

Swarna Bharat Party

India's only liberal party



Training Manual

This document supplements SBP's [manifesto](#). Wherever this document differs in from the manifesto, the manifesto's position over-rides.

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Suggestions for improvement may please be sent to info@swarnabharat.in.

WEALTH IS CREATED THROUGH FREEDOM

"You cannot legislate the poor into prosperity by legislating the wealthy out of prosperity. What one person receives without working for, another person must work for without receiving. The government cannot give to anybody anything that the government does not first take from somebody else. When half of the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for, that my dear friend, is the beginning of the end of any nation. You cannot multiply wealth by dividing it."

- Adrian Rogers, 1931

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Part 1: General questions about SBP as a party

1. Common questions about SBP and Indian politics

1.1 Questions about the ideology of the party

1.1.1 Why a liberal party?

One of the greatest leaders India had in the past two thousand years was Dr. Ambedkar. If one word can be used to characterise Dr Ambedkar's worldview, it would be that he was a liberal. During the drafting of India's Constitution, he vigorously fought against any dilution of liberal principles incorporated in it, including through his opposition to the incorporation of the word "socialist" in the Preamble.

That he cared deeply for liberalism is also clear from his 1943 lecture in which he regretted the demise of Ranade's Liberal Party. "The collapse of the Liberal Party is a tragedy to the Liberals. But it is really a disaster to the country", he said. And to his mind, democracy is "first, an attitude of mind, an attitude of respect and equality towards their fellows. The second is a social organization free from rigid social barriers". These are the ideas a liberal believes in. These are the ideas that SBP, India's only liberal party, stands for.

It is unfortunate that illiberal forces have attacked the spirit of liberalism in India and have increased pre-existing caste divisions in India for their political gain. Many liberal principles in the Constitution have been eroded or even removed, and laws made that violate the Constitution. Dr Ambedkar would have deeply regretted the way India has progressed since his death.

India needs a national liberal political party that stands for the principles Dr Ambedkar stood for. SBP believes in equality of all under the law. It has a vision and plan to ensure equality of opportunity for all. SBP offers specific governance reforms to ensure that governments ensure security and justice and deliver (not directly manage) world class education for the poorest of the poor.

SBP does not believe that the state should dabble in religious matters such as caste. However, we are supportive of evidence-based analysis that underpins the current transient Constitutional welfare provisions for the scheduled castes and tribes. But these provisions do not deal with the underlying causes, which can only be addressed by making available world-best education to the poorest of the poor. Only SBP knows how to do that. Thereafter they will compete in the free market and their shackles will fall apart.

Such terms as communism, socialism, Fabianism, the Welfare State, Nazism, fascism, state interventionism, egalitarianism, the planned economy, the new deal, the fair deal, the new frontier are simply different labels for much the same thing. To think that there is any vital distinction between these so-called ideologies is to miss the really important characteristic which all of these labels have in common. An ideology is a doctrinal concept, a way of thinking, a set of beliefs. Examine the above-mentioned labels and it will be found that each is identified with a belief common to all the others: Organized police force - government - should control the creative and productive actions of the people. Every one of these labels - no exceptions - stands for a philosophy that is opposed to the free market, private property, limited government way of life.

The only one test of success for India is when long lines of people stand outside the Indian embassy in the West, waiting for a visa to enter India for work - and there are almost no such lines within India of those wanting to leave India.

1.1.2 Why does SBP oppose socialism?

Some people have asked us why SBP does not follow a “middle path”, with a mixture of socialism and capitalism.

Our answer is that there we cannot mix socialism with liberty because these are diametrically opposed concepts. One focuses on liberty, the other on inequality. Capitalism stands for freedom including free markets, freedom to trade, freedom of occupation. Socialism stands for government control over the production and distribution of goods, and confiscation of private property, in order to reduce “inequality”.

The factors which result in a country becoming rich and prosperous boil down to having a highly skilled and well-educated workforce, efficient and non-corrupt governance institutions that provide public goods, independent non-corrupt judiciary, impartial world-class legal system, strict rule of law, secure property rights, low taxes, sound money, free markets, free trade, and limited government. These factors combine to generate an unprecedented amount of wealth and makes labour enormously productive, leading to high incomes and high living standards.

Our economy must be free of government control, with the exception of light-handed regulation to prevent harm to consumers, workers, and the environment. Also, where monopolies are involved, some heavier regulation may be needed. Beyond that, free markets should work and profits signal one’s contributions to society.

Economic freedom is needed in India and that entails having a capitalist economy. The freer our economy, the greater the country’s prosperity. Socialism has absolutely nothing of value to contribute. In fact, it can be argued that it is a criminal ideology since it converts ordinary good people into criminals. Further, the very idea of forcibly redistributing wealth is criminal. No wonder the results of socialism have been very poor – including mass murder by governments – wherever it has been practiced.

As long India refrains from becoming a free-market capitalist economy, it can expect to remain desperately poor, corrupt, filthy and badly governed. The people have a choice between freedom on the one hand, and slavery to the state on the other.

There is no “middle path”. Either the individual is sovereign or the “king” is sovereign. We have to pick one.

Free-market capitalism benefits the greatest number of people. No other system comes even close in terms of providing broad-based prosperity.

Socialism was not part of India’s original Constitution. Even Ambedkar (a socialist) opposed its inclusion in the Constitution since he recognised that policy is the prerogative of governments, not of the Constitution. Nevertheless the foolish Indira Gandhi imposed this on India’s Constitution through the 42nd Amendment. While we are mandatorily required to swear allegiance to socialism, there is no definition of socialism and so in our view socialism is nothing but classical liberalism. We should do away with this misleading word “socialism” from our Constitution immediately. [See Sharad Joshi’s 2005 [proposal in the Rajya Sabha](#)]

1.1.3 How is SBP legally able to oppose socialism even though it swears allegiance to it?

Only political parties that swear to socialism are allowed to be registered in India. This means that Swarna Bharat Party’s constitution necessarily declares allegiance to socialism.

However, there are two aspects to this:

First, SBP considers its oath to socialism to be infructuous since socialism is not defined under the law. Even the Supreme Court’s rulings on the subject of socialism are very rubbery

and practically anything can be called socialism in their opinion. If we are ever challenged, SBP will define socialism our way – to imply greater liberty for all.

Second, we do know that there is a widespread and commonly accepted meaning of socialism in the literature of economics and politics. We oppose that commonly accepted meaning. Given the risk that people will consider India to be socialist in that commonly perceived way, Swarna Bharat Party will work to abolish socialism from India's Constitution once it comes to power with an appropriate mandate from the people of India.

SBP also a draft PIL on this issue in case anyone wishes to take this matter forward at this stage: <https://www.sabhlोकcity.com/2016/09/draft-writ-petition-to-the-supreme-court-of-india-against-compulsion-for-political-parties-to-swear-by-the-principles-of-socialism/>.

1.1.4 What can SBP do within one prime ministerial term?

A significant dent can be made into all problems within three years. Real reforms will, however, require a very strong majority, in order not only to implement the relevant changes to the law and processes but also to the Constitution, where required.

The factors which result in a country becoming rich and prosperous boil down to having a highly skilled and well-educated workforce, efficient and non-corrupt governance institutions that provide public goods, independent non-corrupt judiciary, impartial world-class legal system, strict rule of law, secure property rights, low taxes, sound money, free markets, free trade, and limited government. These factors combine to generate an unprecedented amount of wealth and makes labour enormously productive, leading to high incomes and high living standards.

These are all the kinds of things that SBP will implement. If India fixes its systems of governance and liberates its economy, poverty would be eliminated and living standards could improve to the level of developed countries in less than a generation.

1.1.5 How do you expect to teach liberalism to the uneducated “masses”?

A broad analysis (with its attendant limitations) is provided below:

The **educated, internet surfing population** of India has studied in colleges that have long been affiliated to socialist ideologies. The idealists of India are mainly leftists or Marxists. We expect to have a challenging time reaching out to them.

Within the educated groups, **traders** are potentially liberal. They equate the government with bribes and something that just stops them from doing their work. These small traders do not have the leverage to “use the government” for rent seeking. These are potentially more friendly to liberalism.

The **economically lower classes**, particularly those in the **unorganized sector** consider the government as the *daroga*. Some of them are further oppressed by the caste system and see themselves “lower” than others. But they often question why others should have unreasonable power over them. Why should a policeman come over to a hawker asking for tea and the hawker be obliged to not take money? Many of these people have seen the difference between the behaviour of government officials and private markets. They had to beg for favours from DoT officials but now they see the shop keeper persuading them politely and even filling out their forms for them, in order to sell a mobile phone. We are showing them that *daroga* is the servant of the people. Citizens are the master. We can also show them how we don't need to the government to do most of the things it currently does.

Further, populist measures don't work. People take the handouts but realise that it is a form of corruption and ask themselves how much would the “cut” for the minister be. Also, at the ground level they see that every time there is a handout, the party in power gets to

patronize their supporters so again they are brought face to face with the *babu* and the *daroga*.

In brief, the uneducated masses are the most oppressed and – once persuaded, could become the strongest supporters of SBP. We are finding success in reaching out to these groups.

They have a fundamental problem, though – that they do not have leaders who can communicate with the educated groups. Even if good leaders can emerge from within them, they are unlikely to be capable of leaving India. The burden of leading India will fall on the middle class.

1.1.6 Why does the party claim to be “liberal” - a word which stands for socialism in many parts of the Western world?

We use the word liberal in the original (classical) sense, not the way the word has been hijacked by socialists across the world over the past century. The root of the word “liberal” arises from the word liberty. The fact that some stupid people have hijacked this word doesn’t mean that its meaning should be allowed to change.

1.1.7 Won’t SBP need a lot of money to win elections?

We know that many parties spend crores of rupees in elections.

SBP is committed to spending within the prescribed expense limit. With outstanding liberals and good networks raising this could be potentially done.

There is the belief that money buys electoral results. It is thought that basti wallahs sell their votes for “Rs.250/- cash, a packet of Biryani and a sachet of country arrack”. But the reality is that voters take money from whosoever gives it to them, but then vote (in the quiet secrecy the polling booth) for the candidate they actually believe in.

Some reflection will show that electoral results depend primarily on the following four things.

(a) The message. While the average voter is not interested in the details of policy, he wants to know what the proposed policies will mean for him. A well-tailored campaign can make a great difference, and that does not mean throwing money around.

(b) Time spent talking to the electorate. Good candidates spend a lot of time in their constituencies to build networks of supporters.

(c) Quality and commitment of the candidate. Good candidates speak coherently and demonstrate commitment to their constituents’ interests.

(d) Credibility of the bid. The Indian voter is highly strategic and doesn’t waste his vote on independent candidates or on ill-prepared ‘one-man political parties’. He wants to know that the candidate he will vote for has a genuine chance of becoming a part of government.

While money can facilitate these things, it is not the key driver of success. If liberals do their homework and work as a team, then even Rs. 25 lakhs won’t be needed to win. Ask the Janata Party which trounced the corrupt Congress of 1977. Or ask the Telugu Desam of 1982, or Asom Gana Parishad of 1985. Many of these parties were formed weeks before elections and barely spent any money, but won huge majorities.

1.2 Questions about party's name

1.2.1 Why is the party's name "Swarna"? Does it mean the party supports the "upper" castes/ varna?

The word "Swarna" in our party's name stands for golden, i.e. swarnim. This is named after the fabled figurative golden bird, Sone Ki Chidiya, which India can become once our policies are adopted. This fabled bird – Sone Ki Chidiya – is our party's logo. Swarna Bharat Party has nothing to do with any upper caste organisation

Sometimes people also confuse our party with other upper caste community organisations that use an almost exactly similar name. We are entirely different to such illiberal organisations. We represent all Indians, regardless of caste or religion. Our party was registered with the Election Commission in 2014 and is now engaged in spreading the message of liberty, justice and security across the country. Our message of individual sovereignty and equality under the law is radically different to the hierarchical ideas of these other organisations.

1.2.2 You should change the name Swarna Bharat Party to something else

The name Swarna Bharat Party was selected by the founders of the party in the absence of availability of names like Swatantra Party and Swatantra Bharat Party.

We also chose not to use Liberal Party of India since the name sounds Western, while the idea of liberty is innately Indian. Some people complain that the name "Swarna Bharat" sound like an upper caste party, others complain that it sounds like a party of goldsmiths.

We appreciate that not everyone is happy with this name but **this name is locked in stone** and we will never change it. All our branding, articles in the media, our social media outlets (Twitter, Youtube, numerous Facebook pages, etc.) have been built at considerable cost and effort around this name and we are happy with the name which represents the outcome of liberal policies – namely, a great and prosperous country.

Join us but do not expect us to change the name.

1.3 Questions about the party's political strategy

1.3.1 Is SBP going to contest elections? How will people become aware of this party until they try to come into the limelight?

SBP is currently very small and new. For seventy years, India has been overwhelmed by the socialists, therefore there is very little knowledge in the country of the kinds of reforms India needs.

SBP is going to contest elections, starting from the 2019 Lok Sabha elections. We are looking for good candidates. Only good candidates will be offered to the country.

Please contact us at info@swarnabharat.in if you wish to contest elections under SBP's banner.

1.3.2 Will SBP merge or form a coalition with other parties?

a) **Merger:** A party is nothing but its manifesto and internal systems of functioning. We have the world's best manifesto and high quality (and transparent) internal systems of governance. We will never seek to associate with any party with lesser quality and transparency. Any Indian who supports our manifesto is welcome to join us. It may be noted that we will not change our name, either. This name has slowly built up into a brand

(although small) and it is meaningful, in that it represents the successful outcomes of liberalism.

b) **Coalition:** If someone wishes to form a coalition with us, they should not contact us but continue to seek parliamentary representation on their own party's platform. Once various representatives reach Parliament, they can consider any necessary coalition. We do not agree with the idea of any minimum common agenda - since we want the whole of SBP's manifesto to be implemented. We can't compromise on that, else the goal will not be achieved.

1.3.3 How will SBP overcome the challenge posed by India's diversity of castes, ethnicities, religions, and languages, which make it hard to govern?

While cultures have their own set of incentives, in economic matters people respond in almost exactly the same way to incentives, no matter where they are born or live.

India's diversity should not affect economic outcomes so long as the economic incentives are right. And India's economic incentives have been strongly contaminated with socialist ideas.

Singapore was in bad shape in the 1950s but a change in incentives (governance system) took it from penury to the richest nation on earth. This has happened repeatedly across the world – i.e. as incentives change, people's behaviour changes. The underlying culture does influence things, but for most economic transactions standard economics is able to predict how people will act.

In any event, India is not "unmanageable". First of all that assumes that someone needs to manage India. That's not true. People manage themselves. All they need is a system where they are free to interact and trade, with surety of contracts and property rights. We know that Indians who migrate to the West adjust readily and achieve excellent outcomes. Even in India, when capitalist policies were adopted (e.g. liberalisation), the people have responded with a great increase in productivity and innovation. In brief, India is not hard to govern. Instead, our governance system makes it hard for Indians to achieve their highest potential.

All social change is political. It may start with the thoughts of a few writers who challenge authority, but then it is taken to the entire society by political actors. Without political actors, there is no possibility of change. Cultural change needs large scale political action. There are many examples about how change in rules (and the way these rules are enforced) changes culture.

The key is to change the institutions. As an economist has said: "Whatever advantages a culture may have, they will not be realized under bad institutions. And whatever disadvantages a culture may have, they will slowly erode, and the culture will improve, when people get to live under institutions of political and economic freedom. Culture can act as a constraint, but it is also a malleable constraint. The important causal variable is the set of rules that governs the way we interact with one another and with the resources at our disposal. Those rules must enable our ability to realize the gains from specialization and exchange, and reap the benefits of innovation."

1.3.4 Can honesty really work? Crooked socialists adopt vote bank politics to succeed. How can SBP succeed by being honest and not dividing the country?

There is no doubt that all existing major parties are not just socialist, they are communal and casteist and create specific vote banks. AAP tried to pander to the poorer sections by promising freebies. BJP tries to pander to the Hindu voter by promoting Ram temple and

creating discord among different religions in India. Congress does both, and tries to win the Muslim vote en-masse by pandering to the Muslims.

Without creating huge religious discord within India – and fostering massive amounts of communal violence – the BJP would never have arisen as a political force. BJP arose essentially from the involvement of its key leaders like Advani in the destruction of the Babri Masjid and later attempts by it and associated organisations like VHP to build a temple illegally on that spot.

SBP believes that all these approaches are extremely harmful to the successful future of the country. India can never prosper without getting rid of these vote-pandering methods. SBP believes that general laws should apply to everyone, including all protections against violence, and punishment for incitement of violence. Let the government not take sides.

The people of India now have a choice to consider a party that will focus purely on development and prosperity.

1.3.5 Why will voters vote SBP if it doesn't pander to their religion/ caste, nor provides freebies?

1.3.6 SBP's manifesto is largely for national reform. How much state reform is intended?

If SBP comes to power only in a state, we will need a state manifesto. Given limitations of governance reforms, only certain policies will be able to be reformed. It is expected that SBP will still be able to make dramatic improvements but not as much as would be possible if it came to power nationally first.

1.4 Questions about SBP's internal management

1.4.1 On what basis does SBP claim its leaders are competent and have impeccable honesty?

SBP does not recommend people join the party till they have understood and agree with its manifesto. Thereafter anyone who wishes to be a party candidate is vetted carefully by a number of its senior leaders. Only once the leadership team is satisfied is the person offered the party's ticket.

1.4.2 How can we be sure that SBP doesn't accept black money?

SBP takes donations by cheque/online system. Thereafter we trust the government authorities to conduct due diligence on that money.

As far as cash payments, SBP is considering starting a cash collection system but has not yet finalised the process. We would ensure that any cash payments into the party's bank account are through proper receipts.

There is no restriction on party's supporters spending their own money for party events, etc. on which we do not intend to exercise any "control". All such people are accountable to the tax authorities for their own moneys. SBP does not intend to duplicate the income tax system within its party to audit everyone's income.

1.4.3 How can SBP assure it won't fall prey to factionalism and infighting between power-hungry politicians?

This problem of factionalism and opportunism plagues most parties. Once a political party is in power, politicians fight amongst themselves for power. How will SBP ensure that once elected it won't lose sight of its goals?

1.4.4 How will SBP prevent a dictatorship by high command?

1.4.5 Does SBP expect its leaders to sacrifice for the country?

Politics should be treated as the paid job that it is. Politicians are elected servants of the people, not voluntary social workers. The public elects these servants to office, pays them well, and holds them to account for their performance. If they fail to deliver good performance, these servants can be replaced by better candidates in the next elections. Politics is the world's toughest job that requires a high level of competence and unimpeachable personal integrity. This is why political office should be in the hands of the most honest and competent people. Nothing less than the highest standards will do.

1.4.6 Are SBP leaders physically safe if they contest elections?

The belief that our elections are excessively violent is somewhat overdone. Of course, there is electoral violence. The Police is generally good at protecting candidates.

While our candidates must take precautions, merely contesting elections won't (generally speaking) endanger their lives.

1.5 Key differences between SBP and other parties

1.5.1 What is the guarantee that SBP won't become corrupt and compromise its values to gain power?

We know that politicians from mainstream parties spend crores of rupees on election campaigns. This ensures that they have no other choice but to loot the public exchequer when they come to power.

The question is: How will SBP ensure that its politicians are clean and do not succumb to corruption? Furthermore, what assurance can the party give that it will not compromise on its agenda and values regarding a scenario in which SBP has to share power with other parties in a coalition government?

This is a very important question. The only thing we can say is that SBP is growing slowly and organically, one step at a time. It is not trying to become bigger than what it is. Its candidates for elections are carefully vetted.

The party also has a stringent Code of Conduct (see: <https://swarnabharat.in/code-of-conduct>) which will allow any bad public representatives to be ejected from the party.

Further, to us, policy is everything. Our policies will get the government out of unnecessary activity. All other parties - which are socialist - have policies that require government to "do everything". That creates the environment of corruption.

We believe in letting the people achieve the best results for themselves, with the government focusing on core function of justice and security. We also have a stringent policy of accountability of elected representatives and bureaucracy, based on paying people

well but holding them sternly to account. We are committed to ensuring that every person in government will remain accountable to the people.

1.5.2 How is Swarna Bharat Party any different from other parties?

SBP is fundamentally different to established corrupt parties like BJP, Congress, and to relatively new parties like AAP. That's because we believe in liberty, not in socialism. A vote for a party other than SBP is a vote for bad governance, corruption, and government control of our lives.

1.5.3 Difference 1: Nationalism but not Hindu Rashtra

Hindutva-wadis (RSS, BJP, Bajrang Dal, VHP, etc.) claim they are the only nationalists. But SBP does not agree with the idea of Hindu rashtra. We want an India in which all groups of Indians can live happily together in freedom. We are the true nationalists.

Nationalism that does not fight for independence is surely a problem. The RSS was a puppet of the British and never fought against them. In fact, the British made use of them effectively (along with divisive Muslim groups) to divide Hindus and Muslims, which cost lakhs of lives through the partition.

It was the Congress that had the true nationalists and despite many of them being socialist (or worse: communist) one can agree that nationalists were those who actively fought for India's independence. In that group we can include not just people like Nehru but Bhagat Singh, Udham Singh, Ram Prasad Bismil, Chandrashekar Azad, Surya Sen, Subhas Chandra Bose, Ashfaqullah Khan. None of these people fought for Hindu rashtra. They wanted a united nation in which everyone could live in freedom. Many of them gave up their lives but NONE would have wanted anything to do with the bigoted Hindutva-wadis with their divisive concept of Hindu rashtra.

Unfortunately, BJP and its associated Hindutva groups are dividing the country as much as they can on religious lines. They are the enemies of the people of India and we must call them out for that.

Declaring India a Hindu nation would be like declaring that all Indians love cricket or samosas and chutney. While a majority might well do, that is not the reason we are Indians. The personal preferences of the majority of Indians towards some form of Hinduism has no relationship with citizenship to the country and to the principles of governance.

India has been a melting pot for thousands of years, and our culture is open and welcoming to all others, so long as they do not indulge in violence. What we all have in common is our nationality - Indian. Apart from that, every Indian is entitled to their diverse preferences and beliefs.

SBP does NOT support any concept of Hindu Rashtra and we are deeply committed to a free society where everyone can achieve equal opportunity and make progress.

1.5.3.1 What is SBP's position on Hinduism as India's national religion?

India is a constitutional republic, not a theocratic state. It is not a Hindu republic, and we do not support the idea of Hindu nation. People are free to chant *Vande Mataram* or *Bharat Mata ki jai* but no one can mandate such slogans. Many SBP members are strong Hindus and chant such slogans in their personal capacity. But the party makes a strong distinction between personal belief (which is protected under the law) and any role of government in such belief.

There is a difference between well-informed patriotism and rabid, divisive nationalism. SBP

condemns the atmosphere of euphoric sectarian nationalism created by many saffron groups. SBP opposes fascist approaches that restrict individual liberty. Aggressive saffron nationalism is causing dangerous fissures. BJP, like all other Indian political parties, has sworn to bear true faith and allegiance to the Constitution of India. How can it support saffron groups that want a Hindu nation? How can BJP impose its views on particular religion/ gods through government?

1.5.3.2 Should Hinduism be the national religion of India, given that India is a Hindu-majority country and the only homeland for Hindus?

India is a constitutional republic, not a theocratic state. The people are sovereign and supreme. Our Constitution does not ask anyone to imagine the nation in the form of a human being, god or goddess.

People are free to chant *Vande Mataram* or *Bharat Mata ki jai* if they wish, but no one has the right to mandate such slogans. Many SBP members are very happy to chant such slogans, but this is a matter of their personal choice.

There is a vast difference between well-considered patriotism and rabid, divisive nationalism. SBP condemns the atmosphere of euphoric sectarian nationalism created by saffron groups. SBP opposes fascist approaches that restrict individual liberty. Compulsion attacks the very basis of nationhood. Attempting to force a particular worldview upon the vast nation of India has already backfired once, leading to India's partition. Aggressive saffron nationalism is causing new and dangerous fissures. BJP, like all other Indian political parties, has sworn to bear true faith and allegiance to the Constitution of India. How can it justify its support for divisive saffron groups?

SBP will never support any "national" religion for India. Indians must remain to believe (or not believe) in any religion.

1.5.4 Difference 2: By ensuring liberty (not socialism) we know exactly how to bring development and fight corruption

All mainstream Indian political parties, including BJP and AAP, are socialist. Their claims to bring development and fight corruption are therefore false. Socialism is the main problem with India, and it has destroyed the moral fabric of the country. Socialist parties can never improve development and fight corruption.

It is important that everyone try to study SBP's manifesto and compare it with that of these other parties. Only then will people realise how radically better our policy positions are to that of any other party.

2. Lies and canards about SBP

2.1 False idea: The solutions in SBP's manifesto are too ambitious

Given their repeated failure to argue anything sensible, socialists then challenge the practicality of capitalism in India.

To the contrary, this manifesto takes India's colonial governance system and socialist policies into account while formulating a viable transitional path. The solutions in this manifesto work as a package. Even though the policies in this manifesto should be implemented quickly, we don't want change to be abrupt. It must be systematic and well-considered, noting that if momentum stalls, vested interests will block reform.

This manifesto is the *only* 'life-line' India has had since independence, indeed for the past 5000 years.

All other (all socialist) solutions are guaranteed to fail – and have failed.

2.2 False idea: SBP wants absolute freedom

SBP does believe that freedom of speech (not threats to violence or falsehoods that cause someone commercial harm) must be absolute.

However, SBP is a classical liberal party. It is a party that agrees that there should be government. It also notes that all government actions reduce our liberty to some degree. Some restrictions are necessary for maintaining the social order on which other liberties depend. Traffic laws, sanctions against criminal activity, and the requirement to pay enough taxes to defend our borders come to mind. However, beyond some minimum level the loss of liberty begins imposing costs without offsetting social benefits.

SBP therefore believes that at least some of our physical liberties may need to be regulated in some way and are therefore not absolute.

2.3 False idea: SBP is copying policies from small countries like Australia

"India adds one Australia every year. We cannot apply to India what works for Australia. The scale is very different."

"No template of any place can be put elsewhere"

This is not how India can change. The best way to proceed would be to ask: What was the deregulation policy that changed Australia? What about the trade policy? What about the competition policy, etc. Each of these policy changes is based on a sound understanding of economics. Instead of being defensive (since in that case nothing can be done about India), let's focus on the specific policies that are good, and specific policies that are bad.

Australia has led the world (and continues to lead) on almost every single policy. Public administration policy - No.1. Trade policy - No.1. Financial regulation - No. 1, etc. The amount of effort people put in most Western nations (such as Australia/ Singapore) to get their policies right is mind-boggling.

SBP has a 10-step policy making process that provides the questions for resolving such all policy issues. We need to apply the policy process and understand the underlying logic of policy.

2.4 False idea: If SBP is so good why are committed liberals not joining politics?

Indian politicians are mostly socialist, fostered through socialist parties since independence. They are fundamentally corrupt, they offer freebies and subsidies while they grab our property and wealth. They have converted India into parasitic and corrupt economy. The whole country resembles a garbage dump.

They have also given the people the foolish idea that the government should provide free education, free healthcare, even cheap food.

Explaining the benefits of liberty is harder than pandering to people's envy, greed, ignorance and fear. Perhaps that is why most educated Indians have even bothered to even investigate, leave alone try to understand liberalism. But they only have to try, and they'll understand. The case against socialism is open and shut.

Then have to explain it to the people. We believe that once people are shown how they have chained *themselves*, they will discard their chains.

The classical liberals of the West have been at the forefront of its transformation, for over 300 years, from feudalism to modernity. Whigs, Republicans, Thatcherite Conservatives, the Australian Liberal Party and many others have contributed. India needs liberals to step forward to lead India to liberty and prosperity.

Our party provides the only viable platform ever created in India's entire history, for this to happen. We invite all liberals to join hands.

It is not capitalism (properly understood) that we must be afraid of, but socialism. Let's not allow the foolish and ill-informed myths created by (well-meaning but shallow thinking) socialists to deter us from a great future for India.

Your life and liberty – and that of your children and grandchildren – is at stake.

2.5 Falsehood: Liberty is not an Indian idea

This is total nonsense. It is European socialism that is *entirely* Western: every word of it. Not that the origin of an idea makes it right or wrong.

While some collectivism was part of India's history (like casteism and tribal loyalties), economic and religious liberalism has strong Indian roots.

Arthashastra contains ideas of economic liberalism that would be considered extremely modern today. Professor Balbir Sihag shows how the Chanakya, not Adam Smith, discovered economics. India also had a long history of liberal activists like Raja Ram Mohan Roy, Gopal Krishna Gokhale, Ambedkar, Rajaji, Masani and Sharad Joshi.

In any event, here either is freedom, or tyranny. There is no trademark over freedom, logic or liberalism. Yes, it is the West that got it first and follows it best but it doesn't mean it is only they who have an exclusive right to follow it.

In freedom lies all logic and rationality. If that even means completely adopting a "Western" mindset, so be it. We must do what is logical, not be chained to what our ancestors or somebody else's ancestors chose to do.

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Part 2: Facts about India and common errors Indians make

3. Facts about India

3.1 Why this chapter

Every year hundreds of thousands of the best and brightest Indians flee to the West after being fed up of the chronic misgovernance, low living standards and dearth of good economic opportunities at home. For example in Australia, Indians now form the largest immigrant population.

One would imagine that such facts are commonly accepted by all, so they can start looking for causes. But that's not true. A lot of Indians dispute even the basic facts.

Everything worthwhile in the world in the past 300 years owes its existence to liberalism, but many Indians are so blinded by their indoctrination that they are incapable of recognising **facts**.

Material illustrated in this chapter can be used to discuss basic facts with Indians.

3.2 Overall situation of India

India continues to be a mixed economy that allows some private enterprise yet is predominantly socialist, with significant government control. The incentive structures in the bureaucracy are entirely socialist, with everyone paid almost an equal amount, regardless of the level of responsibility. Further, there is no accountability. This has done is destroyed the prospect of getting good people into government. It has also ensured that most of those who join government are deeply corrupt. Similar, socialist laws apply to the electoral system and political representatives.

Further, the Government still runs hundreds of public sector undertakings, including hotels and airlines. Almost all of them on a loss. Prices of key products and commodities are administered even where there is absolutely no chance of monopolistic behaviour. Foreign investment and trade is blocked in a number of sectors, and trade is not permitted in many sectors within the country, e.g. in agriculture. The currency is controlled by a socialist apparatus and is not convertible. Centralised planning continues.

India has liberalised a little bit, but remains one of the least free countries in the world, and one of the worst to do business; with excessive regulatory barriers choking private enterprise.

Third World corruption and poor performance in every field of human endeavour, particularly in the fields of governance, is the hallmark of India. The results of India's chronic misgovernance face us every day, at every step.

Instead of choosing liberty, our political parties have chosen the path of socialism. Not only have they placed innumerable obstacles on our liberty and violated all principles of good policy, they have institutionalised deep-rooted incentives for corruption within our governance system. As a result, the governments of India can no longer deliver even basic services, such as police and justice.

Sixty years of socialism has left India with grinding poverty: Mumbai awash in slums, trains crammed to capacity with hundreds travelling on roofs. Investors see a country trapped in a medieval mind-set, with its *khap panchayats* that forbid girls under 18 from using cell phones, and people who agitate to be 'backward'. Investors see turmoil, whether it is

people killed for eating beef (or for merely transporting cattle) or jailed for speaking out, or for making caricatures of public figures.

Some anecdotes:

“India is an abysmally poor and wretched country, with a GDP per capita of a mere \$1,491 per year. The average guy in Ghana, Nigeria, Bolivia, Sudan, and Papua New Guinea is richer. You witness non-stop tyranny, chaos, environmental tragedies, and extreme poverty. Indian air chokes, despite very limited industrialization. Water systems are heavily polluted and garbage litters the country everywhere.” [\[Source\]](#)

“More than half of Indians have no access to toilets. They must defecate in the open. Disinterested in hundreds of millions of malnourished children, image-conscious middle-class Indians feel proud that the Indian Space Agency has sent a 15 kilogram toy towards Mars. Most of this toy is made of imported parts and is for now stuck in earth’s atmosphere. Before it was launched, the Agency sent miniature rockets to temples around the country to seek divine intervention. One must ask if these are astronomers or astrologers.” [\[Source\]](#)

“There are random check-points all over the city of Bhopal in central India, where I have been for the last two months. You are not allowed to carry more than \$600 in cash. You can be held up for hours without explanation and no judicial recourse.” [\[Source\]](#)

“A few days back, I was at a party where I talked with some politicians and activists. They openly talked about their criminal activities, with a hint of pride. They exuded deep-respect for a politician who had apparently murdered someone.” [\[Source\]](#)

3.3 India’s global ranking on freedom and development indices

India is a basket case on almost all international comparisons. SBP is committed to taking India to the top on all positive rankings (such as of freedom) and the bottom on negative rankings (such as of slavery).

