplus. Why should the government do any of this in order to achieve its objective of delivering food to the poor? Would it not be a lot simpler, and considerably more liberal, if the government instituted cash transfers, or at a minimum, delivered food stamps to the poor? Both developed and developing countries, the U.S. and Sri Lanka, respectively, have more than 100 years of joint experience with the operation of food stamps.

Food stamps give the buyer the freedom to buy from whichever grocery store she chooses. She has the money, provided by the state, to buy food; whether she chooses to buy bread or broccoli is her concern, her freedom. How can we get more Talibanesque than deciding what food she should buy, and even from what shop? The rest of the world faces identical problems as

India, yet they address and solve these problems by allowing maximum freedom to the consumers (I am excluding Zimbabwe from the calculation). The world has moved on to cash transfers and in India we are still debating the merits of food stamps and/or cash transfers – and expanding our Taliban-style policy of food procurement and distribution.

Another example of our extreme economic illiberalism is from the field of education. An economically liberal state would subsidise primary and secondary education, since basic education has benefits for the entire society. And such a state would subsidise higher education to the needy by charging fees to the privileged. But not in an illiberal country like India.

Starting from the economically illiberal Jawaharlal Nehru, India has built education temples for the elite, paid for by the elite. Not much redistribution or

liberal thought. Neither are the poor benefiting much from the state provision of education, since they are spending close to three percent of their monthly expenditure on education. The state schools are not considered good enough by many of the poor. Given this reality, what does the illiberal state do? It brings in a “right” to education act, which mandates that poor private schools have to have cricket-size playgrounds.

Indeed, a major illiberal theme in India has been the introduction of legal “rights.” Economic liberalism is less state intervention, not state monopoly. Economic liberalism is carefully targeted redistribution, not universal benefits for all (like the elitist education system we have in place). Economic liberalism is the goal of equal opportunity in fact, and not rights in theory. It is affirmative action rather than reservations of jobs. It is recognising the worth of an individual, not the diktats of a Taliban state.



Surjit S Bhalla is Chairman of Oxus Investments, a market advisory firm, a Contributing Editor at 'Indian Express', and a senior advisor to Blufin, a financial information company.

Reformulating the liberal agenda

A young, aspiring, India needs a new liberal party, which trusts markets rather than officials for economic outcomes, and relentlessly focuses on reform of the institutions of governance. This new party must be accompanied by a recovery of the moral authority of our Constitution, and by individual engagement with everyday politics

GURCHARAN DAS

India's economic rise over the past couple of decades has been a remarkable event that has lifted tens of millions out of abject poverty and created a solid middle class. But it is also a story of private success and public failure. Prosperity has been achieved in the face of appalling governance. Indians despair over the state's inability to deliver the most basic public services – law and order, education, health, and clean water. India desperately needs honest policemen, diligent officials, judges who give swift justice, functioning schools and primary health care centres.

Where it is needed the Indian state is near absent; where it is not needed, it is hyperactive, tying people in miles of red tape. Some Indians cynically sum up this paradox of private success and public failure with an aphorism: "India grows at night while the government sleeps." But how can a nation sustain economic growth over the long term with a weak, flailing state? Shouldn't India also grow during the day? The recent economic slowdown may indicate that India has begun to experience the limits of growing in the shadows.

Generally, Leftists desire a large state and Rightists a small one, but what India needs is an effective state, with a more robust rule of law and greater accountability. It is efficient in the sense that it enforces fairly and forcefully the rule of law, contracts, and rights guaranteed in the Constitution. It is strong because it has independent regulators who are tough on corruption and ensure that no one is above the law. It is enabling because it delivers services honestly to all citizens.

In India we seem to have forgotten that the state was created to act; it should not take eight years to build a road when it takes three elsewhere; it should not take 10 years to get justice when it should take two. At the centre, executive decision-making is paralysed, parliamentary gridlock prevails, and the courts routinely dictate action to the executive. An aggressive civil society and media have enhanced accountability in India, but at the expense of enfeebling an already feeble executive with limited capacity.

