A Genuine Social Democracy – the Only Way!

M V Nadkarni

[Draft text of a talk at the International Seminar on 'Cohesive Development: An Alternative Paradigm', at A N Sinha Institute of Social Studies, Patna, February 24-25, 2017.]

As the Concept Note on the Seminar points out, Cohesive Development aims at securing a solidarity or harmony between nature (land), people (labour), and capital. It is commonly accepted at least in principle in all countries that instead of aiming only at economic growth in terms of GNP, we should be aiming at development that ensures human welfare in all essential dimensions including ensuring freedoms of choice for all – not only for the present generation but also for those to come. It is also agreed that development should have the primary task of ending poverty, deprivation and injustice, and ensuring equitable opportunities to all. It means that we should not be doing in the name of development which will benefit only a few at the expense of others. Development should not also make any one worse off than before, but should rather improve the position and prospects of all. As the Vedic prayer goes - *Sarve bhadraani pashyantu, maa kashchit dukhamaapnuyaat.* That is, 'May all be secure; may not any one suffer'. If any people, even if a few in number, become worse off by a development project that benefits many, then such people should be adequately compensated and rehabilitated. Such a development also should respect the rights of future generations, and should not do anything to the environment which will deprive them in any way. The problem is to strive at a system or paradigm that ensures development in such a humane, just, egalitarian, and sustainable sense. It has to be a system that can resolve possible conflicts between nature, people and capital in a cohesive way. Which system can do it more effectively than others, with particular reference to India? This is the major theme of this paper.

In spite of the broadened connotation, the idea of 'development' has hardly given up the core idea that there is need for a continuous and rapid economic growth of GNP, which is considered as an essential condition for attaining human welfare in its different aspects including the attainment of an egalitarian society. Understandably this is so particularly in developing countries. It is common sense that it is easier to share a cake more equitably if its size keeps increasing, particularly if the number of people who have to share it is also increasing. Unless the size of the cake expands, the only way to improve one's own position would be to deprive others, and there could be more violence in the society. An egalitarian society would be easier to realise under conditions of economic growth than under stagnation, provided that the additions made to national income are not appropriated by those few who already have a lion's share of it.

The dilemma, however, is that capitalism, has proved to be more effective in ensuring economic growth than any other alternative system;[1] but it also has the inherent tendency to increase economic inequality. Even as Karl Marx, the biggest critic of capitalism, conceded, capitalist growth brought lot of good also to mankind, though along with injustice and exploitation. The main benefit was that the forces of production or technology advanced so much under capitalism that the resulting mass production enabled the masses to have greater access to goods and services which earlier were the exclusive preserve of the elite. The purely economic aspect apart, the release from feudal oppression brought new hopes and aspirations for many which could not have been entertained and realised under feudalism. That is why we need to have a type of development which does not kill the goose that lays golden eggs, but will use these golden eggs for public welfare. The advocates of capitalism and capitalist growth argue that what increase takes place in economic inequality under capitalist growth is necessary to provide incentives for growth, and it should not matter so long as absolute gains accrue to the poor and help them to come into the middle class. The virtue of capitalism, it is argued, is that even a manual labourer's son can hope to become a millionaire, provided equal and fair opportunities to rise are given to all, and they are not obstructed by feudal forces.

Arguments in unqualified praise of capitalism, however, need to be critically assessed because they are used for offering so many incentives to just one class of economic agents who are assumed to be the sole creators of wealth. On this excuse, the rich walk away with most of the increase in the GNP, and inequality has persisted and is growing. The question is what extent of inequality is necessary as incentivising, and what degree of it is not acceptable. We may not be able to draw a precise line or *Lakshmana-rekha,* but the present inequality is clearly shocking and hardly acceptable. Mere eight persons who are top billionaires of the world together have more wealth than the bottom 50 per cent of the world's population, according the latest Oxfam annual report. And the bottom 50 per cent just have 0.2 per cent of the world's wealth. The "CEO of India's top information firm" is reported to be earning "416 times the salary of a typical employee in his company".[2] Is such an extreme disparity necessary to provide incentives for initiative and enterprise?

