

POLITICS FOR INDIA

LIBERALISM

Journey of Liberalism.

Liberalism started as a progressive ideology. It started as a philosophy or a way of life. It aimed at giving liberty and protecting people from coercion. Once capitalist class could establish themselves in power, their revolutionary fervour had gone. Since they were in power, they became the defenders of status quo. Liberty got overshadowed by utility.

From a progressive philosophy, it got limited to the economic doctrine. It came to be dominated by utilitarians. Utilitarians held that pleasure has primacy over liberty. Liberalism came to be criticized as pig's philosophy because of utilitarians. Liberalism / utilitarianism became the basis of justification for extreme exploitation of workers. There were protests against such policies. It has led to the rise of socialism.

It has led to the growth of left movements. It forced liberals to change. Liberalism has been the longest surviving ideology because of its flexible nature.

Every ideology represents the interest of particular class. Liberalism is an ideology of the middle classes. (emerging capitalist class). Liberalism is a philosophy of modern times. Liberalism is by-product of renaissance, reformation, scientific revolution. Hence liberalism is 'humanism'.

Humanism.

Humanism should not be confused with 'humanitarianism.' It is a philosophy which takes human being at the center. In medieval times God was the center, in modern times man was made the center of the world.

Basic assumptions of liberalism.

Every person is rational. First time it was recognized that all are born equal and free. Rational person is one, who knows what is best for him. He doesn't need guidance. Liberalism will support individual autonomy (atomistic man). They believe that man is rational and so can be given rights and liberties. Hence man can challenge customs and traditions.

Criticism of atomistic man.

Liberal concept of man is described as the concept of 'atomistic man'. It denotes as if man is self sufficient and can lead his life on his own.

The concept of atomistic man has been criticized as 'abstract individualism'. It means this is not the correct description of man, it is just a imaginative description. Communitarians have criticized the conception of 'atomistic man'.

If liberals believe that man can be autonomous of his customs, traditions, communitarians believe that man cannot be autonomous from his culture. Man is a product of his culture. Man's conception of right and wrong is shaped by his culture. According to communitarians, man is 'situated self' or 'embedded self'. According to them man is not autonomous.

The debate of atomistic man vs embedded man / situated self can also be seen in the debate between human rights discourse and the discourse of Asian values. For liberals, man is capable of protecting his own interest.

Concept of equality

Liberals were the first to talk about equality. Equality is a modern value. In liberalism we find following concepts of equality.

1] Moral – Since all of us are children of God, all are equal in moral sense. All deserve equal respect. Thus for liberals, people are equal in terms of dignity. They believe in equality before law, rule of law (constitutionalism), no arbitrary rule. Equality before law was demanded by the emerging capitalist class. (Middle class vis-a-vis the elite class, prince or feudal lords)

2] Equality of opportunity. In medieval times, only elites, princes and lords could own property. The basis of property was hereditary. Hence the middle classes demanded equality of opportunity to own property. Liberals talk about equality of opportunity, which means they reject the restrictions prevalent in medieval times. In medieval times, birth determined person's status. Now, ability or merit will determine. They only give equality of opportunity, they do not give equality of outcomes. Equality of outcomes is a socialist concept. Means all will get equal pay.

3] Liberals concept is proportionate equality. Socialists concept is absolute equality. Socialists call liberal concept as formal, procedural whereas socialist call their concept as substantive. Socialist demand making people equal in social and economic sense and not just in moral sense or in terms of dignity.

1] Classical Liberalism

Classical liberal view of society.

They do not give importance to the society. Man is prior to whole/society. According to them, society is a marketplace where people go to fulfil their interest. This conception of society is called 'market model of society'. This view is opposed by idealist, socialist, communitarians.

Liberal view of society is also called as 'aggregative' view of society as found in Bentham. It means society is nothing more than sum of individuals. There is nothing called collective good.

Criticism – The aggregative view is opposed by idealist, socialist, communitarians who give the organic view of society. Organic view means whole is more than collection of parts. e.g. according to Rousseau general will is more than sum of wills of all.

Classical liberal view on State.

They believe that State is 'necessary evil'. **Why evil?** Because it limits liberty. **Why necessary?** Because man has self-interest and this may create lawlessness. Hence they support minimal state. Means state just provides law and order. We can call it as a police state or 'night watchman state'.