A successful liberal democracy must have a strong central authority to permit decisive action; it must have a transparent rule of law to ensure those actions are legitimate; and it must be accountable to the people. In short, India needs a strong liberal state with these three core elements. This was the original conception of the state as imagined by the classical liberal thinkers who inspired both America's and India's founding fathers. But building a state with all three elements is not easy, as each tends to sometimes undermine the other. While an aggressive civil society and media are enhancing accountability – for example, through the Right to Information Act – the state's ability to act has been undercut both by a weak rule of law and, ironically, by society's success in making the state accountable.

It is a mistake to think that the Indian state was weakened in recent times because of coalition politics, feckless leadership, and economic liberalisation. India historically had a weak state, though one counterbalanced by a strong society – the mirror image of China. India's history is one of political disunity with constant struggles between kingdoms, unlike China's history of strong empires. The type of despotic and intrusive governments that emerged in China and divested people of their property and their rights have never existed in India.

The king in Indian history was a distant figure and hardly touched the life of the ordinary person. The law, dharma, preceded the state and placed limits on the king's power in pre-modern India. The king also did not interpret the law, unlike in China; the Brahmin, a scholar class, assumed that function. This division of powers may have contributed to a weak Indian state at birth, but it also prevented oppression by the state.

The modern Indian state is also a product of British rule, which, beginning in the mid-19th century, imposed a rule of law with explicit codes and regulations. Though efficient, that state was not accountable to its citizens. That changed in 1947, as independent India took those institutions of governance and made them accountable by developing into a vibrant, if untidy, democracy.

In the 21st century, true to its history, India is rising economically from below, quite unlike China whose success has been scripted from above by an amazing, technocratic state. It is also not surprising that India's traditionally strong society is evolving into a vibrant civil society. The mass movement led by political activist Anna Hazare, which forced India's political elite to accept a strong anti-corruption law in 2011, is only the most recent example of a historically weak state colliding with a strong society.

The hope for change lies with the young

A successful nation needs both a strong state and a strong society to keep a check on each other. Unfortunately, Anna Hazare's movement, with its chanting multitudes inspired by a mystical faith in the collective popular will, might awaken people to the need for reform, but it cannot do the hard political work necessary to transform India's tottering state into a strong, liberal one.

A sweeping anti-corruption law is a good idea, but it is only a first step. It will take patient, determined efforts to reform the key institutions of governance – the bureaucracy, judiciary, police, and Parliament – along well-known lines articulated by numerous committees. The federal trend, which is shifting power away from the centre and to the states, is a virtuous one, as is the slow decentralising of power and funds downwards to foster vigorous, local self-government in villages and municipalities.

But those trends do not address the central issue of how to reform the state institutions. If it is lucky, India might throw up a strong leader who is a reformer of institutions. Indira Gandhi was a strong leader, but she turned out to be a destroyer of institutions.

The next best hope is the aspiring younger generation, now about a third of the country – and destined to make up half of the electorate in a decade. Reforms happen when there is a demand for reform, and this class is impatient for reform. But it has no one to vote for because few politicians speak the language of public good and good governance. The existing parties treat voters as poor, ignorant masses who need to be appeased at election time with populist giveaways and appeal to the victim in the voter.

With high growth, mobility, and a demographic revolution, Indians who aspire to a better life will soon overtake those who see themselves as victims. Pew surveys show that a majority of Indians believe that they are better off than their parents and that their children will do even better. The person who got the 900 millionth cell phone number was a village

migrant from Uttar Pradesh, one of India's most impoverished states, and no one in India's political life captures his hopes. This rising youthful cohort will no longer accept a civic life shaped by those who are powerful and corrupt. Young Indians also have shown considerable ability to mobilise media and employ the new technology of social media. Political life may thus be set to change.