What is equally worrying is that quite a few enthusiasts of freedom of enterprise look upon environmental regulations as an obstruction to economic growth and persuade the government to relax them and grant *quick* clearances to development projects (that is, without thorough scrutiny and proper social cost-benefit assessment). For them the care of environment is secondary to development. [3]

There are several basic mistakes in the philosophy of neo-liberalism. One is the belief that the private entrepreneurs and industrialists are the sole creators of wealth, justifying any number of incentives. The fact is that the production of wealth is a collective enterprise in which labour, state and society at large also contribute significantly, and the credit cannot go only to private industrialists. Labour, and for that matter all people, also need incentives to give their best to the society at large. Moreover, all the accumulation of the wealth of a person is not earned as the result of his or her own enterprise, but may be inherited. Inherited wealth only adds to inequality without benefiting any except of course the inheritor. Thomas Piketty (2014) has shown that this 'patrimonial capitalism' of dominating inherited wealth accounts for the larger part of inequality and also for the growth in inequality over time. This is not a 'productive' or justifiable inequality.

The second mistake is the belief that having once produced the wealth, the rich will be generous in sharing it with others on their own. Though of course there do exist generous people among the rich who are willing to contribute to public welfare, not all are equally generous, and private generosity is too unpredictable and undependable to base the whole working of a welfare state on it. It is more sensible to compulsorily extract a reasonable part of the surplus for public benefit, and leave the rest for private generosity. A welfare state cannot function satisfactorily without a policy of effectively taxing the rich, both their excessive incomes and inherited wealth.

It is important to realise that the prevalence of competitive markets and dominance of private property, the defining features of capitalism, alone would not have achieved for capitalism either sustained growth or improvement in human welfare without significant government intervention. This was particularly so for the later entrants into capitalist growth like Japan and South Korea. Even in the old capitalist countries, only government intervention ensured the survival of capitalism from periodic crises. More basically, competitiveness which is an essential condition for the success of capitalism, and a check on the tendency to monopolism which is also an inherent tendency in capitalism, could have been possible only through government intervention to promote fair trade and check monopolistic practices. When socialism emerged as an alternative system with its promise of ensuring basic needs for the poor, ending unemployment, and providing equal access to proper health and education for all, the capitalist governments also began to resort increasingly to social spending and social security. This led to the emergence of a welfare state even within the capitalist framework.

Gandhi was correct in fearing that if the sphere of the government is expanded too much (to cover even welfare activities), it could make the state too dominant. In an ideal democracy, however, there are checks on the power and dominance of the government. It is also feared that bureaucratically managed government welfare schemes may be less effective than those privately managed. But when private initiative and enterprise in welfare work has been extremely inadequate, and whatever initiative the private sector has taken in spheres like education and health is inspired more by the motive of profiteering than philanthropy, the state has to inevitably step in correct the distortions in this and fill the gap in welfare for the poor. There may be corruption and pilferage even in government managed welfare, which has to be counteracted by a strong civil society and public vigilance. Democracy is not just election of representatives by people to govern them. Citizens should have and should exercise freedom of expression including making criticism of the functioning of the government, not only individually but also through groups or institutions. They have a duty to be vigilant. It is also the duty of the government to be respectful and responsive towards such criticism. A vibrant civil society is an indication of the health of democracy. It should not only check excesses of the government, but also contribute to the formation of policy processes.

In other words, democracy in the sense of having free and fair elections regularly does not suffice; it has to be a social democracy as well. One can make a distinction between a capitalist welfare state and a genuine social democracy, though the two ideas overlap a good deal in what they convey. The difference is that a capitalist welfare state looks upon welfare as a charity and intends to avoid only extreme deprivation of the marginalised; on the other hand, a social democracy emphasises social justice and human rights much more, and is committed to ensuring that inequality is not extreme and unjust. A Social Democracy achieves a balance between the various interest groups in a way that even the less advantaged get justice. This requires that in such a system the less advantaged interest groups such as not only labour in large industries but also in the small scale and informal sector, small farmers, agricultural labourers, and the like, are organised and express their reactions to policies, programmes and functioning of the government.