According to Thomas Jefferson, that state governs the best, which governs the least. For liberals, state is not natural, it is product of contract. This view of state is called mechanistic view opposite to organic view. Idealists view of state is organic.

Social Policy / Public Policy.

Herbert Spencer gave the concept of 'survival of the fittest'. In the words of Sumner,

Drunkard in the gutter is where he ought to be.

William G Sumner

Economic Policy.

It is the theory of *laissez faire* state. Means free market economy. Adam Smith gave this concept. State should not intervene in economy because there is a invisible hand. The market forces based on demand and supply is the most effective and efficient allocation.

Liberty.

Liberty can be understood in two sense. 1. Absence of external interference or resistance. 2. Capacity. For classical liberals, liberty has no link with capacity. Liberty is just the absence of coercion or interference. This concept of liberty later on came to be known as negative liberty.

2] Modern Liberalism / Positive liberalism / Theory of welfare state.

Positive liberalism was result of rise of workers movement in the west. To protect capitalism, ruling class changed its nature. We see the beginning of transition in the ideas of J. S. Mill. which also makes Mill inconsistent. Mill changed liberalism by bringing idealism. Idealism assumes that man is social by nature. It rejects the concept of atomistic man. It takes organic view of society.

Since man is by nature a social animal, man cannot live without society. Hence man should recognize contribution of society and should pay back to society. They reject the conception of possessive individualism e.g. Aristotle suggests private ownership but common use.

Concept of state – organic view. If for liberals, state is 'necessary evil', for idealists it is 'source of virtue.' e.g. "According to Aristotle state comes into existence for sake of life and continues for the sake of good life."

Story of evolution of idealism.

Idealism originated in ancient Greece. It re-emerged in modern times. In modern times, it develops into two traditions.

1] Hegelian tradition.

State is important. It stretches to Fascism. Plato is known as forerunner of Fascism. In Plato there is complete denial of human right and absolute power to the state



2] Kant's tradition.

Kant has given importance to society. He gave importance to social / moral nature of man. Kant has given the concept of human dignity. According to him, since all men are humans, all are rational and all deserve to be treated with respect. As a human, it is a categorical imperative to respect human dignity. "Each man is end in itself, no one ought to be treated as the means for the other." His principle is that if we are humans, we have resources, it will go against human dignity if we let other persons die of hunger.

Kant has inspired a group of idealist known as oxford idealists, or British school of idealism, represented by T H Green, Bradley, Bosanquet.

Basic assumptions of Positive Liberals.

On human nature

According to classical liberals, man is individualistic by nature. But according to modern liberals, man is social / moral by nature. They take the progressive or the developmental view of human nature.

Society

For classical liberals, society is aggregate of individual interest, they believe in the market view of society. According to positive liberals, society is natural, we cannot deny the existence of common good.

State

For classical liberals, state is a necessary evil, for positive liberals, state is a source of virtue.

On liberty

They redefine liberty in terms of capacity. Thus liberty is not just the absence of external impediments to motion, liberty is also the absence of internal impediments to motion.

Equality

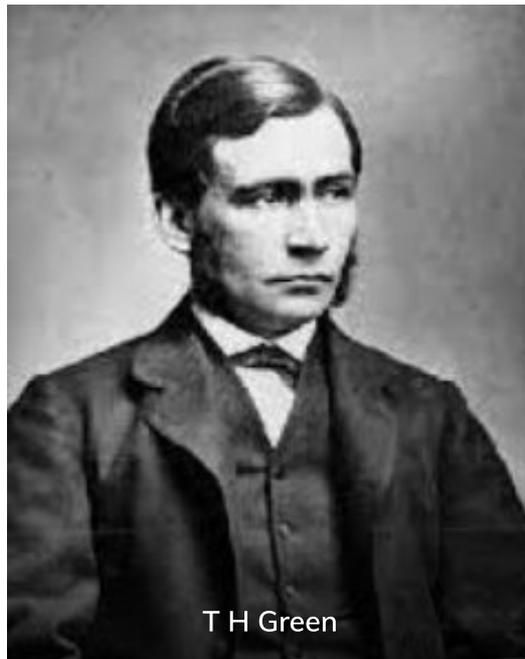
Like Classical liberals, they also believe in equality before law and equality of opportunity. However they accept that there is no level playing field in the society so there is need for affirmative action or positive discrimination in favor of weaker sections. This will make 'fair' equality of opportunity.