Filling India's political void

A young, aspiring, secular India needs a new liberal party of the 21st century, which trusts markets rather than officials for economic outcomes, and relentlessly focuses on the reform of the institutions of governance. Since existing parties refuse to fill the empty political space at the right of centre, it is the right time for the birth of a liberal political party or the revival of the old Swatantra Party. The young, aspiring India will resonate with a party that trusts markets rather than officials for economic outcomes and focuses on the reform of institutions.

Such a party may not win votes quickly, but it will bring governance reform to centre stage and gradually prove to voters that open markets and rules-based government are the only civilised ways to lift living standards and achieve shared prosperity.

The young are puzzled as to why their tolerant nation offers astonishing religious and political freedom but fails in economic freedom. In a country where two out of five people are self-employed, it takes 42 days to start a business and the entrepreneur is a victim of endless red tape and corrupt inspectors. No wonder, India ranks 119 on the global "freedom index" and 134 on the "ease of doing business."

India reforms furtively because no political party has bothered to explain the difference between being "pro-market" and "pro-business," leaving people with the impression that liberal reforms mostly help the rich. They don't understand that being pro-market is to believe in competition, which helps keep prices low, raises the quality of products, and leads to a "rules-based capitalism" which serves everyone. In today's environment, the lack of leadership from business has changed the meaning of being pro-business; today it means letting politicians and officials distort the market's authority over economic decisions, leading to "crony capitalism."

Finding India's new moral core

The rule of law is based on a moral consensus, expressed daily in the "habits of the heart," as the 19th century French political thinker and historian

Alexis de Tocqueville put it. People obey the law not only because they fear punishment but because they think it is fair and just, and it becomes a habit and a form of self-restraint.

Unfortunately, the leaders of independent India have failed to sell the liberal ideals of our Constitution. People have got the impression that the Constitution somehow “fell from the sky” and have never taken ownership for it (unlike the Americans, for example). Therefore, the second item on the liberal agenda after the creation of a liberal political party, is to “sell” the Constitution to the people and recover constitutional morality. The demand for governance reform must emerge out of a reinvigorated Indian moral core.

Early in the freedom struggle, Mohandas Gandhi discovered that the western liberal language of constitutional morality did not resonate with the masses, but the moral language of dharma did. So, like a consummate myth-maker, he resuscitated the universal ethic of *sadharana* dharma, not unlike the Buddhist emperor Ashoka in the third century BCE, who embarked on a programme to build new “habits of the heart” based on dharma.

The notion of dharma imposed a moral core in pre-modern India and gave coherence to people’s lives, reduced uncertainty and provided self-restraint. It restrained the power of the state through *rajdharmā* – it was higher than the king whose duty was to uphold it. For this reason the founding fathers of our Constitution often invoked dharma in their speeches and even placed the wheel of dharma, the Ashoka *chakra* in the new nation’s flag. The great Sanskrit scholar P. V. Kane, who won the Bharat Ratna, called the Constitution a “dharma text.”

Gandhi may not have been able to end untouchability, but he breathed life into the freedom movement. In the same manner, our challenge is make the Constitution a moral mirror by transmitting its ideas to the young as part of a broad citizenship project until they also become “habits of the heart.” A paramount duty of the liberal party will be to help in this and to recover India’s moral core.

Engaging with politics

The third piece of the liberal agenda lies with decent individuals to move out of the dogged pursuit of material comfort and engage with politics. Sixty five years after independence, the nobility of politics has been replaced by criminality. The best spurn politics, leaving it to the worst.

The right place to begin is one’s neighbourhood. When public-spirited individuals engage in the community they help create the notion of a “citizen.” By joining local clubs and social activities, they connect with neighbours. And when neighbours meet, what do they talk about? They discuss the condition of the roads, the schools, garbage collection and so on. Thus, civic life and “citizen” are born.

What inhibits decent people from entering politics in India is black money and political dynasties. A talented, high-minded person will not join a party without inner democracy where merit is not rewarded. Fortunately, a new generation of political leaders has begun to realise that a young India is waking up politically and it will not tolerate the old sycophantic politics of *rishwat* and *sifarish*. Political parties will have to learn to value talent the way India’s companies do. A party with inner democracy and meritocracy is bound to gain competitive advantage in the end. Dynasties are thus warned.