Social democracy appears to be a golden mean between the two extremes of capitalism and communism, as it combines democracy with socialism. While capitalism is oriented to capitalists and their interests, a Social Democracy is oriented to people and their rights. Communism is oriented to people only in theory, but is in fact oriented to keeping only one political party in power which is supposed to represent the working class as a whole and through it all people. No dissent is tolerated. Social Democracy being a democracy, it not only allows freedom of enterprise and right to property, but also other rights and freedoms as well – the right to choose its own government, freedom of speech and expression, the right to livelihood and employment, right to equal treatment, and so on. Social democracy allows social capital and civil society to grow, allowing labour and even the public at large to organise themselves into trade unions and NGOs respectively. As such, it is a pluralist polity, and achieves a healthy mutual balance between different interest groups, without allowing a singe class or interest to dominate the whole state and usurp its power. This makes it possible to have a democratised economic development. While communism strives to achieve equality by bringing all, or almost all, productive enterprises under the public sector, Social Democracy allows private initiative and enterprise to keep the economy running and growing, but aims at reducing inequality by transferring income and wealth from the wealthy above a certain reasonable level to the poor. It also keeps education and health under the public sector to make them welfare-oriented rather than profit-oriented. The social services including education and health are made affordable to all through public spending, financed by progressive taxation on wealth and income, and taxing luxury goods heavily. Socialism does not mean mere state ownership of means of production and denial of any role for private enterprise. Socialism consists basically in reducing extreme inequalities, and ensuring food and employment security, free education at the primary and secondary levels, affordable higher education for all, affordable homes and basic services for all, and a commitment not to destroy the prospects of comfortable life to future generations. Social Democracy strives to achieve these goals for all without discrimination, both within classes in the present generation, and between the present and future generations. We have to enjoy this earth equitably as well as sustainably. Social democracy is the only alternative, if we aim at humane, egalitarian, democratic and sustainable development.

Social democracy is not an idle dream, but has been successfully practiced in Nordic countries from whose experience India could learn. India has never been ideologically averse to social democracy. The stalwarts who led the freedom struggle including Gandhi, as well as the visionaries like Dr B R Ambedkar who played a leading role in framing India's Constitution, had a clear idea that India has to be a democracy committed to achieving social justice and welfare. One can say without hesitation that social democracy is built into India's Constitution. However, there have been serious shortfalls in implementing the spirit of the

Constitution. Jawaharlal Nehru, the first Prime Minister of India, was both an ardent democrat and a socialist. But he could not fully develop India as a social democracy. He erred in laying much more emphasis on state ownership of enterprises as in the Soviet Union, than on making India a welfare state as in social democracies of Nordic countries. Had he left more scope to private initiative and enterprise, the resulting economic growth would have been higher. This would have enabled him to increase tax revenues enough to finance the provision of basic needs, and to take care of vital social sectors of education and health better. Nehru's basic mistake was trying to imitate the Soviet model instead of the Scandinavian model of socialism. It was perhaps assumed that the Scandinavian model was suitable only for developed countries. As a result, a genuine welfare still remains an unaccomplished task in India.

Social democracy had a good time during the post-War period at least up to the early 1980s. It suffered from a serious setback during the Presidency of Ronald Reagan in the USA (1981-89) and the Prime-ministership of Margaret Thatcher in UK (1979-1990). Reagan became known for his Supply-side economics, also known as Reaganomics which intended to spur economic growth and employment through tax-cuts, reduced business regulation, and reduced government spending. Thatcherism was also similar, believing in deregulation, privatisation of state-owned enterprises, flexibility in labour laws and reducing the power of trade unions.

China also introduced liberalisation of the economy and globalisation to great advantage, towards the end of 1978 under Deng Xiaoping. Its Economic Reforms created greater scope for free market forces to operate as also for the private sector, and opened the economy to foreign investment. Economic growth attained unprecedented heights, and also created unprecedented increase in inequalities. However, the Reforms were also combined with ambitious government programmes. Poverty declined significantly both as a result of government spending on welfare and poverty alleviation, and high economic growth.