Social Policy

According to classical liberals, the only function of the state is to provide security. (Police function). According to positive liberals, state has to provide both – physical security as well as social security. (Welfare functions).

Modern liberal Scholars

1] T.H. Green



T H Green

Philosophical orientation of modern liberalism are in the works of T.H. Green. He redefined the concept of liberty. He defined liberty in terms of capacity. In the words of T.H. Green, "Liberty consists of capacity of doing something, which is worth doing." He also says that liberty is "Capacity of doing something which is as per the law of our being." This concept of liberty came to be called as positive liberty and the classical concept came to be recognized as negative liberty.

'Worth doing' – liberty means freedom to do what one wants to do but not at the cost of human dignity.

'Law of our being': it means the law of human beings. We are humans and not animals. Hence our actions should be such which are appropriate for humans.

Prominent statements of T H Green

"Human consciousness postulates liberty, liberty involves rights, rights demand state."

In this statement, we understand / we can see the complete philosophy of positive liberalism. Its concept of human rights. Its concept of society and state.

Significance: Political thought is about the relationship between individual, society and state. The above three statements of T.H. Green sum up the entire philosophy of positive liberalism. In the first statement, T.H. Green gives view of human nature from the perspective of modern liberalism. Like all liberals, T.H. Green also believed that liberty is the core value of liberalism. If we are born as humans, it is natural for us to desire liberty. Thus neither equality (social and economic) nor utility can take the center stage.

"Liberty involves rights."

In this statement, he has explained the conception of society and the link between individual liberties and society. Positive liberals highlight the importance of society. Society is important because until and unless society gives recognition to our liberties, convert it into rights, we cannot enjoy liberty.

"Rights demand state"

This statement explains positive liberals view on state. State is not a evil, state is a source of virtue. State is a protector of rights. According to T.H. Green, state 'hinder' the hindrances that come in the path of liberty. Thus state removes the obstacles internal / external, which come in the path of man's enjoyment of liberty. Thus positive liberals try to establish a more harmonious relationship between man, society and state.

"Will, not force is the basis of the state."

Above statement comes from Green's book "PRINCIPLES OF POLITICAL OBLIGATION." Political obligation explains the reason as to why man should feel obliged towards the state. Political theorists since the time of Plato are explaining the principles of political obligation.

In political theory, we see two extremes. 1] Socratic tradition (Idealism) which shows absolute obedience towards the state. 2] Marxist and anarchist who do not support the obligation, rather favour revolution against the state. According to Aristotle, the basis of obligation is found in the human nature itself. According to him, man is by nature a political animal.

According to **Hobbes**, man is supposed to obey the state because man's life without state is nasty, poor, brutish and short.

According to **John Locke**, man should obey the state, because the laws made by state are based on the consent.

According to **Rousseau**, we are obliged to follow the law and we can be forced to be free because the laws represent the general will.

Hegel also gives the theory of absolute obligation on the ground that state represents the universal spirit.

T.H. Green challenges the view that the basis of state is force. Scholars like Hobbes and Marx explained the basis of state as coercion. According to T.H. Green, it is will of the people rather than force, which is the basis of the state. There is will of the people for the state because state performs many useful functions. Or in the words of Green, "State hinder the hindrances, which come in the path of the liberty of man." Thus, according to T.H. Green, no state can continue for long, only on the basis of force. Rousseau has also held that even the strongest man is never strong enough.

2] Laski



We see transition in Laski's ideas. He started as a liberal, got influenced by the achievements of U.S.S.R., so turned socialist. Again he realized that socialism gives equality, but denies liberty. Hence he came back to liberalism. But became positive liberal. Laski remained critic of capitalism. He wanted state to control capitalism. He wanted states intervention in economy. If state will not control capital, capitalist will control the state.