All of us struggle to give meaning to our lives. The standard Indian solution is to turn inwards and seek liberation from human bondage through meditation. But there also exists in our tradition the path of action, *karma yoga*, which means to leave the world a little better than we found it. The answer to our democratic discontent is thus to dive into one’s neighbourhood and assume the duties of a citizen. Just one hour a week in the neighbourhood is the best way to reciprocate the compliment that our founding fathers paid us.

These three elements constitute a new “liberal agenda” for India.



Gurcharan Das is an author and commentator. His latest book is ‘India Grows at Night: A Liberal Case for a Strong State’.

For a liberal India, liberate education

Education is the most in-demand commodity amongst both the rich and the poor in India. Yet, the state is unable to ride this wave to create a more liberal society. The education system in India remains highly state-controlled. If education is the gateway to taking India's liberal agenda forward, then educational institutions must be free to pursue their own paths and perform, with maturity, the function of this critical trusteeship

RAMA BIJAPURKAR

India has the lion's share of the world's young people, and that makes it a key custodian of the values of the world of the future. It has chosen the path of knowledge and ideas and liberalism, rather than military might or economic brute force to get there.

Yet, the very cradle of its chosen path – the education system – is highly state-controlled. Its affirmative action is based on quotas for caste and community, both of which are labels that tend to stick to the person for the rest of his life – ironic because the very purpose of quotas in education is to enable a person to move beyond the circumstances of birth. Its education “licensing” policy is such that it tends to attract “bad capital.”

The politicians in every state have a large market share and control of private educational institutions of higher learning, presumably because of land grants from the government and cheap loans from public sector banks. Yet, much of their capacity lies underutilised; instead the objective with which these institutions are run is the maximisation of economic returns beyond what most civilised societies would consider acceptable in businesses involving “public goods.”

There are, of course, shining examples of private institutions that have been created by education entrepreneurs or enlightened family groups. They have shown how it is possible to combine institutional excellence with healthy profit. But these too have not escaped periodic harassment from the state.

The tragedy is that education is the most in-demand commodity amongst both the rich and the poor. It is seen as the instrument that will give our children escape velocity to move to a much higher orbit of living, and the ability to progress based on their individual merits rather than their birth. Yet, the state is unable to ride this wave to create a more liberal society.

At the primary and secondary levels, where the state directly runs a large number of schools, it has not delivered. How else can we explain the fact that even lower income parents, who can barely afford it, especially in urban areas, have chosen to move their children out of government schools and into private

schools? The refrain is the same: “Our child doesn't learn anything there, the teachers don't come regularly, they don't care, English and computers are not taught.”

The state has responded with a move which nukes several of these small private schools out of existence – it has enacted the Right to Education Act, which once again makes the government the arbiter of what is quality education, in a directive-oriented manner.

It is indeed a liberal move to guarantee, by law, the right of every child to be educated, and to compel the larger private schools to open their doors to children from the lower socio-economic groups. But it takes away the option of the small “mom and pop” neighbourhood school, which have been the customer-preferred part of the education ecosystem in Indian cities. Parents say these schools are not intimidating, have fees that are not unaffordable, and deliver, in many cases, an education better than that proffered by government schools. A lot could have been done through incentives and support to work with such schools and help them to upgrade their quality, instead of making them fit the template or shut shop

As of now, the government treats all individuals working in the field of education and all educational institutions with suspicion – with the assumption that they are bad and need to be directed and controlled. Sadly, the reverse is also true. There are not too many takers for government funding of schools and colleges because in the case of government-funded or even government-founded institutions, the government view is that “He who paid the piper must call the tune.”

Unfortunately, the government does not see its role as that of a regulator of a public goods and as a protector of consumers, but rather as the owner and chief arbiter of how educational institutions must be run, which text books should be used, what the syllabus should be, which subjects should and should not be taught. They bring politics into education, NCERT text books are altered according to ruling parties' views on history, and so on.