It looked as if the whole world was influenced by this neoliberalism, which affected the Soviet Union and Eastern European countries too which were under Soviet communism. Communism simply collapsed in these countries within a matter of a half decade. The final dissolution of the Soviet Union in 1991, so enthused many Western liberals that they took it as final collapse of socialism itself. Francis Fukuyama published a book the very next year (1992) with a dramatic title, '*The End of History and the Last Man'.* He argued here that the advent of Western liberal democracy may well be the end point of humanity's quest for an alternative form of human governance or economic system. For him, the collapse of the Soviet system meant a decisive victory for capitalist or liberal democracy over its major alternative of a socialist system. It was not Fukuyama alone who believed so, but also many governments of different countries including the Government of India. The then Prime Minister Narasimha Rao and the then Finance Minister Dr Manmohan Singh introduced Economic Reforms in India also in 1991, influenced by the neo-liberal ideology. This meant not only downsizing the public sector and handing over a good part of it to the private sector, but also globalization, which in turn meant reducing tariff barriers and opening the Indian market to liberal imports from abroad. This was supposed to remove inefficiency in the economic system, and to restore sovereignty to the consumer, and opening the springs of individual initiative and economic growth. The policy resulted no doubt in achieving unprecedented rates of growth in India between 1991 and 2015 but also created unprecedented increase in inequality. According to the Global Wealth Report 2016 compiled by the Credit Suisse Research Institute, after Russia, India is the second most unequal country in the world with the top 1 per cent of the population owning nearly 60 per cent of the total wealth. This is clearly an unacceptable extent of inequality for any democracy.

We should appreciate, however, that India did not give up democracy and did not go for one-party dictatorship like China. India is too pluralistic for that to happen. Secondly, the Economic Reforms in India have not – at least not yet – gone in for a wholesale dismantling of the public sector, and the commanding heights of the economy continue to be under the public sector. For example, the major banks which were nationalised by Indira Gandhi in 1969 and the railways continue to be under the public sector. There is no guarantee, however, that they would continue to be so in future. If they do not perform, they may well be privatised. But liberalisation has certainly enlarged the size and promised scope of the private sector. Merely holding a large number of important enterprises under the public sector is not socialism; nor does it mean a welfare state. Inefficiently run public enterprises which make huge losses without even significantly contributing to public welfare may only mean wastage of valuable resources which could instead have been used for contributing to more genuine welfare. For example, loss-making huge luxury hotels and air-lines under the public sector serve no big purpose; saving them by pouring crores of rupees in to their capital would be neither socialism nor development. It makes more sense to allow private enterprise and initiative in such cases, and then tax them in such a way that they get a reasonable return and at the same time they also contribute to public welfare through tax pay-outs.

Having once adopted the policy of allowing private enterprise and market forces to foster competition and efficiency, the government then should ensure that private enterprise is not exploited through corruption and crony capitalism. There are many tempting opportunities for both political leaders and bureaucrats from the top to the bottom to exploit the private enterprise for personal benefit rather than for legitimately raising tax revenues. There has to be a severe check on these temptations. Corruption and crony capitalism damages the efficiency of private enterprise and pilfers resources that would otherwise have been available for social sectors and infrastructure building. Under capitalism, the state would be under constant pressure to yield more and more ground for incentives. That is where capitalism needs genuine democracy and people’s power to tame the government into behaving in a responsible and responsive way towards people, instead of succumbing to business tycoons.

It is not enough for the state to just leave economic growth to private enterprise and to forget it. The state has also to influence the nature or character of economic growth too, apart from stimulating a higher rate of growth. In fact the issue of the rate of growth is secondary, since prime attention has to be on the nature of growth. The nature of economic growth has two major aspects: first, it should aim at being egalitarian; second, it should be sustainable and not environmentally destructive. Any attempt at making it egalitarian, should try to maximise employment of labour rather than minimising it as it has been happening. The national output in India grew at an unprecedented rate of 7.7 per cent per annum during the decade of 2000-2010, but employment grew at a mere 0.3 per cent per annum. (Joshi 2016: 60). In such a jobless character of growth, inequality will accelerate and ideals of social democracy fall to pieces. India cannot reap its 'Demographic Dividend' unless its youth in working age find productive employment. Most of the employment growth takes place in India in its unorganised sector, but the organised sector where trade unions are strong is quite reluctant to employ more labour and is happy with labour saving technology within the factory and outsourcing work where labour-intensive jobs are to be done. Vijay Joshi blames this stagnation in employment in the unorganised sector on rigid labour legislation under which it is difficult to fire even inefficient workers. He says, 'the socially desirable labour contract is a compromise between 'permanent employment' with its inflexibility, and 'hire and fire' with its extreme insecurity and discouragement of training'. (2016: 83). It is, however, unfair to blame labour legislation and trade unions alone for slow growth of employment. It is inherent in capitalist economic growth to maximise labour productivity through labour saving technological changes, which is responsible for unemployment. Business enterprises, even under the present labour legislation, do find it possible to fire not only inefficient labour but also workers who join or are very active in trade unions. That is why Gandhi proposed an alternative growth path which is labour-using rather than labour saving, and which is also environment-friendly and sustainable.[4] Even if it may not be practicable to go wholesale in favour of the Gandhian path of economic development through reliance on cottage industries, it could certainly tried to fill the gaps in employment left by the capitalist growth path.