Indicator	Rank	Source	Year
FREEDOM			
Press Freedom Index	138/180	Reporters Without Borders	2018
Index of Economic Freedom	130/180	Heritage Foundation	2018
Human Rights Risk Atlas 2011	180/197	Maplecroft	2011
Gender Gap Index	108/144	World Economic Forum	2017
Global peace indicator	137/163	Institute for Economics and Peace	2017
GOVERNANCE			
Corruption Perception Index	81/180	Transparency International	2018
ECONOMY			
Per capita GDP	139/187	International Monetary Fund	2018
Global hunger index	100/119	International Food Policy Research Institute	2017
Global Competitiveness Index	40/137	World Economic Forum	2018
World Competitiveness	44/63	IMD International	2018

Indicator	Rank	Source	Year
Scoreboard			
Ease of doing business	100/190	World Bank	2018
Global Innovation Index	60/127	INSEAD, World Intellectual Property Organization, Cornell University	2017
Index of Globalization	101/209	KOF Swiss Economic Institute	2018
IT Industry Competitiveness Index	34/66	BSA Global Index	2011
QUALITY OF LIFE			
Where to be born index	66/80	Economist Intelligence Unit	2013
Human Development Index	131/188	United Nations	2017
ENVIRONMENT			
Environmental Performance Index	177/180	Yale University	2018

Further facts:

- Indian life expectancy (67.3 years for males and 69.6 for females) in 2011-2015 is 20 per cent below the highest in the world
- the Global Slavery Index (2014) shows that India has over 14 million slaves, the highest in the world
- 40 per cent of the world's population below poverty line lives in India
- 9 out of 10 most polluted cities of the world are in India
- India has the highest number of people practising open defecation (around 525 million).
- India generates over 150,000 tonnes of municipal solid waste (MSW) per day, with Mumbai being the world's fifth most wasteful city. Yet, only 83% of waste is collected and less than 30% is treated. According to the World Bank, India's daily waste generation will reach 377,000 tonnes by 2025.
- According to UN reports, India has the highest population of illiterate adults at 287 million.
- 94 per cent of the IT graduates in India are largely unemployable.
- No Indian university is in the top 200 league.
- India is ranked as the most dangerous country for women.
- We import defence tech from Israel and our latest Air Superiority Fighter jet (Rafale) will be imported from France. We can't build defence systems even with more resources than the nations from which we import.
- On the quality of death index (which measures how well countries care for the dying) elderly people in UK and Australia get palliative care that makes their death relatively painless, compared with elderly in India.

3.3.1 A massive qualitative difference makes things even worse

Numbers are not good enough. Even the "literacy" of Indians can be deceptive. There is a huge qualitative difference between India and West.

For instance:

- there may be a school in a village and it will count as a “1 school” in the data. But neither does Indian school have the basic infrastructure nor any teacher quality.
- India may have a “Secretary to the Government” but that Secretary is comprehensively ignorant and incapable of understanding the basics of public policy.

Comparing numbers alone (of inputs, e.g., number of policemen per thousand persons) cannot help us understand the facts about India. We need to look at quality of these inputs - of infrastructure, of educational facilities and healthcare. In each of these indicators India performs miserably both in terms of quantity and quality.

As a result, it is hard, if not impossible, to have a reasonable quality of life in India without being extremely rich. On the other hand, it is possible to have tolerable, if not excellent, quality of life even as a very ordinary and poor person in the West. This quality of life is experienced through the quality of public infrastructure, public transport and many such basic things.

3.3.2 Poverty

India not only has some of the highest levels of poverty in the world but extraordinary high levels of malnutrition and infant mortality. There is no system to eliminate dire poverty.

3.4 Justice

It would be an extremely ambitious person who tries to seek justice through the legal system of India. Not only is it prohibitively expensive but is ridden with bribery and corruption. The police are almost entirely corrupt and many in the judiciary are by now corrupt.

Indian citizens can't count on the police to investigate crimes and catch culprits. They cannot count on the courts to enforce contracts, adjudicate disputes, protect property rights and punish fraud. The justice system is slow and backlogged.

Another Chief Justice **said**: “Ours is a strange country, the bigger the criminal the bigger the outreach.” One former Indian Chief Justice gave a legal opinion in a foreign court that India's judicial system was practically non-functional in settling commercial disputes.

Expecting such a broken system to provide justice is a form of delusion.

With regard to justice it is not good enough to look only at the data (which itself is distressing). We need to look at real life stories of people in distress because of this dysfunctional system. Lakhs of people are behind bars at any given point in time without any charge.

The story of Professor James Tooley who was put behind bars in India is not an exception but the norm. Prof. Tooley's experience also highlights the plight of “undertrials” in India, a euphemism for the hundreds of thousands of Indians jailed without charge for weeks, months, even years. Many of these people are jailed by the police with the sole intention of extracting bribes.

James Tooley's recent book, *Imprisoned in India*, shows the extent to which the rot has spread in the system. Prof. Tooley is a world-leading researcher in the field of school education. He has undertaken extensive research and supported low cost private schools in India for a decade. But to the police, none of that matters. He was imprisoned in Hyderabad by the Police without any charges. The alleged “investigation” against him by the Police was entirely fraudulent. Not only is every police officer cited in the book corrupt, many acted like ruffians, including trying to frighten Prof. Tooley with a gun.

Prof. Tooley was finally able to leave India after four months during which his passport was confiscated by the corrupt police. The bribe demand by the police and Home Ministry from Prof. Tooley continues. His university in England has forbidden him to return to India.

Further, to support their bribe demands, the police habitually cook up fake “evidence”. Recently, Mr Sanjay Sonawani (a leader of SBP) discovered that the Wagle Estate Police in Thane (West) has fabricated a statement purportedly by him and provided it to the court.

Mr Sonawani had attended the marriage of a friend in 2012 in Thane and signed as one of the witnesses to the marriage. In mid-2015, Thane police called him about a complaint lodged by his friend’s wife. The police wanted Mr Sonawani’s statement but as he was busy, he requested to be contacted a month later. The Police did not call him, instead, they cooked up his “statement”.

Mr Sonawani came about this only 18 December 2016, when he discovered that a charge sheet had filed by Wagle Estate Police in the court against his friend, and as part of evidence provided was his “statement” in the presence of one Mr. N. M. Gholekar (API). Mr Sonwani had, of course, never seen or met Mr. Gholekar.

Mr Sonawani has complained to the Thane Police Commissioner and DGP of Maharashtra, but has very low hopes from this rotten system. Courts are being misled, fake cases and bogus “statements” are being filed across the country. A systemic assault is being made by the police on the foundations of society.

Sanjay Sonawani created a short movie, *Jamanat*, on this topic of innocent undertrial prisoners: <https://www.youtube.com/watch?v=aigePdX9SBo&t=3s>

3.4.1 Rule of law

The concept of “the rule of law” and “due process” in India is a complete myth. [Source]

“In a country where people hardly report a crime, 31% of Indian legislative members have murder or rape cases against them.” [Source]

“The local policeman in tribal areas pretty much reserves the right to wake people up late in the night and expect to be served what he wants.” [Source]

3.4.2 Public safety: Fifth worst for safety of women travellers

“The problems for India’s tourism flow directly from cultural issues around gender inequality in Indian society, said Marta Turnbull, editor of the International Women’s Travel Centre, a resource site that compiles a list of the 10 most dangerous countries for women travellers using a variety of government travel warnings, United Nations data, and other sources. India is fifth on that list, which also includes Brazil, Mexico, Russia and Saudi Arabia.”

<http://www.traveller.com.au/vistara-airline-in-india-offers-woman-flyer-service-with-special-treatment-gxjle7#ixzz4o4ufyAhV>

3.5 Missing basic freedoms

India has curtailed virtually every freedom to a smaller or greater extent. India ranks very poorly on international indicators of freedom. The absence of a strong focus on freedom in the Indian Constitution means that democracy has degenerated into dictatorship of the most vocal masses. The idea of a Constitutional republic is to put harsh limits on the powers of a government to interfere in the personal lives of the citizens. India has no such restrictions.

It is true that no law or government has succeeded or indeed can succeed in preventing every man from striving after his own and his loved ones' earthly well-being in the way he considers most suitable by making use of his faculty of free choice. But what such laws do manage to do is to create obstructions which impoverish citizens, and otherwise force people into sub-optimal decisions.

Sometimes people argue that India has a lot of freedom. "Tell me, just what liberties have you lost?"

The answer is simple: "Do you happen to have at the tip of your tongue a list of all the restraints to productive and creative action imposed by the central government, state governments and the hundreds of other units of government? If you will recite these restraints, you will accurately answer your own question."

3.5.1 Personal freedom

In India a government tells you what you may eat or drink. Foods like beef are virtually banned despite being the staple of a vast number of Indians, and the cow not being considered holy by a hundreds of millions of Indians. Alcohol is another thing that is regularly banned across India.

Numerous states in India have enacted laws on what people can eat or drink. Kerala, Bihar, Gujarat, Maharashtra and other parts of India have prohibitions on alcohol. Many State governments have enacted laws to ban the sale or consumption of beef.

On top of that, some Indian States treat rich Indians or foreigners differently, with alcohol allowed to be served in five star hotels. Such arbitrary policies imply that some Indian citizens are less responsible than others, that such Indians are fit to vote but unfit to make responsible decisions on the question of alcohol. This two-tier approach harks back to India's colonial era.

A government's job is to defend the liberty of every citizen, while addressing the harm caused by any irresponsible exercise of liberty.

3.5.2 Freedom of speech

The true test of one's commitment to free speech does not come when he permits others to say things with which he agrees. Instead, the true test comes when one permits others to say things with which he disagrees.

India is close to the bottom of the world with regard to freedom of speech, excluding perhaps some of the Muslim world (but not all of it) and perhaps some of the other extremely unfree (and hence poor) countries. India ranks 133 out of 180 – well below Bhutan, Nepal, Afghanistan, Zimbabwe, Indonesia and Palestine – in the latest World Press Freedom Index released by Reporters Without Borders.

In India you can be jailed for saying things on Facebook or making comments about religions.

The press is also almost entirely corrupt and often demands money to publish "news".

The people are also often intolerant. Many rationalists who have been killed. India's situation is pretty much like an Islamic nation like Bangladesh.

3.5.3 Freedom of association

Section 377 of the IPC violates the principle of equality and liberty guaranteed to every citizen by India's constitution. From the scientific perspective, homosexuality has long been

proven to have a significant biological (i.e. genetic) component. Criminalising homosexuality is a throwback to the time when ignorant prejudice ruled the world.

3.5.4 Freedom of religion

Government-supported religion represents the most naked kind of use of force against the mind. Religion is based on faith. The use of force (government laws or taxes) to impose or support it is inimical to basic human freedoms and reason. And yet the government in India has made innumerable religious laws and supports innumerable religious activities through taxes (such as managing temples, funding the *hajj*, etc.)

3.5.5 Freedom of occupation

There are innumerable laws in India that prohibit various occupations or limit them to being undertaken by government when there is no reason to do so. As a result, India ranks virtually at the bottom of the world in ease of doing business. More in the “business environment section” below.

3.5.6 Virtually no property rights

India’s right to property has been significantly diluted and no longer qualifies as a fundamental right. Many of the poorest lack titles to their property.

“A few years back, I met a director of one of the top infrastructure companies. He very proudly told me how he had managed to acquire a lot more farmland than he needed to build the highway, by paying virtually nothing as compensation to farmers. He wanted to build residential and commercial buildings. Indeed, India has no fundamental right to property.” [Source]

3.6 Shoddy infrastructure

India has close to zero infrastructure in comparison with the rest of the world. Some examples below.

3.6.1 Electricity

Most people in India still do not have basic access to electricity. Wherever there is an electricity connection, it is only sporadic and comes rarely during the day. In 2014, the World Bank ranked India as home to the world’s largest unelectrified population. Power was either unaffordable, inadequate or non-existent for 240 million people, according to data from the International Energy Agency.¹

Even in places as allegedly well-developed as Gurgaon, there are massive power cuts every day.

3.6.2 Sanitation and sewerage

There’s no sanitation and sewerage across most of India. The vast majority of the country defecates in the open. The absence of this basic infrastructure not only effects amenity and the quality of life but the very health of the country. One of the basic missing infrastructure in India is public toilets which means that it is well nigh impossible to be a tourist in India.

¹ <http://www.theage.com.au/world/the-dark-secret-behind-indias-plan-to-bring-power-to-all-20170318-gv17th.html>

3.6.3 Water

Continuous piped drinking water supply – a basic minimum in all developed countries – is almost unheard of by most Indians. The absence of clean drinking water has a severe effect on the health of the people, including the fact that most people are unable to wash their hands after going to toilet.

3.6.4 Roads

The amount of roads per person is a tiny fraction of the roads per square kilometre in the developed world. The quality of roads is another big issue. How many thousands of lives are lost in India from road accidents caused by terrible, dangerous roads?

3.6.5 Telecommunications

India does relatively well in telecommunications today but that is because the sector has been almost entirely privatised. Before privatisation, the situation had to be seen to be believed.

Whatever the heavy hand of the government is deployed the situation is beyond miserable.

3.6.6 Waste management

The waste infrastructure is almost entirely missing. There is virtually no recycling of the material. We see heaps of rubbish piled in the streets in India. There is no system to pick up garbage from people's houses. This is perhaps the most basic infrastructure but it is missing and the quality of whatever exists is pathetic.

3.7 Business environment

India has a complex (and often irrational) regulatory regime to block business, along with insufficient or non-existent infrastructure. The inspector raj is still alive and well, 25 years after liberalisation. There is corruption at each step.

Inadequate and costly finance is a huge impediment. Nationalized banks prefer to fund large companies instead of small businesses. These banks support corrupt politicians and businesses that are siphoning away vast amounts of taxpayer wealth. And the government has almost entirely choked private finance.

Hundreds of obstacles at every step make it difficult to start and operate a new business, specially in the manufacturing sector. But even agriculture is affected. Agriculture, that supports 55% of India's population, is on verge of the collapse because of restrictions forced upon farmers. Farmers are finding it difficult to survive and their children are no longer interested in farming.

India remains one of the world's worst places to do business. The talk of "Make in India" is meaningless if even Indians are not allowed to make in India. The small scale sector is the engine of growth in all successful countries, but in India it is not allowed to even start. We need to empower Indian youth to start business and grow them. Instead, they are being blocked at every step.

Businesses don't need much from the government. All they need is an assurance of security, justice and the defence of property rights. The government must also facilitate (not necessarily supply) essential infrastructure. And the government should never distort price signals through administered prices. Likewise, mandatory requirements to declare a Maximum Retail Price should go. Businesses must be free to set their prices and compete in the open market.

The Indian government doesn't perform its basic functions but directly competes with small businesses, such as by selling cigarettes and alcohol in duty free shops. And in a perverse attempt to mitigate the effects of its own dysfunction, the government doles out sops and reservations for small businesses, making things worse. Sops merely distort incentives and misallocate resources.

Taxes remain very high and include the income tax, a range of cesses (education cess, Krushi Kalyan cess, Clean Ganga cess, Clean environment cess etc. Most Indians don't consider the taxation system just, particularly given the pathetic quality of services they receive.

Doing business in India remains very difficult. There is no concept of property rights, so sovereign risk is high. Many foreign companies are routinely harassed by government departments. Unless one is well connected to the typical corrupt Indian politicians and bureaucrats and ready to pay kickbacks, doing business remains extraordinarily challenging.

The lack of rule of law, pervasive corruption, high taxes, policy uncertainty, poor quality of the average labour force and massive over-regulation makes India a very unattractive place to do business. Consequently, very few jobs are being created in the Indian economy and these are insufficient to employ the tens of millions of unemployed workers.

Indian companies and entrepreneurs have voted with their feet and moved their money and business to safe havens like UK, Australia, Canada, and the US.

3.7.1 Agriculture

A comparison of China and India's agricultural output and yields, below:

Total arable land: (m hectares) 107 / 156.3

Total cereal production (m tonnes): 540 / 292 (nearly half)

Cereals yield (quintals/hectare): 55 / 27 (< half)

Coarse grains yield (quintals/hectare): 52 / 15 (< 1/3rd)

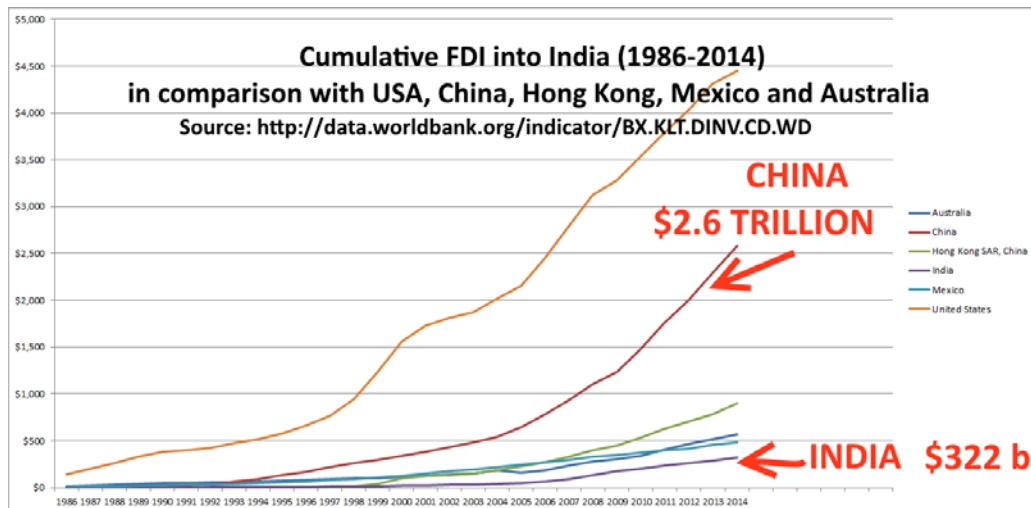
Vegetables (quintals/hectare): 230 / 138 (nearly half)

(Source: Spark Capital, Agrochemical Sector, 2015)

3.7.2 Foreign Direct Investment (FDI)

India has experienced some of the lowest levels of FDI over the past seventy years, and has dramatically lagged China.

See: [China received EIGHT times more FDI than India between 1986 and 2014](#). Even today, [China gets MANY times more than India](#)



Here are the FDI inflow figures from UNCTAD's World Investment Report 2016 for the year 2015: **China 135.6 billion; India 44.2 billion.**

UNCTAD's global investment trends monitor no 25, dated Feb 1, 2017 makes **projections for 2016 FDI inflows. China's expected to rise to 139, India's to fall to 42.**

India's gross domestic fixed capital formation has remained flat in nominal terms since 2013. It has therefore been steadily declining as a share of GDP. The share of public investment in this capital investment has also gone up during this period. This indicates that private capital fixed capital formation may have declined in nominal terms.

3.8 Social infrastructure and human capital

Social infrastructure includes the healthcare and education systems. In this regard the less said about India's performance, the better.

3.8.1 Education

Our education system is in shambles. We have failed to ensure that our children are well-educated well-fed and given the opportunities to come up with a highest potential. This is leading to the creation of millions of unskilled youth every year. The largely dysfunctional government school system has created armies of poorly skilled workers. Only over a half of Indians complete primary school.

3.8.2 Human capital

India's human capital is massively underdeveloped. Most of it is uneducated, skilled workers (even vocational) are in short supply, the work ethic is poor. Many of the supposed literates, including teachers who are supposed to educate students, can barely write a coherent sentence. Most college graduates show poor comprehension of the global language, English. India's advantage of young workers (our demographic dividend) is being squandered, as native and foreign multinational companies are discouraged from setting up factories in India due to the poor quality of our human capital. The remaining factory jobs are increasingly automated by machines and robots.

3.8.3 Healthcare

The shoddy governance of India shows itself through poor health results. E.g.

<http://swarnabharat.in/blog/read/swarna-bharat-party-calls-for-a-national-emergency-to-stop-5-lakh-indians-dying-from-tb-each-year>

Also see SBP's [press release on chikangunya](#).

3.9 Tourism

India performs far below its potential. With its rich history and diversity of vibrant cultures, India could have been one of the most desirable tourist destinations in the world.

Thirty-five UNESCO World Heritage sites – among them the Taj Mahal, one of the “New Seven Wonders of the World”, attract a global audience. India’s many food, dance and religious cultures are enticing. The widespread availability of English speakers makes India a welcome destination not only for Americans, Canadians, Australians, and the British but also for many Europeans and others who speak English as a second language. Prices in India are very reasonable for visitors from developed countries.

India has therefore tremendous advantages as a producer of tourism. And yet its tourism sector is far too small. India is underperforming and in the process giving up tens of billions of dollars in foreign exchange revenue that could lift millions out of poverty.

Tourists overwhelmingly shun India in favour of other countries because they are disgusted by all the chaos, poverty, filth, and poor infrastructure that they see and read about in the news. Even most of those who visit are so repulsed that they don’t feel like returning for the second time. Small cities like Dubai and Singapore and mid-sized countries like France and Thailand receive more tourists annually than the entirety of India. And probably half of the tourists India receives annually are NRIs and people of Indian origin who are economic refugees that fled the country for greener shores, and are visiting to meet family members.

3.9.1 Environment

Ability to manage the environment is a critical part of infrastructure. The filth and pollution in waterways across the whole country is a symptom of the country’s total ability to manage waste. Rubbish pollutes the entire waterways of India including the beaches. Further, much of India’s wildlife is endangered.

3.10 India’s growth prospects are very poor

<https://www.youtube.com/watch?v=epniUXRzWLM>

<https://www.youtube.com/watch?v=2f1-cFptNpI>

<https://www.youtube.com/watch?v=zdVYVSdDAXs>

<https://www.youtube.com/watch?v=OF4fcT9P2yk>

<https://www.youtube.com/watch?v=-hfJxY7-ca0>

https://www.youtube.com/watch?v=OWISELS_23U

<https://www.youtube.com/watch?v=j39YM14CoMU>

<http://www.acting-man.com/?p=48912>

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<http://www.acting-man.com/?p=48195>

<http://www.acting-man.com/?p=48501>

<http://jayantbhandari.com/latest-musings/indiagettingworse/>

<http://www.acting-man.com/?p=49171>

<http://www.zerohedge.com/news/2017-04-21/everythings-worse-where-indias-disintegration-set-begin>

4. Common misconceptions in India

Apart from denying basic facts about India, many Indians have major misconceptions about the causes of India's problems. These are discussed in two parts. This chapter discusses their confusions about India. The next chapter discusses their confusions about economic systems.

4.1 "INDIA'S LARGE POPULATION IS ITS MAIN PROBLEM"

Many Indians say: "India's large population size is a problem (e.g. "we are too big and other country lessons don't apply to us")."

It is true that overpopulation *appears* to be a problem. But in reality, it is not population itself that is the problem but lack of opportunities (education, good jobs) for the population.

A large population is an asset, not a liability. The human brain – ingenuity – is the greatest resource. Furthermore, natural resources are not finite. We are constantly discovering new reserves and alternative substitutes. Likewise, for the production of food. Food prices are constantly falling as a relative share of our incomes, as humans are able to grow more food on less land, by using better technology. Humanity is not in any danger of ever running out of natural resources or food, no matter how much our population increases.

Well-educated people who can employ their skills in meaningful, nation-building, indeed, civilization-enhancing work, are never undesired, no matter how many of them are there. In fact, more such people are there in a country (or the world), better it is for that country.

But when learning opportunities and good employment opportunities are limited (which are results of bad governance and bad systems in a country), population becomes a drain on the system. In this case, a person takes more from the country than he produces for it. In that case the person does become a burden.

SBP's goal is creating more opportunities and setting up better systems so that each and every individual is enabled and empowered to contribute to their maximum potential. With good systems and incentives in place, each and every person can and will become an asset for our great country. The more the number of highly educated persons in India, the greater the scope for innovation.

In fact, under the scenario of policies that SBP will implement, our large population (of capable people) will allow us to progress even faster.

The government should just see to it that they provide essential public goods such as law and order, police, justice, and some infrastructure. It must ensure reasonable equality of opportunity through the facilitation of high-quality education and high-quality vocational training for the poor, and create a business-friendly and business-enabling economic environment for the private sector to create jobs and innovate.

The government has absolutely no role in curbing the population or interfering with a couple's personal choice to have as many children as they wish.

Evidence

The size of a country's population does not correlate with a country's level of poverty. Even in India, even as our population has grown manifold after independence, absolute poverty has declined after liberalisation of the economy.

The richest parts of India, such as Mumbai, Delhi, Bangalore, etc. are also the most densely populated.

The richest parts of India, such as Mumbai, Delhi, Bangalore, etc. are also the most densely populated. Singapore, Hong Kong, Bahrain and Netherlands are more densely populated than India but are also much richer.

4.2 “INDIA IS POOR BECAUSE OF BRITISH RULE”

People argue “British rule harmed us so much that we are unable to recover from it”. They say:

“Is it really fair to blame Indian politicians for India’s poverty? Weren’t British colonialists solely responsible for making India a poor and backward country? Aren’t India’s current problems entirely due to them? Why blame socialism and Indian politicians for that?”

It is quite absurd to blame the British after full independence. There are innumerable examples of British ruled countries that have enormously outperformed India because they rejected socialism and adopted capitalism.

This Indian nationalist view is simply false. Despite what the British did, it is Indians who have failed themselves.

The British are unfairly and falsely demonized for “deindustrializing” and “exploiting” India. Their numerous important contributions are not recognized. It is falsely alleged that they piggybacked on India and their industrial revolution was made possible by wealth looted for India.

The drain of wealth from India to Britain was only 1.5% of the GNP, and one could even argue that pax-Britannica and assurance of British protection resulted in India having to pay much less for maintaining its army and navy.

The truth is that the Indian colony was not terribly profitable to Britain. After the crude period of exploitation in the eighteenth century was over, Britain’s rising prosperity in the next century owed more to its free trade with the “new world” and to its investments in America. If there was a “drain,” it was by the transfer of dividends by English companies from America.

Certainly, a few Englishmen became very rich from India—the

owners of the tea and indigo plantations, the shareholders of the East India Company and other commercial firms, the employees of the managing agencies, the railway builders, the civil and military personnel, and others connected with India. But the profit to Britain as a whole was meager.

Britain did not become poorer after losing India. Instead, it enjoyed shocking prosperity in the 1950s and 1960s, at the very time that it was losing its colonies. So did France, Holland, and other colonialists. The fact is that Britain’s colonial prosperity was not founded on the exploitation of India.

While the British are guilty of neglect, racism, and certain terrible policies like one-sided high tariffs on Indian goods and divide-and-rule, the truth of the matter is that unlike the Japanese (in Taiwan, Korea, and Manchukuo) and Americans (in the Philippines and Puerto Rico), they were incompetent and simply didn’t know how to develop and modernize a country.

Still they tried! Towards this end, they built a lot of critical infrastructure, built schools and hospitals, implemented health measures like immunization measures, gave us strong

institutions that still govern our country (albeit in its weakened form), and most importantly of all united disparate parts of the subcontinent into one country. There wouldn't even be an India without the British.

Indians need to look within and introspect on their failures as a country. They must stop blaming the past. At this day and age, it doesn't make any sense to lay the blame on long-gone British rulers. The blame for India's government failure, continued poverty, and poor living standards lies squarely on the socialist politicians who led us after independence.

Gurcharan Das's book, *India Unbound* has a detailed analysis of the issue. He concludes:

"Britain did not become poorer after losing India. Instead, it enjoyed shocking prosperity in the 1950s and 1960s, at the very time that it was losing its colonies. So did France, Holland, and other colonialists. The fact is that Britain's colonial prosperity was not founded on the exploitation of India."

Overall, British rule over India had 100s of positive points (such as India becoming one country and not hundreds of smaller countries, today, as well as liberal secular democracy) and 10s of negative points.

Many of the "negative points" are nonsensical myths created by stupid "nationalists" who can't read plain English. Such as the myth of the weaver's thumbs. (See: <https://www.sabhlोकcity.com/2018/08/conclusive-evidence-that-the-british-did-not-cut-off-any-indian-weavers-thumbs-myth-busted/>)

In fact, the commercial oppressions of early British rule were harshly brought under control by the British parliament.

Overall, it was the stupidity of Indians (and their continuing stupidity) which explains why they never bothered to understand liberty, economics or good governance. And remain a cesspool of corruption and misery even today, well after the British have gone.

The blame lies squarely with Indians who oppose all sensible principles of economics and good governance.

Freedom is clearly the cause:

Living standards around the world were roughly equal in 1750. Even at the aftermath of the industrial revolution in 1850, things were not very different. Today the average person in the developed world is ten to twenty times richer than a person in the developing world.

REFERENCES

(1) http://wikivisually.com/wiki/User:Fowler%26fowler/Did_Britain_piggyback_on_India

(2) <http://gurcharandas.org/rich-nation-poor>

FURTHER

The British did not 'deindustrialize' India. The handloom weavers were victims of technological obsolescence rendered by mechanization in the Industrial revolution. It affected traditional weavers all over the world, including in Europe. But its effects were felt much stronger in India, as our economy to a large extent depended on textile manufacturing and exports.

4.2.1 "Muslims impoverished India"

This is clearly false. The Muslim invaders settled down in India and became Indianized. With the exception of a few like Mahmud Ghaznavi, Muhammad Ghori, Taimurlane. They and their descendants settled down in India and spent their wealth within India.

India was one of the world's richest regions until the 19th century when the British consolidated the region into one political unit. Muslims rulers are not to blame.

4.3 “THE WEST LOOTED INDIA AND SHOULD GIVE US FOREIGN AID”

Foreign aid is a terrible “development” strategy. No country in recorded history has uplifted itself through foreign aid. More often than not, it leads to great harm by propping up corrupt warlords and politicians and creating a disincentive to take measures to solve their own problems.

Peter Bauer was one of the first major economists to fully debunk the idea of foreign aid as a remedy to growth.

4.4 “INDIA IS POOR BECAUSE OF ITS CULTURE AND RELIGION/CASTE”

According to this false idea, Indians are culturally dirty and litter their environment, so nothing can be done about it. And India is a complex society with different religions and castes, so can never succeed.

4.4.1 **Isn't India's vast size and diversity of castes, ethnicities, religions, and languages responsible for the country being so hard to govern and hence unmanageable?**

While cultures have their own set of incentives, in economic matters people respond in almost exactly the same way to incentives, no matter where they are born or live.

India's diversity should not affect economic outcomes so long as the economic incentives are right. And India's economic incentives have been strongly contaminated with socialist ideas.

Singapore was in bad shape in the 1950s but a change in incentives (governance system) took it from penury to the richest nation on earth. This has happened repeatedly across the world – i.e. as incentives change, people's behaviour changes. The underlying culture does influence things, but for most economic transactions standard economics is able to predict how people will act.

In any event, India is not “unmanageable”. First of all that assumes that someone needs to manage India. That's not true. People manage themselves. All they need is a system where they are free to interact and trade, with surety of contracts and property rights

We know that Indians who migrate to the West adjust readily and achieve excellent outcomes. Even in India, when capitalist policies were adopted (e.g. liberalisation), the people have responded with a great increase in productivity and innovation.

In brief, India is not hard to govern. Instead, our governance system makes it hard for Indians to achieve their highest potential.

All social change is political. It may start with the thoughts of a few writers who challenge authority, but then it is taken to the entire society by political actors. Without political actors, there is no possibility of change. Cultural change needs large scale political action. There are many examples about how change in rules (and the way these rules are enforced) changes culture.

The key is to change the institutions. “Whatever advantages a culture may have, they will not be realized under bad institutions. And whatever disadvantages a culture may have, they will slowly erode, and the culture will improve, when people get to live under institutions of political and economic freedom. Culture can act as a constraint, but it is also a

malleable constraint. The important causal variable is the set of rules that governs the way we interact with one another and with the resources at our disposal. Those rules must enable our ability to realize the gains from specialization and exchange, and reap the benefits of innovation.” (Source)

4.5 “LOW IQ EXPLAINS IT ALL”

It is true that the average Indian IQ is quite low, at around 85. However, this is merely an outcome of low nutrition and poverty, and lack of freedom. All humans had a low IQ when they were poor. IQ changes dramatically after children get good nutrition and educational opportunities.

So socialism has CREATED India’s low IQ. It is not innate.

4.6 “WE NEED GOOD PEOPLE TO CHANGE THINGS”

This argument says that systems don’t matter. All that we need is the right people. Apparently, if good people were to step forward into politics, everything will be solved. This is a delusion.

What matters is the system of laws and enforcement. The only thing that matters is whether the laws are just and whether these are enforced justly. It is only under just laws that people can flourish.

Systems create incentives, which influence behaviour. The results (prosperity, integrity, innovation) are the consequence of these systems, not of ‘good’ intentions.

India can’t continue with the British colonial administrative system which has been further crippled by the application of socialist policy, and expect ‘good’ people to fix our problems. When the state expands beyond its rightful limits and incentives for accountability are *entirely* missing, it doesn’t matter who is in charge. Numerous examples are available in India to demonstrate how ‘good’ people could do nothing about corruption or poverty.

The sooner we change India’s colonial-socialist governance system, the better.

Most people mistakenly assume that if “good” people were to step forward into politics, everything will become fine. This is a severe delusion.

Policies must be judged by their outcomes rather than the intentions of its advocates. Most “good” people avoid detailed economic analysis and arrogate to themselves the “solutions” for society. They believe in exhortations and demanding performance. They centralise decisions. And so they always fail. They think that just because their goals are good, they can demand that everyone behave so that good results are achieved.

The basic message of public policy is that well intended actions can have unintended consequences. Human nature and reality are complex. Good intentions alone do not necessarily translate into good results. We need to understand the actions of humans in cause-and-effect terms, as we do in any science. This means examining the *logic of the incentives* involved, rather than simply focusing on the goals being sought.

Public policy is a combination of three things: direction, incentive mechanism and machine. “Good” people merely focus on the direction and do not have the depth of knowledge to design a good incentive mechanism or a good machine.

Unless the incentives that we create are aligned with the goals we wish to achieve, the results will invariably go wrong. This requires studying economics, which is concerned with what emerges, not what anyone intended.

For example, few things are more simple than the fact that people tend to buy more at lower prices and buy less at higher prices. Similarly, producers tend to supply more at higher prices and less at lower prices. This information is enough to predict all sorts of complex behaviour. But “good” people shun economic analysis.

Incentives matter because most people will usually do more for their own benefit than for the benefit of others. Incentives link the two concerns together.

Therefore, also, “good” people fail to understand why a free market is often best and we should support such freedom, instead of dabbling with markets. One of the biggest advantages of an economy coordinated by prices and operating under the incentives created by profit and loss is that it can tap scarce knowledge and insights, even when most of the people-or even their political and intellectual elites-do not have such knowledge or insight.

This knowledge – of incentives and markets – is not intuitive. Most “good” people don’t want to understand such knowledge. They will always fail.