This extends to the post-graduate education realm. For example, the Director of an Indian Institute of

Management (IIM), even one that does not take a government grant, has to be approved by none other than the appointments committee of the Cabinet, and a three-name lottery still exists – the selection committee has to give three names for the government to choose from, after which hectic lobbying begins.

In fact, a new move is being discussed that could bring the IIMs under an act of Parliament – giving the government ever more control, but this time, with Parliament on its side. Periodic interim moves have been proposed to bring all the IIMs under a single banner, transferring faculty at will, keeping faculty salaries absurdly low, bearing the many consequences of doing that, and making all the institutions, big and small, established and fledgling, toe the line of the lowest common denominator of strategy, pedagogy, and human resources management.

Instead, think how different it would be if such institutes were encouraged to be autonomous and to choose their own vision and strategy. Wouldn't different flowers bloom, different international alliances be struck, different areas of expertise be developed, different visions be pursued. Wouldn't a much stronger set of institutions exist?

The question that remains unanswered is this: Why does the government want more control? Have these institutions malfunctioned? No, they have not. On the contrary, their faculty have demonstrated enormous maturity and a drive for excellence, despite periodic diktats from the Ministry of Human Resource Development.

Human Resource Development ministers have come and gone. Some have been benign, marking time for better jobs; some have been excessively meddling; others have been political; and some utterly dogmatic. Each has put his own stamp of chaos and meddling on higher education institutions, but none has proposed a comprehensive futuristic education policy or spelt out guidelines and road maps for a future that they have envisioned. Nor have they given skill development and vocational training the boost that it has needed, given the high degree of school drop-outs and young people, and the many new skill requirements and job opportunities in a growing economy. None has managed to even begin a dialogue with the financial sector on student loan support, so that need-blind admissions are possible. The ministers have instead chosen to fund the institutions directly and then use that power to control the institutions.

In the world's most youthful country, housing over

240 million families desperate and thirsty to educate their children, there has not been a professional educator, after Nurul Hasan in the 1970s, at the helm of the education ministry. The debate on liberalising education, which can eventually pave the way for a more liberal, diverse, and free-thinking society, has not even begun.

In fact, the reverse has happened; the shackles have increased, and education policy has become illiberal. The government-appointed "autonomous" boards are usually packed with those who are dependent directly or indirectly on the government in their day jobs, and are not likely to choose building and nurturing a liberal society over their business interests. Businessmen on IIM boards are often reluctant to debate or decide issues through the lens of the educational institution and what is beneficial for it. They decide on the basis of what will make the minister or bureaucrats happy or unhappy and what the collateral damage to their own businesses might be.

Will the government hand these institutions to academicians and alumni as the real trustees of what's good for the institution? Probably never.

The government, to give it its due, has done a good job of the Sarva Shiksha Abhyaan, which has improved literacy, kept girls in school much longer, especially in rural India, and taken the liberal agenda of equal opportunity for all much further. All this though, is still far from where it needs to be.

The same cannot be said for higher education, where affirmative action in central government-funded institutions has come with a bang and, because it is caste-based, has brought mixed blessings. Instead of improving capabilities at the high school and college levels for socio-economically disadvantaged students to enable them to compete and qualify for higher education, the government has opted for the easy route of 50% reservations in higher education itself.

Education is the gateway to equal opportunity as every Indian citizen, rich or poor, will testify. It is therefore the key to taking India's liberal agenda forward.

In a liberal society, educational institutions are seen to be a public good, regulated and held accountable on several parameters – academic quality, social responsibility, use of public funds and so on. They must be free to pursue their own paths, governed by boards drawn from academia and society at large, which are capable of performing, with maturity, the function of this critical trusteeship.



A new ecosystem of liberal principles

Inclusive growth means inclusive reforms and equity in economic freedom, which empowers not only the formal sector but also the huge informal sector in India. In the social sector, instead of a monopoly over services, the government should fund beneficiaries so that they have a choice of suppliers. In the political domain, the 'ruled' and the 'rulers' must be equal before the law and in practice

PARTH J SHAH

The liberal agenda for India should be to apply, comprehensively and consistently, the principle of economic freedom in the domain of economics, the principle of choice in the social sector, and the principle of political equality in the realm of politics.