He recommends state to provide the set of social and economic rights. The list of social and economic rights found in part IV of Indian Constitution are inspired by Laski. Laski has inspired socialist in Britain which led to the evolution of, British socialism known as Fabian socialism. Laski was also a great critic of fascism. He was supporter of international peace, believed in strengthening international organization. (Laski was also a teacher of Pandit Nehru and we can see lot of influence of Laski on Nehru.)

Prominent statements of Laski.

"Every state is known by the rights it maintain."

According to Laski, rights are necessary for human existence. The most important function of state is providing rights to the people. Laski has enumerated the long list of rights of social and economic nature to be provided by the state. According to him, the role of state in providing rights is so important that we can

understand the nature of state on the basis of rights it provides. e.g. Totalitarian states deny even the basic liberties whereas democratic states, especially welfare states provide not only civil and political rights but even social and economic rights.

"Rights are those conditions of life without which no man can seek in general to be at his best."

It means without rights, man cannot achieve the development of his personality.

"Social order, not based on the recognition of claims of a persons, is based on sand."

It denotes that society cannot continue if it does not recognize the rights. It will fall like house of cards.

"Rights are claims, not empty of duties."

Rights and duties are interdependent. Also known as functional theory of rights.

3] Neo Liberalism

Neo liberalism stands for rolling back of the state. Sometimes described as 'market fundamentalism'. It started in 1970s, in western countries like Britain in the form of 'Thatcherism'. And in USA in the form of Reaganism in 80s. By 1990s, it was extended to the former communist states of eastern Europe including Russia in the form of 'Shock therapy'. Further expanded to the third world countries including India in the form of structural adjustment programs. (SAP).

Thus by 1990s, neo-liberalism became global. The present globalization is called as neo-liberal or the expansion of capitalism on the global scale. The highest point of achievement of neo-liberalism has been the establishment of WTO in 1995 @ Marrakesh.

Why rolling back of the state?

Welfare state became unsustainable. Welfare state was introduced first in USA, in 1930s based on the ideas of Keynes and Galbreath. USA introduced welfare state in the form of New Deal Acts. under Roosevelt. In Britain, it was introduced in 40s, on the basis of recommendations of Beveridge report. Welfare state started facing problems of fiscal deficit.

State became too big, came to be known as Nanny state, state was expected to take care of the people from 'cradle' to 'grave'. Welfare state has given rise to 'New Despots'. It has strengthened the hands of bureaucracy. It resulted into huge corruption and black money. It has not benefitted the targeted sections.

Hence Margarete Thatcher, the prime minister of Britain introduced neo-liberal policies calling it 'TINA factor'. TINA means the only alternative is that there is no alternative.

The policies of neo-liberalism can be understood on the basis of the 10 principles known as 'Washington Consensus', given by economist John Williamson in 1989.

Policies of Washington Consensus

1. Reduce fiscal deficit
2. Pro-industry reforms.
3. No indiscriminate subsidies. Only targeted pro-growth subsidies.
4. Market determined interest rates.
5. Competitive exchange rate for promotion of exports.
6. Trade liberalization, removing the tariff and non-tariff barriers.
7. Promotion of FDI.
8. PSU disinvestment.
9. De-regulation reducing the control of state.
10. Protection of right of property.

What is neo-liberal approach for poverty eradication?

They support the theory of trickle down effect.

Philosophical Basis of Neo-Liberalism.

Neo liberalism is a philosophy which favors the rich. There is no difference between neo-liberals and neo-rightists with respect to economic policies. e.g. In India, congress represents neo-liberalism and BJP represents neo-rightists.

Neo liberalism is a revival of classical liberalism. However neo-liberals are more fundamentalist than classical liberals. More fundamentalist means market fundamentalism.

Difference in the rightists and the liberals.

Rightists only favour free market economy but otherwise they are not liberal with respect to culture and traditions. They also support strong state. Neo-rightism, if stretched too far, it becomes fascism. e.g. The Republican party in USA or the conservative party in Britain.

Difference in classical and neo-liberals.

Adam Smith only supported *Laissez Faire* in economy. Adam Smith even proposed that state should take up those economic activities which private sector will not take. However neo-liberals believe that market is a solution for all. For them market is God, hence it is called as market fundamentalism.

Neo Liberal Philosophers.