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Numerous examples are available in India to demonstrate how ‘good’ people could do nothing about corruption or poverty. The sooner we change India’s colonial-socialist governance system, the better.

Honesty in politics is the minimum requirement. Beyond that, what matters is being well-versed in the fields of governance, economics, and liberty.

Being a liberal politician is the toughest job in the world since he must devote much of his time to constantly educating himself.

Those who jump into politics hoping to fix the system but lack knowledge in these areas won’t accomplish anything. They end up becoming part of the problem. Their cluelessness and ignorance will turn them into confused socialists and populist demagogues.

4.6.1 What is the cause of the moral degradation of India?

India had some of the most honest leaders at the time of independence. But over the course of time, the incentives in the political and bureaucratic system were radically distorted in the mistaken belief that socialism is a good ideology.

Actually, socialism is a dangerous ideology and it helped create incentives by which the most corrupt of all were quickly promoted to the top.

Naturally, the ethics of the country have been destroyed and hollowed out from within.

The only way out of this is to totally change the socialist incentives that operate in India.

5. The great confusion about socialism, capitalism and welfare state

Let us begin by understanding what these terms mean.

5.1 Three key principles to understand before the confusions can be resolved

5.1.1 Principle 1: A system is socialist if it involves total confiscation of property rights

The Merriam Webster dictionary defines socialism thus:

- any of various economic and political theories **advocating collective or governmental ownership and administration of the means of production and distribution of goods**
- system of society or group living in which there is **no private property**

Basically, a society becomes socialist when the state takes over control over all private property and substitutes markets through state management of the economy.

In India private property is not a fundamental right. Further vast amounts of property have been confiscated through Schedule 9 of the Constitution. India therefore qualifies as a socialist state.

In practice, we have seen a variety of socialist states. USSR, Mao's China, pre-1991 India, Cuba, Zimbabwe, Venezuela

5.1.2 Principle 2: Social democracy and welfare state are NOT socialist because they do not totally confiscate property rights

The key point to remember is that when property remains in private hands, a society is NOT socialist.

However, in the capitalist welfare state and social democratic state, the state **seizes a lot of private property** in order to redistribute it.

However, since the means of production are almost entirely within private hands, these societies do not qualify as socialist societies.

In many cases, the "social democratic" societies have far higher levels of economic freedom than even the societies that commonly considered capitalist.

There a variety of welfare/democratic socialist states such as German democratic socialism, crony state capitalism in South Korea and Japan, where the state favours the chaebols and zaibatsus respectively. Scandinavia has a social welfare state at a peak and hence it has close to zero growth rate.

5.1.3 Principle 3: Liberalism/capitalism protects private property and production is by markets

Liberalism is also referred to as the market (pro-market, pro-free enterprise – as opposed to pro-business) system. It is a system of natural liberty, often summarised in one word:

capitalism. It is the diametric opposite of socialism, since it involves strong property rights and no redistribution by the state.

5.1.4 Principle 4: There is no perfect system but capitalism is on balance much better

Sadly, crony capitalist and corrupt private companies and unethical politicians in the West do great harm to the concept of capitalism. Their actions are grist to the socialist mill.

What can be done about it? Only vigilance by citizens can help.

Sadly, it is virtually impossible to fix these defects of capitalism. There will be a good proportion of corrupt private companies.

One can have Ombudsman and other such mechanisms to take consumer complaints and heavily punish companies that cheat consumers. However, these are not perfect solutions.

The only good thing is that once one doesn't like a bad private company one can change it or even write about its cheating on the internet. That's not possible under socialism where governments directly own businesses (fortunately for India, private initiative is now possible in many areas).

There is no perfect system. Even in the capitalist system citizens have to be alert and constantly fight bad guys. Only thing, that on balance, it gives a much better chance for citizens to get justice than is possible under socialism.

5.2 Capitalism and socialism in India

The Ambedkar constitution of India was the outcome of liberalism. Ambedkar vigorously fought against attempts to make constitutionally socialist. But after his death it was open slather for the socialists who controlled all means of propaganda. Today, our constitution limps along and betrays the citizens at each step, instead of being a guide to freedom and justice. We have been hobbled. Whatever little good is left in India is entirely attributable to liberalism and the transplantation of liberal ideas in India through British rule.

India became independent in 1947 but till today we are not free. Our corrupt politicians and bureaucrats do have freedom but without accountability. That is not freedom but licence. The citizens remain bonded to their 'rulers'. Even the colonial system of governance continue, unchallenged, with many more brakes imposed on citizen freedoms by the socialists.

Once, our enemy was the foreigner. Today the enemy is within: in our mind. We need to learn to stand up to and demand accountability from our governments. As Gandhi said, *the moment the slave resolves that he will no longer be a slave, his fetters fall. Freedom and slavery are mental states.*

Rajaji showed us the India we want: *I want an India where talent and energy can find scope for play without having to cringe and obtain special individual permission from officials and ministers, and where their effort will be judged by the open market in India and abroad.*

The day we are able to demand accountability from our governments, we will achieve freedom. We can't do this without rejecting socialism, which is the tool by which governments further enslave us.

The fundamental characteristic of socialism is coercion. The only way to achieve economic equality is to take from one – by force – and give to another. The destruction of property rights that this involves is not only fundamentally immoral, it destroys work incentives and

ensuring poverty for all. It is rightly said that the inherent 'vice' of capitalism is the unequal sharing of blessings; the inherent 'virtue' of socialism is the equal sharing of miseries.

A capitalist society is based on voluntary cooperation, persuasion. Through free exchange of goods and services, poverty is eliminated and a middle class created. This ensures both property rights, achieves both liberty and (a level of) economic equality. Socialism achieves neither.

Most socialists are well meaning. It is not that is the problem, but their failure to understand incentives and systems. These failures are costing India dearly. Before dealing with the (false) objections against capitalism, let's review the key features of the two systems.

5.2.1 Socialism

The term 'socialist' was introduced in our Constitution's Preamble by Indira Gandhi during the Emergency. Most Indians think it is about being good to the society and caring for the poor. They have a warm and fuzzy feeling about socialism. This is a fatal misconception. (In the terminology of Marx and Engels the words communism and socialism are synonymous.)

Socialism is the economic and political characterised by the following:

- *Explicit goal of economic equality:* Socialists don't trust markets. They believe that unless the state redistributes wealth, extreme inequality will result. The more extreme form of socialism (communism) insists on total economic equality, where no one owns anything, and everything is distributed according to people's needs. India does not figure at the extreme end of socialism (communism) but there is a great desire to equalise what people earn or get. For instance, politicians and senior bureaucrats are not paid at market-comparable rates – a huge mistake, for it prompts many to become corrupt.
- *Opposition to property rights:* Markets require the robust protection of property rights. The more extreme form of socialism (communism) involves total confiscation of property by the state. But when people's property is taken away by force, they lose the incentive to produce wealth. India is not at the extreme end of socialism but there is no constitutional protection for property rights. Land has been confiscated under various pretexts, including through land ceiling and land acquisition laws. We have punitive tax rates and much of private industry has been nationalised.
- *Opposition to outcomes determined by the market (price) system:* Socialist don't trust market outcomes and believe, instead, that governments can directly do better. Capitalism believes that under certain circumstances there is a role for government intervention, but that such role has to be analytically demonstrated and that any such intervention demonstrated to be superior to the market outcome. Socialists don't even think about such proofs. They rush in to cut short the market. India has quotas, price controls, administered prices, and even hotels are managed by government, although this has somewhat reduced since 1991.
- *Mortal fear of individual self-ownership and freedom:* The socialist is mortally afraid of freedom. He imagines that individuals don't exist for themselves, but to serve the purposes of the society. John Rawls even declared that the society collectively owns people's talents. In India this fear flows through in almost all public policies.

Underlying the follies of socialists are two fundamental errors of thought:

1) *Incentives don't matter:* Socialists imagine that if people are told to something they will do it, regardless of whether they are rewarded or punished for it. Hence socialists believe in enacting laws on everything. Unwanted things are supposed to disappear just because a law bans them. People are supposed to do their duty despite however poorly they are paid. It doesn't matter whether property rights are destroyed and wealth expropriated; people are

still supposed to have the incentives to innovate and produce. Anyone with basic common sense knows that this is wishful thinking. This disregard for incentives generates corruption and poverty. There is no known case of socialism helping the poor. It is fundamentally incapable of doing so. Socialists fail to understand that the market is the best way to reward those who serve our needs, and motivate them to produce even more useful things.

2) *The 'pie' is fixed*: Socialists think that there is a fixed pie (wealth), of which the 'capitalists' hog a large share. But the 'pie' is not fixed. Human ingenuity and productivity keep expanding the 'pie'. The incomes of Western societies have expanded 40 times in the past 200 years². Even where the *relative* share of the poorest may have decreased, they are *far ahead* in absolute terms as a result of capitalism. Moreover, there is considerable economic mobility in free societies. Those who provide better services become richer, even as the previously rich who didn't continue to add value, run out of their wealth.

See this (on why socialism fails) <https://mises.org/wire/4-reasons-why-socialism-fails>

5.2.2 Why do most “educated” Indians support socialism?

This has to do with Nehru's fascination with socialism, which was also copied by all other main parties, including BJP. The elites of India embraced socialism which became our political culture.

On the other hand, the USA was fortunate that its founding fathers were classical liberals and valued liberty, personal responsibility, fiscal responsibility, low taxes, and small government.

5.2.3 Capitalism

Capitalism is the economic and political system in which the means of production are largely privately owned, and people are free to undertake voluntary exchange without unnecessary hindrance from the state. The institutional frameworks of capitalism protect freedom and property rights, and ensure accountability. Capitalism means allowing everyone to do whatever they want, as long as they're not violating the rights of others.

Capitalism is a system in which theft is punished, unlike in socialism where the state is the biggest thief. As a general rule, the corrupt (thieves) rise to the top in socialist societies.

When government enforces property rights and justice, the people feel safe and secure. This allows them to focus their time and energy on their dreams and aspirations. This releases *explosive* levels of innovative energy and enables risk-taking behaviour, which is critically necessary for wealth creation. Only when people are sure that their investment is safe do they start or fund new enterprises, thus creating thousands of new jobs and products.

Ambedkar showed that without property rights there can't be trade: *Trade is an important apparatus in a society, based on private property and pursuit of individual gain; without it, it would be impossible for its members to distribute the specialised products of their labour.*

Further, as Adam Smith wrote: *Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and tolerable administration of justice.*

² See Deirdre McCloskey's short video: <https://www.youtube.com/watch?v=a0nsKBx77EQ> – she is one of the world's greatest economists of all times.

The capitalist economy enshrines low taxation, reliance on the price system, and has few (if any) government businesses.

A summary would include things like the following:

1. Right to life. Death in a police custody is a huge thing in western countries. In India such deaths are relatively common.
2. Right to liberty. Capitalism doesn't support illegal detention. There is automatic bail except in capital cases, there is no compulsion to testify against oneself (unlike in India where the police use 'narco' tests at the drop of a hat), no 'custodial interrogations' without the presence of a lawyer. People are not put in jail while they are being investigated. In India, however, only the rich and powerful have a semblance of the right to life and liberty: virtually everyone else is at the mercy of the tyrannical state.
3. Private property rights. No one can snatch away one's property in the capitalist state, except as punishment in a criminal case. When individuals are allowed to keep and utilize the fruits of their own labour, it motivates them to create their own wealth.
4. Freedom of expression. This includes the right to offend and to demonstrate.
5. Right to speedy justice. This includes quick trial and the ability to sue the government successfully for its undue actions.
6. Equal opportunity: This involves not only equal treatment under the law but ensuring that everyone has access to a level playing field, largely through good education. Most western nations have social insurance (a safety net), although some of them have gone overboard (the welfare state). Policies that go beyond a frugal social minimum are leading to unsustainable outcomes in the West.
7. Focus on incentives for politicians and bureaucrats: Capitalism is not just about a well-regulated free market. It is about the right incentives for public servants and their accountability for efficient delivery of results. In capitalism, the people's servants (politicians and bureaucrats) are paid well but then held firmly to account, for instance, with instantaneous dismissal for incompetence, and severe punishment for corruption.
8. Freedom of enterprise and trade. Enterprise is the engine of prosperity in the capitalist society. There are few, if any, prohibited sectors, no preferential buying rules, no licence or inspector raj, and a light regulatory structure with stern enforcement. Businesses cannot become successful through 'influence' but by serving the market's needs.

Capitalism works by freeing people, and it has led to sustained increases in standard of living that would boggle the minds of anyone living in any other system.

FURTHER

Capitalism is the system of voluntary trade and free exchange of goods and services in the marketplace, whether it is between the buyer and seller or the employer and the employee. It is a system of voluntary exchange which creates value for all parties. It is an economic and social system in which each person is free to make the most of his capacities and opportunities according to his own potential, subject to the condition that he not interfere with the freedom of other individuals to do the same.

Capitalism is a system which evolved out of the concept of property rights, which enabled people to exchange their labour and goods for mutual gain. The marketplace naturally evolved to most efficiently allocate scarce resources towards production and depends on the use of capital to consistently improve productive efficiency that maximize the quality and quantity of goods. As a result of this and the competitiveness of the marketplace, we consistently keep getting new technologies which make our lives easier, as well as improved

quality products at lower prices and higher quantities. It is capitalism that creates a drive for innovation and brings about technological advances which improve the quality of our lives. Businesses can only profit by constantly innovating and satisfying their customers needs.

Capitalism is a direct consequence of people exercising their prerogatives—their right to have and use their property as they see fit, their right to their own labour, their right to associate and act with others for purposes of economic gain, and their right to trade freely among themselves. Ultimately, it is the consequence of individuals having the highest claim on their properties and lives. Without free markets, there would be no incentive for people to produce stuff and to innovate.

It is the institutions of rules-based capitalism, coupled with good policies, rule of law, strong property rights, and good government institutions that has made the West as prosperous as it is today. This is the path that many developing countries are currently following. Today the average American or Canadian or Australian can boast of having one of the highest per-capita incomes in the world. He can be proud of living in a country which consistently ranks among the highest in the human development rankings and has one of the best quality of life available.

Capitalism is the system that has raised us all up from the default state of body, mind, and soul crushing poverty to the current levels of unprecedented prosperity to more people than anything ever before. Under capitalism, we've experienced tremendous growth in the standard of living and and far more of us now are able to enjoy leisure activities, where our ancestors had to put every minute of their lives into mere survival.

Prior to 1840, almost everyone in the world was poor. Capitalism has resulted in astonishing amelioration of poverty since the Industrial Revolution. In the last 100 years with capitalism, we have created relatively more wealth than in the 100,000 years before, and as a result, we have reduced extreme poverty in the world, more than was ever deemed possible. In recent decades, capitalism has uplifted more than a billion people out of extreme poverty in the developing world like China, India, Southeast Asia, and Africa.

The most precious thing capitalism provides is human dignity. It raises human living standards, takes care of all basic material needs and constantly improves life by providing better technology and new innovations, and maximizing output while reducing prices.

People can always look forward to better lives and constant improvement in their living standards. They are much happier as a result.

Socialism, on the other hand, promotes poverty and reduces human existence to that of undignified sub-humans. In socialist countries, poverty and insect-like living conditions serves as a constant humiliating reminder to the people of how life is hopeless and that they are doomed to live in poverty. This makes people miserable by breeding anger and resentment.

5.2.4 Social welfare

Trade unions arose well before any socialist movements. Many other reforms such as ban on child labour, safety regulations, came in independently of any socialist ideology. Some of these reforms have gone overboard (such as pensions) but they still largely remain within the framework of capitalism.

But Western countries are not a role model for India in every way. They are relatively freer than most of the world and their economies for the most part tend to be better managed in comparison. But they often resort to questionable policies such as fiscal policy, heavy government spending, statist interventions in the economy.

See: <https://danieljmitchell.wordpress.com/2014/04/11/why-did-western-nations-continue-to-prosper-in-the-20th-century-even-though-fiscal-burdens-increased/>

5.2.5 The welfare state vs. socialist society

There are very significant differences between a welfare state and socialism. The key difference is that the welfare state uses free markets and property rights to a very large extent, even as it then goes about redistributing income from one citizen to another.

But there is a significant common point between the two: Welfare state involves theft by the state through taxes. It doesn't directly take away property rights, but it takes away property nevertheless.

And like any socialist society, the welfare state tends to grow with time even as income starts stagnating, as people lose the incentive to produce.

5.2.6 Bernie Sanders's welfarenomics

Welfarenomics is based on Keynesian and Chicago school monetary theory and the law of diminishing returns. To quote a proponent Dr. Sang-Mok Suh, "Welfarenomics means promoting a sustainable capitalism through modifying the neo-classical market economy model in three ways: (1) strengthening the role of government in the areas of formulating & implementing national strategy; (2) increasing social values of business activities through developing new CSV (Creating Shared Value) activities; and (3) creating a habitat for co-development through activating civil society. Welfarenomics also implies promoting a sustainable welfare state through modifying the European welfare state model in three ways: (1) building a foundation for 'workfare' through developing customized job programs for welfare beneficiaries; (2) utilizing various welfare programs as means for social innovation; and (3) improving the effectiveness of welfare programs through applying various management concepts to the field of social welfare.

As appealing as it may sound to economic illiterates, Welfarenomics can never work as it leads to a cycle of continual debt accumulation and currency inflation and devaluation by the central bank.

5.2.7 Why does capitalism work?

Capitalism works because it is compatible with human incentives.

Humans are self-serving creatures who put their own interests above that of their fellow man. They will always look to benefit themselves, whether by the means of mutually beneficial trade or through dishonesty and theft. Capitalism channels this self-interest through peaceful means of mutual exchange in the marketplace that benefits and satisfies both the buyer and seller.

Capitalism is the economic form of individualism which treasures freedom. This is why it succeeds.

We must reawaken the moral case for liberty. The starting point for such a moral reawakening is the rejection of the collectivist conception of man and society. Collectivists of all types – socialists, communists, fascists, interventionists, and welfare statistes – presume that the group, the tribe, the "nation," or the social "class" takes precedence over the individual. He is to serve and if necessary be sacrificed for the "common good" or "general welfare," since the individual has neither existence nor "rights" separate from the collective to which he belongs.

Compare this with the unique and starkly different philosophy of man and society captured in the American Declaration of Independence:

“We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are Life, Liberty, and the Pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed.”

Rights precede government and are not something given to man by any political authority. Each of us possesses rights that may not be taken away or undermined by those in political power. We all possess an inalienable right to our life, liberty, and property. We own ourselves, and by extension we have a property right to what our creative minds and efforts have peacefully produced. We may not be enslaved, sacrificed, or plundered by others, whether they are private individuals or organized governments.

The individual, not some mythical collective, is the centre and starting point of society. The free market is the arena in which people form relationships for mutual benefit on the basis of voluntary exchange. The free man finds his own meaning for life, guided by the philosophy or faith of his choice. He refuses to coercively impose his will on others, just as others may not use force against him. He persuades others to live and act differently through reason and example, and not with the bullet or the bayonet. And no political authority can make claims against his life, liberty, and honestly acquired property, because the function of a limited government is to secure his freedom from predators and plunder.

This is the philosophy of individualism and capitalism that must be reawakened in our fellow men if we are to free our society from the stranglehold of Big Government and its ocean of debt. It requires a confident belief that we are right, that both reason and history have demonstrated the value and benevolent results of what Adam Smith once called “the system of natural liberty.”

Capitalism is the greatest poverty eradication scheme there is. As Adam Smith pointed out,

“Little else is required to carry a state to the highest degree of affluence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things.”

5.2.8 Why doesn't socialism work?

People naturally pursue their self-interest. They are biologically programmed to do so and no amount of preaching will change this fact. Capitalism is about enlightened self-interest. That's why it works.

Socialism is based on the misguided belief that people can be forced to look after other's interest at their own expense. Systems based on such misguided beliefs are bound to fail as they ignore the role of incentives.

Socialism has failed everywhere it has been tried and implemented. Virtually all socialist countries abandoned it in the 1980s and 1990s in favour of capitalism.

The failure of socialism is very fundamental. Its basic assumptions are false. Hence it ignores incentives. It is a natural step, once people feel they can force others to do good to someone else, for dictatorships to develop. It calls for tremendous concentration of power in the hands of a few “enlightened” leaders who can carry out the “popular will” through the power to control, regulate, redistribute, and micro-manage society. Socialism can only be implemented through force and coercion, by confiscating private property.

Socialism quickly ends in tyranny. It dooms a society to the worst kind of material deprivation and loss of liberty. Governments that set off down the path of planning to foster social justice, wealth distribution, and the like, invariably end up becoming extreme totalitarian regimes. It inevitably brings the most criminal and unscrupulous demagogues to the top. That is something that has happened to India, as well.

Corruption, theft, bribery, and oppression by the state go hand-in-hand with socialism, and are the norm in socialist countries.

Socialists are motivated by envy. Socialism makes you a worse person because it makes artificial comparisons with others, instead of encouraging everyone to achieve their best.

Capitalism, on the other hand, is predicated on rational self-interest and the virtue of self-reliance. Capitalism empowers the people. Capitalism is the system of natural liberty. It is not an ideology, as such. It is natural to mankind.

It is socialism which is unnatural and needs to be imposed by force.

If you look at all the poor countries across the world, you will find that they are all either socialist economies or lawless anarchies.

Without capitalism, societies quickly revert to primitive agricultural society with poverty, no technology, short lives, and a struggle to survive.

5.2.9 Socialism has bred ethnic and communal strife in India

See [Indian Socialism Breeds Sectarianism](https://fee.org/articles/indian-socialism-breeds-sectarianism/)

<https://fee.org/articles/indian-socialism-breeds-sectarianism/>

5.2.10 The total failure of Marx as an economist

The mistakes of Marx made as an economist were so acute that they are not worth discussing. A few key points may, however be made:

In a nutshell, Marx did not understand value and the price system. He did not understand productivity and the economic growth. He did not understand the ultra-competitiveness of

market forces which propel innovation, drive down prices, improve productivity and improve workers' welfare. He did not understand social and economic mobility in the free market system.

Essentially, he was a dud "economist". He fooled a lot of people since they never knew better.

Value: Marx thought that the value of a product was determined by the labour invested in it. But this is clearly false. For example, if someone produces things that nobody wants then no matter how much labour is expended, it will have no market value. And without understanding value one can't understand marginal utility and without that, there is no chance of understanding the price system.

Time and risk: The following is from Eamonn Butler's *Austrian Economics: A Primer*:

Böhm-Bawerk made more extensive and more subtle criticisms of Marx. In particular, he argued that Marx had completely forgotten the importance of time in production. On the basis of the labour theory of value, Marx believed capitalist bosses exploited their workers, getting several days' labour – and therefore value – out of them in advance, before finally paying them only at the end of the week. On the contrary, says Böhm-Bawerk: with the sophisticated, lengthy, complex and 'roundabout' processes typical of the modern economy, it can take months or even years before a product is ready to take to market – and it is only then that the entrepreneur gets paid. Entrepreneurs are actually providing workers with an income well in advance of the revenue that they hope to get from selling the goods that are produced.

It is not even a certain hope. It is a risk, which the entrepreneur has to take on, together with the burden of financing and organising the complicated, 'roundabout' production process. The wages paid to workers can only reflect what people today expect their products to be worth in the future, when they are put in front of consumers. Plainly, entrepreneurs and workers may disagree on that, with the entrepreneur (who is carrying the risk) likely to be more cautious than workers and their representatives. That is why there are disputes about wages. But the disputes are entirely natural differences in valuation, not an indication that anyone is being exploited.

Class distinctions: Socialist class distinctions are bogus. They don't exist in the real world. Class-warfare policies derived from this idea merely stifle individual progress. There is no money-making bourgeoisie class which gets fat and rich at the expense of the rest of us. Everyone who works for a living can be said to belong to the 'working class', irrespective of his wealth and income.

Also see this: [Capitalism Has Achieved What Marxism Merely Promised](#)

Key extract: "When Marx died in 1883," Norberg writes, "the average Englishman was three times richer than he was when Marx was born, in 1818." Blinded by his erroneous ideas, Marx could not see what was actually happening all around him."

It is truly amazing that Marx was such a hopeless thinker, given the enormous influence he has had on the world. Fortunately, today, he is proven to be an imposter and not a single sensible person in the entire world has any interest in his ludicrous "ideas". In any event, no serious economist nowadays identifies as a Marxian.

5.2.11 Is India different from the West? Will capitalism work for us?

There is no evidence for this – whereas there is lots of evidence for the contrary – that regardless of culture or history – capitalism and liberalism work well. The examples of South

East Asia, Japan, Hong Kong, USA, Australia should provide proof of this that it does not matter what the existing culture of a place is.

Additionally, even within India – wherever an industrial sector has been freed of government control (telecom being a prime example) the animal spirits of capitalism have been unleashed to the benefit of all.

We must get the best ideas from all over the world. Our legal system was invented by the Romans and updated and brought to us by the British. Parliamentary democracy was invented in Greece in later in Europe and brought to us by the British. The ideas of liberty were invented in the Enlightenment including by the French and Dutch. Modern economics has largely been created in the West.

We must imbibe the best ideas and improve upon them to create the world's best governed nation.

5.2.12 Which country practices capitalism?

In short, none.

The USA remains more free than most countries, being built on the ideas of liberal philosophers like John Locke and Thomas Jefferson. Its Declaration of Independence is focused on the defence of life and liberty. But neither the USA nor any other Western nation is a role model for capitalism.

History will tell us why freedom has not yet been fully imbibed in the West. Not very long ago, the West suffered from the ills of slavery, racism, ill-treatment of women, even religious extremism. Western governments and their monopoly companies (like the East India Company) brutalised the world through imperialism.

Against this backdrop, were the (few) liberal thinkers of the West who fought against these unfree policies. Only at their persistent prodding has the West moved from feudalism to freedom. Adam Smith denounced British restrictions on trade and its government-created monopolies like the East India Company, which he identified as 'burdensome', 'useless' and responsible for grotesque massacres in Bengal.

Without these liberal thinkers, the West would have been a land of tribal brutes.

Liberal thinkers have also promoted democracy. But they also know that democracy can exercise a perverse influence *against* freedom. Voters like tax cuts and subsidies from governments (middle class welfare). Stupid politicians don't understand the economic way of thinking and think nothing of raising taxes on those who produce. Regulators, too, are often captured by the industry they regulate. Such failures of democratic societies (and of central banking) lead to uncertain business conditions, asset bubbles, and man-made business cycles.

No, the West is not a role model of capitalism. It is half way there. The educational project of liberalism continues relentlessly in the West, hoping to educate the community. The protection of freedom requires eternal vigilance, even in the West.

Having said that, we can learn a lot from its experiences and policy and regulatory frameworks. Most importantly, we need to learn from the ideas of liberal thinkers, since liberty has a long journey ahead even in the capitalist West. The liberalism advocated by this manifesto takes all this into account, and is also consistent with the science of governance in the *Arthashastra*.

On the other hand, India has absolutely nothing to learn from *any* socialist society.

Some examples of largely free market economies:

The following have been largely driven by free markets and have high standards of living:

- 19th century Britain and its colonies Canada, Australia, and New Zealand.
- United States from the early-19th century until the end of World War I. It did have high tariffs and some protectionism but was more market friendly than even Hong Kong is now. It also had no income tax and minimal regulations.
- Most European countries before the advent of the welfare state in the late 60s.
- The rise of Hong Kong and Singapore from Third World filth to first world affluence. Both were almost as poor as India and surpassed the US in per-capita income and wealth in a matter of 60 years. See this for Hong Kong which shows how Cowperthwaite helped grow the HK economy: <https://fee.org/articles/the-man-behind-the-hong-kong-miracle/>
- Baltic countries after the breakup of the USSR (namely Estonia, Latvia, and Lithuania)
- Chile. It was a communist basket-case and the poorest country in Latin America during the 70s. It is now the richest country in Latin America. Contrast this with the downward fortunes of fellow Argentina (one of the richest countries in the world before the end of World War 2), Venezuela (then the second-richest country in Latin America), and Cuba (which used to be one of the most prosperous countries in the Latin America, even more so than European countries like Italy and Greece).
- Mauritius. This majority-Indian country ranks among the freest economies in the world and is thriving as a result. Same people, same culture, but different policies, hence divergent results.

Switzerland: It is a landlocked nation but prosperous entirely because of its free market economy. [<https://fee.org/articles/the-secret-of-swiss-prosperity/>]

5.2.13 Why aren't there full-fledged classical liberal countries?

Whether we are looking at North Korea vs South Korea, East Germany vs West Germany, Chile vs. Venezuela, or the USA vs. Europe, the world is a laboratory. The evidence is overwhelming that markets are better than statism.

On the other hand, there is a tendency for democracies to veer towards more government intervention. Politicians win the poorer voters vote through handouts. Further, interest groups manipulate the political process to obtain unearned wealth, and big business gets into bed with big government and corrupts the process of free enterprise.

As a result, the classical liberal model gets contaminated by various interventionist ideas.

5.2.14 How capitalism is breaking caste

Capitalism and caste are enemies. The increase in freedom in India is already creating Dalit millionaires and helping break down the caste system.

5.2.15 Why does it matter to the world that India should become prosperous and developed?

India's chronic misgovernance and poverty harms not just its people, but also the world.

Since the fall of the Soviet Union, the US has failed to uphold the mantle of freedom and democracy in a consistent and respect-worthy manner. It has grown lazy and complacent and could well become a failed social democratic welfare state. Having been ruined by decades of Keynesian and semi-socialist policies, the US is now on a path of relative decline.

The world needs a new liberal superpower to counter illiberal tyrannies like China and Russia. There needs to be a new symbol of hope and opportunity for people around the world.

If the extensive reforms contained in the SBP manifesto were to be implemented, it is no exaggeration to state that India can become a first world country with living standards on par with the most developed countries in less than a generation.

Extreme poverty and corruption can be eradicated in five years, unemployment brought to a very low level, and high-quality infrastructure, schools, and hospitals can be ensured for all within the same time period.

We would have a well-educated and healthy population. Without artificial government-imposed barriers and with significantly better capital, infrastructure, and institutions, labour will become enormously more productive. Inflation would be minimized and the Rupee could become a reserve currency (ultimately private currency would be allowed in India). It is reasonable to project India as a \$50 trillion economy (in current US dollars) by 2050.

Our brain drain will reverse as living standards improve and our best and brightest find that opportunities are better at home. India will become the top destination to attract the brightest professionals, the most ambitious entrepreneurs, and biggest investors. India will have the world's largest as well as most vibrant, dynamic, competitive and productive economy.

Once these reforms have been fully implemented, the mantle of the leader of the free world will pass on to India. India was the world's greatest nation for 2000 years; it will become the greatest nation, once again, by becoming the hub centre of liberty, justice, peace, innovation and prosperity.

Therefore, we should not be content with just eradicating poverty and fixing our governance set-up. We should aspire to be the best-governed, freest, and most prosperous country in the world and tailor our governance systems to enable these ends.

FURTHER

India's misgovernance and poverty harms not just its people, but also the world.

We should not be content with just eradicating poverty and fixing our governance set-up. We should aspire to be the best-governed, freest, and most prosperous country in the world, and tailor our governance systems to enable these ends.

Why? Because the world needs a strong democratic and free superpower to fight against communist and other dictatorships. The world needs a new liberal superpower to lead it and counter illiberal tyrannies like China and Russia. There needs to be a new symbol of hope and opportunity for people around the world.

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We would have a well-educated and healthy population. Without artificial government-imposed barriers and with significantly better capital, infrastructure, and institutions, labour will become enormously more productive. The average per-capita income would rise to become the world's highest, due to this phenomenal increase in labour productivity which will be constantly accelerating. Inflation would be minimized and the Rupee may well become a reserve currency.

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India should aim to become the world's largest as well as most vibrant, dynamic, competitive and productive economy.

5.3 “SOCIALISM IS THE ANSWER TO INDIA’S PROBLEMS”

5.3.1 False idea: India has grown faster than the West so it proves that a mixed economy is good for India

A commonly held view in India:

“Why do you blame socialism for India’s ills? We were always a miserably poor and illiterate country. What has socialism got to do with it? Our mixed economy combines the ‘best’ features of both socialism and capitalism, and we can boast of having among the fastest growth rates whereas capitalist countries like the US are struggling to maintain 3% growth rates. India’s problem is solely of government failure and so we should make the public sector more efficient.”

A related view is:

“Wasn’t central planning and state-directed investment necessary back in the 50s? Our industries and infrastructure were underdeveloped and our industrialists didn’t have the required capital and technological expertise to industrialize the country. They themselves asked for protectionism and state-led investment through the Bombay Action plan.”

It should be noted that even the slightest liberalisation (that occurred in 1991) boosted India’s growth enormously. That itself is proof of the basic truth that freedom works.

One of the most basic facts of economics is “catch-up”. Countries at the bottom can grow very quickly by catching up with the technology of the most advanced countries. Their growth rates can often be well above 15 per cent per year at the initial stages of catch-up. That is what we saw with the “Eastern tigers” and later with China after they liberalised.

The way to look at India is not to compare with the growth rate of advanced countries but to compare it to the growth rate of equally poor countries that liberalised quickly.

And in all cases we see that those that allowed economic freedom flourished. India’s growth would have been enormously greater if left to the private sector, with government focusing only on infrastructure.

More importantly, India’s population would not have exploded as it did, since richer people have fewer children.

India’s “mixed economy” got us the worst of both the worlds: low growth rates and high population growth – without any capacity to educate the massive population.

India’s growth rate was stifled in comparison with the Asian tiger economies (Hong Kong, Singapore, South Korea, Japan, and Taiwan) because socialist leaders blocked India’s access to global trade through high tariffs and regulatory barriers (licenses, permits, and quotas). India’s share of global trade went from less than 2% in 1947 to 0.4% in 1980. Consequently,

India remained miserably poor while the East Asian countries became incredibly wealthy and joined the ranks of the advanced industrial nations.