The guiding principle in the economic domain should be the equal distribution of a high degree of economic freedom, available equally to all classes and entrepreneurs. The post-1991 economic reforms in India have so far not distributed this freedom equally.

The reforms brought in trade liberalisation and industrial de-licensing, which expanded the economic freedom of the formal sector. Starting a factory or business became easier, as did selling goods and services abroad. The liberalised formal sector has done well, and so have the people working in this sector.

But in at least three areas of the Indian economy, trade liberalisation and de-licensing remain inadequate: In the vast urban "informal" or "unorganised" sector; amongst forest-dependent or tribal communities; and in agriculture, particularly for small and medium farmers.

For example, in the informal sector, to work as a street vendor or cycle-rickshaw puller in our cities requires a license. Tribal communities living in forests cannot access bamboo for their traditional needs without the permission of the Forest Department, though Forest Department contractors can harvest bamboo. In agriculture, a sugarcane farmer in Maharashtra cannot take his produce across the district line without the District Collector's permission, let alone across the state line or national border. A farmer in Kerala cannot change the crop grown without the government's permission. The Essential Commodities Act and the Agricultural Produce Marketing Committees determine the fate and income of our farmers.

The challenge of inclusive growth is really about achieving inclusive reforms, which empower not only the formal industrial sector but also the vast informal sector. The inequity in economic progress is due to the inequity in economic freedom. Introducing this equity

will end crony capitalism and usher in competitive capitalism. Equal economic freedom should be the first goal of the liberal agenda.

In the social sector, state interventions and support – for example, in education and healthcare – need to be guided by the principle of citizens' choice. The state must provide support in a way that empowers people and respects their autonomy and dignity, not make them permanently dependent clients. People must find providers that best serve their needs, instead of having the state impose one-size-fits-all programmes. Certainly, the state can provide schools and hospitals, but it must not compel citizens to access only its own services: Choice should be the guiding principle in all social sector programmes.

In education, the government must fund students, not schools. Those who need state support for education should get vouchers to go to a school of their choice. Public funds should follow the pupil; she can choose to attend a government school or a private school. All schools – state and private – must attract and retain students to be eligible for funding, and be directly accountable to parents.

Just like parents, schools too should also be able to choose their own curricula and education boards, pedagogies, certification and qualification levels for teachers, and whether they want to be non-profit or for-profit. It is the school's freedom to choose that in turn will make the parents' choice meaningful.

In working towards these goals, the first task of the government is to move from being a controller to becoming a facilitator, from producer to financier, from inspector to informer about the quality of education. In short, it must build an ecosystem where citizens can access as many different providers as they choose and parents can make choices that are right for their children.

In healthcare, the state must fund patients, not hospitals. The Rashtriya Swasthya Bima Yojana (RSBY), or the national health insurance programme, is a good

example of this principle. The government subsidises the purchase of private health insurance for the poor by paying a premium. The RSBY ensures that illnesses that require hospitalisation will not bankrupt a poor family.

For illnesses that don't require hospitalisation, doctors are usually either unaffordable in urban areas, or inaccessible in rural areas. To address these gaps, we must expand the number of medical service providers. This will lower the prices and increase the access. By some estimates, doctors with more than seven to nine years of training are not really necessary to treat more than two-thirds of illnesses. The western model of only MBBS or MD doctors is unnecessary; it makes medical care unaffordable and inaccessible. Registered nurses, Registered Medical Practitioners (RMPs) and paramedics should legally be able to provide medical services. This will work better than the completely untrained people on whom poor patients sometimes have to depend.