However, even the strategy of using the Gandhian path may not fill all the gaps left by modern capitalist growth path. The days of a pure capitalist state are gone, with the jurisdiction of the state limited only to maintaining law-and-order, management of money supply, and defence, leaving all other matters to private enterprise. The modern state is necessarily a Development-State or a Welfare-State, at least until such time that hunger, illness, homelessness, lack of proper literacy, unemployment, destitution, and such other dimensions of poverty and underdevelopment and gross inequality need to be taken care of. To this list has to be added the concern for the health of the earth's environment too, to which capitalism has shown scant regard on its own. A capitalist-oriented state has to give way to a people-oriented state which is possible only in a social democracy. Social Democracy does not neglect the capitalist or the need for private enterprise, but at the same time avoids excesses of capitalism, meets the welfare needs of all people, ensures full-employment, and protects environment. In particular, a genuine Social Democracy provides free and good quality education both at the primary and secondary level, and ensures that even higher education is affordable to all. Similarly, it provides free health care to all. For making it possible, both education and health should be freed from profiteering, and have to be placed under the public sector and private philanthropy.

To achieve this, an effective and progressive taxation and social expenditure policy is necessary. Apart from income tax and short-term capital gains tax, there is a need also for a tax on wealth and inheritance. Reliance on taxation is necessary not only to meet the burden of social expenditure but also to keep growing inequality, especially in wealth, under some check. The rate of taxes should not be just nominal, in which case it would cost more to collect the tax than the revenues realised from it. Earlier attempt in India to levy an estate duty or inheritance tax failed precisely because of nominal rates of the tax. The tax was abolished in 1985, but needs to be restored. The marginal rate of inheritance tax should be at least about 20 per cent, instead of a mere 2 per cent tried earlier. As a concession, it could be levied at the point of receiving the inheritance, instead of bequeathing.

We may see how India fares in comparison with a few major countries in tax effort and social expenditure. **Table 1** here shows that tax revenue as a proportion of GDP has increased from 8 per cent in 1970 to 11 per cent in 2014 in India, it is still lower than in other countries in the table. In Cuba, a communist country, it was as high as 39 per cent, and in Sweden – a social democracy, it was over 26 per cent in 2014. No surprise that public expenditure on education as also on health in India as per cent of its GDP is also lowest among the countries shown. While there the proportion of expenditure on health has been slightly increasing in India since 1990, there is actually a noticeable decline in the case of education since 2000.

Low expenditure on social sectors is a serious matter because the state of quality of both education and health is very poor in India both in absolute terms and as compared to other countries. For example, according to the *Annual Status of Education Report (Rural)-2014* brought out by Pratham Educational Foundation, only 48 per cent of the children in Standard IV could read a vernacular text of the Standard II, and the proportion was even lower at 24 per cent for texts in English. This proportion was calculated by taking the weighted average of the figures for both government and private schools. The performance in government schools was still worse. The same story is repeated when performance in basic arithmetic is taken. The proportion of Standard IV children who could divide a three-digit number by one-digit number with carry-over was as low as 26 per cent. It is through improving the access to quality education that opportunities can be equalised and social and economic inequality can be reduced, but it is precisely this sector which is being relegated to the background. However, there is a reversal of the decline in the share of expenditure on health after 2010, and we may hope that this improvement will continue. The access to health is also quite poor in India, as seen from the comparative statistics provided by the World Development Indicators. Maternal Mortality Ratio (per hundred thousand live births) in India was as high as 181 in 2014, compared to China's 28. Births attended by skilled medical staff was only 52 per cent in 2008, compared with China's 100 per cent in the same year. Access to improved sanitation was only 40 per cent in India in 2014; even in Bangladesh it was higher at 60 per cent, let alone China with 75 per cent. Such a poor state of education and health is not consistent with India being a democracy, let alone Socialism.