5.3.2 False idea: Indian private sector didn't have resources for manufacturing. Government had to do it

This is popular argument with the socialists. It can be destroyed on many levels, such as:

- The role of government as our servant
- The fact that the government actually nationalised a lot of businesses, thereby destroying private enterprise
- The fact that public sector was further distorted through the socialist incentives within the bureaucracy.

In this article Swaminathan Aiyar explains how socialism causes India to be so poor:

[Socialism Kills: The Human Cost of Delayed Economic Reform in India](#)

He estimates that with earlier reform, 14.5 million more children would have survived, 261 million more Indians would have become literate, and 109 million more people would have risen above the poverty line. The delay in economic reform represents an enormous social tragedy. It drives home the point that India's socialist era, which claimed it would deliver growth with social justice, delivered neither.

5.3.3 Instead of free-market capitalism, wouldn't it be better to mix socialism and capitalism?

There cannot be any mixture of capitalism and socialism because they are diametrically opposed from their foundational principle onward. One focuses on liberty, the other on inequality.

Capitalism stands for freedom including free markets, freedom to trade, freedom of occupation. Socialism stands for government control over the production and distribution of goods, and confiscation of private property, in order to reduce "inequality".

The factors which result in a country becoming rich and prosperous boil down to having a highly skilled and well-educated workforce, efficient and non-corrupt governance institutions that provide public goods, independent non-corrupt judiciary, impartial world-class legal system, strict rule of law, secure property rights, low taxes, sound money, free markets, free trade, and limited government. These factors combine to generate an unprecedented amount of wealth and makes labour enormously productive, leading to high incomes and high living standards.

Our economy must be free of government control, with the exception of light-handed regulation to prevent harm to consumers, workers, and the environment. Also, where monopolies are involved, some heavier regulation may be needed. Beyond that, free markets should work and profits signal one's contributions to society.

Economic freedom is needed in India and that entails having a capitalist economy. The freer our economy, the greater the country's prosperity. Socialism has absolutely nothing of value to contribute. In fact, it can be argued that it is a criminal ideology since it converts ordinary good people into criminals. Further, the very idea of forcibly redistributing wealth is criminal. No wonder the results of socialism have been very poor – including mass murder by governments – wherever it has been practiced.

As long India refrains from becoming a free-market capitalist economy, it can expect to remain desperately poor, corrupt, filthy and badly governed.

The people have a choice between freedom on the one hand, and slavery to the state on the other.

There is no “middle path”. Either the individual is sovereign or the “king” is sovereign. We have to pick one.

Some people say: “We should adopt the best in capitalism and socialism”

Capitalism is an economic system that is consistent with human nature and develops naturally in every civilized society, if the society is left free to evolve.

It is socialism which seeks to create an unnatural substitute to capitalism, and fails because it ignores the incentives which drive human behaviour. Very few would willingly give up their private property and businesses to the state. Socialism does this by force. It therefore fails. There is nothing sensible to be “adopted” from socialism.

The vast difference in living standards between South Korea and North Korea or Australia and India is purely a matter of freedom. The former values individual liberties and free-market capitalist economies, whereas the latter restricts individual liberties and shackle their economy. This makes all the difference between wealth and poverty, and perfectly explains the current situation of these countries.

It is impossible to adopt anything good from socialism.

5.3.4 Doesn't Kerala show that socialism works?

There are people who say: “Kerala has the highest development scores in India with almost complete literacy, high levels of education, high life expectancy, low mortality rates, and overall prosperity. Doesn't Kerala's example prove that socialism has worked in India?”

These people are entirely wrong. The Kerala model is not suitable for economic development. Further, some of the human development indicators of Kerala are based on its history.

The Malabar was always the most prosperous region in the subcontinent throughout history. More so than any other region, the Malabar was a trading hub that was a part of the global trade with the Romans, Byzantines, Arabs, Persians, Central Asians, Chinese, and East Africans. It attracted immigrants from outside India which settled and became the Mappilas, Syrian Christians, Malabar Jewish, and White Jewish communities. This was true to a lesser extent in the neighbouring Tulu Nadu region (Mangalore and Udupi).

The Muslim Beary community owes its origin to this historical trade between Arabs / Persians and the subcontinent. They were also fortunate to be led by benevolent rulers like the rulers of Travancore who took great interest in educating and improving the lot of the people by building schools, colleges, and hospitals during British rule. They even implemented social reforms against untouchability. They were aided by social reformers and social organizations within the various castes and religious communities, the various churches among Christians for instance.

This was followed to a similar extent in the neighbouring South Canara district and the kingdom of Mysore.

Kerala already had a literacy rate of above 54% compared with India's average of 17% upon independence. In the seventies, Keralites, being better educated and literate than the rest of India, were among the first to take advantage of the Gulf boom and began emigrating in large numbers to Saudi Arabia and the Gulf. There may be close to 3 million Keralites living in GCC countries. It is remittances of these expatriate Keralites that have aided improvements in material well-being. There are banks, ATMs, and private schools in virtually

every town and village. The economy is dependent on foreign remittances, which account for a fifth of State GDP.

Kerala's economy remains one of the most repressed and shackled. Companies won't invest and set up factories there due to union strikes, high levels of corruption, high taxes, and over-regulation. This is why per-capita incomes remains very low and unemployment a huge problem. A large percentage of Malayalis from the most uneducated to the most qualified, still prefer to emigrate to the Gulf and elsewhere. Kerala has seen a huge exodus.

5.3.5 Doesn't Cuba's case show that socialism works?

See: [Cuba, ruled by ULTRA-VIOLENT murderers, is no role model for India! The truth about Cuba & its blatant LIES about healthcare.](#)

5.3.6 The 1991 liberalisation of India increased corruption

This may well be true in some areas but in areas where liberalisation did work, corruption almost disappeared.

Before 1991, bribes were needed for getting a telephone connection. And of course for industrial licenses, import licenses, foreign exchange allotments, credit allotments. Economic reform ended industrial and import licensing. Foreign exchange became more freely available. Lower import and excise duties ended most smuggling and excise tax evasion.

However, the governance system remained the same – fundamentally corrupt. The economic boom hugely raised the value of all natural resources and the telecommunication spectrum, thus raising kickbacks for their allotments.

Many infrastructure areas earlier reserved for the government were opened to private sector participation, often in public-private partnerships. Unfortunately, because of the underlying corrupt socialist governance system, many of these projects were bedevilled by cronyism.

Corruption mainly exists only in the unreformed sectors of the economy — namely, natural resources, real estate (which was always highly corrupt and highly regulated), and government contracts.

Overall, corruption has reduced in areas of reform but dramatically increased in others. SBP is committed to improved governance and policy reforms that will eliminate corruption. That will involve true liberalisation.

5.4 “TRUE SOCIALISM HAS NEVER BEEN IMPLEMENTED”

5.4.1 False idea: But true socialism has never been implemented

Socialists like to claim that unlike capitalism, true socialism has never been implemented. They further assert that the collapse of the USSR and Eastern European communist regimes was due to authoritarianism rather than socialism. Among contemporary examples, they blame the economic ruin and societal collapse of Venezuela solely to corruption and bad administration. What is the truth?

Socialists are wonderful deniers of basic facts. They argue that real socialism has never been tried. However, we know that “real socialism” is actually impossible. It can never even get off the ground. Any attempt to achieve socialism automatically achieves all kinds of social disruption, including poverty and violence.

But capitalism is natural and simply exists wherever it is left unmolested. The market is naturally free – all it requires is exchange between two consenting parties. It occurs no matter how much it is curbed.

“Flawed” capitalism is no excuse to impose even more flawed dictatorship.

People cannot reject capitalism, just like they cannot reject gravity. Even socialist countries have black markets. The USSR even had private plots where farmers engaged in agriculture. Milton Friedman stated that it was 3% of the land which grew 95% of the Soviet crops.

Whatever little production occurs in socialist countries occurs due to the natural system of liberty called capitalism.

Furthermore capitalism does not mean a completely free market economy. It includes some regulations and controls over markets. Even ‘imperfect capitalism’ works well while ‘imperfectly applied socialism’ is a colossal failure.

5.4.2 False idea: That violence is an aberration under socialism

Socialists claim that the mass violence including 200 million dead under socialist regimes was an aberration.

This is false. Karl Marx strongly advocated violence. His desire to destroy institutions was part of his plan of action (written with Engels, for the Central Committee of the Communist League in March 1850). It reads like the playbook for Vladimir Lenin’s Bolshevik Revolution.

He stated that the goal of the organization was “the overthrow of the privileged classes,” initially in cooperation with the petty and liberal “bourgeois” political parties. Marx warned that democratic parties want a liberal agenda of reduced government spending, secure private property rights and some welfare programs.

Instead, Marx said:

It’s our interest and our task to make the revolution permanent until all the more or less propertied classes have been driven from their ruling positions, until the proletariat has conquered state power and until the association of the proletarians has progressed sufficiently far – not only in one country but in all the leading countries of the world ...

Our concern cannot simply be to modify private property, but to abolish it, not to hush up class antagonisms but to abolish classes, not to improve the existing society but to found a new one.

Marx said that the revolutionary proletariat needed to form armed councils. This is precisely how Lenin formed the “Soviets” after the Russian czar abdicated in March 1917.

Marx insisted that the feudal lands were not to be turned into peasant-owned private farms. Instead, they were to be taken over and transformed into collective farms. All industries had to be nationalized. In addition, Marx wanted communist leaders to sustain revolutionary excitement as long as possible even after victory. In other words, Marx wanted a frenzy of “vengeance against hated individuals” which implied terror and mass murder. And this, too, was followed by Lenin.

5.5 “CAPITALIST COUNTRIES ARE ACTUALLY SOCIALIST”

5.5.1 It is socialist ideas that made working conditions in the West acceptable

As with every other socialist claim, this claim falls flat on its face.

Trade unions were invented well before socialism, and industry regulation reforms took place well before socialism came on the scene. Unions are not part of socialism, and in China they are banned.

Weekends, 8-hour work days, a living wage, and five-day forty-hour work weeks came from improved industry practice that was finally embedded in regulation in the West. This was not a socialist intervention. For instance, Henry Ford paid very high wages to attract better workers for his automobile plant. It is the market competition that capitalism that leads to higher wages and better living conditions. It is capitalism that ended child labour and improved workers' conditions in developed countries, not socialist trade unions.

5.5.2 Are 'capitalist' countries socialist?

Some socialists argue that even developed countries practice socialism 'in their own way'.

This is incorrect.

Yes, most Western countries are a poor specimen of capitalism, but that doesn't make them socialist.

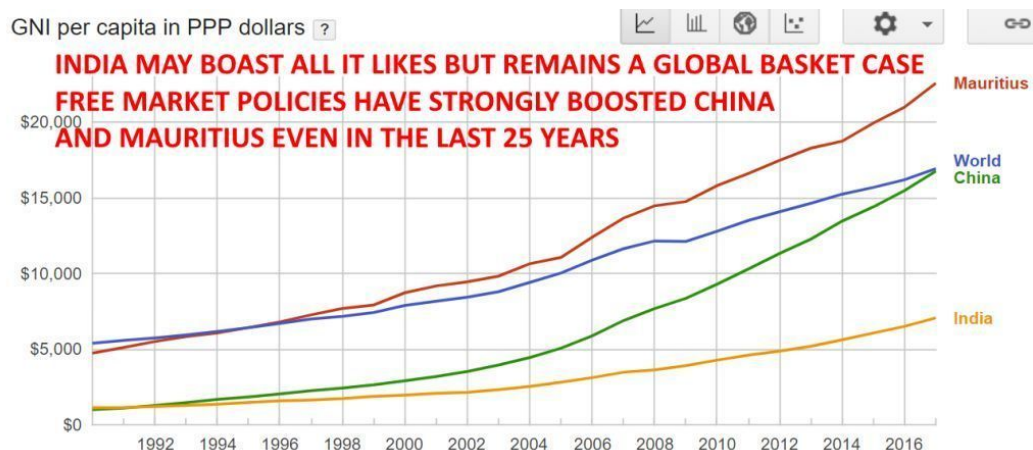
Capitalism does not imply the absence of intervention in markets by the government. There is no 'unbridled' freedom under capitalism. There needs to be accountability and a regulatory system that protects from harm. Capitalist societies are built on checks and balances. Among these checks are worker unions – an entirely capitalist innovation. Adam Smith, J.S. Mill and many other liberals advocated worker unions so they could face the clout of businessmen who combined against them. But liberals also speak out against unions that do not represent the interests of the consumer. The capitalist system does not support force, whether by businesses or by unions.

Further, the existence of an overly generous welfare state does not imply socialism.

Two root differences should be kept in mind:

- i) capitalist societies protect property rights; socialist countries don't.
- ii) leaders of socialist countries actively advocate socialism; capitalist countries vigorously oppose socialism. The 'leftist' parties of the West, such as the American Democratic party or the Australian Labour Party (ALP) are social liberal not socialist. They firmly defend private enterprise, the price system and property rights, even as they promote a bloated welfare state. Indeed, the ALP has arguably implemented more economic reforms in Australia in some areas than the Australian Liberal party.

5.5.3 False idea: That China is socialist/communist and that's why it has succeeded



Question: China which is more corrupt than India and ranks lower on economic freedom is progressing at a much faster rate than India. They rank much higher in the Human Development Index and by the rate at which they are progressing, should be a developed country in another 20 years. China has a larger government than India. Doesn't this negate SBP's assertion that small governments and free markets are the best path for a country to follow?

The Chinese economy is in some ways more capitalistic than most western countries. For instance its labour laws are unregulated and patent laws are not enforced. The country was opened up to foreign direct investment massively in the 1980s.

It is only politically communist.

But the story is very complex. The best way to understand China is to read Nobel laureate Ronald Coase's book, *How China Became Capitalist*. Start with the Youtube video: <https://www.youtube.com/watch?v=zWUycRtsuHs>

Read reviews of the book, at Independent Institute, [here](#) and Cato, [here](#).

Chinese state authoritarianism and social market economy is not the model for India. See:

<https://www.youtube.com/watch?v=fZwEDa9TrfE>

<http://www.prospectmagazine.co.uk/features/mark-kitto-youll-never-be-chinese-leaving-china>

5.5.4 False idea: Europe and in particular Nordic/ Scandinavian countries are socialist / social democratic - that's why they work well

This myth is rebutted here: <https://www.sabhlokcity.com/2015/08/scandinavian-countries-are-super-capitalist-with-the-terrible-baggage-of-a-huge-welfare-state/>

Nordic countries enjoyed a century of social and economic progress uninterrupted by wars and became the richest countries of the world but that was when their social spending was very little. Then, in the late 60s, they adopted the social democratic model. They could afford – at that time – to subsidize massive welfare schemes without going bankrupt.

It is important to note that countries are not socialist in the typical sense, but have capitalist economies that are for the most part even freer than that of the US. The Scandinavian countries' prosperity and high living standards have to do with their embrace of rule of law, strong property rights, free markets, and free trade. They also have small populations who are homogeneous with high levels of social trust (for instance, earlier banks would even provide loans without collateral), strong social cohesion, and high rates of civic participation. These countries also have the fortune of being in a friendly neighborhood and are at peace with their neighbours. These are factors that India does not possess.

A key feature of the social democratic state is the redistribution of wealth through high taxes on the middle-class and poor to fund social programs. The rich pay relatively less taxes.

Today, with the exception of Norway, none of the Scandinavian countries rank among the world's richest countries. Norway has oil wealth which it uses to subsidize its social programs and give allowances to its citizens. The Nordic countries (Norway, Sweden, Denmark, and Finland) are today not among the most successful countries in terms of economy or living standards.

The welfare state has a similar underpinning (i.e. redistribution) to socialism but the stealing is done through the tax system, instead of through a generic reduction/abolition of property rights. Within a couple of decades the welfare state has become unsustainable and these

countries have more or less stagnated with low growth rates. To make matters worse, their populations are aging and the proportion of working age taxpayers is reducing relative to the proportion of social program dependents. Now they all have high fiscal debts and their welfare state is unsustainable, so they have begun scaling back many of their welfare schemes.

Since the early 90s, they have been steadily liberalizing their economies by privatizing government-owned enterprises, cutting back on red tape, and significantly reducing social spending.

These countries could easily have been three times richer had they retained limited government and low taxes. India does not need an immoral model as a guide.

What holds true for the Scandinavian countries is true in various degrees for the rest of the West as well. Social democracy is leading Europe to disaster and fiscal chaos, as well as keeping them poorer than they would have been otherwise. The welfare state had significantly reduced the growth potential of a large number of Western nations, and made them less rich than they would have been.

RESOURCE: <https://www.youtube.com/watch?v=l5ZhJ71TESc>

Southern Europe (Spain, Portugal, France, Italy, Greece, etc) has been ruined by a combination of Keynesianism and social democracy / third-way socialism (statist interventions, excessive regulations, and redistribution of wealth through a confiscatory class-warfare fiscal policy). They have incurred enormous levels of debts. Their incomes have stagnated, rise in standards of living stunted, stifled innovation, and opportunities have significantly reduced such that their rich and best and brightest flee in large numbers for greener shores.

The same is the case in even the much-lauded Scandinavian countries even though they pursue free markets and free trade.

FURTHER

Debunking of the Scandinavian model

<https://fee.org/articles/the-myth-of-scandinavian-socialism/>

<http://www.thelocal.se/20150711/trust-not-high-taxes-have-made-sweden-a-success-opinion>

<https://vimeo.com/135111099>

Look for Scandinavian Unexceptionalism here:

<http://capx.co/author/nimasanandaji/>

5.5.5 False idea: Most Western countries are either social democratic or socialist

People often conflate welfarism with socialism. ‘Social Democracy’ and ‘Democratic Socialism’ are not Socialism.

While certain economic principles are infallible, economists and politicians are not. In particular, taking the message of liberty to the people is hard work and leaders in many societies have failed to do so. As such, the prevailing consensus in a country generally includes errors and fallacies that have developed over time.

Till the 19th century, mercantilism was the prevailing model for economic development in most parts of the West. Liberal thought incrementally changed it by the mid and late 19th century.

However, after that, the advent of socialism and progressivism gave way to the welfare state and interventionist economic policies. By the middle of the 20th century, many Western societies had forgotten the value of liberty and had started nationalizing their industry. The idea of open markets and free trade is, however, robust and undefeated over the past three hundred years, and even the labour unions have reluctantly accepted it now in most Western countries.

The welfare state is fundamentally a ponzi scheme. It can't sustain for long. It collapses and governments are forced to cut welfare and embrace small government. Even Sweden has seen a significant pull back of its welfare state.

Some basic truths will re-surface regardless of how badly a society is distorted at a given point of time. Basically, there is no free lunch.

5.6 “CAPITALISM INCREASES POVERTY”

5.6.1 False idea: There is extreme poverty in capitalist countries

The argument goes like this:

“Look at America! There are millions of people living in poverty who can't afford healthcare. Cities like Detroit, Chicago, Baltimore, Newark, etc, are run-down and ridden with crime, corruption, and poverty. Many neighbourhoods in American cities such as Bronx in New York look like war zones. Millions in the rust belt find it hard to make ends meet. Isn't this a damning indictment of capitalism in the US, a land which is the Mecca of capitalism?”

But we have seen how the US is **not** the “Mecca” of capitalism. It is a semi-mercantilist economy which ranks No. 17 on Heritage Foundation's Economic freedom index.

Hong Kong, Singapore, New Zealand, Switzerland, and Australia rank much higher as free economies with almost uncorruptible and efficient institutions (unlike in the US). These countries consequently rank among the richest and most developed regions in the world.

Further, there can be many causes of poverty in such wealthy countries, including historical and cultural. With barely four or five generations since the blacks in the USA were emancipated, there are complex issues around some forms of poverty. Sometimes social problems require a much longer time to fix than merely ensuring equality of opportunity.

There is simply no end to progress and the growth of liberty – all these countries have a long way to go to get there.

The poorest members of free-market societies live better now than royalty lived a couple of hundred years ago.

5.6.2 False idea: “Under capitalism the rich get richer and poor get poorer”

It is argued that in capitalism “businesses deny workers their fair share of the profits”.

However, unlike what socialists claim, there is no conflict between labour and capital, as labour can only be productive and useful if capital investment is involved (skills, machines, infrastructure).

Socialist class distinctions such as bourgeoisie (capitalist exploiters) and proletariat (working class) are bogus. They don't exist in the real world. So class-warfare policies derived from them fall flat.

There is no money-making bourgeoisie class which gets fat and rich at the expense of the rest of us. Instead, everyone who works for a living can be said to belong to the 'working class', irrespective of his wealth and income.

Most importantly, there are two things to note: we should be concerned about acute poverty. SBP's model ensures that dire poverty will be eliminated through the NIT-type social insurance program.

Further, it is crucial to note that capitalism lifts all boats: the size of the pie (GDP) expands and new opportunities are created for everyone to take part in. While a rich man can get a luxury home, someone on a low income can still earn enough to get a good quality roof over his head and all basic amenities. His children also have the capacity to become far richer through their own efforts.

Nothing could be more false than this. In a market economy, the rich do not get rich at the expense of the poor. The rich can only get richer by satisfying the needs of the consumer. The only way to do that is to provide higher quality products at a lower price. As such the prices of products and commodities perpetually keep on falling and the quality keeps on improving. The poor stand to benefit the most from this. The middle-class and poor in most countries of the world have been getting more prosperous and better off in terms of their purchasing power, as they have more money to spend.

5.6.3 False idea: Capitalism creates strife between classes

Capitalism is based on human cooperation, not on class distinction.

Those who may be currently better off employ those less better off and both work together to best satisfy the needs of consumers. In most cases, many independent companies across the entire world cooperate to create a final product. To create a smart phone requires the cooperation of thousands of people from around the world and belonging to different religions and cultures, but who were all cooperating with each other in their own self-interest to make a profit.

Any worker who is innovative can easily establish his own factory and prosper. There is no limit to innovation and social and economic mobility under capitalism.

5.6.4 False idea: Free markets exploit workers and the poor

This is a particularly egregious myth based on the Marxist concept of labour theory of value, which is totally false.

Business owners do not exploit the workers by stealing any surplus value. The only reason a worker's productivity is high is because the business owner invests in capital (machines, technology, etc) to support labour productivity. This delivers high wages to workers and greater profits for the business owner. This also drives down the prices of goods and services.

Further, in the free market, consumers is king. Consumers determine – through the price system – what gets produced. The consumer always wants better product at cheaper cost. With this *unrelenting and unforgiving* whip, the consumer drives down prices, helping the poor. As a result, poverty drops, even as product quality and jobs increase. Poverty has dropped like a rock as a consequence of even the minimal liberties allowed in India since 1991, after socialism had brought the country to its knees.

If one cares for the poor, one must necessarily care for free enterprise and free trade. Socialism is the *worst* enemy of the poor.

Free trade – particularly imports – was strongly promoted by Chanakya. But socialists ignore Indian wisdom in favour of some foreign nonsense. Chanakya would have come down hard against the socialists who are blocking free trade and investment in India.

By all means block government monopolies like East India Company, but private businesses that are traded in stock markets are our servants. They don't harm anyone. The more open an economy, the higher its productivity and the more rapidly its citizens leave poverty behind.

Please see discussion on free trade elsewhere in this manual.

5.6.5 False idea: Capitalism doesn't provide basic human needs

Socialists tell us that markets don't provide for basic needs like health, housing, education, and food.

But first, what's a need? Even the concept is rubbery. It is only when people bid *with their own money* that they tell us how something serves their need. Needs are only measurable through the market and can only exist relative to *other* needs. Since each person is different, their needs are different, and differ at different stages of their life. We should avoid the arrogance of determining 'basic needs'.

But even assuming there are some 'basic needs', what empowers a government to rob Peter to pay Paul?

Instead of theft, the capitalist society focuses on equal opportunity, including social insurance. This manifesto provides for an (extremely) frugal social minimum for everyone. We also assure high quality education to the children of the poorest. Education is a ticket to rise above poverty. We don't believe in robbing those who work. We believe in teaching everyone to achieve their highest potential.

Capitalist societies meet human needs far better than socialist societies have ever done. In capitalist societies, there is a huge middle class, well above 'basic needs'.

5.6.6 False idea: Capitalism leads to inequality

It is alleged that capitalism makes the poor poorer and the rich richer. This is *fundamentally impossible* under capitalism.

Markets reward those who satisfy our preferences. If more of us watch Amitabh Bachchan's movies he will become rich. This inequality is entirely moral. The system must reward those who serve us.

Inequality is not an issue.

Moreover, the measurement of inequality entirely fails to take into account social mobility. Data on those who were among the top 400 income earners from 1992 to 2000 were not data on the same 400 people throughout the span of time covered. The people keep changing. The measures of inequality fail to take into account a vigorous change in circumstances of the specific involved. Even over a single lifetime people's individual circumstances can change significantly.

Most people begin their working careers at the bottom, earning entry-level salaries. Over time, as they acquire more skills and experience, their rising productivity leads to rising pay, putting them in successively higher income brackets. Many working Indians whose incomes were in the bottom 20 percent when they were young go into the top 20 percent of income earners by the time they are older.

The only issue is poverty. And because of its commitment to socialism, India continues to have with unnecessarily high levels of poverty.

Capitalist societies focus on equality of opportunity – which helps eliminate poverty. Chandra Bhan Prasad has shown how the Dalits have benefited from liberalization, thus also raising their social status.

5.6.7 False idea: Capitalism involves the theory of trickle-down development

“Trickle-down” is a term used to demean the system of natural liberty. It is a meaningless theory created by Harvard economist Simon Kuznets. According to him, inequality tends to increase during the early stages of development and then decrease later on. “Trickle-down” suggests that as an economy grows, the rich get richer, and then as a few crumbs fall off the table, the poor also become better off.

This is not, however, either demonstrated by data or in any way relevant to development. Under capitalism, wealth does not “trickle-down” – it expands and circulates in increasing, expanding circles. Development is about elimination of poverty and ensuring that everyone is able to reach their highest potential. The very concept of inequality is irrelevant.

Any effort to forcibly “undo” the inequality that automatically emerges from market forces will merely lead to the destruction of wealth and the incentives that create wealth in the first place.

5.6.8 False idea: That the West is “in turmoil” and we have nothing to learn from it

A well-educated Indian recently said that the “turmoil in the west”!

This is an amazingly false observation. Only in India can people believe such nonsense, given that the West is 10 times richer than India and any other socialist society.

What turmoil? Instead, there is rule of law, freedom of expression, freedom of occupation. In the West, corruption is virtually unheard of. Systems and policies are in place to virtually preclude any prospect of corruption. The environment in the West is pristine and beautiful; wildlife preserved excellently.

Yes, nothing is perfect and can never be. So there will be some problems, some history, some baggage, some need for reforms – even in the most modern society. But that doesn’t mean the West is in turmoil.

It is up to us whether we want to continue to make excuses for India’s performance seventy years after independence or we are ready to recognise that we have miserably failed and, thereafter, try to rectify the situation.

5.7 “CAPITALISM IS IMMORAL”

This is the total inversion of the truth. Capitalism is moral in that it is based on voluntary exchange and thus reinforces good behaviour. It is just and moral inasmuch as socialism is unjust and criminal.

At the heart of the market system is the idea of exchange between ordinary, self-interested human beings who seek to advance their interests peacefully in the marketplace.

A taxi driver stops and takes a passenger because he knows that he will get paid at the journey’s end. Millions of transactions in the global economy are conducted daily based on this shared belief and trust.

The market rewards good behaviour. Companies that abide by values are able to attract talent and achieve high performance and market share. The market also quickly corrects bad behaviour by reducing custom of those who do not display trustworthiness.

Good reputation is signals morality. Smart businessmen work incessantly to improve their reputation. Thus markets are not only efficient but they also reinforce good behaviour.

The market system depends ultimately not on laws but on the self-restraint of individuals.

However, there may be a need for a few light handed but well-targeted laws to reinforce good behaviour.

That light-handed intervention is poles apart from the heavy handed obtrusive control of a socialist economy.

One of the common misconceptions is that capitalism is based on “exploitation” of workers. This myth comes from the application of labour theory of value, which is fundamentally false.

See: [Are Markets Immoral? On Popes, Pencils, and Chicken Sandwiches](#)

5.7.1 False idea: Freedom will lead to immorality and depravity

It is argued that freedom will lead to a morally depraved society wherein families are broken, divorces are frequent, parents neglect their children, people are sexually promiscuous and cheat on their spouses, children disrespect their elders, children take drugs and indulge in sex, people become gay and transgendered, overall crime is high, and chaos is rampant

A civilized society is distinguished by its respect for individual freedoms. This makes life liveable and encourages critical thinking and innovation, thereby significantly boosting economic productivity and improving living standards.

Reliance on the freedom of people to control their own lives in accordance with their own values is the surest way to achieve the full potential of a great society.

The only thing we should not allow is direct physical harm to others. That should be punished. The rest is entirely up to individuals to choose.

5.7.2 False idea: Capitalism treats people like commodities

Socialists pretend to be ‘moral’, and allege that free markets exploit women and children.

False, again.

Children

No matter how deplorable the conditions of children during the industrial revolution, it was this capitalist revolution (a very early stage of capitalism) that improved productivity, allowed the poor to save, increased investment and innovation, and allowed parents to send children to school. There were virtually no schools in the West before the industrial revolution. But by 1837 (well before the socialists emerged on the scene), the classical liberal Henry Brougham (a Whig – the foundational classical liberal party), presented a bill for public education in the English parliament. Within years, England achieved nearly universal education of all children. This focus on equal opportunity is the hallmark of capitalism.

Before capitalism, most British children died before the age of five and those that lived were forced to work in farms from early childhood. Today, Western children are healthy and receive a vastly superior education than ever before.

Workers

Worker unions developed in capitalist societies, well before the foolish socialists came on the scene. The Whigs enacted the *Combination Act* in 1825 to give workers the right of

collective bargaining. Occupational safety laws similarly arose well before the socialists came on the scene.

As a result of 200 years of health & safety and collective bargaining, serious worker injury has been dramatically reduced in the West – even as thousands of workers lose their lives each year in socialist India. Employers who are negligent are stringently punished in the West, even as employers escape accountability in socialist India by bribing the investigators, police and politicians.

Workers of India, if you want to keep dying from employer negligence, please stick to the socialists. Else come along to this party.

Women

The freer the market, the more the respect for talent and the opportunities created for women. Mary Wollstonecraft and Mrs. Hensry Reid propagate liberty for women. This was a key issue for classical liberals like JS Mill who helped make women's liberation a legislative reality (earlier they were treated as chattel under the law). Women who want to work or study have more opportunities in Western societies than ever before.

Having said that, it is impossible for societies to change overnight from feudalism to freedom. But capitalism creates conditions that promote liberty, giving everyone an equal chance. The fight for equal treatment for all humans continues (including for gays, transsexuals, everyone), with the classical liberals at the forefront.

5.7.3 False idea: Capitalism promotes selfishness and greed

Capitalism limits any harm that greed might cause by forcing the greedy into non-violent exchange through the market. This forces the greedy to provide value to the party from whom they wish to get some money.

Losses constantly stare at the “greedy capitalist” in the face. Most businesses go bankrupt quickly because they failed to serve their customers. So the “greedy capitalist” works furiously, as if on a treadmill - to serve you. His greed is therefore directed towards useful social ends. Sellers have to compete for our custom by offering goods at the lowest price they can. Consumers always want to buy things at the lowest possible price. There is no scope to pad prices.

Don't believe it? Try an experiment. Become “greedy”, start your own business and charge huge profits - then observe how quickly you are bankrupted. If someone is greedy and therefore takes short-cuts and avoids spending the amount necessary to give his customers a great experience, the customers will abandon him and he will become poor. Being greedy is a sure way to become poor.

Cheating can't take the “greedy capitalist” far either: reputation matters. And the government steps in where cheating occurs. So greed is channelled into productive use.

When has anyone ever accused athletes or entertainers of “greed”? Likewise, when someone produces something that a lot of people want (such as Facebook), he will become wealthy. Not greed but helping others achieve their goals is the way to become rich.

In this regard, legislated corporate social responsibility (CSR) is a bad idea. Countries don't become great through charity. We ask Indian businesses to generate profit in the competitive marketplace. That is more than enough ‘social responsibility’. No doubt there is a role for charity. Most people are charitable. But the key is voluntarism. One can't pretend to be compassionate by using a socialist government to take money from Peter to pay Paul (after keeping a cut). Those who wish to do undertake charity should not use force.

It is socialism that gives total support to the greedy who use the force of government power to become extraordinarily rich – as is readily seen in India with its corrupt politicians, bureaucrats and crony capitalists.

5.7.4 False idea: Capitalism leads to “materialism” and consumerism

Leftists criticise Western consumerism and “materialism”.

Leftists decry consumerism, but it is our love of material goods that leads to innovations which constantly gives us higher quality goods at lower prices. Consumerism is what creates jobs, brings about material and technological advances, and keeps the economy going.

Capitalism is the single greatest force in history to spur technological advances and innovations, alleviate suffering, bring billions of people out of poverty, create healthier prosperous societies, and uplift living standards. We need to embrace pure capitalism and strengthen the institutions that underpins our capitalist way of life, namely free markets, free trade, property rights, rule of law, and an efficient legal system.

But they forget that the welfare of the citizen is the ultimate objective of all societies. This means ensuring that consumers have more choice and at lower prices.

“Consumerism” supports new investment and jobs. It is the engine of advanced societies.

Further, it is not wasteful as the free market efficiently allocates resources optimally through the price system to meet consumer demand. It is socialism and big government that squanders precious scarce resources, not the private sector. They even have the uncanny knack of making abundant resources scarce through price controls and cronyism.

Consumerist societies also foster innovation so that there is never really a finite amount of resources that can be used. New types of materials are constantly invented.

5.7.5 False idea: Capitalism (liberalism) is crony capitalism

Capitalism is the diagonal opposite of crony capitalism.

The rule of law is a necessary requirement for capitalism (i.e. a free market) to exist. As such, the term “crony capitalism” only applies to societies where there is absence of the rule of law.