1] Hayek



Hayek

Prominent ideas of Hayek.

Hayek is known as the father of neo-liberalism. He was major inspiration for Margaret Thatcher. He was against the concept of planning, calls planning 'road to serfdom', a fruitless exercise. It is bound to fail. According to him, even the most expert planners cannot make full proof plan. Planning means increasing the powers of the state. It means adverse impact on economic growth as well as freedom.

According to him, no planner can be as intelligent as market. He compares market with 'huge central nervous system.' Market has a capacity to intercept millions of messages at the same time. Hence only market can do the best allocation of resources.

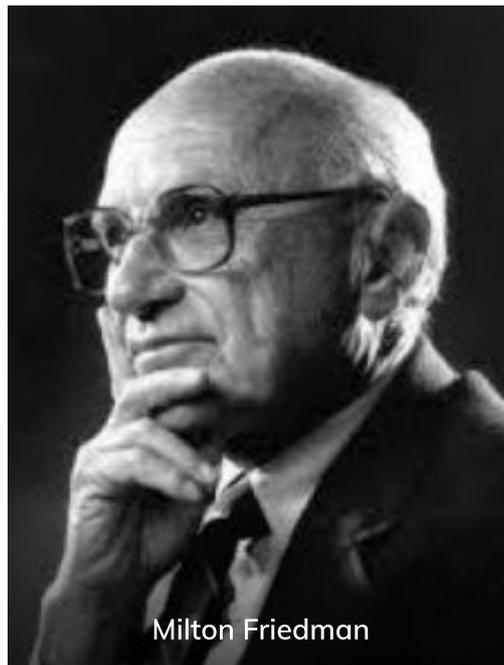
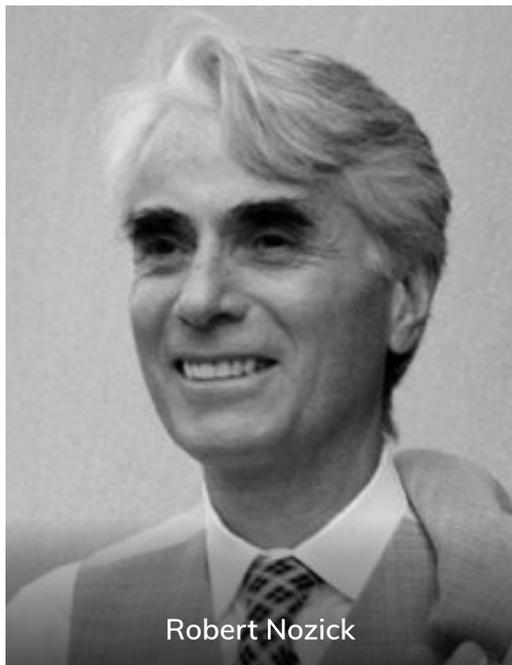
He considers social justice as a 'mirage'. Thus social justice is unachievable. In the name of social justice, state increase its powers. Justice is not a feature of society, it is a characteristic of human soul. Person is just or unjust.

He does not support progressive taxation. He compares progressive taxation as bonded labour. It contradicts the principles of 'non-aggression'. When state takes money, it does not reach to the targeted section. It goes into the pockets of bureaucrats and politicians. It adversely impacts the growth. It results into withdrawal of resources from productive sector and give rise to black economy or parallel economy.

He does not believe that there is anything called 'inner freedom', 'higher freedom', 'moral freedom'. He defines liberty in a very simple sense as absence of coercion. (negative liberty). According to Hayek, if a person is poor it is not the fault of the rich that rich is punished. It is his bad luck. Hayek does not suggest that poor should not be helped, he is against state-led model. He suggests 'charity' is a better approach.

2] Robert Nozick *ANARCHY, STATE AND UTOPIA* book.

He also believes in principle of non-aggression. He also considers progressive taxation as bonded labour. Nozick believes that 'minimal state is inspiring as well as right'. It motivates man to work hard. And it is in accordance to the principle of non-aggression and respect for human dignity. He criticizes welfare state and supports 'night watchman' state.



3] Milton Friedman *CAPITALISM AND FREEDOM*

He has reversed the order. Instead of asking freedom for market, he believes that freedom is possible only through market. If people want to be free, they should bring capitalism.