Table 1: Major Fiscal Indicators of Social Commitment

Sln	Countries	1970	1980	1990	2000	2010	2014
I. Tax revenue (% of GDP)							
1.	China $	-	12.6	15.0	12.6	17.9	18.7
2.	Cuba #	-	-	-	-	37.9	39.1
3.	France	18.6	19.2	18.6	23.2	21.9	23.2
4.	United Kingdom	23.0	23.9	24.2	26.1	25.4	25.0
5.	India	8.0	8.9	9.8	8.7	10.5	11.0
6.	Sweden	19.3	16.5	21.9	30.0	27.1	26.3
7.	United States	11.8	12.1	10.4	12.9	8.6	11.0
II. Public expenditure on education (% of GDP)							
1.	China	1.4	1.9	1.7	1.9	-	-
2.	Cuba	-	8.4	7.1	7.7	12.8	10.8
3.	France	3.2	4.3	4.5	5.5	5.7	5.5
4.	United Kingdom	5.0	5.1	4.1	4.3	5.9	5.7
5.	India*	1.9	3.0	3.8	4.3	3.3	3.8
6.	Sweden	-	6.6	5.3	6.8	6.6	7.7
7.	United States	-		4.8	5.5	5.4	5.2
III. Health expenditure, total (% of GDP)							
1.	China	-	-	3.5	4.6	4.9	5.5
2.	Cuba	-	-	5.2	6.1	10.2	11.1
3.	France	-	-	10.1	9.8	11.2	11.5
4.	United Kingdom	-	-	6.7	6.9	9.5	9.1
5.	India	-	-	4.0	4.3	4.3	4.7
6.	Sweden	-	-	8.0	8.2	9.5	11.9
7.	United States	-	-	13.1	13.1	17.0	17.1

Sources-

$ China Statistical Yearbook 2016, Government of China: National Bureau of Statistics China;
* Budgeted Expenditure on Education, Department of Higher Education, Ministry of Human Resource Development, Government of India;
# http://www.ascecuba.org/recent-developments-in-cuban-public-finance/;
World Development Indicators 2016, World Bank data website.

A lack of seriousness in pursuing social goals is reflected also in poor effort at raising tax revenues in India. There has been no serious effort at taxing wealth and reducing inequalities in wealth though this inequality has been increasing significantly as shown to have been the case in India in a recent article by Anand and Thampi (2016). A reintroduction of inheritance tax has the promise of not only reducing wealth inequality but also of financing to some extent social expenditure. Even the marginal rates of personal income tax are lower in India than in other countries (as can be seen from **Table 2** here). While the tax rate on the highest slab of income is only 30 per cent in India, it is as high as nearly 40 per cent even in USA, let alone Sweden where it is as high as 55 per cent. What makes the Indian situation worse still is that tax compliance even at low rates is not strict and adequate. The recent attack by the Modi government on black money, should hopefully improve the collection of taxes particularly on personal income. The attempt by the government to reduce business transactions and purchases in cash, should improve the share of the formal economy and improve tax collection.

Table 2: Personal Income Tax Rates (allowances not included)

Countries	Tax Rate	Individual Income Tax Slabs (local currency)
India	0%	<250000
	5%	250000-500000
	20%	500000-1000000
	30%	1000000 and above + Surcharge of 10 % of IT for incomes of 50 lakh to 1 crore and of 15 % of IT for incomes of 1 crore and above*
China	3%	<1500
	10%	1500 to 4500
	20%	4500 to 9000
	25%	9000 to 35000
	30%	35000 to 55000
	35%	55000 to 80000
	45%	80000 & above
France	0%	<9700
	14%	9700 to 26791
	30%	26791 to 71826
	41%	71826 to 152108
	45%	152108 & above
UK	20%	<31785
	40%	31786 to 150000
	45%	150000 & above
Sweden	30%	<420800
	50%	4208010 to 602600
	55%	602600 & above
US	10%	<9225
	15%	9226 to 37450
	25%	37451 to 90750
	28%	90751 to 189300
	33%	189301 to 411500
	35%	411501 to 413200
	39.60%	413201 and above

Sources- online government websites

*As proposed in the Government of India Budget for 2017-18 presented on February 1, 2017.