Crony capitalism is possible only where governments take on the power to directly allocate resource in a society. When markets do the allocation, there are no favours to give.

When there is collusion between private businesses and government, that is definitely not capitalism. It is the complete anti-thesis of capitalism. There is a world of difference between pro-market and pro-business policies. We are not pro-business but pro-market. Only pro-market policies are pro-consumer, pro-choice, allowing *markets* to reward those who serve society.

Most Indian political parties are *selectively* pro-business, often driven by India’s hypocritical socialist electoral system which forces the use of black money. These socialist parties have created corrupt billionaires out of non-entities. Such policies cost us in many ways by restricting market competition. They have led to high prices for sub-standard goods and services. Instead of socialist crony capitalism we need the government to get out of the way of allocating resources. Let markets do that job.

The correct term for the collusion between private businesses and government is “cronyism”.

Capitalism depends on free markets. Crony capitalism in which the government intervenes to choose winners and losers is not about free market but about statism. Big difference! The very opposite of capitalism.

There isn't and can be no such thing as "crony capitalism" since cronyism is impossible under real capitalism. Crony capitalism is a libel created by socialists to slander capitalism.

5.7.6 False idea: Capitalism leads to monopolies

This is a ridiculous charge. Free markets, by definition, require free entry and exit. When a firm makes above-average profits in the free market, it attracts rivals who compete away any super-profits. It is the *freedom of entry* that ensures innovation and the lowest prices for consumers. There are cases where a product is so good that everyone prefers to buy from a single supplier. Further, it should be noted that almost every business exercises a local monopoly due to geographical factors. These are not matters of concern so long as entry is not restricted. The government can have nothing to do with such situations.

There may be some situations in which physical limitations do create significant monopolies, such as with railway lines, water pipes or distribution of electricity. In such a case, appropriate regulation is used to ensure that pricing approaches the pricing of a competitive model.

On the contrary, it is socialist societies that create endow privileges on the corrupt to create private (and public) monopolies. Let the socialists remove the blinkers they have applied on their eyes. Predatory monopolies can only exist when the government props them up by violating the rights of the public. The vast majority of monopolies that have ever existed have been government created.

5.7.7 False idea: Capitalism is excessively competitive

Socialists allege that capitalism leads to 'excessive' competition. This is also untrue.

But competition is natural to mankind. Each of us is a natural-born competitor for scarce resources. Each time you buy a dozen eggs, you are competing with other egg buyers by offering to pay more than other buyers. (This becomes more clear in an auction for a house, when the highest bidder wins.) Egg producers are also competing for your custom by offering the eggs at the lowest price they can. (This becomes more clear when you visit multiple sellers of a computer to find who is selling at the cheapest price).

Socialism destroys this competition and ends up destroying all production. Free markets spontaneously balance the levels of cooperation and competition that are needed to create new products and allocate them across the entire humankind.

Nothing, not even a pencil, can be created without enormous coordination across the entire globe. There is significant cooperation within firms, with specialists who cooperate to produce/trade goods that people want. The level of intra-firm cooperation, which dictates the optimal size of firms, is based on technology, capabilities and all other relevant factors. Not so long ago, many firms were vertically integrated. With information technology, dispersion has become the norm. Firms now outsource component production to small businesses scattered across the world, and assemble the finished product in-house. The market acts like a cooperative orchestra, competitively increasing product quality and reducing costs as the participants work out how they can best satisfy our needs.

5.7.8 False idea: Capitalism wastes natural resources and destroys the environment.

It is socialist management divorced from private property that destroys the environment. Under capitalism producers only produce enough as to supply consumer demand. The knowledge of this demand is conveyed to producers through the price system. There is no unnecessary use of natural resources.

Private ownership under regulated use requirements is the way to go. Wildlife populations actually increase, when you make them private property. The same logic applies to flora and other natural resources. Well-regulated commercial harvesting of wildlife and natural resources for a fee is the solution to sustainable management.

The best way to save the environment is to lease natural resources, wildlife parks, and natural reserves to private entities, but the leases should be regulated to ensure proper usage. There is no need for the government to directly manage any of this.

There are successful and sustainable examples across the world. For instance, Rooipoort Nature Reserve is a highly successful private nature reserve in South Africa. When wild game is given commercial value and made into private property, the locals tend to preserve them and build large robust wildlife populations. Without that, they tend to see them as pests and threats and shoot them down.

An excellent book in this area is Julian Simon's *The Ultimate Resource*. Further, the following quote by Robert Zubrin points out that apart from factual misconceptions, it is antihumanism that is driving these concerns against capitalism:

I've been working on this book for more than thirty years, over which period I've seen time and again how important innovations that could advance the human condition have been repeatedly blocked.

Take **nuclear power**, for example, which is the field of my university degree. In the 1970s, the antihumanists argued that economic growth must stop because fossil fuels are too polluting, and, besides, we are running out of them. We responded that we have enough nuclear fuel to last for millions of years, and it produces no smoke. They weren't interested, and, in fact, they became increasingly militant in their view that nuclear energy must be ruled out.

Antihumanists also said that **population** must be limited because there isn't enough food, although militantly opposing the development or even deployment of higher yielding and more nutritious crops.

In every area it became clear that the antihumanists wanted the problem, not the solution, and ultimately the question had to be asked: Why? As I delved into the matter, it became clear that there was a longer history to all this, and **an ideology, which conceived of humans as destroyers, rather than creators**, and which therefore justified all forms of oppression and tyranny.

If humans are fundamentally destroyers, or, what amounts to the same thing, only "consumers" of natural resources, then their numbers, activities, and liberties must be severely constrained, and someone must be empowered to do the constraining. If, on the other hand, humans are fundamentally creators, then their freedom must be protected at all costs, because freedom is essential to the exercise of creativity.

- Source: <https://www.theobjectivestandard.com/issues/2012-fall/robert-zubrin/>

Further To quote Julian Simon:

“Incredible as it may seem at first, **the term “finite” is not only inappropriate but is downright misleading in the context of natural resources**, from both the practical and the philosophical points of view. As with so many of the important arguments in this world, this one is “just semantic.”

Yet the semantics of resource scarcity muddle public discussion and bring about wrongheaded policy decisions. A definition of resource quantity must be operational to be useful. It must tell us how the quantity of the resource that might be available in the future could be calculated.

But the future quantities of a natural resource such as copper cannot be calculated even in principle, because of new lodes, new methods of mining copper, and variations in grades of copper lodes; because copper can be made from other metals; and because of the vagueness of the boundaries within which copper might be found—including the sea, and other planets.

Even less possible is a reasonable calculation of the amount of future services of the sort we are now accustomed to get from copper, because of recycling and because of the substitution of other materials for copper, as in the case of the communications satellite. Even the total weight of the earth is not a theoretical limit to the amount of copper that might be available to earth. Only the total weight of the universe—if that term has a useful meaning here—would be such a theoretical limit, and I don’t think anyone would like to argue the meaningfulness of “finite” in that context.

With respect to energy, it is particularly obvious that the earth does not bound the quantity available to us; our sun (and perhaps other suns) is our basic source of energy in the long run, from vegetation (including fossilized vegetation) as well as from solar energy. As to the practical finiteness and scarcity of resources—that brings us back to cost and price, and by these measures history shows progressively decreasing rather than increasing scarcity. Why does the word “finite” catch us up?

That is an interesting question in psychology, education, and philosophy; unfortunately there is no space to explore it here. In summary, because we find new lodes, invent better production methods, and discover new substitutes, the ultimate constraint upon our capacity to enjoy unlimited raw materials at acceptable prices is knowledge. And the source of knowledge is the human mind. Ultimately, then, the key constraint is human imagination and the exercise of educated skills. Hence an increase of human beings constitutes an addition to the crucial stock of resources, along with causing additional consumption of resources.

Source: <http://www.ce.cmu.edu/~gdrg/readings/2007/09/27/Simon.pdf>

5.8 “CAPITALISM LEADS TO DEPRESSIONS”

There is another argument commonly made. The recurrence of periods of depression and mass unemployment has discredited capitalism in the opinion of injudicious people. Yet these events are not the outcome of the operation of the free market. They are on the contrary the result of well-intentioned but ill-advised government interference with the market.

On the contrary, it’s often government that causes an economic crisis or depression. Governments promise freebies and no-consequence social programs, based on diversion of responsibility. For instance, they promise equal housing and equal benefits — socialist programs sold as good business that eventually lead directly to financial crisis and collapse. In other cases governments may create economic recessions by fostering malinvestment in a particular economic sector (for example, housing market in USA’s 2007 recession). The

USA tried to encourage a home ownership through a range of policies which led to bad loans.

An economy can function, thrive, and progress without serious unemployment, inflation, and recession if (a) monetary policy is stable and sound, (b) government's role is fiscally responsible and limited to being a referee, not a player, (c) taxes, controls, and regulations are kept to a minimum and (d) people are free to pursue their own self-interest.

In general, business "cycles" are not crises of capitalism but created by government intervention.

5.8.1 False idea: Capitalism leads to war

Nothing could be farther from the truth! Countries that are closely economically linked through free trade are unlikely to go to war. It is only countries that don't trade with each other that are likely to go to war.

War entails consuming massive resources for military mobilization, assault, and defence. It doesn't make economic sense.

Socialism is economic planning which entails the militarization of the economy. Centralizing economic power leads to conflicts.

Free trade is anathema to warmongering politicians.

More details: <https://fee.org/articles/socialism-is-war-and-war-is-socialism/>

5.8.2 False idea: Capitalism is a form of feudalism

Capitalism is the economic form of individualism which treasures freedom. It is comprehensively incompatible with caste and feudalism. Capitalism and caste are enemies, whereas socialism and caste are bed-fellows. Even the low level of freedom available in India is supporting the rise of the Dalit middle-class and millionaires.

See also:

<http://www.cato.org/blog/how-capitalism-undermining-indian-caste-system>

'<http://economictimes.indiatimes.com/opinion/interviews/in-capitalism-you-can-buy-a-mercedes-and-hire-a-brahmin-driver-chandra-bhan-prasad/articleshow/21209892.cms?curpg=2>

<http://archive.indianexpress.com/news/capitalism-is-changing-caste-much-faster-than-any-human-being.-dalits-should-look-at-capitalism-as-a-crusader-against-caste/1127570/>

<http://www.outlookindia.com/magazine/story/capitalism-will-turn-caste-order-into-a-relic/296952>

5.8.3 False idea: Capitalism leads to imperialism

Imperialism originated from the feudal era, with its kings and wars of supremacy. It originated in the era of mercantilism in which economic goals was to enrich the state and expand empire. It should therefore be considered to be the offshoot of feudalism and monarchy.

Capitalism originated later and had nothing to do with imperialism. Indeed, imperialism was condemned by liberals (who supported the advent of capitalism) like Adam Smith and Thomas Macaulay. Capitalism originated much later and had nothing to do with imperialism.

The initial imperialist countries, Spain and Portugal, relied on exploitation of bonded labourers and plunder of resources in their colonies. They became relatively poor by the

19th century as they lacked sound institutions, open economies and entrepreneurial trading cultures. They did not become capitalist, and remained largely feudal.

Contrary to popular belief, imperialism was not profitable (save for Netherlands and Belgium), and made no economic sense as there were no gains to be made. It cost imperial powers more to maintain their empires than they could recover.

Empire did not enrich Britain. Instead, it enjoyed increasing prosperity after it let go India. It is clear that Britain's prosperity was not founded on the exploitation of India. So also for France, Holland, and other colonialists.

Likewise, America's success did not depend on slavery or imperialism. It grew because of trade.

See this youtube video: <https://www.youtube.com/watch?v=5wy4Sigqd3A>

5.9 "FASCISTS WERE CAPITALISTS"

Fascism had nothing to do with capitalism. It was a nationalist and mercantilist quasi-socialist system that had its origins in leftist thinkers like Hegel and Marx. Fascists were admired and accepted by the Left as one of them until the outbreak of World War II, after which they tried to distance themselves from it. The rhetoric and ideology of the left and fascists was the same, except that socialists were internationalist whereas fascists were hyper-nationalists. As a result, the Nazis called themselves "National Socialists" to distinguish themselves from "Bolshevik International Socialists".

Hitler said clearly that National Socialism was based on Marx. Marx's error, Hitler believed, was to foster class war instead of national unity. Hitler's aim, as he described to his economic adviser, Otto Wagener, was to "convert the German Volk to socialism without simply killing off the old individualists" – by which he meant the bankers and factory owners who could, he thought, serve socialism better by generating revenue for the state.

Authoritarianism was the common ground between socialists of both National and Leninist varieties. Both stuck to each other in prison camps or before firing squads. Each faction loathed the other as heretical, but both scorned free-market individualists as beyond redemption. Their battle was all the fiercer, as Hayek pointed out in 1944, because it was a battle between brothers.

<https://www.youtube.com/watch?v=HzA7QomW4kY>

5.10 "PEOPLE WANT SOCIALISM SO THEY MUST GET IT"

This implies that majoritarianism is justified. But democracy that is not constrained by a constitution ends up destroying private property and freedom.

SBP believes that democracy is not a blank cheque to crush people's rights.

Part 3: Selected topics in economics

6. Selected topics in economics

It is strongly recommended that before reading this chapter, everyone in the party read *Seeing the Invisible: Economics for Children* by Sanjeev Sabhlok. It explains the price system and incentives – is the foundation of all knowledge about the economy. The book can be downloaded from <http://efc.sabhlokcity.com>.

IGNORANCE ABOUT ECONOMICS CAN BE FATAL, JUST AS IGNORANCE OF HYGIENE CAN BE FATAL.

Economics trips up most people since its conclusions are often counter-intuitive, e.g:

- “selfishness” and self-interest create the best results for society
- good intentions almost always create bad results
- minimum wages harm the poorest of the poor
- government regulation to prevent monopoly creates monopolies
- imports assist a society more than exports (i.e. exports are a cost and imports are a benefit; the specific jobs lost to imports are not the only employment consequences of trade)
- economic inequality lifts the poor
- domestic producers protected by government from competition have diminished, rather than intensified, incentives to improve efficiencies of their operations

Economics is like chess - only more complex. It involves working through an initial action, then reaction - not just by one person but reactions of potentially tens of other people; then once again, their further actions and reactions.

6.1 The puzzle: how does a market work

On entering Paris, which I had come to visit, I said to myself—here are a million human beings who would all die in a short time if provisions of every kind ceased to flow toward this great metropolis. Imagination is baffled when it tries to appreciate the vast multiplicity of commodities that must enter tomorrow through the barriers in order to preserve the inhabitants from falling a prey to the convulsions of famine, rebellion and pillage. And yet all sleep at this moment, and their peaceful slumbers are not disturbed for a single instant by the prospect of such a frightful catastrophe.

On the other hand, eighty departments have been laboring today, without concert, without any mutual understanding, for the provisioning of Paris.

How does each succeeding day bring what is wanted, nothing more, nothing less, to so gigantic a market?

What, then, is the ingenious and secret power that governs the astonishing regularity of movements so complicated, a regularity in which everybody has implicit faith, although happiness and life itself are at stake?

That power is an absolute principle, the principle of freedom in transactions. In a free market, the consumer is the king. – Bastiat in Economic Sophisms

6.2 Economic way of thinking

The way the economy works is not simple and obvious. Economics is often counter-intuitive. Policies which sound well-meaning and are good intentioned may have unintended consequences. Good intentions do not necessarily translate into good results. In fact, the way to hell is paved with good intentions.

Policies must always be judged by their outcomes rather than the intentions of its advocates. This means that learning the economic way of thinking is absolutely crucial to all members of SBP.

See: <https://www.youtube.com/watch?v=uJVEyNwNPI8>

6.2.1 Human behaviour and incentives

Economics is about understanding human behavior – and incentives that drive human action. The economic way of thinking is based on the laws of human behaviour, bolstered by empirical evidence.

6.2.2 Rule of law

A market cannot operate freely and successfully without the rule of law. It is the pursuit of one's own self-interest which makes the economy run, but can also lead businessmen to cheat or collude to form cartels. Without strong rule of law to keep this in check, the economy will get derailed.

6.2.3 Property rights and the tragedy of the commons

A government's fundamental role is to protect rights, without assurance of which, markets cannot function.

One of the key arguments in favor of private property and against socialism is the Tragedy of the Commons. People will over-use and destroy the resources, and there won't be enough for future generations.

The tragedy of the commons comes about as follows. Imagine a pasture open to use by all. With open access, each herdsman will try to feed as many cattle as possible on the commons, because the pasture is a free good. This kind of arrangement may work more or less satisfactorily so long as wars, disease and poaching hold down the numbers of man and beast below the carrying capacity of the pasture. Eventually, however, the day of reckoning may arrive, when wars, disease and poaching can no longer hold down the numbers of man and beast, and overcrowding becomes a reality. At this point, the limited carrying capacity of the commons relentlessly results in tragedy.

As a rational being, each herdsman acts in his own self interest. More or less consciously, he asks, "What is the harm to me if I add one more animal to my herd?" Since use of the pasture is a free good to each herdsman, they have no hesitation in adding more and more animals to graze on the pasture. Therefore each herdsman keeps adding cattle to the commons, until overcrowding turns the once-fertile pasture into a bare and barren wasteland. Then all herds and their herdsman face starvation. When access is free to everyone, no-one limits his use of the scarce resource, and everyone becomes ruined.

This same problem afflicts other shared resources. For example, lakes, rivers and oceans become fished out because of excessive catches that wipe out most of the fish. In similar fashion, wild animals may eat and trample the crops of farmers, so that the farmers turn to hunting and killing these wild animals. After the animals are wiped out, tourists stop coming on safari to see the wild life, and the farmers find that the demand for their crops has dried up because the tourist business is dead.

How can this problem of “the tragedy of the commons” be avoided or solved? It has been successfully solved by converting the commons into private property. For example, if the commons was put out to auction, and the winning bidder could now charge grazing fees to users, then there would be no more “free good.” The private owner would not allow his property to become over-grazed, and herdsmen would limit their use to what they could afford to pay. This solution has been successfully used in Africa, where the ownership of wild animals have been awarded to village chiefs. In order to stimulate safari tours, the chiefs hire villagers to protect the animals from poachers, and to keep the animals out of the farmers’ fields. As a result, the animals are kept in the wild, the farmers sell their crops, and tourism flourishes, bringing money to the villages.

Key points:

1. **When property is owned by everyone, it is cared for by no-one.** Public ownership is not economically efficient, and can lead to “the tragedy of the commons.” But with private ownership and secure property rights, property is efficiently used, to everyone’s benefit.
2. **When access to a resource is free, that resource will be overused.** In a world of scarcity, nothing is really free. As economists like to say: there is no such thing as a free lunch.

6.2.4 Respect for the producer

It is through respecting the son of a barber who produces wealth that the world started getting rich. The social dignifying or honouring of those who contributed as industrialist made everyone an innovator. Innovation was respectable, for the first time in human history.

This is a great insight provided by Deirdre McCloskey.

6.2.5 Respect for the role of the “middleman”

Middlemen are important participants in markets, because they serve several purposes, such as facilitating contacts between buyers and sellers, and reducing transaction costs. Middlemen are not parasites.

6.2.6 Seen/ unseen: broken window fallacy

The objective of economics is to see the invisible, the unseen.

Going to war may increase GDP temporarily but it is not going to increase productivity and involves diverting resources away from productive uses.

Even infrastructure must be well targeted. Governments love to burn taxpayer’s money on unnecessarily infrastructure projects and unnecessary renovation of infrastructure. They believe that such measures will create job and spur economic growth. In reality the economic growth so generated is useless unless infrastructure specifically addresses a critical bottleneck in the production chain.

Likewise: the more animals you eat, the more animals are produced.

6.2.7 Key take-aways

The following are examples of important economic principles:

- **Value is subjective:** Labour theory of value is wrong.
- **Price system:** It takes into account everyone’s local information including preferences and budget constraints.
- **Self-interest:** The invisible hand coordinates everything because of people’s self-interest, not their “public interest”/ altruism. Capitalism is about enlightened self-

interest. Systems based on altruism (for instance socialism) are bound to fail as they ignore the role of incentives and idealize human nature. People behave rationally in matters of pure (direct) self-interest. But their brains become confounded by complexity, such as the effects of various people's self-interest on society. Then they imagine the worst, and fail to understand how individual self-interests check each other and neutralise any ill-effects on each other. Each time they exchange/ trade, this neutralisation is on display. Both parties gain. Both parties don't get as much as they want. But hard to understand this, it would seem.

- **Incentives:** In order to understand human behaviour, it is crucial to understand incentives. No one acts or behaves without a reason or purpose.
- **Importance of private property rights:** communal ownership of land is a bad idea. A typical example is the "problem of the commons" in which farmers allow over-grazing of the common grassland in the village since people are collectively responsible for regenerating grass, and then that happens, no one is individually accountable.
- **Humans are the ultimate resource.** People are an asset, not a liability. This has been discussed in *Seeing the Invisible*, but important to understand in detail since ignorant people make a lot of stupid assumptions about their fellow human beings.
- **Consumption:** As Adam Smith said, "Consumption is the sole end and purpose of all production".
- **Money is not wealth.** Money is not the same as wealth. A society is only wealthy if it has an abundance of goods and services.
- **Cost Benefit analysis.** Despite the many weaknesses of this methodology, conducting a social cost benefit analysis of a public policy is likely to show us its strengths and weaknesses.

6.2.8 Profit a NOT a "dirty" word

Profit is a beautiful word. A country that turns profit into a dirty word will face ruination.

In his official biography JRD Tata (one of India's greatest industrialists) reported that "Nehru once told me 'I hate the mention of the very word profit'. I replied: 'Jawaharlal, I am talking about the need of the public sector making a profit.' Jawaharlal came back: 'Never talk to me about the word profit; it is a dirty word.'"

At around the same time, Lee Kuan Yew in Singapore was telling his people that "You make profit into a dirty word and Singapore dies."

This difference in perspective was at the core of the difference between the two leaders. And it also lies at the core of the difference in the performance of India and Singapore over the past 70 years.

If someone still survives this competition it tells us that he is providing the goods at cheapest possible price. Profit (*shubh labh*) is the best indicator of service. We want businesses to become profitable in the free market. That can only happen if they serve their customer's needs.

Customers buy a product only when they can extract equal or more value than the cost price. If a company sells soap for Rs 10, with Rs 8 being the cost of production, then some buyers may value it at least Rs 10, others possibly more (say, Rs. 12). The company's profit (Rs.2 per bar of soap) only partly measures the social value created (say, Rs.4). The additional value obtained by many customers (Rs.2) is known as consumer surplus.

It is crucial to remember that the free market is really a profit-and-loss system-and the losses are equally important, because they tell the manufacturers what to stop producing.

6.2.9 Entrepreneurship and risk

Without the capitalists taking huge risks to serve their society - using their own money (often their own house being put on mortgage) society would never make any progress. The risks are huge. Capitalists don't just make profits. A good number of businesses fail and the capitalists make huge losses in the process.

6.2.10 Creative destruction and innovation

Free economies are innovative economies. Closed economies and socialist economies can never innovate in a sustained way (they are forced to spy on capitalist societies).

It is competition which forces businesses to constantly innovate, thus improving quality and quantity while lowering prices. New products come out to serve the existing markets or create new markets. This creates jobs and the improvement of productivity leads to increases in the real wages of workers.

6.2.11 Comparative advantage

Even if one person is superior at producing everything, even so he benefits from cooperating with the inferior partner. For example, a master chef benefits from hiring subordinates to chop vegetables and prepare the other ingredients, even if the chef could have performed these tasks better than the employees. This is because "outsourcing" the tasks to the inferior workers frees up the chef's time and allows him to concentrate on those areas in which his advantage is greatest. [STUDY GUIDE TO HUMAN ACTION by Rob Murphy].

Consider Jack and Jill who are shipwrecked on a desert island. Fortunately there are coconut palms on the island and clams to be gathered on the beach. Jack can pick 12 coconuts in an hour or find 10 clams in an hour. Jill can pick only 9 coconuts in an hour, but she can find 14 clams in an hour.

Clearly Jack is better at picking coconuts, and Jill is better at catching clams. Therefore, both are better off if Jack specializes in picking coconuts while Jill finds clams. Jack's skill at picking coconuts is what economists call his comparative advantage, and Jill's comparative advantage is her skill at catching clams.

Since each has specialized, they will trade coconuts for clams.

6.2.12 Misuse of "market failure" argument

The state is just people, as human as the rest of us. They have incentive and calculation problems that lead to resource misallocation and creates market distortions. Government failure leads to market failure.

There is an unnecessary rush to "market failure" concept, e.g. see:

<http://cafehayek.com/2015/11/economists-should-be-more-like-biologists.html>

In fact, government failure is much greater than market failure. As Milton Friedman said: "If you put the federal government in charge of the Sahara Desert, in five years there'd be a shortage of sand."

6.2.13 Bad ideas masquerading as "economics"

Three areas of economics are fundamentally false and demand more government intervention:

- Marxian economics
- Keynesian economics
- Behavioural economics/ nudge economics

6.2.14 Mercantilism is a really bad idea

The prevailing economic view in the West in the eighteenth century was mercantilism. This involved extensive government intervention to increase exports and reduce imports. It involved regulations, exclusive monopoly franchises, trade barriers and manipulations to “guide” commerce and industry in ways considered favourable by government. Some of these controls did result in high profits for favoured firms, but they did nothing to increase the nation’s wealth.

Adam Smith saw these barriers creating profit for a few at the expense of the many. He wanted reduction in government intervention to allow individuals to pursue their own welfare.

Protectionism is bad for the economy, hurts job growth, and negatively affects consumers (restriction of choices, lower quality, and higher prices).

6.2.15 What are the party’s views on Gandhian economics?

SBP is not the advocate of any individual’s economic vision. We represent the best economics the world has ever produced. We take into account Chanakya, Adam Smith, Ricardo, Friedman and Hayek, among others. But mostly we care for hard-nosed detailed analysis of economics that is tested and proven.

6.3 How nations can become wealthy

The various factors which result in a country becoming rich and prosperous, basically boils down to having a highly skilled and well-educated workforce, efficient and non-corrupt governance institutions that provide public goods, independent non-corrupt judiciary, impartial world-class legal system, strict rule of law, secure property rights, low taxes, sound money, free markets, free trade, and limited government. All of these factors combined generate an unprecedented amount of wealth and makes labour enormously productive, leading to high incomes and high living standards.

If India were to fix its systems of governance, it would benefit from the elimination of poverty and dramatic improvement of living standards. India would leapfrog to the level of the most developed countries in less than a generation.

This is not rocket science. This knowledge has been in the public domain for decades. In this modern age, there is simply no excuse for poverty and poor governance at all.

6.3.1 How can poor countries become rich?

Poor countries like India can adopt basic principles from successful countries and leapfrog towards First World status. This knowledge is in the public domain and has been out there for over two centuries. There is no excuse for poverty in any part of the world.

The following factors create the environment for wealth generation:

- a highly skilled and well-educated work force
- efficient and non-corrupt governance institutions, independent non-corrupt judiciary, strict rule of law
- strong property rights
- low taxes and small government
- sound money
- free markets
- free trade.

6.3.2 How does capitalism create wealth?

Capitalism thrives on competition between various suppliers of a service or commodity. The suppliers struggle to attract customers and good employees. This free competition leads to innovation, constant improvement of product and service quality, reduction of product and service costs, and higher wages for employees.

The free market enables people of different ethnicities, religions, regions and countries to cooperate. They may not know each other and might even hate others as a group, but the incentive to earn a profit compels them to cooperate. Take the production of a smartphone. It is one of our primary tools of communication. Its components come from all over the world. Its display might be made in Japan, its camera might be made in Vietnam, its microphone might come from Austria, chip from France, the memory from South Korea, the battery from China, and the software from all over the world.

A free market capitalist economy is the engine of prosperity and innovation. It can uplift a nation from the worst kind of poverty to the highest degree of material affluence.

6.3.3 What is directly related to wealth in high income countries?

Higher labour productivity. In a market economy, people earn commensurate with their level and quality of output. This means that certain countries have relatively higher incomes than others. In a well-regulated free market economy, one's earnings are commensurate with one's quality of output.

Real productivity comes from improvement in human capital, technology and organization. The fewer the unnecessary barriers to trade, entrepreneurship, and wealth-creation and the better the human capital, physical capital, infrastructure, and governance institutions, the better the productivity of labour.

While productivity is the direct (proximal) cause of wealth, it is ultimately driven by the level of freedom in a society.

6.3.4 How long will India take to become an advanced country?

Instead of choosing liberty, India's main political parties have chosen socialism. Not only do they place innumerable obstacles on our liberty and violate all principles of good policy, they have institutionalised deep-rooted incentives for corruption within our governance system. As a result, India's governments cannot deliver even basic services, such as police and justice.

Seventy years of socialism has left India with grinding poverty: Mumbai awash in slums, trains crammed to capacity with hundreds travelling on roofs. Investors see a country trapped in a medieval mind-set, with its *khap panchayats* that forbid girls under 18 from using cell phones, and people who agitate to be 'backward'. Investors see turmoil, whether it is people killed for eating beef (or for merely transporting cattle) or jailed for speaking out, or for making caricatures of public figures.

There is no doubt that India's socialist system has caused us to reach this state of affairs.

6.1 Trade

6.1.1 Wealth grows through trade

The key to prosperity is freedom of occupation, which includes the freedom to trade.

Men need the help of others to obtain the goods and services they need. They do this by exchanging the surplus they have (including their labour or goods) for things they need, such as bread, eggs. These exchanges constitute the market.

In the market everyone gains. Everyone comes out ahead. Anyone who buys a cow for one lakh rupees does so because he considers that, for him, the cow is worth more than the money he pays for it. Otherwise he would keep his one lakh rupees.

Consumers patronize those shops in which they can buy what they want at the cheapest price. Their buying and their abstention from buying decides who should own and run the plants and the farms. They determine precisely what should be produced, in what quality, and in what quantities. Consumers rarely care about where a product is produced (even assuming anything can be produced exclusively by a single producer in a single place). They care about price and quality.

The government should not interfere with trade between producers and consumers unless either of them are harming someone (or the environment) in the process. This is a general free trade principle and applies both within and outside a country.

For international trade, people generally tend to get very confused. That is because they bring in entire countries into the picture. But that is not the case in real life.

In real life, each international transaction, whether it be buying, selling, borrowing, or lending across a national border involves a willing party on each side—importers want to purchase goods from sellers abroad, lenders want to lend to borrowers abroad, and so forth. Each party to the transactions expects to benefit by entering into it. People should be left alone to make the transactions they wish to make in anticipation of benefiting thereby. If each transactor benefits, how can the nation as a whole suffer?

Of course, sellers of domestically produced products may well suffer when consumers import goods, but such suffering is the same as any such suffering from changes in consumers' purchases due to competing domestic products. The market is designed to serve the consumer, and the government (our servant - never forget that) cannot tell us where we should buy our goods from.

6.1.1.1 How do barriers to trade destroy wealth?

To see what would happen if boundaries were imposed, imagine a situation where everything brought to the market needs to go through “octroi”, “customs”, “checkposts”. Everything that producers and businesses do needs to be “approved” by a bureaucrat.

Let us assume that these costs become higher and higher, till they effectively become a prohibition. We can see how production and trade would come to a standstill. No one would produce things if they cannot exchange them with others.

Without production and trade, there is no possibility of creating wealth.

The same situation applies to international trade.

6.1.2 Why should there be absolute freedom of trade and investment?

A nation which seeks to become prosperous must unilaterally pursue a free trade policy with the rest of the world, with no investment barriers and no trade barriers including zero tariffs and no customs duties. Free trade makes local industries highly competitive, and forces them to innovate, improve quality, and lower prices. Free trade boosts our purchasing power by making high-quality products from around the world available to us at cheaper prices.

No country can be self-sufficient in every industry. The businesses in a country may specialize in certain industries, while importing the rest from other countries.

Concerns about trade deficits is pointless, as trade happens between people and not countries. A country cannot have a trade deficit as countries don't trade with each other, people do.

Imposing tariffs is harmful for one's own citizens. It also causes other countries' governments to retaliate with tariffs of their own.

The government should not interfere with trade between the producer and consumer. Countries don't trade with each other. People do.

The government has no business to interfere in the private free actions of its citizens.

If other countries subsidize their exports, then they are essentially reducing our costs and boosting our purchasing power at their taxpayer's expense. We should welcome that.

6.1.3 Why is unilateral international free trade the best policy for a country?

Countries don't trade with each other. People do. Trade has no boundaries, and putting boundaries around trade merely harms those who put those boundaries. The government should be blind to the origin of the producer of a commodity.

The unequivocally best position for any nation is unilateral free trade. Even if other nations are stupid enough to impose barriers on trade, let us never do so. This means zero barriers to foreign investment and zero tariffs or customs duties.

Free trade not only allows people to produce in vast quantities by broadening their market, it allows innovation and creativity to flourish. Consumers benefit getting high-quality products from around the world at low prices. For developing countries like India, open trade is essential for acquiring products and technologies unavailable at home.

6.1.3.1 But trade is "unfair"

Some raise the bogey of "unfair" trade. But international trade is fundamentally fair. It benefits both sides of the trade (else it would not exist). Claims about "unfair trade" by protectionists are gratuitous and self-serving.

6.1.3.1 Myth: Other nations are our rivals

It is a folly to look at other nations as rivals. To do so is a form of mercantilism and betrays utmost economic illiteracy. The international economy is not a fixed pie and not a zero-sum or negative-sum game.

For instance, even China and Pakistan – who have created significant security concerns for India – are not rivals but our co-dependents. A prosperous China and prosperous stable Pakistan is in our best interest. Their becoming rich (even as we become rich) and trading with us would create windfall gains for India.

6.1.4 Myth: Free market advocates assume that everyone must follow free market policies

Free trade is so good that unilateral free trade is the best policy. It is not necessary for others to follow free trade policies in order for one's citizens to benefit.