4] Murray Rothbard

He compared politicians and bureaucrats as gang of robbers and thieves. He calls central bank as legislative fraud.

4] Social Liberalism

Social liberalism gained prominence when Amartya Sen was awarded with the Nobel Prize. After the end of cold war, neo-liberalism became hegemonic ideology. However very soon there was resentment against neoliberalism. Neo-liberal policies led to the growth of inequalities. Both inter-state and intra-state. It benefited the rich section and there was no 'trickle down effect' of the growth. On the contrary, it led to the reverse. i.e. Concentration of wealth in the hands of few.

There have been global protests against WTO, the symbol of neo-liberal globalization. In 1999, WTO meeting could not take place in Seattle because of civil society protests. Hence scholars paid attention towards the increasing inequalities. Prof. Amartya Sen suggested that states should invest in the capacity building of the people. Globalization creates challenges as well as opportunities. Only when people have capacity, they can take the benefit of globalization. e.g. India had not benefited from the globalization in comparison to China and countries of South East Asia, because India lacked in skill development.

Joseph Stiglitz



Joseph Stiglitz in his books *GLOBALIZATION AND ITS DISCONTENTS*, *MAKING GLOBALIZATION WORK* highlighted the 'democratic deficit' of the institutions of global governance. He suggested the need for reforms in IMF, World Bank, making them transparent and accountable. In place of 'Washington Consensus' he proposed 'Post-Washington Consensus', which focus on democracy and development.

Post-Washington Consensus.

In his paper on Post Washington Consensus Joseph Stiglitz have criticized the idea of Washington Consensus and shows that it has failed. The economies of Sub Saharan countries and Latin American countries did not grow as proposed by Washington consensus while on the contrary east Asian countries like China, Korea saw rapid growth with state led economic model. They could undergo rapid industrialization, pace of which was not possible only by market forces.

Such consensus, according to Stiglitz cannot be arrived simply within confines of Washington, but should include developing countries as well in its formulation. Rather than suggesting 'one size fits for all' model is doomed to fail. What works in one country may not work somewhere else.

He also he goes to say that there are some areas where economic science has not yet provided strong proofs or evidence, and we should give more room to countries and allow them to explore what works best for them.

Development requires strengthening of both market and also state institutions. Success is to be measured not only in terms of GDP but broad measures. Distribution, environmental and social sustainability etc.

Philosophical Basis of Social Liberalism

Philosophical origins of social liberalism are in the works of John Rawls. John Rawls in his theory of 'justice as fairness' emphasized on the need to help 'the least advantaged' section of the society. He calls for 'fair' equality of opportunity. Rawls was critic of 'liberal utilitarianism'. And supporter of liberal egalitarianism. He revived the tradition of Immanuel Kant. He has influenced liberal egalitarians like Dworkin who suggests 'equality of resources' and Amartya Sen who supports equality of capabilities.

Difference in social liberals and modern liberals.

There is no difference in philosophical basis, the only difference is in policies. Social liberals have also analyzed the weaknesses of earlier strategies. In modern liberalism, state was to play the major role in economy. Their policies came very near to socialism. It became difficult to distinguish between a welfare state and socialist state. Modern liberals suggested rolling back of market and expansion of state in the form of nationalization of industries. It led to the establishment of PSUs. State became the source of employment. With the exception, PSUs didn't worked as expected. Social liberals like Amartya Sen do not suggest state establishing PSUs and provide employment. He only suggests state to perform capacity building task. e.g. Investment in health, education, skill development. He supports partnership among private sector, civil society and government.

- 1] Pvt. Sector should take lead in economy.
- 2] Pvt. Sector has to create employment opportunities.
- 3] State has to act as a regulator and invest in capacity building of the people.
- 4] Civil society to ensure transparency and accountability.

Difference in the concept of governance of neo-liberals and social liberals.

Neo liberals talk about good governance which means minimum government, maximum governance. State's role only as regulator and facilitator.

Social liberals e.g. Amartya Sen gave the concept of 'humane governance' along with good governance. Humane governance means government investing in capacity building of the people. On the basis of Amartya Sen's ideas, Mahboob-UI-Haq developed Human Development Indicator.