Even after increasing the supply and thereby lowering the fees, those who still cannot afford medical services can be helped directly by health vouchers or conditional cash transfers. Many state governments are already implementing such programmes for maternal and neonatal care: For example, the Janani Sahyogi Scheme in Madhya Pradesh, the Sambhav Voucher Scheme in Uttar Pradesh, the Thayi Bhagya Scheme in Karnataka, and the Ayushmati Scheme in West Bengal.

Instead of the government operating as a monopoly supplier of social services, it should fund beneficiaries so that they have a choice of suppliers. This is best achieved through vouchers and cash transfers.

In the political domain, equality between citizens and their elected representatives and public officials is critical. The "ruled" and the "rulers" must be equal before the law and in practice. All rules, regulations and laws must apply to both equally.

In the private market, the players are consumers and businesses. In a political "market," the players

are the politicians, bureaucrats, and voters. Equality among these players can have several dimensions. For example, when someone starts a company, it has to be registered under the Companies Act and has to abide by the regulations and norms about disclosure and transparency in decision-making, remuneration, finance, and audits. When politicians start a political party, it should similarly be registered under a Political Party Law, with similar norms and regulations.

Workers in private markets have rights but they don't get fixed pay increases across all types of businesses every few years. More importantly, their salaries and bonuses are linked to their performance. Why should workers in the government have different rules? Workers in both private and political markets must be treated equally.

When a criminal case is filed against a publicly-listed company's director or top management, they typically resign even before they are convicted. Why do politicians and bureaucrats see equal treatment as undue harassment and an infringement of their rights? They claim that rival political parties could bring frivolous charges and destabilise the political system. Why don't businessmen do the same to each other and force competitors out of the market? Is it easier to bring false charges against politicians than against businessmen?

Similarly, when companies collude against consumer interest, they face anti-trust laws or anti-competition laws. Shouldn't there be a similar law against political parties when they collude against voter interest? If consumers have the Consumer Protection Act, which covers truthfulness in advertising, promise-keeping, negligence, and malpractice, shouldn't voters get a Voter Protection Act? Once we apply the ideal of equality in politics, many dramatic conclusions follow.

Some would say that this is not a liberal but a libertarian agenda for India. In any case, I believe that in the economic, social, and political domains, the guiding principles should be freedom, choice, and equality, respectively.



Parth J. Shah is founder president of the Centre for Civil Society, an independent, liberal think tank in New Delhi.

Liberalism as enlightened capitalism

We cannot have the 'cowboy capitalism' that almost brought down the world financial system in 2008, or the abdication of accountability by government institutions and regulators. Instead, both the private sector and the government must equally do their parts to create an India that enriches local communities, and build an equitable society that can sustain economic growth for generations

TONY FERNANDES

"That government is best which governs least" – Henry David Thoreau, 'Civil Disobedience'.

Thoreau's essay, including the above aphorism, resonated powerfully with a then-young Indian lawyer in South Africa. Mohandas Karamchand Gandhi, embarking on his *satyagraha* movement, even translated the essay for Indian readers. Gandhi believed deeply in empowering the individual and the communities of India. His vision was of a vibrant democracy whose economic prowess would stem from the nation's multitude of villages, which housed the majority of Indians. It was a fundamentally different world view than the Fabian Socialism of independent India's first Prime Minister, Pandit Jawaharlal Nehru.

It took a near fatal economic crisis in 1991 for India to decisively adopt the Gandhian vision. The heavy hand of the state was lifted by the administration of Prime Minister P. V. Narasimha Rao, whose then Finance Minister Manmohan Singh set about dismantling the "licence raj." Freed from the onerous shackles imposed by a dirigiste economy, India's talented, creative, and innovative entrepreneurs swiftly demonstrated that they could match, and at times lead, the world. India became an international phenomenon thanks to economic liberalisation, and in the process regained its rightful place on the global stage.

The revolution initiated in 1991 has demonstrably enriched India and its people. Yes, there are still issues of equitable distribution of wealth and the creation of a fair and just society. But those are issues that face almost every nation in today's globalised, hyperlinked and widening GINI co-efficient world. India is hardly alone in grappling with such issues, though its population of 1.3 billion presents major challenges.