6.1.4.1 What if India exports milk but if USA stops importing milk? Then won't India end up with surplus milk?

It is not the country as a whole that produces milk but various businesses that do so. Businesses invest after assessing the returns to their investment, and take appropriate risks

and make appropriate plans. Businesses adjust their plans continuously to changing market situations. Even if they undergo a temporary setback while adjusting their production to changing market circumstances, that is not the business of government to get involved in.

Note that American citizens will suffer if USA stops importing milk. They will now need to buy milk at high prices from domestic producers.

6.1.4.2 But what if US government subsidises its milk producers? Would they Americans still suffer?

Any subsidy to American milk producers necessarily comes by taxing American citizens. They naturally end up paying for these subsidies indirectly. There is no magic wand.

6.1.4.3 What about dumping or subsidies for exports?

If a country subsidises its exports to us, then it are essentially reducing our costs and boosting our purchasing power at their taxpayer's expense. We should welcome it.

6.1.5 Should the government prevent the rampant growth of middlemen?

No. Everything that we consume has "middlemen". Nothing – not even a pencil - can be created by any single person. Every aspect of a production and distribution process involves specialisation and risk. Only those who are good at a particular aspect of the production and distribution process are able to risk their money to operate that part of the process.

Thus, someone is good at growing vegetables, so he risks his money on production of vegetables. But he is not necessarily good at also selling them in the market in a distant place. Each part of the production and distribution process involves local specialisation which no single person can provide.

Only a certain number of links in the great chain of production and distribution can be mastered and operated efficiently by a single people. Beyond some point, other people perform the next step more cheaply or more effectively. Newspapers seldom, if ever, own and operate their own news stands, nor do furniture manufacturers typically own or operate furniture stores. Most authors do not do their own publishing, much less own their own bookstores. Middlemen continue to exist because they can do their phase of the operation more efficiently than others can.

6.2 Economic planning

6.2.1 Should the government plan the economy?

No! No human being is able to understand the details of the economy and the individuals that operate it. Hence no one can design perfect policy. There will always be unintended consequences of any man-made policy. In any event, planning simply can never work.

The economy is not a military organization that can run by command and is not something that is amenable to planning. When fallible humans take it upon themselves to direct the economy, it always causes trouble by distorting the incentives which drive human behaviour and distorting prices that convey information about demand for and supply of goods and services.

Government "planning" is not an alternative to chaos. It is a pre-emption of other people's plans.

It is customary to call the point of view of the advocates of the welfare state the "social" point of view as distinguished from the "individualistic" and "selfish" point of view of the champions of the rule of law. In fact, however, the supporters of the welfare state are

utterly anti-social and intolerant zealots. For their ideology tacitly implies that the government will exactly execute what they themselves deem right and beneficial.

They favour planning, but what they have in mind is exclusively their own plan, not those of other people.

Individuals are best placed to understand and work out ways to solve their problems (not necessarily by themselves - the market enlists a vast array of strangers in solving our individual problems.). Further, everybody must have the right to choose which problems they will solve, for they know there is a cost to solving problems.

Resources such as time and money are scarce and have alternative uses. There is no escaping trade-offs between various uses to which we can put these resources. The number of things that are beneficial vastly exceeds what any nation can afford. That is why both individuals and organizations must weigh trade-offs all the time. The problems that get solved are those where individuals perceive the highest benefits relative to the costs.

The question is whether a government is better placed to decide where we should spend our money, or whether we are better placed to spend our own money.

Even the socialists agree that the market allows the views and desires of millions of people to be well-balance. Engels said that “what each individual wills is obstructed by everyone else, and what emerges is something that no one willed”. There is a tussle taking place across the market between what individuals want and what they are willing or able to produce. This competition and tussle feeds its way into our everyday life through prices, which determine the balance between what is supplied and what is demanded.

This is a critical adjustment, without which there would be significant distortions at every step. No single planner or government can possibly balance the trillions of transactions that take place daily in a society.

In a centrally planned economy, rational economic calculation is impossible. In the absence of private ownership of the means of production, attempts to allocate resources efficiently must fail. Without market-determined prices for goods and services via free exchange it is impossible to establish prices that reflect actual conditions. Without prices that are grounded in reality, the production and consumption relationship becomes distorted. In the absence of the natural corrective mechanism of market-determined prices, oversupply and scarcity conditions extend out to absurdity.

It is obvious, therefore, that there is no hope of government planning a society. The only way to balance everything is to foster a free market where everyone is able to communicate their goods and services, and preferences, to each other.

The knowledge needed to generate prosperity is not contained in a single mind, it is dispersed among many minds. The free society creates the incentives for each individual to utilize his or her own particular bits of knowledge. Tacit knowledge can only be gained through what Kenneth Arrow later called “learning by doing.” Tacit knowledge can certainly not be accessed by centralized problem-solvers.

In any given area, the individual who has the knowledge to produce what customers want most is the one chosen through market competition to be the producer.

Freedom to choose is a powerful engine in rewarding the world’s best problem-solvers in each area, while getting rid of the inept problem-solvers.

In the market economy the consumers are supreme. Their buying and their abstention from buying ultimately determine what the entrepreneurs produce and in what quantity and quality.

The planner is a potential dictator who wants to deprive all other people of the power to plan and act according to their own plans. He aims at one thing only: the exclusive absolute pre-eminence of his own plan.

No one understands either the economy or the individuals that operate in an economy. Hence no one has the capacity to design perfect policy. There will always be unintended consequences. And planning can never work.

A competitive free market economy, facilitated by regulatory efficiency, promotes greater productivity and ensures better-organized allocation of resources than do systems of central planning.

6.2.2 Should the government intervene in the economy to stimulate demand and kickstart economic growth?

Keynesianism is wrong! It is savings and production – and not spending and consumption – that make an economy grow. The production of useful goods is solely what matters for sustainable economic growth.

For instance, spending to fix the infrastructure increases the GDP but it is not productive growth. Even though infrastructure projects and renovation of infrastructure can assist productivity, sometimes these are done excessively or in the wrong place. The production of useful goods is solely what matters to create GDP growth.

Keynesian policies have failed everywhere they have been tried because they are fundamentally flawed. Economic “stimulus” is a dangerous idea that always increases the time of recovery from a recession.

Increased public “investment” (unless it is on critical infrastructure or core functions) often comes at the cost of private investment. It crowds out private investment since it is based on the same money which is taken away as taxes instead of being put to use in production.

Higher government spending directly leads to inflation if it is financed by borrowing. The government gets more to spend but the public now has less (through depreciation of the rupee). Higher government spending is therefore matched by lower private spending for consumption and investment.

While private investment is subject to the forces of the free market and therefore reflects individual preferences and maximises economic growth, public investment comes from a top-bottom approach, based on the whims and fancies of some government politician or bureaucrat.

Alternative question: “What should the government do to get the country out of an economic recession or depression?”

6.2.3 Does the government have any role in preventing monopolistic behaviour, preventing the formation of monopolies, and breaking up existing monopolies?

Anti-trust laws are counter-productive as they tend to invariably harm competition. Competition laws are bad as they hamper business freedom. Monopolies can only exist through government support and not in a free market. In a free market, monopolies last only temporarily before they are outpriced and outcompeted in quality and innovation by new startups.

6.2.4 What about predatory pricing?

There is no such thing as “predatory pricing”. Traditional businesses see protections against “Predatory Pricing” by competitors such as Uber or Amazon. They assume that by some godly blessing they were given birthright to be a taxi-aggregator or e-Commerce player and that their interest must be “protected” by government..

They do not care about people of their industry or customers. They want to make it costly for competitive players to function by using the state to impose restrictive regulations on them.

Most people see pricing strategy as something detached from market mechanism. It’s not. It’s not the case that some CEO is rolling a dice in his posh office and decide prices for the day. Absolutely not. Prices are directly linked to demand and supply. In any industry like taxi-aggregation for instance – with more competition, the prices will further fall.

Predatory pricing theory persists because well-placed individuals and organizations that benefit from accusing others of engaging in predatory pricing will use their resources to keep the theory alive.

When price itself is dynamic and not a constant, how can one determine “predatory price”? There is no “predatory price” of anything. There is only “price”. Whether a company makes profit or loss depends on their pricing strategy. Consumer use price discrimination to decide which product to buy. The roots of “predatory price” lie in socialist protectionist theory that espouse “market failure”. “Predatory prices” are like the tooth fairy. They do not exist, simply because “price” by nature is subjective, not objective and it’s variable, not a constant in time-space. To prove that the price of a product is “Below Explicit Cost” is a futile exercise.

It is thus clear that such vested interests will use every tool at their disposal to push socialist controls and regulations against open competition that hurts their interest – from emotional machinations about “disadvantaged section” to espousing the bogus canard of “predatory pricing”.

6.3 Jobs

6.3.1 Politicians promise jobs but government can’t really create jobs

There are two types of jobs:

One, *jobs within government*, that provide a support structure for the economy. To the extent the government has an essential role in providing backbone services for a society’s existence, some of such jobs may be essential and must be supported. But we must not forget that any such jobs are an impost on society and can quickly detract from the creation of real, i.e. productive jobs. Each government job is paid for by citizens through taxes. Each such job displaces production and productive jobs. A government must maintain only as many jobs that are needed to run its core functions.

Two, the real and productive *market jobs*. Only the free economy creates real productive jobs. In India, socialist governments have often over-reached and created obstacles for job creation by business, even as they have expanded unproductive government jobs.

We must abandon socialism and adopt liberal policies. India needs to become a free society, a land of opportunity. This will require radical overhaul of the education system and freedom to do business, including increasing the flexibility of labour laws. Without that, the number of jobless youth will continue to grow, with explosive repercussions for the country.

In any event, “job creation schemes” are useless and an utter waste of money. The government cannot create market jobs. The economy is a dynamic, organic system that creates jobs in response to supply and demand. The private sector creates in areas where society directs it through the profit signal. Any unprofitable exercise comes to an end while a profitable activity will be supported by society.

The best way for this signal to reach businesses is for governments to get out of the way. Workers don’t need government to “get them jobs.” They need government to get out of their way.

6.3.2 How will SBP ensure sufficient well-paying jobs for everyone?

The government can only facilitate the creation of jobs through sound economic policies and good business-friendly public institutions.

Every month, nearly 10 lakh children turn 18 in India, so at least 10 lakh new jobs are needed each month. But only a small fraction of this are being created. Jobs growth in eight labour intensive industry sectors is now the lowest since 2009.

Jobs are not created by governments but by the people. Jobs are created when governments support markets through the rule of law, property rights and essential infrastructure to make it easy to do business. But today, Indians are prevented from working by regulation, corruption and dismal infrastructure. They are forced to spend precious time in navigating a maze of government imposed restrictions.

Jobs also need workers to have the required skills. But the youth are not being imparted the essential skills. According to The Economist, only 60 per cent of ten year old students are able to complete work at the level of a five-year-old. More than half cannot subtract. Employers tell us that India graduates millions, but too few are fit to hire.

Unfortunately, the current government is neither letting people work, nor giving workers the skills they need.

Unless India’s anti-business policies are urgently reformed, the youth will increasingly take to the streets. The youth have started agitating for government jobs since the private market is essentially defunct. Worse, many are getting radicalised since they have too much time on their hands.

6.3.3 Automation, AI and modern technology will destroy millions of jobs. Should the government ban businesses from replacing people with robots?

Technological advances that put people out of work are a necessary consequence of increase in human knowledge and innovation. Human productivity has been continually enhanced over the past 300 years. At one time nearly everyone was a farmer. Today, in the West less than 1 per cent people work in the farm but produce far more food than the whole world needs. Tens of millions of agricultural labourers were freed from back-breaking labour and migrated to cities to create wealth in many other ways, by becoming knowledge workers.

If the only goal in society is to forcibly maintain existing jobs, then technology can be violently suppressed so the jobs of tomorrow are the same as the ones today. Clearly, such a world would be extremely poor – apart from being blood stained and violent.

There will always be jobs available as long as human beings have needs. A demand for services will always exist. As old jobs are lost, new jobs are created to satisfy new needs.

Just like human ingenuity has no limits, so also human wants have no limits. So long as we ensure sustainable development, we have nothing to worry.

So no, there is no case for a government (our servant) to stop us from becoming productive.

6.3.4 Should government stop inter-state migration since these people take away local jobs?

No. The number of jobs is not fixed. The economy is not a zero-sum game but a dynamic, organic system that creates jobs in response to supply and demand.

The number of consumers in a state increase when migrants come in, which creates more jobs for locals that. Migration makes the local economy more competitive and boosts productivity and wages.

Even in cases where wages in a particular sector are temporarily driven lower due to competition, lower wages lead to lower costs and increased productivity, which then flows on into a higher quality of life.

6.3.5 Should Indian companies be forced to operate in India, to save local jobs?

No. Businesses must have the freedom to move production to the most cost-effective place. Lower costs of production translate to lower prices for all consumers, including Indian. The savings from these decisions create new jobs in other industries.

Forcing businesses to remain in India would destroy many potential jobs. Failing that, the businesses will close down in order to avoid getting out-priced from the industry and bankrupted due to uncompetitively high prices of their products.

Such a policy will deter foreign companies from setting up shop in India, because it will be politically hard to close their business. This will again destroy a lot of potential jobs.

6.4 Prices

6.4.1 Why is the price system the most wonderful way to coordinate everything?

Knowledge is decentralized in each of us. Each of us has our own personal knowledge of time and place (and that is often tacit). Therefore, planning and control over resources should be decentralized so that people can take advantage of those forms of knowledge.

However, to make sense of our knowledge we need a little bit of other people's knowledge. Decentralization is necessary but not sufficient. People must have access to the relevant knowledge that other people have so that they can form better plans. This knowledge is provided by the price system.

Prices enable people's individual knowledge to sufficiently overlap so that our plans get coordinated. This tells a farmer that his 50th goat is "surplus" – for others value it more than the farmer values it for his own family. Therefore he can give it away for something he values more.

The price system is the ultimate driver of coordination in human society.

As Milton Friedman said:

"Fundamentally prices serve three functions. . . . First, they transmit information. . . . This function of prices is essential for enabling economic activity to be coordinated. Prices transmit information about tastes, about resource availability, about productive possibilities. . . . A second function that prices perform is to provide an incentive for people to adopt the least costly methods of production and to use available resources for the most highly valued uses. They perform that function because of their third function, which is to determine who gets what and how much—the distribution of income." [Friedman, Milton. 1988. "Market Mechanisms

and Central Economic Planning.” In *Ideas, Their Origins, and Their Consequences* by G. Warren Nutter. Washington, DC: American Enterprise Institute for Public Policy Research: 27–46.]

6.4.2 Should the government control prices?

Prices not only ration existing supplies, they also act as powerful incentives to cause supplies to rise or fall in response to changing demand. In a free market, supply and demand would cause prices to rise where goods are in short supply and fall where they are abundant.

Price controls are essentially lies about supply and demand. They always distort the market and harm society. Governments try to decree and to enforce maximum commodity prices and minimum wage rate. Prices, wage rates, interest rates, and profits are dealt with as if their determination were not subject to any law.

Property, prices and profit/loss make economic calculation, hence production possible. They provide a guide amid the bewildering throng of economic possibilities.

Government control over prices creates market distortions. Price floors cause surpluses and price ceilings cause shortages. On the other hand, under the free market exactly as much of a good or service is produced as is needed for consumption.

6.4.3 What if prices are forced lower than the market price?

Consider the case of a price ceiling, when a government keeps a price artificially low (such as through rent control). In this case those who receive a lower than expected price will over-use the product. Making anything artificially cheap usually means that it will be wasted, whatever that thing might be and wherever it might be located. But those who receive less than they expect from selling the product will reduce the supply. The net result is scarcity that makes things much worse for society.

Fixing prices lower than the market clearing price will create shortages, black markets, product quality decline, and a reduction in auxiliary services. There is no known case in human history when that has not happened.

6.4.4 What if prices are forced higher than the market price?

Or consider where a government raises a price artificially high (this happens with minimum wages) through a price floor. This tends to cause more to be supplied and less to be demanded. The result is a surplus, whether the price that is set artificially high is that of farm produce or labour. Making it illegal to pay less than a given amount does not make a worker's productivity worth that amount—and, if it is not, that worker is unlikely to be employed. In the case of minimum wage we get a surplus of labour – i.e. those whose services are not demanded.

The unemployed are made idle by wage rates artificially set above the level of their productivity. Those who are idled in their youth are of course delayed in acquiring the job skills and experience which could make them more productive—and therefore higher earners—later on. That is, they not only lose the low pay that they could have earned in an entry-level job, they lose the higher pay that they could have moved on to and begun earning after gaining experience in entry-level jobs. Younger workers are disproportionately represented among people with low rates of pay.

Moreover, there is a severe inequity involved in the idea of forcing prices higher than they would otherwise be. Let us assume momentarily that everyone “deserves” “a living wage” or “a decent standard of living.” then why don't those who think that way supply these things? If it is “society's” responsibility to see that no one falls below some economic level,

then why don't we raise the taxes and pay for that level? Why is someone who runs a print shop or a bakery more responsible for other people's economic level than someone who works in a thousand other occupations? Why single out employers to dump this responsibility on?

Only by letting the market clear prices can we get a situation where there is no scarcity and there is no surplus. And there is justice.

6.4.5 Fears of deflation are unfounded

6.4.6 What about price gouging and surge pricing?

People are particularly alarmed when someone "exploits" consumers during an "emergency".

6.4.7 Alternative to prices: rationing

When a society interferes with these price signals, by curtailing free markets in favor of centralized planning, price signals are lost. Then supply and demand become uncoordinated and the results are shortages and surpluses.

Rationing by quota is inefficient because it restricts personal freedom to choose, and it results in corruption, crime, black markets, and other ways to game the system.

6.4.8 Alternative to prices: Price ceilings (e.g. rent control)

Price ceilings always cause shortages, because prices cannot rise when there are shortages in order to call forth greater supply. Rent control has been imposed in New York City and in Santa Monica, CA. In both cases the result was that landlords cut back on maintenance of rental buildings, and ceased to build more rental units.

"after hurricanes in Florida destroyed houses and blew off roofs, there were lengthy shortages of building materials needed for reconstruction. If prices had been allowed to rise, supplies of building materials would have poured into Florida, attracted by the higher prices, and the shortages would have soon been eliminated, with prices then falling back to more normal levels. People displaced from their homes could have speedily rebuilt and moved back home. But the anti-gouging laws caused shortages of building materials that often lasted as long as a year or more, and greatly slowed recovery from the disaster."

6.4.9 Alternative to prices: Price floors (e.g. support price, minimum wages)

Price floors also are well-intended, but inherently harmful. One example of a price floor is the minimum wage. Setting a minimum wage is intended to protect unskilled workers by providing them with a "living wage." That is the visible idea. But what actually happens is that employers of unskilled workers find that the increase in the minimum wage now makes it more expensive to hire unskilled workers. So employers cut back on hiring, fire less productive employees who are no longer worth their increased pay, and search out substitutes for unskilled labor, such as outsourcing jobs to developing countries where labor is less expensive, or hiring illegal immigrants, or purchasing machines that can do the work more cheaply.

As a result, the lowest-skilled workers lose their jobs, and go from low pay to no pay. The very lowest-skilled workers that the minimum wage was supposed to help, end up unemployed and unemployable. In some countries where the minimum wage is relatively high, such as France, youth unemployment is as high as 40%, and there are no baggers in the

supermarkets. The French have to bag and carry their own groceries because the high minimum wage has rendered baggers unemployable and unaffordable.

Another form of price floor is agricultural price supports. Farmers are subsidized to grow certain crops. These subsidies on top of market prices cause farmers to increase their crop production, resulting in agricultural surpluses. These cannot be sold, and are left to rot in government storage, or burned, or otherwise inefficiently wasted.

6.5 Welfare, redistribution and inequality

Welfarism entrenches poverty, creates inter-generational dependency, and engenders ever-expanding parasitism. Poverty is proven empirically to reduce through economic freedom.

6.5.1 Should we aim for economic equality between people?

All of us are born different and due a range of variations in intelligence, work ethic, aptitude and circumstance, we attain different results. Some will earn much more than others.

But just because results are different doesn't mean anybody can take from us and give to another. That is theft. There is no basis to infringe upon anybody's right to do or keep anything pertaining to themselves so long as they are not directly and physically harming others.

Trying to make everyone equal is a fool's errand. It is not inequality that is of concern, but whether everyone is able to get a reasonably equal opportunity through education and rules that give everyone a chance to succeed. What matters is opportunity and social mobility.

The ideal of economic equality is also dangerous; it underpins violent ideologies like communism.

The thing that should concern us is extreme poverty. SBP is committed to eliminating (not just ameliorating) extreme poverty within three years.

6.5.2 Should government transfer wealth from the rich to the poor?

There is no free lunch. For society as a whole, nothing comes as a "right" to which we are "entitled." Even bare subsistence has to be produced—and produced at a cost of heavy toil. So there is no automatic entitlement to anyone else's labour.

Redistribution of wealth is state-sanctioned theft. Coercive redistribution of wealth is immoral. No society ever thrived because it had a large and growing class of parasites living off those who produce.

But there is a reason why a social insurance scheme of the sort that SBP stands for is justified; however, any such payment cannot be more than a minimal level of top-up.

BP is committed to eliminating (not just ameliorating) extreme poverty within three years.

6.5.3 Should government re-distribute our money?

Everyone is entitled to distribute their wealth to others voluntarily, if they so wish. But there is no basis for anyone (leave alone a government) to seize this wealth and try to redistribute it to others.

Government can distribute only what it first taxes away from the productive efforts of individuals. Such re-distribution is nothing but theft (a crime), for by giving resources to someone who did not earn that resource, the government necessarily deprives somebody else of something that he did earn. Those whose property is taken are denied the freedom

to use the fruits of their own labour. Those who get this stolen property are forfeiting the most important reason for living: the freedom to be responsible for self.

It is fundamentally immoral for the government to give to one individual or group the fruits of the labour of others. The whole idea of re-distribution, which is endemic to the socialism mindset, is criminal. It is pure poison.

A government must never redistribute our wealth.

In fact, the term “income distribution” that is used in the economic literature is tendentious. It starts the economic story in the middle, with a body of income or wealth existing somehow, leaving only the question as to how that income or wealth is to be distributed or “apportioned”.

If there really were some pre-existing body of income or wealth, produced somehow—manna from heaven, as it were—then there would of course be a moral question as to how large a share each member of society should receive.

But wealth is produced. It does not just exist somehow.

Most people receive income as a result of what they produce, supplying other people with some goods or services that those people want, even if that service is only labour. Each recipient of these goods and services pays according to the value which that particular recipient puts on what is received, choosing among alternative suppliers to find the best combination of price and quality—both as judged by the individual who is paying.

The government must use the money **we** give it for its basic functions and stop then and there.

Indeed, there is evidence that the government often takes money from the poor and giving to the rich. This is what happens each time when someone demands that university education should be made free for all. That basically involves taking from the poor and giving to the rich since those who are educated in universities will, on average, earn much more than others.

Instead, we need to apply a means test for all support. Only the poorest of the poor must receive support through the government, and that support must form part of a well-thought out social insurance program.

6.5.4 Since most people inherit land and put in no effort to acquire it should government redistribute it to the poor?

We own ourselves and the fruits of our labour. This includes ownership that is passed on through generations, for our children are the fruits of our labour and we can lavish whatever attention we wish on them. This is our basic biological birthright.

SBP believes that human incentives are badly distorted if a government steps in to limit the transfer of property within families. The property is the result of people’s labour and has already been taxed. Thereafter there is no basis to tax it further. This includes any land that may have been so passed on. Therefore, SBP opposes any ceiling on land and considers the land ceiling laws of India to be a blatant violation of the fundamental right to property.

An argument is made that inheritance stifles responsibility and individual effort. The government (our servant) cannot make determinations about how we raise our children. While there may be some examples of irresponsible children arising through large inheritance, there are numerous examples otherwise, as well. That is not the business of the government but of parents.

The principle here is that something that has been already taxed cannot be taxed again. The citizen has already paid his due share for running the government, and cannot be asked to pay again after his death. This is also true of any land during the acquisition and maintenance of which the citizen has paid the necessary taxes.

It is also irrelevant to the government (which is our servant) whether the owner of the land puts it to “productive” use. The owner of the land can put it to whatever use he or she wishes, since not putting it to productive use will harm the owner himself, and he must bear the consequence of not putting it to productive use. This is the same as someone not putting his talent and brains to good use. The human mind is the ultimate resource, and we do not question how a person uses himself or his talents.

Having said that, it is an expectation that with free markets, there will be natural incentives for people to put all resources (including land) to good use and it is expected that talented persons will find a way to produce useful products, regardless of whether they own any land

Part 4: SBP policies and how will they work

7. General principles of liberty

Before reading this chapter, it would be worthwhile to read Sanjeev Sabhlok's [The Discovery of Freedom](#).

7.1 Rights and freedoms

7.1.1 What are rights and why is a “right to food” not a right?

Liberty may be a “natural right” in theory but it can only be realized only within an organised state which is capable of preventing gangsters from killing and robbing us.

But it is not enough for a state to protect us from “other” gangsters. Throughout history it is rulers themselves who have turned into the worst gangsters by breaking the law they may make. In India it is very common today for the makers of laws to become the biggest breakers of these laws.

Controlling the power of the state is therefore the biggest single challenge in civilised society. It is the establishment of a strong rule of law which hinders such an eventuality. The establishment of the rule of law is done through the legal protection of our “natural” rights.

These rights (also called “human rights”) are a social contract that constrains government. They exist in opposition to the government – they constrain imposed by us on the government.

It is important to emphasise again, that rights do not exist in isolation: these are purely restrictions on government, so a government does not encroach on our basic liberties.

Citizens are sovereign and the government they create is their servant. Every human should be left free to live life as he pleases, subject to his not harming others physically.

The idea of rights arose from the wars that people waged over hundreds of years against the misuse of power by government. The 1689 Bill of Rights in England and the American Bill of Rights (which is the first ten amendments to the United States Constitution) are illustrations of rights. Freedom and liberty always mean freedom from police interference.

The Constitution of India protects us first and foremost against oppression by the government of India. We are protected from the use of arbitrary power or action by government. That is the core function of rights.

This idea of rights is therefore very limited. It derives from our innate right in our life and liberty and our defence against arbitrary curtailment of these freedoms by the government.

Rights are only negative, not positive. We have the right not to be subject to forceful violation of our liberties. For instance, freedom to own, use, and dispose of property, freedom of speech, freedom of religion, freedom of occupation, freedom to do business, freedom to keep your earnings, freedom to eat whichever food you like, freedom to use drugs, etc. We own ourselves and the fruits of our labour. This includes ownership that is passed on through generations, for our children are the fruits of our labour and we can lavish whatever attention we wish on them. This is our basic biological birthright.

A government cannot stop us from our rights to thought, expression and action so long as we don't physically harm others.

Unfortunately, rights have become an all-purpose term used for evading both facts and logic by saying that people have a “right” to whatever the socialists want to give them by taking from others.

Let us remember – that anything that does not arise from our fundamental opposition to arbitrary interference from government is not a right. There is therefore no right to food or to education, since this does not involve any opposition to misuse of power by government. Such “rights” are merely wishlists.

7.1.2 Freedom of speech and the right to offend

We believe in the right to speech that is non-violent. Thus, a direct threat to violence is not protected, nor speech which misleads and can cause physical harm (such as someone calling “fire” in a crowd when there is no fire).

As far as giving offence is concerned, it is impossible to give offence. Offense is only ever taken. Someone says or expresses something, the listener evaluates based on his belief system and in some cases, takes offence. No such speech is universally offensive, some might believe they are speaking the truth. In such cases, it is the choice of the listener to either not take offence, or switch off listening to the speech, or counter the speech with alternative facts.

The crux of the matter lies in the level of physical control over one’s actions. What distinguishes ugly words from physical assault is that the victim of assault has no reasonable degree of control over how hurt he can get. With assault, the perpetrator chooses the degree of harm. With speech, the listener chooses the degree of harm. The listener has complete control over how he or she responds. The most that the listener can do is to counter the speech with alternative facts which might “offend” the original speaker.

Speech can never be offensive *per se*, because it cannot possibly harm anyone physically, and there is complete control that the listener exercises.

SBP does not therefore see any role for government in controlling speech that does not directly cause violent harm.

Further, we cannot have a free society without open discussion and expression of ideas, including dissent.

So long as dissent is not suppressed, there will always be someone who will put ideas to the test of argument. This interaction of individuals, possessing different knowledge and different views, is what constitutes the life of thought. This questioning is unpleasant (even “offensive”) to those who are wedded to the mainstream ideas.

Therefore people have a right to be offended, but they have no right to force government to do anything about it. It’s OK to be offended and react (e.g. refuse to engage further with the offending person) as long as coercive power of the state is not used to gag such “offensive” speech.

If a government steps in when people get offended, that would put an end to all discussion and regress human civilization to the dark ages. Civilized people prefer dialogue and debate whenever possible. In a free society, people have a right not to be violently attacked or coerced. But they don’t have the rights not to have their feelings hurt.

7.1.3 Why shouldn't government ban things that "hurt the sentiments" of a community – e.g. cow slaughter, books or movies that disparage religions

This follows from the above. There is no obligation in any free society for anyone to worry about the "sentiments" of others. People are expected to have differences and there is no expectation that everyone agrees to the same thing.

Further, there can be no role for government in such matters. A government is our servant. A servant cannot, and should not, have the power to stop the master (the people) from believing or saying what he wishes.

Only when anyone directly (physically) harms someone or threatens to harm, should a government step in.

7.1.4 What is freedom of association?

Freedom of association must be absolute on one's private property. We should have the right to discriminate even in an "offensive" manner in our own house or in a business that we own.

7.1.5 Is death penalty a violation of one's right to live?

7.1.6 Do children have equal rights as adults?

7.1.7 Is privacy a fundamental right?

7.1.8 Should the government ban discrimination in the private sphere?

For example, if a person refuses to rent his apartment to a person of a particular religion or if an employer pays male employees more than female employees for doing the same job, should the government get involved?

As with free speech, the true test for one's commitment to freedom of association does not come when one permits people to voluntarily associate in ways that he deems acceptable. The true test is when he permits people to associate in ways he deems offensive.

As long as a person does something with himself or something he owns, nobody, absolutely no one, has right to force a person to act in a particular way as long as his action pertains to himself or the property he owns. It is an individual right being exercised over individual property. It is nobody else's business. Definitely, the government cannot get involved.

If a golf club, fraternity, or restaurant were not to admit me because I'm a "black" person, I would find it offensive, but it's every organization's right to associate freely.

If a restaurant refuses to serve food to a particular kind of person, that would be within its right. So also if a home owner refuses to rent his home to a particular kind of person.

These may well be extremely offensive actions, but we can only educate and implore such persons to change. We cannot use the power of the state to force them to change.

On the other hand, a public library, public utility, or public university does not have a right to refuse me service, because I am a taxpayer.

7.1.9 Is the use of torture and extrajudicial killings by police or armed forces justified?

7.1.10 Is mandatory immunization an attack on liberty?

7.1.11 Over 14 lakh Indians are currently being held in slavery and bonded labour. How will SBP rescue them?

This issue is of fundamental importance but can only be resolved once India's governance system becomes trustworthy. This is going to be the first step to rescuing those in slavery and bondage.

7.1.12 What is economic freedom?

Economic freedom is an essential part of human freedom. It involves individuals decide for themselves how best to achieve their dreams and aspirations.

Nations with higher levels of economic freedom prosper because they are able to capitalize on the knowledge and ability of all individuals. The free-market system provides a framework for organizing, without coercion, the skills, talents, and effort of individuals toward the production of the goods and services most in demand by their fellow citizens. For society as a whole, this generates dynamic economic growth and promotes innovation through the efficient allocation of resources.

In addition, policies that promote freedom, whether through improvements in the rule of law, the promotion of efficiency through competition and openness, or suitable restraints on the size and economic reach of government, create a conducive environment to find practical solutions to a wide range of economic and social challenges.

Countries can boost economic growth by increasing economic freedom through policies to reduce tax, rationalize the regulatory environment, open the economy to competition and fight corruption.

Equally important are the things that governments should not do. Policies that subsidize specific industries, impose one-size-fits-all central planning, attempt to buy growth through government "stimulus" spending, or rack up excessive debt by accumulating budget deficits are highly counterproductive. The economic distortions such policies reduce efficiency, productivity, and ultimately growth.

Economic freedom is about much more than the business environment in which entrepreneurship and prosperity can flourish. Economic freedom empowers people, unleashes powerful forces of choice and opportunity, gives nourishment to other liberties, and improves the overall quality of life. By giving people greater control of their daily lives, economic freedom nurtures self-reliance and the acquisition of varied skills and resources.

Freedom in the economic sphere encourages individual initiative and promotes decentralized decision-making throughout society. It nurtures precisely those personal attributes that allow individuals to challenge entrenched interests. The dispersion of power in a well-functioning market system best accommodates diversity. Perhaps the greatest benefit of the free-market system is that it provides a peaceful organizing principle for pluralistic societies.

To get ahead based on merit and hard work, citizens need a system that maintains non-discriminatory markets, allocates resources impartially, and rewards individual effort and success. That is the recipe for economic freedom—and for the opportunity to escape poverty and build lasting prosperity. No alternative system—and many have been tried—

comes close to the record of free-market capitalism in promoting growth and enhancing the human condition.

The undeniable link between economic freedom and prosperity is a striking demonstration of what people can do when they are left to pursue their own interests within the rule of law.

Economic freedom always leads to prosperity. A free market economy is based on property rights, rule of law, and unhindered exchange of goods and services for mutual benefit. There can be no free market if the government restricts this exchange through wage and price controls, tariffs against competition, excessive and senseless regulations, subsidies to different groups, and so on. Thus a government that refrains from restricting economic freedom is an automatic result of the free market economy.