There has been some discussion in India on cash transfers being a more efficient alternative to in-kind transfers of welfare goods. The debate has advanced so much that the Economic Survey 2016-17 of the Government of India has proposed in Chapter 9 an unconditional Universal Basic Income (UBI) at a level to ensure that nobody is below the poverty-line, which can be directly transferred to beneficiaries to their bank accounts. It is to be noted that what is proposed is not an additional programme but one meant to replace a 'plethora' of welfare schemes including the Public Distribution System. Such UBI will of course reduce the administrative burden of the Government and save its money spent on administering the welfare schemes. It will also plug the leakages in or pilfering of welfare expenditure. But the basic purpose of plugging the gaps in welfare left by a capitalist growth path will not be addressed by such a scheme. There will always be a temptation to take shelter behind inflation. Even if UBI is statutorily adjusted every year for Consumer Price Index, it will not give access for the poor to proper education and health care which are now unaffordable to them. Even food security may not be achieved if UBI is spent on liquor or junk foods instead of on proper food. Food prices may also be driven up. If, however, a UBI is provided *in addition to* the other welfare measures, it would be a most welcome step. It will really end poverty.

There is a large measure of political acceptance of both democracy and socialism in India. By socialism is not meant communism, but only a commitment to reduce extreme inequality, to end poverty, unemployment and homelessness, and giving equal opportunities to all. The goal of environment protection is also accepted by all. Only sincere implementation is lacking. What is even more worrisome is an implicit and growing belief in giving more and more freedom to the market forces even in social sectors like education and health, instead of consolidating and expanding the public sector there. When it is observed that the market forces have not been helpful, the problem is tried to be solved through resorting to populism. Populism is only a palliative, not a solution. It does not make a polity a genuine social democracy. It only amounts to cheating people, unless backed up by serious efforts to ending poverty and inequality on a durable and long-term basis which is possible only through planned and enhanced social expenditure particularly on education, health, social security, and other aspects of welfare. Reliance on market forces alone cannot ensure this. A social democracy can work only when combined with a progressive income and wealth tax, particularly on inheritance. Concessions or tax exemption can certainly be given on income and wealth donated for public welfare. But insincerity and half-hearted measures would only mean hypocrisy.

Both capitalism and communism have failed. A genuine Social Democracy, which is really people's democracy, is the only way left.

(Acknowledgement: Thanks are due to Dr Khalil Shaha for compiling the data for Tables here.)

Notes

1. Pryor has defined capitalism succinctly as 'an economic system in which goods, labour, land, and financial services are transferred through relatively competitive markets and in which means of production are primarily owned privately'. (2010: 8).

2. As quoted by Editorial, ‘Monstrous Inequality’ in *Economic & Political Weekly (EPW),* January 21, 2017, Vol. LII(3), p. 7.
3. See Ramaswamy R Iyer’s warning against this approach. He said: ‘The holders of “primacy of development” argument would say “yes, the protection of the environment is important, but not at the cost of development”. Let us reverse that proposition: can we really have development at the cost of environment?’ Iyer (2014: 20).
4. For a Gandhian way to sustainable development, see Nadkarni 2015: 90-103; also see chapter 3 on ‘Ethics and Development’, and chapter 4 on ‘Ethics, Environment, and Culture: The Paradox of India’ in Nadkarni (2014: 77-124).

References

Anand, Ishan and Anjana Thampi (2016). ‘Recent Trends in Wealth Inequality in India’, *Economic and Political Weekly,* Vol. LI (50), December 10, pp. 59-67.

Fukuyama, Francis (1992). *The End of History and the Last Man,* New York: Free Press.

Iyer, Ramaswamy R (2014). ‘Environment and Development: Some Thoughts for the New Government’, *Economic & Political Weekly,* Vol. XLIX (25), June 21, pp. 19-21.

Joshi, Vijay (2016). *India’s Long Road: The Search for Prosperity.* Gurgaon: Allen Lane (Penguin).

Nadkarni, M V (2014). *Ethics for Our Times: Essays in Gandhian Perspective.* (2nd edn.). New Delhi: Oxford University Press.

Nadkarni, M V (2015). ‘Gandhi’s civilizational alternative and dealing with climate change’, *Journal of Social & Economic Development*, (Springer), 17(1), Jan. –June, pp. 90-103.

Piketty, Thomas (2014). *Capital in the Twenty-first Century.* Cambridge Mass.: Harvard University Press.