To my mind, overcoming these challenges requires that India stay the course on economic liberalisation rather than returning to the regime of the "licence raj." It requires even more fundamental reforms and massive investment in basic sectors such as infrastructure and education. It requires, above all, a change in mindset in both the public and private sectors, as well as society at large. Government no longer knows best (if it ever did!). Governments the

world over should focus on what they are supposed to be doing anyway: Govern effectively. That means setting the rules transparently; implementing the rules fairly; creating a level playing field – then getting out of the way and allowing the market to work its magic.

Elements of the private sector, too, need to adapt to the rapid changes brought about by a world moving at warp speed. Prepare to compete, for competition is here, whether one likes it or not. Junk the protectionist mentality. Focus on the bottom line, of course, but not at the expense of the community.

At the risk of sounding immodest, let me elaborate with an example from the sector I am most familiar with – aviation. The recent government reforms on investment in the sector prompted AirAsia to partner with the redoubtable Tata and Bhatia groups to set up AirAsia India. We are convinced that bringing to India our 'Now Everyone Can Fly' message, realised through our low fares, will help fuel air travel, help boost local economies as well as the national economy, and help Indians fulfil their dream of taking to the skies in even greater numbers. As a low-cost carrier, we focus on secondary cities. And we believe there is immense potential in this strategy, because just the six largest cities account for almost two-thirds of domestic passengers in India, while 57 small airports account for just 14 percent.

But while we will do our part, governments and airport authorities need to do theirs too. Airport charges and government taxes on aviation fuel need to be reviewed and reduced. And there needs to be a major change in mindset in how airports are perceived. Back in the day, airports were regarded as projects of national pride and prestige. Hence, no amount was spared in building them. These expensive airports, seeking to recoup their cost of investment, then imposed heavy fees and charges on their main clients – the airlines.

But today, air travel is powered largely by low-cost carriers. Just look at Southwest Airlines in the United States, Ryanair and EasyJet in Europe, and AirAsia in the ASEAN region (almost 50% of intra-ASEAN air travel is now on low-cost carriers, and the percentage

is growing). Low-cost carriers just want simple, utilitarian and functional airports, no need for marble tiled floors or granite countertops or premium lounges. These simple airports cost much less to construct, hence they can charge much lower fees – thereby attracting more airlines to operate there.

The reduction in quantum can easily be made up, even exceeded, by the increased volume of air travellers. According to one estimate, every Rs. 100 spent on air transport generates benefits worth Rs. 325 to local economies, while every 100 jobs created in air transport adds another 600 jobs in other sectors.

A specific example of the sort of revenues tourism can generate is this: AirAsia flew 1.2 million visitors to Bali in Indonesia in 2011. If 1 million of them were tourists spending three days in Bali, and if each spent \$100 a day, that would be \$300 per person. Multiply by 1 million, and our company directly contributed \$300 million to Bali's economy. In Indonesia, each dollar spent in the tourism sector has a multiplier effect of 10. So a single airline alone has contributed \$3 billion to Bali's economy in 2011.

Most of this money stays in the local community,

while also generating massive revenues for the local government through taxes. A liberal economy not only provides consumers with more choices, but more competition only makes corporations better.

I am not advocating the “cowboy capitalism” that almost brought the world financial system crashing down in 2008, sparking the Great Recession from which much of the world has yet to recover. Nor am I calling for the unforgivable abdication of responsibility and accountability by government institutions and regulators.

What I envision is an India empowering and enriching local communities, thereby helping create – through a model of enlightened capitalism – a more fair, just, and equitable society that can sustain economic growth for generations to come.

In the spirit of Nehru's famous ‘Tryst with Destiny’ and in keeping with the Gandhian ethos, the dawn of India's liberal economy needs to be extended beyond 1991 to provide its talented, creative, and hardworking 1.3 billion people the opportunity to carve out their own economic destinies.



Tony Fernandes is the Group CEO of AirAsia. Before joining AirAsia in 2001, he was Vice President, Southeast Asia, for Warner Music.