In a free market economy, there's also private ownership of all resources and all means of production and distribution. True, it's possible to have a form of private ownership under a dictator—Hitler, for example. But it's impossible to have a free market economy under dictatorship. When a group of producers are controlled or enslaved (or even exterminated), only a madman could refer to it as an economy wherein all peaceful persons can produce whatever they wish to produce.

When the market economy exists, the government automatically assumes the position of “night watchman.” The government then becomes merely an organization (a mechanism) we use to preserve the peace, to keep out criminals and foreign armies, and to make sure there's no organized effort to disrupt the workings of a free people, freely trading with each other on mutually acceptable terms.

In a competitive market economy, there'll be all the prosperity there can be. Any restrictions imposed upon it will automatically result in less prosperity than could be. Countries that veer towards free-market capitalism, with economies open to global trade, investment, and financial markets, do better than those that are protectionist or that shun economic linkages with others.

Policies that promote economic freedom, whether through improvements in the rule of law, the promotion of efficiency and openness, or suitable restraints on the size and reach of government, therefore provide the environment that can best inspire people to develop practical solutions to the economic and social challenges that confront our world.

The free-market system that is rooted in the principles of economic freedom has fueled unprecedented economic growth around the world. As the global economy has moved toward greater economic freedom over the past two decades, real world GDP has increased by about 80 percent, and the global poverty rate has been cut in half, lifting hundreds of millions of people out of poverty.

Achieving greater overall prosperity that goes beyond the materialistic and monetary dimensions of well-being is equally important. The societal benefits of economic freedom extend far beyond reductions in poverty. Countries with higher levels of economic freedom enjoy higher levels of human development in terms of life expectancy, literacy, education, and overall quality of life. Governments that choose policies that increase economic freedom are placing their societies on the path to more education opportunities, better health care, and higher standards of living for their citizens.

Economic freedom facilitates innovation and better environmental protection. The positive link between economic freedom and higher levels of innovation ensures greater economic dynamism in coping with various developmental challenges by spurring a virtuous cycle of investment, innovation, and dynamic entrepreneurial growth.

7.1.13 Should people have the right to seek euthanasia?

SBP is in principle supportive of euthanasia as an option for those in extreme pain. However, the Indian governance system (including medical) is extremely corrupt and cannot be relied upon to make judicious decisions.

Only after India's governance system has been fixed, should this question be considered, along with relevant checks and balances.

7.1.14 Should government prohibit "vices"?

Criminalization of vice only serves to create a black market that benefits criminal elements and promotes disregard for the law.

7.2 Justice

7.2.1 Social justice

This concept is meaningless since justice can only be related to each specific individual. See details in Sanjeev Sabhlok's [Breaking Free of Nehru](#).

7.3 Separation of state and religion

7.3.1 Why is it important for religion and state to remain separate?

The right to live, work and worship according to one's faith is a fundamental freedom. Everyone must have the freedom to profess and maintain his or her opinion in matters of religion. The issue of religion is intensely private.

On the other hand, the role of the state is limited to the physical harm that people may cause others.

Nobody is harmed by someone eating beef or not praying five times a day or reading The Last Temptation of Christ. The state therefore cannot make any law regarding these private beliefs and matters. Religion should be purely left to the individual.

When rules are imposed for a purpose other than preventing harm to others, then we have effectively become a slave to government and religion, instead of being sovereign as masters.

The belief that religious and government institutions should leave each other alone is also an expression of the essential need for tolerance for all beliefs. Without a firm separation of the two, the government could well tell believers and religious institutions how to practice their religion, thereby violating their freedom of religion.

On the other side, laws that confirm religious practices or beliefs could put a nation on a path toward repressive theocracy. The beef ban has crossed the line and has set India on the dangerous path of becoming a theocracy. Indeed, the votaries of the ban demand a "Hindu" India. If that were to ever occur, it would rent the fabric of this ancient nation.

While religion may well inform the ethical beliefs of our politicians, religious doctrine must never be established as law.

The state and religion are distinctly different domains. Citizens in a free society do not delegate any power to the state on matters of religion. Religion can never be the business of the state.

The state must be entirely non-denominational. It cannot ask citizens about their religious beliefs or 'caste'. The government must, at all times, be 'religion-blind', 'caste-blind', 'tribe-blind', 'language-blind'. It is an umpire, not a proponent.

Likewise, a government must not recognise 'religious minorities', since everyone must have equal protection under the law. Creating specific 'minority' rights violate the principle of equal treatment.

7.4 Democracy

7.4.1 Can a majority vote to curb liberty of minorities?

The main reason a government exists is to protect our liberties. Else we don't need a government at all. We can get everything done through private contractors.

So the idea that a government should allow anyone to vote against our liberties is completely contrary to the purpose of a government.

7.4.2 Should there be a uniform civil code and a ban on practices such as triple talaq and polygamy?

SBP's policy on the uniform civil code is clearly explained in its manifesto.

Religious obligations on families are outside the scope of a government's jurisdiction. That is a basic principle of a liberal state: the separation of state and religion. Even in non-religious personal arrangements about marriage, there is fundamentally no role for government. Families should be able to structure themselves without violating the life or liberty of family members or others. A marriage contract or sacrament is a matter of personal taste about which the state can have nothing substantial to say.

The only role a state can have in regard to any of these matters relates to establishing norm-setting minimum standards of accountability. These could include minimum standards for outcomes (such as a minimum age of marriage, minimum maintenance requirements upon divorce and minimum inheritance requirements in absence of a will) and reasonable minimum specifications about the process of signing up to (or revoking) long term personal relationships, for instance, a minimum "time for reflection" for marriage or divorce.

All citizens would need to abide by the legislated minimum standards of accountability even as they are free to comply with the expectations of their individual faith (or other beliefs).

We do not agree with the UCC. The minimum standards of accountability that SBP recommends must be mandatory, but these should largely be outcome based – not prescriptive – leaving it to the citizens to work out how they wish to achieve them.

With regard to the issue of triple talaq, the reasonable minimum restrictions on the process of signing up to (or revoking) long term personal relationships can include a minimum "time for reflection" principle.

Different countries have experimented with different minimum time for reflection and their experience should be taken into account.

The detailed process of divorce is, however, far less relevant from a government's perspective than the outcomes of divorce, particularly whether all parties involved (including children) are free from harm.

8. The role of government in a free society

8.1 Limiting the role of government

8.1.1 Why should we always be afraid of government?

Statism is government coercion. All collectivist ideologies like socialism (including fascism) and ultra-nationalism (like Hindutva) rely on forcibly reducing the freedoms of others. They do so not through persuasion but by using the government as their intermediary.

Statism has always been the world's most dangerous religion. Nationalists, social conservatives, leftists, and theocrats of all faiths worship the state and seek to use the monopoly of force granted to the state for the purpose of advancing their narrow agenda.

Worship of the state is the worship of force. The worst evils which mankind ever had to endure were inflicted by governments.

We must be very cautious about what we allow governments to do.

8.1.2 What is meant by rule of law?

Strict rule of law is a critical and vital ingredient for a society's success, without which all of the other components can't function. Rule of law means that rules that govern a society are made according to general principles and not according to the personal whims of "rulers", further, that these laws apply to everyone equally. No one is above the law.

Justice requires that the law privilege no person or group, or create special laws for 'special' groups of people. Everyone has equal rights. Furthermore, the functionaries of government should comply with, and disclose precisely how their decisions are compatible with these general rules.

The rule of law needs laws which are simple to comprehend and prohibits interference by government in matters in which no one is physically harmed (no matter how "immoral" such matters might be). The laws should limit the personal discretion of government officials and zero tolerance for corruption and abuse of power.

The rule of law needs to be supported by an effective machine to enforce private contracts and protect property rights. Law and order must be maintained through an autonomous, non-corrupt, and impartial police force. There must be quick delivery of justice through an independent, non-corrupt, and impartial judiciary.

Rule of law requires separation of powers. It divorces legislative and judicial functions from the executive and hands them over to the legislature and judiciary respectively.

8.2 What should the government do about the various anti-freedom laws in our Constitution and laws?

A government's job is to defend the liberty of every citizen, while addressing the harm caused by any irresponsible exercise of liberty. The general principle to be followed is – *Does this activity cause any physical harm to others?* If the answer is yes – then there is a case for *well-targeted* regulation, else not.

Among other things, SBP is committed to the legalisation and regulation of prostitution, gambling, most drugs, firearms. It will also revoke all bans on media material and literature, with the exception of those that advocate violence.

8.2.1 Targeted regulation of alcohol

A government's role must be limited to addressing any harm that people cause others, for example, driving when intoxicated or domestic violence, not harm they may choose to cause themselves.

Chanakya's *Arthashastra* details how alcohol can be regulated. But India's own history and that of other free countries can also provide useful insights. One way is to tax liquor, keeping in mind that if *desi* liquor is taxed heavily, the poor may switch to illicit, often toxic, liquor. Breath tests of drivers should be regularly undertaken, with revenues generated from fines defraying the cost of these tests. Those who harm others should be made to pay; not those who use alcohol responsibly.

Excessive consumption of alcohol by someone in the privacy of their home can sometimes become a social issue. Social organizations should provide scientific information to the community on the harms of excessive drinking. The consumption of alcohol followed by the operation of heavy machinery (a car, a factory tool) can lead to immense harm of other individuals. Targeted regulation of such consumption is necessary.

Broad-brush rules such as banning alcohol 500 metres from a highway will be ineffective (this will merely drive the drinking underground).

8.2.2 Consumption of beef

The consumption of beef however, causes no physical harm to anybody else, and therefore should be free of regulation.

It is legitimate to ensure that animals consumed as food are killed in as painless a manner as the state of knowledge permits. However, beyond that, there can be no role for the state in regulating food.

8.2.3 De-criminalisation of homosexuality

Homosexuality does not cause any physical harm or impinge on other individuals' rights and the government (our servant) can have nothing whatsoever to say or do about it.

Further, from the scientific perspective, homosexuality has long been proven to have a significant biological (i.e. genetic) component. Criminalising homosexuality is a throwback to the time when ignorant prejudice ruled the world.

In 2013, the Supreme Court upheld this obnoxious section of the IPC. The party believes that was an inappropriate decision. A government can have no role in people's bedrooms in matters of consensual sex. Section 377 is a direct assault on citizens' liberty and privacy. Such a perspective on human behaviour is inappropriate in a day and age when India must actively promote the scientific attitude so it can prosper on the foundations of scientific knowledge.

Gay couples that wish to live together in a marriage-like relationship, should legally be able to do so. It may be inappropriate, however, to term such a relationship as 'marriage', to distinguish it from traditional heterosexual marriage.

8.2.4 Remove the excessive power of government over TV channels

In 2013, the Supreme Court upheld this obnoxious section of the IPC. The party believes that A key concern is that the *Cable Television Networks (Regulation) Act of 1995* and the *Cable*

Television Network Rules, 1994 (both created by the Congress) provide excessive powers to interfere in speech. The purpose of such laws (even assuming these are necessary) should be limited to essential technical matters and consumer protection. While there can be some regulation regarding classification of programs and providing information to parents to guide their children's viewing, this goal can be achieved through light touch co-regulation. The cable industry can be asked to supply rating standards and operate within its own agreed code of conduct.

Such laws have infantilised India and curtailed critically needed debate and education. They have set India on the path to becoming a banana republic. India now ranks 133 out of 180 – well below Bhutan, Nepal, Afghanistan, Zimbabwe, Indonesia and Palestine – in the latest World Press Freedom Index released by Reporters Without Borders.

8.2.5 Abolish the Censor Board

A Censor Board undermines freedom of speech. Its existence is an insult to Indians, as implicit in censorship is the idea that ordinary Indians are unfit to think for themselves. Every citizen is an equal of others under our Constitution, and everyone has the right to view any film without an intermediary trimming or otherwise modifying content.

A Censor Board does not prevent depravity or violence. All Indians remain accountable for their actions under the law at all times and cannot attribute any violent or depraved acts of theirs to a movie. The law does not provide for such a defence. A free society functions smoothly because it is in the self-interest of people to be good, not because of a nanny Censor Board. Further, if Censor Board members don't become depraved or violent by viewing the films they censor, it is preposterous to suggest that Indian voters (who pay their salaries) will. Censor Board members are not a different biological species.

That we have a Censor Board partly explains the lacklustre record Indian films have in winning accolades at global film events, despite our film industry being the largest in the world. We have infantilised the industry *and the nation*, and curtailed critically needed debate and education. Our film artists have been forced into puerility.

Abolishing the Censor Board will unleash the film industry's creative force and allow our films to stand on the same pedestal as international films, enhancing India's global soft power and boosting the economy.

Of course, we must have a classification system for films that provides information to parents to guide their children's viewing. Light touch co-regulation can ensure the supply of such a system. The film industry will be able to supply internationally compatible rating standards and agencies.

In addition to replacing the Censor Board with rating agencies, SBP will abolish prohibitions on other forms of human expression, such as books and internet websites. The party will also repeal all laws that limit free speech.

9. Getting honest political leaders

9.1 Honest politicians

9.1.1 How can we get honest politicians?

(On [Google docs](#))

If we truly expect that only our best and brightest should become our political representatives, then we ought to create incentives to attract them. State funding of elections and high salaries are incentives to ensure that honest people are not bankrupted due to election expenses and can recover most of their expenses incurred within a year.

Also: <https://thewire.in/98327/case-for-state-funding-of-elections-on-a-per-vote-basis/>

It is in our interest to ensure that honest and competent candidates contest elections. Good candidates are a public good, more important than any other public good. We, the people, must be willing to incentivise such candidates to contest.

While the level of electoral expenditure is never the only determinant of electoral success, good candidates are defeated in our system even before they start. Honest competent middle class or poor persons refuse to contest elections since they stand to lose their hard earned savings if they lose the election. To add to the conundrum honest people face, honest political parties – which do not sell their soul to corrupt businesses – receive almost no funding.

State funding on per vote basis is a simple and transparent solution. It is transparent. It is incentive-compatible. It has been successfully implemented in many countries. SBP suggests a reimbursement of Rs.20 per valid vote cast to the relevant candidate up to a maximum of Rs. 70 lakhs per parliamentary constituency. This calculation can be refined.

Along with this, the security deposit will need to be increased significantly to ensure that only serious candidates contest elections. MP and MLA salaries will need to be significantly raised, while eliminating all perks and pensions.

Some people object to state funding, arguing that politics is a social service. It is preposterous to suggest that those who serve us as electoral representatives should be required to lose their lifetime's savings "for the country's sake". The current system is fundamentally misguided. The results are there for all to see. Everyone who comes to power is guaranteed to become corrupt.

In the reformed system, even though corrupt candidates will probably still outspend honest candidates, good candidates will start participating since their risk of bankruptcy is reduced. That is enough to start changing the system. Such a payment by taxpayers is excellent value to taxpayers, for the opportunity cost of corruption and incompetence is in the tens of trillions of dollars – more than ten times India's GDP. We have been short-changed by corrupt and incompetent representatives for seventy years. Let's give the honest people of India a chance.

, we all know that candidates in elections spend crores of rupees of black money, both to bid for a party ticket (tickets are auctioned by the major parties at prices of Rs.4 crores or more) and for campaigning. Why then, would any elected politician *not* be corrupt? Those who get elected seek to recover their costs, with compound interest. We have a democracy only in

name. Honest and competent people are blocked by the system. We therefore only get corrupt people as our Ministers.

The solution is to minimise candidates' losses during elections. SBP has a proven solution for this. All candidates must be reimbursed an amount, say, Rs.20 per valid vote cast. This will allow honest candidates a chance to contest elections since they will be able to recover at least some of their costs.

No Indian is born corrupt. It is badly designed systems that lead to corruption. In our system, politicians stand to lose a lot of money when they contest elections. Those who get elected therefore seek to recover their costs, with compound interest. On top of this, we pay our politicians relatively poorly. This creates a perfect storm of incentives for corruption.

Simplistic solutions like Jan Lokpal do not address these huge incentive pitfalls. While there must be a system to punish the corrupt, it will not act as preventative with the kinds of incentives we have in India.

The first part of the solution is to reduce opportunities for corruption by focusing on core functions and high quality (but minimal) regulation of the market. The second part of the solution involves minimising politicians' losses in elections and paying them well.

SBP considers that all candidates should be reimbursed Rs.15 per valid vote cast, up to a maximum of Rs. 70 lakhs. Along with this, the security deposit should be significantly increased to ensure that only serious candidates contest elections. Genuine candidates can, if needed, borrow money for their security deposit, assured of reimbursement for the votes they will receive.

Further, the salaries of elected representatives should be raised significantly, while eliminating all perquisites such as free travel, telephones, furnishings, vehicles or loans.

9.1.2 How will SBP put an end to political corruption, abuse of power and general incompetence?

9.2 Systems of representation

9.2.1 Why does SBP not support proportional representation?

See: <http://1drv.ms/1nkzlfU>

10. An honest and competent machinery of government at all levels

10.1 Bureaucratic reform

10.1.1 How can we put an end to bureaucratic corruption and incompetence?

Rampant corruption that is breaking the back of the people. The poor are being forced to pay bribes to get ration cards. Public sector banks are looting the taxpayer through bogus loans backed by corrupt politicians. And all government programs (e.g. NREGA, “Skill India” etc.) are known only for one thing: total corruption.

India’s bureaucracy was created for colonial masters. It is designed *not* to be accountable to the people of India and has become a major cause of corruption.

SBP has a solution for this. Senior officials should be appointed on hire-and-fire contracts that ensure total alignment with performance. Such contracts should dispense with any unnecessary red tape that dilutes accountability. Officials must lose their jobs (not just be transferred) for non-performance. All India Services, which have choked the life of the country at every level, must go.

It is of critical importance for India to replace its outdated bureaucracy that was created in colonial times with limited knowledge of governance.

Knowledge over the past fifty years in the field of public choice theory and new public management is available to guide the creation of an entirely new machinery of government. The new bureaucracy would be totally accountable for results, and corruption would be entirely eliminated.

This needs senior officials to be appointed by the relevant next senior person (in the case of a Secretary, the relevant Prime Minister/ Chief Minister would be the appointing authority) on hire-and-fire contracts that ensure total alignment with performance. Such contracts dispense with any unnecessary and dilatory processes that prevent accountability from being ensured under the current system, provided the integrity of the appointing authority is assured.

Such senior officials, to be hired from the open market (mainly amongst the citizens of India), would have to be well paid, comparable to the private sector. This would ensure high quality capability, expertise and demonstrated capability in the bureaucratic system.

SBP is committed to replacing all tenured civil services such as the IAS, with accountable public servants. This task has been undertaken in many advanced countries without much disruption. All it requires is political will. While we acknowledge that there is considerable talent in the current tenured services, the lack of appropriate incentives has delivered one of the world’s least efficient and accountable bureaucracies.

10.1.2 What causes corruption and how can we guarantee that corruption will be eradicated?

10.1.3 How can we ensure that India enjoys world-class governance, like Singapore and Australia?

This would yield well-planned cities with ample green coverage, smooth roads, clean, wide, and well-paved streets with disability access, functioning traffic lights and CCTV, no stray animals and homeless vagrants, etc.

The need of the hour is to build world-class drains, sewerage system and roads and public places that do not allow water to collect. Town planning can also reduce the scope for stagnant water. Mass education is needed so the people use mosquito nets and remove all open containers from their gardens where water could stagnate.

10.1.4 If local bureaucracy and police are under the control of the states after abolishing IAS, how will state level be implemented?

SBP intends to be a national party, not focused only on Parliamentary elections. We would need to directly govern both states and the centre in order to deliver the entire suite of reforms that India needs.

10.2 Local government

10.2.1 How can we put an end to slums? Should slum-dwellers be compensated?

A government has no reason to own any land. Slums exist primarily because government owns land which it does not monitor and therefore gets encroached (such as besides railway tracks or other open spaces not monitored by the local municipality, etc).

Let all government land in India be sold/settled, including settling it with whoever is the current occupant in a slum. It doesn't matter if this is a "reward" to those who have already encroached. Since there will be no more government land in the future, there is no prospect of any further encroachment.

Of course, while settling and selling government land, precinct planning is essential to ensure adequate supply of land for public roads and amenities. Where there are existing squatters on areas designated for such public spaces, they would need to be compensated.

Further, government should define property rights clearly and allow automatic construction of a single dwelling of up to 11 metres in height. All air space above that should be deemed to be owned by the public, and sold in public auction. This will allow the government to raise significant revenues from high rise buildings, thereby creating new amenity as well as improving housing affordability.

There should be absolutely no minimum size of a plot of land which can be sold in the market. This will further support the creation of high density cheap housing.

10.2.2 How can we ensure that India becomes as clean as Singapore?

One of the most superficial things that most Indians do when they come abroad is to note that since people are following the rules (e.g. traffic rules) that these people are somehow different to Indians.

They don't understand that it is the ****systems**** that have created incentives for people to follow the rules and that the same people would never follow rules if there was no consequence.

There is simply no difference between people in the West and people in India. It's just that in the West the systems for implementation of rules are far more stringent and well-considered.

We need to get rid of tenure and automatic promotion at all senior levels, including in local governments. Key performance indicators need to be included in municipality CEO

contracts, so that if a CEO fail to deliver, he or she can be immediately fired. These CEOs must be empowered to hire and fire their senior officials on the basis of performance. Of course, the contractual CEOs and other contractual senior officials need to be paid very well and rewarded if they perform.

Without *all* these reforms *Swachh Bharat* will fail, and funds earmarked for it will be stolen or misused.

Only highly competent local governments can implement the wide range of policies necessary to deliver a clean India. For example, e-procurement that uses modern auction design must be used to procure professional services to clean streets and public places. The contract design must ensure that successful bidders are held to account. Constructive compliance policies must be implemented. On the one hand, citizens must be educated and given access to waste bins at convenient locations. On the other hand, compliance officials equipped with cameras must to be empowered to impose significant on-the-spot fines.

However, the key is that the buck must stop with the CEO. “Deliver or go” must be our motto.

As part of this process, a vast number of new jobs will be created. India will also attract millions of new foreign tourists and investment. The stink of India puts off almost every person from the developed nations.

11. Minimum taxes, tight control over expenditure, and ensuring sound money

11.1 Taxes

11.1.1 Should the government lower our taxes or increase them?

The general principle is that taxes should be kept low and flat – or mildly progressive. Lower taxes increase the incidence of tax compliance. This means that government revenue may actually increase with lower taxes as there is less incentive to cheat on them. At the moment, tax compliance is very low because of the way that taxes are structured. The government should collect the minimum amount of taxes required to maintain fair usage of public goods and nothing more. This would involve the widening of tax brackets, reduction of exemptions and exceptions before an overall lowering of taxes can be accomplished.

11.1.2 Is it possible for others to spend your money more wisely than you?

This is a foolish question. It is utterly foolish to expect others to spend our money better than we can do by ourselves.

But all of us given away a very large chunk of our money to government. And yet expect the government to spend it more wisely than we would do ourselves.

Politicians and bureaucrats are constantly pulling at the leash for the right to spend our money on their favourite “projects”. Because their money is not on the line, they squander our money. Everything they do costs us far more than it would have had we spent that money on our own.

So it is the most important thing for us to stop government from doing any unnecessary thing.

In fact, this restriction on government is the main reason why free (capitalist) societies are so much richer than socialist (communist) societies, because there is far less wastage of precious resources.

We must give the government our least possible money - by forcing it do only essential jobs and stopping it from doing things that we can do better ourselves.

Whenever government assumes responsibility for the security, welfare, and prosperity of citizens, the costs of government rise beyond the point where it is politically expedient to cover them by direct tax levies. At this point - usually 20-25 percent of the people’s earned income - the government resorts to deficit financing and inflation.

11.1.3 Why should taxes be kept low?

Taxes for essential services are a necessary impost. But high taxes discourage productive behaviour.

The higher the government’s share of national income the lower the individual’s reward and the lower the incentive to undertake work. High tax rates reduce the ability of individuals and firms to pursue their goals lower private-sector activity. High taxes on those who create wealth leads to low investment, low savings, lower wages, less jobs, lower economic growth rate.

Governments that permit individuals and businesses to keep and manage a larger share of their income and wealth for their own benefit and use, maximize economic freedom.

11.1.3.1 How does imposing high taxes on the rich harm the economy?

High taxes on the rich make can lead to capital flight where these people leave India for other tax-friendly destinations. This will result in the destruction of millions of jobs, prevent millions more jobs from being created, and destroy the Indian economy.

11.1.4 Why should a government maintain a balanced budget and avoid budget deficits and debt?

A government must sustain moderate and responsible public expenditure in order to guarantee a sustainable economic growth. In this way, if the treasury has more savings than debts, the country will be better prepared for periods of crisis, and both the state and the private sector would be able to obtain loans at lower costs. Likewise, moderate public spending helps to contain inflation, which produces substantial harm for vulnerable people as it reduces the purchasing power of their salaries.

An iron law of economics is that you cannot spend more than you earn, and in the case of government, it cannot spend more than it receives in revenues.

Deficit spending is thus based on a false notion. A balanced budget is essential for long-term economic growth and critical to economic freedom.

Some government spending (for example, to provide infrastructure, improve human capital) may be considered investment. Government also spends on public goods, the benefits of which accrue broadly to society in ways that markets cannot price appropriately.

All government spending, however, must eventually be financed by higher taxation and entails an opportunity cost. This cost is the value of the consumption or investment that would have occurred had the resources involved been left in the private sector.

Excessive government spending runs a great risk of crowding out private economic activity. Even if an economy achieves faster growth through more government spending, such economic expansion tends to be only temporary, distorting the market allocation of resources and private investment. Even worse, a government's insulation from market discipline often leads to more bureaucracy, lower productivity, inefficiency, and mounting public debt. High public debt crowds out private investment.

Debt is an accumulation of budget deficits over time. Widening deficits and a growing debt burden are caused by poor fiscal management. A high national debt reduces a country's credit ratings and borrowing ability. Foreigners therefore demand higher interest rates which further weakens the situation and weakens the currency. Mounting public debt driven by government consumption or transfer payments undermines productivity growth and leads to economic stagnation and worse, including macroeconomic instability and economic uncertainty. We have seen this happen repeatedly in extreme socialist nations.

11.1.5 Why does SBP not believe in estate/ inheritance taxes?

We own ourselves and the fruits of our labour. This includes ownership that is passed on through generations, for our children are the fruits of our labour and we can lavish whatever attention we wish on them. This is our basic biological birthright.

SBP believes that human incentives are badly distorted if a government steps in to limit the transfer of property within families. The property is the result of people's labour and has already been taxed. Thereafter there is no basis to tax it further.

An argument is made that inheritance stifles responsibility and individual effort. The government (our servant) cannot make determinations about how we raise our children. While there may be some examples of irresponsible children arising through large inheritance, there are numerous examples otherwise, as well. That is not the business of the government but of parents.

The principle here is that something that has been already taxed cannot be taxed again. The citizen has already paid his due share for running the government, and cannot be asked to pay again after his death.

11.1.6 Why should we review corporation taxes?

It is the owners (dividend-holders) who owe taxes. Therefore, a system of franking dividends is suggested as a first step. This ensures that dividend holders do not pay twice, once the corporate taxes and second, as income tax.

On a more general note, corporate taxes makes a country less attractive to investment and therefore reduces its potential income and jobs. Corporations that do invest, compensate for their loss by increasing the price of goods and services and lowering salaries of the workers and dividends to the owners.

11.2 Subsidies/ welfare

11.2.1 Should the government subsidise things to make them affordable?

Many of the cant words of politics are simply evasions of reality. A prime example is the notion of making housing, college, health insurance, or other things “affordable.” Virtually anything can be made more affordable in isolation, simply by transferring resources to it from elsewhere in the economy, and having most of the costs absorbed by the Indian taxpayer.

The very notion of making things affordable misses the key point of a market economy.

Everything imposes both costs and benefits. There is nothing in the world that only has either benefits or costs. An economy exists to make trade-offs, and a market economy makes the terms of those trade-offs plain with price tags representing the relative costs of producing different things. To have politicians arbitrarily change the price tags, so that prices no longer represent the real costs, is to defeat the whole purpose.

When the government pays for an entitlement program, it inevitably leads to high prices and lower quality. For instance, this is what has happened with healthcare and college education in the US.

11.2.2 Why shouldn't the government fund green energy and organic farming?

11.2.3 Why shouldn't the government provide free water to everyone?

ALL drought is always man-made. Shortage of rainfall is not the same as shortage of water.

Water can be captured/measured and can move. Water markets and water trading are the only way to solve the problem of this grossly undervalued resource in which private enterprise is often prevented from operating.

If there is any demand for water, the private sector will meet it.

Socialist and centralised approaches to water can never work. If you can't buy and sell water (or water futures) just as you would buy and sell other commodities, then expect droughts to continue to plague India.

11.2.4 Why should the government not provide free water, healthcare, education, financial help for marriage expenses, free child care, free laptops, pension, foreign aid?

It is not the job of the government to provide anything to anyone. Its role is limited to core functions of defence, security and justice.

We must provide for ourselves. We must buy what we need from the market.

We do not have the right to impose obligations on others to provide for us, because this violates their freedom to look after their own interest. The government can never be asked to provide free healthcare, free college education, free electricity, subsidized gas, etc. The only rights we have stand in opposition to government – to prevent it from encroaching on our liberties. How can we authorise the government to steal from others and give us things for “free”?

There is no such thing as a free lunch. Everything imposes both costs and benefits. There is nothing in the world that only has benefits.

These “free” things come at a huge moral cost and at the cost of totally distorting the market.

The government must not act charitable with taxpayer money. Taxes must be used solely to finance government functions – being things that the private sector cannot easily do on its own.

Health care is neither a right nor a privilege; it’s a commodity. Worse, it’s a finite commodity. There are only so many doctors, so many hospitals, and so much money, and there are limits to how much these things can be expanded. When bureaucrats tell suppliers what to supply, things quickly get ridiculously expensive. People must take care of themselves and their own health. The market will supply relevant insurance products if it is allowed to be free.

The welfare state encourages sloth and complacency and corrodes the human spirit. The welfare state also diminishes economic performance in many ways, making life much harder for the common man.

Foreign aid is probably one of the worst possible ways to spend taxpayer money, since it almost always supports the corrupt in developing countries. Further, it is never an effective development strategy. No country in recorded history has ever uplifted itself through foreign aid.

<https://danieljmittchell.wordpress.com/2014/09/18/subsidies-and-third-party-payer-inefficiency-and-higher-prices/>

Further: Many people think that water is a fundamental right and that the government has a role in providing them for free. This is a very wrong idea. See:

<http://www.sabhllokcitv.com/2016/05/too-many-people-think-that-water-must-be-free-or-subsidised-but-water-is-not-free-like-air-is-free-so-it-cant-be-made-free/>

11.2.5 Should the government provide pensions for senior citizens?

Social security (taxpayer-funded public pensions) is a Ponzi scheme. It involves stealing from today’s taxpayers to fund the retired who no longer pay taxes. Apart from being immoral, this is also unsustainable because the demographics of every country are bound to age eventually. As people have lesser kids, there will be increasingly more dependents (children and old people) dependent on the earnings of the taxpayers. Ultimately the system is bound to become bankrupt, as government can no longer receive enough revenue. Besides

governments are terrible handlers of taxpayer money and lack the incentive to invest them productively. So people should fund their own retirements by saving and investing a portion of their money in private insurance.

At the same time, if anyone becomes desperately poor, then the social insurance system should kick in.

11.2.6 Millions of jobs may be lost with AI and other advances. Should we switch to a guaranteed basic income?

No! See: <https://www.sabhllokcitcity.com/2013/12/rejecting-the-communist-idea-of-basic-income/>

11.2.7 Should the government print money to pay off debt?

11.2.8 Should the government phase out cash?

11.3 Money

11.3.1 How can we put an end to inflation?

A strong currency attracts capital into the country, as people like to invest their wealth in strong currencies. A prosperous economy needs a sound currency that can be used for exchange and storing value and as a unit of account to allow comparisons across goods and services.

If the government debases the currency, the country will suffer from the problems of inflation. Under inflation, economic freedom is eroded because the ability of individuals to make long-term contracts is sharply curtailed, the incentive to save diminishes, and prices are distorted.

Even John Maynard Keynes warned of the evils of inflation: “by a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens.”

SBP has a strong policy to ensure sound money.

11.3.2 How do we recover black money?

“Black Money” is simply undeclared income. Once this income is declared and included in part of system, it can be considered to be recovered. By declaring income, it is taxed appropriately.

“Recovering” black money is difficult, but we can create the circumstances to ensure that further black money is not generated by reducing taxes to ensure greater compliance, by doing away with certain taxes, and by strengthening the tax enforcement machinery.

11.3.2.1 Can demonetisation reduce or eliminate black money?

11.3.3 Can countries print money to pay off their debts?

They can, but their citizens will then experience inflation and become poorer.

But since Third World countries actually print a lot of money, their currency is not accepted by foreign debtors.

11.3.4 Why has Indian rupee devalued from around ₹5 per \$1 at independence to around ₹70 per \$1 today?

India has had budget deficits almost as far as the eye can see, which means its government has spent more than the taxes it has received. This has meant significant inflation and devaluation of the rupee.

11.3.5 What is SBP's policy on free banking?

SBP intends to replace the current monetary system of central banking with a free-market alternative known as Free banking. In that the Reserve Bank of India's role will be limited to a regulatory body instead of printing money and dictating India's monetary policy.

Under the present system of central banking, it is taken for granted that Reserve Bank of India will continue a monopoly over money. But central banks badly devalue currency through causing inflation, destroying people's hard-earned savings.

Under free banking, competitive private banks will be authorised to provide the full range of monetary and banking services. They would be able to issue notes and coin, backed with precious metals like gold and silver. Banks will be free to extend credit, accept deposits, and conduct operations in foreign currencies. Foreign financial institutions shall operate freely and will be treated the same as domestic institutions.

Such banks would have the incentive to ensure their currency retains its value, because if it didn't, people would bank elsewhere. They would be hesitant to undertake risky strategies like holding inadequate reserves or making risky investments. Banks wouldn't be able to renounce their obligations since unlimited liability would apply to shareholders.

The Reserve Bank of India's role would be limited to enforcing contractual obligations and preventing fraud. Credit will be allocated on market terms by competing banks and the government will sell off all its financial institutions.

11.3.6 How would SBP regulate the financial sector?

An accessible and efficient financial system is essential to ensure the availability of savings, credit, payment, and investment services. Free markets are efficient because they provide real-time information on prices and immediate discipline for those who have made bad decisions. Markets, however, depend on the integrity of information.

SBP would ensure a prudent and effective regulatory system with essential disclosure requirements and independent auditing. SBP does not intend to go beyond the assurance of transparency and honesty in financial markets since that would impede efficiency, increase the costs of financing entrepreneurial activity, and limit competition.

11.3.7 Should government prevent bank failure and protect consumers who have invested in failed banks?

Banks should be required to take appropriate insurance but the government should not get involved in directly insuring banks.

11.3.8 What is SBP's position on money laundering laws?

There is strong evidence that KYC and other anti-money laundering laws impose far greater costs on society than any benefits they may create. The red tape and inefficiency created is mind-boggling. But the loss of individual privacy is even more mind-boggling.

It is time to review these laws carefully. See: <https://fee.org/articles/money-laundering-laws-are-absurdly-annoying-costly-and-darn-near-pointless/>

12. Strong defence and effective foreign policy

12.1 Are the armed forces and police socialist institutions?

No. These institutions are fundamental to a classical liberal state. These services (defence/ internal security) are public goods and are provided on payment of taxes.

12.2 How can our armed forces be well-prepared to defend aggression from China or Pakistan?

our service personnel and intelligence agencies must have state of the art defence equipment, surveillance and intelligence systems including unmanned aircraft, satellites and robotic systems, and adequate ammunition and supporting supplies, to defend Indian territory.

There is also a vital issue of the morale of our defence forces. SBP wants the status of defence forces to be significantly raised. Those who choose the profession of defence take on high risks, forego many fundamental rights as citizens, and perform their work round the clock in harsh and difficult environments. SBP's manifesto has a detailed plan of action for to raise the stature of our defence forces.

A Chief of Defence Staff (CDS) in the rank of a Minister of State must be given charge of an integrated Military Command on the lines of Pentagon. The CDS should report directly to the Defence Minister. The Army, Navy and Air Force Chief's order of precedence must equal that of the Cabinet Secretary.

SBP wants a separate Pay Commission for the defence forces, OROP for those under the pension scheme, and government contribution towards life insurance premiums of armed force personnel to the extent their premiums exceed the average market rate. For new hires, alternate systems of pensions/re-employment need to be considered.

Funds for such essential defence reforms can be raised if the government stops running businesses. Also, cantonments can be moved outside cities and towns, releasing land for sale. Cantonments can also be more effective outside the cities.

12.2.1 How can we prevent Pak-sponsored terrorist attacks like Mumbai, Pathankot, and the massacre of our soldiers in Kashmir?

12.3 Reform of the armed forces

12.3.1 How do eradicate corruption in the armed forces?

12.3.2 How do we eradicate practices such as officers forcing jawans and cadets to work as domestic servants?

12.3.3 How can we put to an end the reported atrocities by the army and security forces in Kashmir, Red Corridor, and insurgency ravaged Northeast states?

There is no smoke without fire. There is no doubt that there have been some unfortunate cases where army and security forces have themselves committed atrocities during the conduct of their operations against terrorists.

SBP does not (and the laws of India do not) condone any such unjustified use of force.

However, we must remember that things are a bit more complicated than this. The overwhelming violence is committed by the terrorists, including against the army and security forces.

In almost all cases there are either historical causes or causes related to bad public policy.

SBP is committed to reviewing and understanding the situation carefully to arrive at workable political solutions. Ultimately, all such situations have to be addressed through public policy and politics, and there is unlikely to be a long term answer merely through the use of security forces.

12.4 What is SBP's policy on Pakistan occupied Kashmir (PoK) and Gilgit-Baltistan?

Territory has constantly changed throughout human history and will continuously change in the future. There are no historical "claims" in the field of territory. It is all about possession. By force. That is the only way territory is occupied. There is no other way.

The day India agreed to the ceasefire around the LOC, that day, possession of PoK and Gilgit-Baltista passed on to Pakistan. India can (and should) assert its right over those lands, but it will be foolish to make this a policy position [i.e. that the party will ensure that PoK and Gilgit-Baltista are taken back by force].

Recall that according to British, Junagarh were to go to Pakistan. India forcibly annexed it. Pakistan can't now claim Junagargh.

While India must continue to claim (as a negotiating position - which includes the prospect of taking it back by force) PoK and Gilgit-Baltistan, unless India is willing to undertake a nuclear war in which big huge cities like Delhi could be obliterated, there is now virtually no chance to recover that territory. (Same applies to the border with China, which has occupied vast areas of J&K).

However, India cannot and should not officially recognise the LOC unless Pakistan entirely changes its behaviour.

13. Effective police, emergency management and internal security

In a country where rule of law is supreme, the numerous communal riots and state-supported pogroms would never have happened. Kashmiri Pandits would still be living in their homes. People would not have been targeted and killed for belonging to a particular religion.

Neither would have the caste massacres in the 90s or the daily constant atrocities against Dalits and Adivasis. In fact, there would be no caste violence. Prosperous and well-educated people do not indulge in oppression and violence.

The Northeast, Jammu Kashmir, and the Red Corridor would not be ravaged by insurgencies, as people would have no reason to revolt and pick up arms in a country where the government is responsive to their needs and cares for them.

13.1 Terrorism

13.1.1 How can Naxalite insurgency and insurgencies in Kashmir and the Northeast be controlled?

13.1.2 Will SBP hold a plebiscite in Kashmir?

No. Kashmir is an integral part of India and no plebiscite is needed.

13.1.3 How can we ensure that atrocities against Dalits and Adivasis are brought to an end?

SBP is firmly committed to fighting for the rights of all Indians, regardless of any reference to their religion, caste or region. We fight to ensure that the rights of the individual are sacrosanct. This will automatically ensure the rights of all groups.

13.1.4 How can we ensure that communal riots and religiously-motivated attacks are a thing of the past?

SBP is committed to ensuring effective law and order, and an efficient judicial system. In addition, we will significantly strengthen our intelligence agencies to monitor the goonda elements in society to prevent such incidents from happening or escalating.

13.2 Special issues

13.2.1 What is SBP's stand on the establishment of Ram Mandir in Ayodhya?

In general, it is desirable that government not involve itself in dealing with ancient monuments directly, which should be reverted to the people as private property under regulatory oversight. Where property rights are not strongly bound by the law, there are ongoing possibilities of such disputes.

Given the nature of this particular dispute, we believe that the matter of the Ayodhya temple is best left to the courts to decide.

13.2.2 What is SBP's position regarding Article 370?

See the manifesto.

13.3 Security

13.3.1 How can we keep citizens secure from criminals and our women secure from perverts?

13.3.2 How can we put an end to police corruption and the atrocities by as well as misuse of authority by the police?

SBP's manifesto details the many changes needed in order to ensure that police corruption is brought to an end. This includes:

- replacing the IPS with contractual senior police appointments that can be terminated without notice for non-performance;
- delegation of full responsibility to senior police officials to hire and fire any person in the police to ensure discipline and accountability;
- ensuring that funding for the police system is doubled immediately to allow the police system to hire the best talent and also the best capital equipment to ensure law and order.

13.3.3 Should hate crimes be punished more severely?

No. SBP believes that any crime should be punished in proportion to actual physical harm caused.

13.3.4 How will SBP stop illegal Bangladeshi immigration and expel illegal Bangladeshis?

13.3.5 How will SBP to eradicate the criminal underworld?

13.3.6 How will SBP rehabilitate those whose homes and lands have been forcibly occupied?

This includes Kashmiri Hindus and Muzaffarnagar Muslims, among others.

SBP is fully committed to rehabilitating these persons.

14. Efficient and effective justice system

14.1 How can we put an end to judicial corruption and the slow delivery of justice?

The SBP manifesto provides full details about how the party will deal with these two issues.

[summarise here]

14.2 What will SBP do about the hundreds of thousands of innocent Indians languishing in our jails without charge or awaiting trial?

15. Strong property rights, equality under the law, and defence of liberty

15.1 How do we ensure that our property rights are secure?

Property rights are among the most ancient and basic of human rights and among the most essential to freedom and progress. They are the privileges of private ownership which give meaning to the right to the product of one's labour. Unless people can feel secure in their ability to retain the fruits of their labour, there is little incentive to save and to expand the fund of capital - the tools and equipment for production and for better living.

It is one of the most inappropriate things for a government to impose restrictions on our use or sale of our property without compensating us. Many regulations impose such restrictions but do not compensate the land owners for such restrictive use. It is essential that the owners of such property be adequately compensated.

The SBP will reinstate the Right to Property as a full-fledged fundamental right in the Indian Constitution and remove all shelters provided by the 9th schedule of the Constitution by Nehru. This fundamental right (already diminished by Nehru) was basically removed through a constitutional amendment by Mrs Indira Gandhi during the Emergency.

15.2 Adivasis don't have private lands. What is SBP position on this?

SBP is committed to promoting the division of any communal land into private parcels, but this will need consultation with the community.

15.3 Does SBP consider that Adivasis own the forests in which they reside?

This has particular implications for mining and other development in these areas.

SBP is committed to private allocation of land and forests since communal property is both difficult to sustain and subject to disputes.

16. India as a land of free enterprise

16.1 Role of government in business

16.1.1 How can India become business-friendly?

Investing in India comes with very high risks. Leave alone foreign investors, Indians have been putting their money abroad, instead of in India, such as in the mining industry which remains closed to business.

“Make in India” cannot succeed till India’s governance is modernised and India’s leadership has the capacity to take the people out of their medieval mindset.

The issue is not just about manufacturing. We need to open up the economy to all forms of trade and investment. Chanakya was the first economist to emphasise the importance of imports. Imports and foreign investment make goods and services cheaper (and better) for consumers and offer competition to businesses, thus forcing them to innovate and become more productive.

For instance, we need far greater foreign investment in retail, infrastructure and service industries. There is no reason for any aspect of Indian markets (including the defence industry) to be sheltered from global competition. Never has any closed country prospered.

But for this to happen, we need reforms of the bureaucracy, electoral system, police and judiciary. And we need policies that make it easy to do business in India. Without these immediate actions, even those who have bravely risked their money in India will leave after their hands are burnt and capital destroyed.

16.1.2 Can a government create money or wealth?

All money and wealth is created by the people through their production, transactions and trade. Government is a watchman and judge. Its job is not to produce things but to reduce harm. Further, although the government owns all minerals and has the right of eminent domain under certain circumstances, it does not create resources of its own. It acquires them by taxing what other produce.

Every ounce of wealth created in this world is created through these individual transactions and trades. A vast amount of effort and energy is involved in creating wealth

16.1.3 Why should a government not run business?

A government is created for a specific purpose - to protect our freedoms and provide us with things that we cannot do ourselves. This includes things like defence, police and justice.

Most of the rest we can do ourselves. The government shouldn’t do anything that we the people (the private sector) can. It is up to us, the citizens, to produce wealth and undertake business. The government has no role in directly running any business. For example, there is no role for government in Ashok hotel or Air India.

Unfortunately, Indian governments have been engaged in business from a very long time now. Indira Gandhi nationalised a lot of private companies and banks. Instead of being profitable and effective, these companies and banks started bleeding money. The people of India paid a high price for this folly. The government merely printed more notes to cover its losses. That printing led to the destruction of the rupee. At the time of independence, one

rupee could buy a lot of things. Today, it takes at least Rs.100 to buy what a rupee could buy in the past.

The government should stop undertaking business. In ancient India there was a saying: *Jahan ka raja vyapari, Wahan ki praja Bhikari.*

The people of India can definitely run banks on their own. But today a corrupt nexus between political parties and businesses is using banks to loot the country's wealth. Private companies are hollowed out through bogus losses and political pressure is then used to get public sector banks to write off vast amounts of business loans. Public sector banks wrote off Rs.59,547 crores in "bad loans" in 2015-16. This is only the tip of the iceberg of unrecoverable debt. Lakhs of crores of rupees of India's wealth is being brazenly stolen. There is a saying in India: *Jis desh ka raaja ho vyapari, us desh ki praja ho bhikhari.*

The government cries that there are insufficient funds for the police and judiciary. But there seems to be a limitless supply of funds for loss-making banks.

Why shouldn't the government be allowed to compete with entrepreneurs in the market place? If government operates a business enterprise, it first must force taxpayers to provide the plant and equipment and personnel; in effect, government must collect taxes or tribute from each private operator in a given industry before it can set itself up as a "competitor."

A government that operates a hotel, restaurant, or any other business crowds out private investment. Financing these enterprises reduces the amount of resources and opportunities available for the private sector.

Besides, government enterprises are often inefficient (due to lack of incentives) and act as a drag on the economy. When the state runs businesses, they are often unable to charge the appropriate price, therefore there is consequential surplus or shortage. For example, congested or empty public roads.

Publicly owned monopolies lack the incentive to satisfy consumers due to the lack of competition. Their services are almost universally low in quality. In India this can be seen with dirty public roads, decrepit public housing, inefficient government academia, dirty public water bodies, over- or under- protected government forestry, etc. Government services do not tend to be cost-effective and cost more than services rendered by the private sector.

16.1.4 Why should private companies be allowed to mine natural resources?

The idea of a resource is entirely dependent on technology. Since the demand for a resource can change dramatically as technology changes, it is important to take as much of the resource out of the ground as possible and use it for the advancement of the current generation.

Just like a government has no role in business, it has no role in mining. It can, however, charge appropriate royalties, as appropriate. This will not only create many jobs but also ensure that the community benefits through royalties.

16.2 No nanny state

16.2.1 How will SBP ensure safe food and water?

SBP is committed to consumer safety regulation.

16.2.2 What's wrong with nanny state laws which ensure personal safety?

16.2.3 Should the government nudge businesses and consumers?

16.2.4 The government should limit market regulation to worker safety, consumer safety and environmental protection

There is very little role for government regulation in most things. In the free market, the entrepreneur transforms scarce resources into goods and services demanded by the public in a quest of profit. The public benefits, while the entrepreneurs are rewarded with profits. Competition takes care of this. The consumer rarely loses.

But there may be, under certain circumstances, scope for minimal, light handed regulation that ensures worker safety, consumer safety, and environmental protection.

Regulations must only aimed at rectifying specific market failures, such as information asymmetry and externalities, and do so in a manner that is minimal and sensible. If done badly, government regulation can have significant adverse consequences, such as preventing access to medicines that are experimental and could save lives while they are undergoing tests. If governments impose excessively burdensome regulations, the cost of doing business goes up and discourages entrepreneurs from experimenting and producing.

No regulation (no matter how essential) comes without a cost. Every new labour regulation comes at a cost, which is deducted from the worker's wage. Workers rights legislations such as maximum working hours, paid parental leave, paid health insurance, payroll tax, often have unintended consequences.

A good example is maternity leave. The United States, with no regulation regarding paid maternity leave, has more women in company leadership roles than any other developed nation and also has a greater proportion in private enterprises than most other developed nation. With such regulation, businesses are unwilling to take the risk of paying out for no work. Without such regulation, businesses are more willing to hire women.

Similarly land-use regulations (zoning) cause a shortage in housing, raises prices, and reduces mobility.

The government should minimise any unnecessary regulation. For instance, interest-rate caps reduce the amount of credit available by preventing banks from making loans to individuals willing to undertake especially risky activity. Similarly, governments that subsidize banks or make loan guarantees encourage individuals to engage in risky economic activities that would otherwise not take place.

16.2.5 Why shouldn't vices like prostitution, gambling, guns, and narcotics be banned?

(Please read this along with the response to the questions regarding personal freedoms)

Two general principles can be applied here: a) the government is our servant, not our master; b) a government can seek to prevent or punish outright physical harm to others. It cannot take any moral stand against anything, since morality is not its business.

Accordingly, there is no role for government in preventing activities that do not harm others. Even the use of guns – if meant for sports or for self-defence – is out of the scope of government.

However, the government is entitled to monitor such activities given the potential risks involved. Therefore it can regulate certain activities.

For example, a large volume of betting takes place on cricket matches in India. It is necessary for government to carefully regulate this to ensure that it does not become a conduit for black money and criminals. However, by banning it, the activity will merely go underground. Appropriate regulation can ensure that match-fixing is easily caught and also that such betting becomes a source of revenues for government.

Likewise for prostitution. Making it illegal makes it into a dangerous profession, whereas well-thought out regulation can minimise the harm, and put an end to human trafficking.

In general, outright bans do not get rid of vices and social ills, they merely push these under the table. It is far better to let all such activities occur under transparent monitoring and control by government (society).

16.2.6 Coercive Corporate Social Responsibility (CSR)

SBP opposes coercive CSR.

Companies do not exploit anyone, they provide value through production and trade. The industrialist has already contributed by providing employment to thousands of people; that is the biggest 'CSR'. Plus we tax companies. No more can be asked from them.

Countries become great through competition and by creating wealth. Let Indian companies focus exclusively on generating profits and not distract their attention from wealth creation.

Let India become a thousand times richer first. That will be the greatest CSR.

There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.

16.2.7 What is SBP's stance on genetically modified crops and GMOs?

GM is a branch of biological science that improves productivity. To the extent it is confirmed by science to be safe, a government should have nothing to say.

16.3 No protections or subsidies for any industry

16.3.1 Why should government not protect industries from foreign competition

Some industries ask government to support them through tariffs or subsidies.

Protecting industries from international competition means that the nation needs to produce that good domestically. Producing a resource that it could have bought more cheaply, a nation diverts scarce capital from more productive uses. "Temporary" protection becomes permanent, and few "infant" industries ever grow to self-supporting maturity.

Also when a government protects an industry, it is actually preventing consumers from buying the product at lower prices and higher quality. It makes the protected industries inefficient, as the guarantee of a secure customer base means that few domestic companies find it worthwhile to invest in better technology and innovation. This was clearly seen in India when import restrictions were in place.

A free market with free trade leads to cheaper goods and services as everyone is forced to compete for custom. This means that it is consumers who decide which business should exist and what it should do. The government has no role in directly subsidising any business or in creating entry barriers to support the business through monopoly power. In fact, monopolies are very hard to maintain without laws to protect the monopoly firms from competition.

In the past there were strong monopoly powers created by government through business licensing. Now-a-days that is reduced but there is scope to further eliminate licensing so that businesses do not need a bureaucrat's permission to set up their shop.

SEE VIDEO: Dead Wrong® with Johan Norberg - Picking Winners or Losers? - <https://www.youtube.com/watch?v=tm5UINwtKal>

16.3.2 “But China has developed its own version of Google and Facebook by blocking these companies”

No. Google is far superior to its Chinese counterpart. The Chinese are getting short changed. With government protectionism, the consumer loses.

The government cannot (and has no business to) decide which is a better product. It is the market (consumers, the citizens) who decide.

16.3.3 Should the government bail out companies that are “too big to fail”?

No. The market should remain as competitive as possible and people should face consequences of any bad decisions they make.

16.3.4 Why does SBP not support net neutrality

This is a highly technical issue, but basically the idea is that freedom to the private parties to respond to market needs is the best way to make the internet cheaper and more accessible to the people. There is no evidence of any “market failure” in the supply of internet.

Anybody who has ever dealt with slow internet knows that bandwidth is a finite resource. Like any other economically scarce commodity, the price and profit mechanisms of the market serve to direct the allocation of this resource as efficiently as possible. This is why people pay more for faster speeds or larger data caps.

The economic reality of bandwidth scarcity is the source of hostility between companies and consumers. When cell phone companies started limiting the amount of data their customers could consume each month, many people were outraged. But data caps were the natural result of internet use shifting away from computers and onto mobile devices. The change in prices reflected a change in demand. By limiting data, bandwidth provided through these companies was rationed so that customers could enjoy higher speeds.

People naturally conserve scarce resources. Thus, they connect their phone to wifi when at home to conserve data. It's similar to taking a detour in a car to save the cost of tolls but on a more direct route. This private allocation based on private preferences and budget constraint prevents congestion and enhances overall user experience.

Most goods are “private goods,” meaning they are both rivalrous (consumption by one person affects to ability to be consumed by another person) and excludable (we can prevent people from consuming the good).

Some economists classify the internet as a “club good” - excludable but non-rivalrous — meaning that consumption by one person does not affect the ability for another person to consume the good. But this is incorrect, since internet bandwidth is rivalrous. With cable internet, consumers share access to the same cable line as their neighbours and compete for the same bandwidth. The consumption of one affects consumption by others. Therefore internet slows during peak hours.

Internet service providers have worked out ways to deal with this scarcity. They are considering throttling certain services or charging companies extra for priority treatment. Netflix, for instance, is responsible for nearly 37% of all internet traffic. The other 63% of

internet traffic now has to compete with that single website. Today, an internet consumer who does not have a Netflix subscription is effectively subsidizing the consumption habits of the Netflix user. A free market will ultimately regulate this by charging differently for different types of traffic. This may mean that Netflix use is charged higher than use of other websites. Such charges would be an essential innovation to ensure efficient allocation of resources.

Net Neutrality is a ham-handed intervention in markets to prevent companies from throttling specific websites or charging extra fees. This is a very bad idea.

There is no market failure here. The scarcity of internet bandwidth cannot be legislated away. The price signal will sort out all issues involved.

16.3.5 Should the government force banks to provide cheap loans?

Governments that regulate the allocation of credit through interest-rate controls or subsidies adversely affect economic activity. Interest-rate caps reduce the amount of credit available by preventing banks from making loans to individuals willing to undertake especially risky activity. Similarly, governments that subsidize banks or make loan guarantees encourage individuals to engage in risky economic activities that would otherwise not take place. (These ventures often result in losses in the long run.)

SBP is committed to leaving banks free to decide their own commercial decisions.

16.4 Free trade

16.4.1 How do barriers to trade destroy wealth?

To see what would happen if boundaries were imposed, imagine a situation where everything brought to the market needs to go through “octroi”, “customs”, “checkposts”. Everything that producers and businesses do needs to be “approved” by a bureaucrat.

Let us assume that these costs become higher and higher, till they effectively become a prohibition. We can see how production and trade would come to a standstill. No one would produce things if they cannot exchange them with others.

Without production and trade, there is no possibility of creating wealth.

The same applies to international trade. When individuals are free to engage in trade with people in other nations, economic growth is promoted, since the buyers can acquire goods and services more cheaply abroad than they can produce at home. For developing countries, open trade is essential for acquiring products and technologies unavailable at home. Moreover, open trade encourages developing countries to specialize in the things they are best at producing, which helps them finance needed imports.

16.4.2 Why should there be absolute freedom of trade and investment?

People have the right to purchase what they want from whomsoever they want. The government must not come in between except to regulate the goods for safety. The government must not place restrictions on their citizens’ ability to interact freely as buyers or sellers in the international marketplace. Trade restrictions can manifest themselves in the form of tariffs, export taxes, trade quotas, or outright trade bans. However, trade restrictions also appear in more subtle ways, particularly in the form of regulatory barriers related to health or safety.

The degree to which government hinders the free flow of foreign commerce has a direct bearing on the ability of individuals to pursue their economic goals and maximize their productivity and well-being. Tariffs, for example, directly increase the prices that local

consumers pay for foreign imports, but they also distort production incentives for local producers, causing them to produce either a good in which they lack a comparative advantage or more of a protected good than is economically ideal. This impedes overall economic efficiency and growth.

In many cases, trade limitations also put advanced-technology products and services beyond the reach of local entrepreneurs, limiting their own productive development.

A nation which seeks to become prosperous must unilaterally pursue a free trade policy with the rest of the world, with no constraints on the flow of investment capital and no trade barriers including zero tariffs and no customs duties. Free trade makes local industries highly competitive, and forces them to innovate, improve quality, and lower prices. Free trade boosts our purchasing power by making high-quality products from around the world available to us at cheaper prices, thereby reducing poverty.

Furthermore free trade helps our exports. By being more open to trade, a country exports more and that creates jobs and raises wages, and makes the country richer in the process.

No country can be self-sufficient in every industry. The businesses in a country may specialize in certain industries, while importing the rest from other countries.

Concerns about trade deficits is pointless, as trade happens between people and not countries. A country cannot have a trade deficit as countries don't trade with each other, people do.

Imposing tariffs is harmful for one's own citizens. It also causes other countries' governments to retaliate with tariffs of their own.

The government should not interfere with trade between the producer and consumer. Countries don't trade with each other. People do.

The government has no business to interfere in the private free actions of its citizens.

If other countries subsidize their exports, then they are essentially reducing our costs and boosting our purchasing power at their taxpayer's expense. We should welcome that.

Protectionist trade policies damage economic efficiency and productivity growth by weakening competitive forces, lowering the quality of goods produced in India, raising domestic costs and prices, reducing real incomes, and risking a downward spiral of economic activity through successive international retaliatory protectionist measures on Indian goods and services.

A free and open investment environment provides maximum entrepreneurial opportunities and incentives for expanded economic activity, greater productivity, and job creation. The benefits of such an environment flow not only to the individual companies that take the entrepreneurial risk in expectation of greater return, but also to society as a whole. An effective investment framework is characterized by transparency and equity, supporting all types of firms rather than just large or strategically important companies, and encourages rather than discourages innovation and competition.

Restrictions on the movement of capital, both domestic and international, undermine the efficient allocation of resources and reduce productivity, distorting economic decision-making. Restrictions on cross-border investment can limit both inflows and outflows of capital, thereby shrinking markets and reducing opportunities for growth.

In an environment in which individuals and companies are free to choose where and how to invest, capital can flow to its best uses: to the sectors and activities where it is most needed and the returns are greatest. State action to redirect the flow of capital and limit choice is an

imposition on the freedom of both the investor and the person seeking capital. The more restrictions a country imposes on investment, the lower its level of entrepreneurial activity.

16.4.3 Myth: Free trade destroys jobs

Free trade doesn't destroy jobs. It destroys jobs that are not required while creating jobs in industries that India has a competitive advantage in.

The greatest aspect of free trade is individual specialization. When global competition for customers brings down the cost of everything, rising disposable income leads to new wants in the marketplace being discovered, and with these new wants, new forms of work rise up as a necessary way of fulfilling the needs of consumers who desire all sorts of goods and services as a reward for their work.

Free trade leads to lower prices, which lead to greater individual specialization, and by extension much greater productivity. When we're more and more able to do the work most commensurate with our unique skills, our productivity surges.

Breaking it all down to the individual, economies are just collections of individuals, no one person on this earth could live beyond the barest of subsistence absent the ability to trade freely. Life without trade would be defined by unrelenting poverty, and for a high percentage, death by starvation, lack of protective clothing, shelter, or all three combined. The free trade that is essential for an individual on the way to surging productivity and wealth is by extension essential for country economies.

16.4.4 Should India block trade with China and Pakistan?

The international economy is not a fixed pie and not a zero-sum or negative-sum game. China and Pakistan are not our rivals, but our co-dependents in this globalized economy. As such, a prosperous China and prosperous stable Pakistan is in our best interest.

Subject to these countries behaving like good international citizens and not making claims on Indian territory or threatening war, India should engage in trade with them.

Actually, Pakistan is very similar to India in any way in terms of its combination of socialism, kleptocracy and feudal identity-based politics. They have the same level of policy ignorance as India.

16.4.5 If USA blocks imports of Indian products or subsidises their products, won't India lose?

If India's products are good and the USA blocks their entry into USA, it is the American citizens that lose. India can always sell to other nations. It is very unlikely that all countries would stop importing Indian goods at the same time.

A subsidy on one sector (say agriculture) is a tax on others. American consumers lose because of the unnecessary tax. If, on top of that American farmers produce more than Americans can consume and need to export it, that becomes a direct subsidy for countries that import this "excess" farm output.

How does India lose either way? Blockages on trade most harm the country that imposes them.

16.4.6 Why trade deficits don't matter: It doesn't matter that we import more from China than we export to them

16.4.7 Is foreign investment harmful?

Investors take huge risks in order to anticipate and meet an expected future market need. This need could be anywhere in the world, so also the resources for meeting the need.

All investors prefer investing domestically, where they exercise greater control. But in some cases, they may identify an opportunity to invest abroad. The receiving country should welcome such investment since it shows that there is a new economic opportunity that has been visualized by someone, and the receiving country has to take no risk – simply accept this investment.

Investment is absolutely critical for economic growth. It raises productivity and wages, and hence improves living standards.

Anyone who opposes foreign investment is an enemy of the country for he is saying that he would rather have a poor country than a rich one.

First of all, it is not the business of government to interfere with business and lives of individuals, including foreign investment.

SBP believes that there should be 100% FDI in every sector. FDI brings in much needed foreign capital and technology, and creates well-paying jobs.

Foreign investment is not the same as foreign occupation or colonization. Foreign investment brings in much needed capital, technology, and expertise, thereby raising the competitiveness and quality of our industries, and creating millions of jobs.

16.4.8 Should India be self-reliant?

The government has no right to coerce an its master (the citizens) to purchase goods only from a person belonging to the same nation. It is entirely up to citizens to choose what and from where they wish to purchase using their own money. Any attempt by the government to limit this freedom is a violation of basic liberties of the individual.

Moreover, the very idea of such self-dependency is untenable. Each of us could, theoretically speaking, produce our own crockery, cutlery, computer, smartphone, bulbs, headphone, fridge, heater, air-conditioner, TV, car, house, clothes, curtains, meat and bread. We could also produce our own medicines, airplane, tennis racquet, tennis balls, spectacles, shoes and mangoes (an average supermarket has 15000 items; an average family perhaps uses 10,000 items, including the components of the house itself; so this list is not exhaustive).

That would be the ultimate implication of a policy of self-sufficiency.

We know that this is not possible. The time taken by each of us for us to learn to produce these things, then assemble them (first directly producing necessary parts from the hundreds of thousands of raw materials involved) would exceed a billion lifetimes. Effectively each of us consumes today the output of a billion human lifetimes within one life. And on top of that we get more time for leisure and entertainment than almost any human ever had in the past.

All this is because of trade and exchange; the market system, the price system. Of course, no one ever means that a single person should produce everything when they talk about self-sufficiency. They mean “swadeshi” or the entire nation producing all our needs, without having to import anything from other nations.

But just like no human being can possibly produce all the things he needs (or wants), so also no nation can produce all things the nation needs. Anyone who seeks self-sufficiency (e.g. Swadeshi) is suicidal.

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Each day I have a choice: produce economic policy for the government and buy things that I need from the wages I get, or directly produce the things that I need.

You know, I am very smart guy - almost as smart as you. So you and I could, theoretically, produce our own crockery, cutlery, computer, smartphone, bulbs, headphone, fridge, heater, air-conditioner, TV, car, house, clothes, curtains, meat and bread. We could also produce our own medicines, airplane, tennis racquet, tennis balls, spectacles, shoes and mangoes (an average supermarket has 15000 items; an average family perhaps uses 10,000 items, including the components of the house itself; so this list is not exhaustive).

However, the time taken for us to learn to produce these things, then assemble (directly produce) each of the hundreds of thousands of raw materials, and finally produce the things we need would exceed a billion lifetimes.

I consume today the output of a billion human lifetimes within one life. PLUS have more leisure and entertainment than almost any human had in the past.

I am not one human being. I am a billion human beings within myself.

All this is because of trade and exchange; the market system, the price system.

Just like no human being can possibly produce all the things he needs (or wants), so also no nation can produce all things the nation needs.

Anyone who seeks self-sufficiency (e.g. Swadeshi) is SUICIDAL. Or at least RAVING MAD.

16.4.9 Is it wrong to hoard agricultural goods for later sale when demand increases?

There is nothing wrong about hoarding agricultural goods and selling at a profit. It is the same as hoarding one's stocks or property, and selling high.

Middlemen hoard crops to sell for higher prices at a period of scarcity.

It is due to the function of these middlemen and those who take risks that the volatility in market supply is smoothed out in products that are not produced uniformly all round the year.

16.5 Labour market and unions

16.5.1 Why should India have less rigid labour laws?

The core principle of any economically free market is voluntary exchange. That is just as true in the labour market as it is in the market for goods. State intervention generates the same problems in the labour market that it produces in any other market.

Government labour regulations take a variety of forms, including minimum wages or other wage controls, limits on hours worked or other workplace conditions, restrictions on hiring and firing, and other constraints. In many countries, unions play an important role in regulating labour freedom and become an impediment to the efficient functioning of labour markets.

Onerous labour laws penalize businesses and workers alike. Rigid labour regulations prevent employers and employees from freely negotiating changes in terms and conditions of work, and the result is often a chronic mismatch of labour supply and demand.

SBP supports basic protections of workers from harm at work, but is committed to flexibility in employment conditions and wage bargains, determined through individual contracts. Employers should have the ability to hire or fire employees based on their need and the needs of the job. It is inappropriate to tie the hands of employers in excessive red tape and procedures as that distracts from overall production and employment in society.

There are many unintended negative consequences of workers rights legislations such as maximum working hours, paid parental leave, paid health insurance. These include: lower wages, fewer jobs, startups are debilitated, people are forced to work two jobs to make ends meet, etc.

SBP is committed to scrapping all harsh labour laws to create tens of millions of new jobs.

16.5.2 What about the socialist claim that we need strong unions and high minimum wages?

Wages are determined mainly by supply and demand, not mainly by bargaining.

If a worker doesn't like what she is paid, she can (with some difficulty) leave the job. So too on the side of the boss.

Employers desperately need good workers and will bid them through higher wages.

“The essential economic function of businessmen and capitalists is to go on raising the productivity of labour and thus to raise the standard of living of the average wage earner.”

There needs to be very limited intervention of the government in the labour market. Individuals, who are free to follow their own dictates in moving from one employer to another, wield an irresistible force upon employers. How could any employer hold any employee without providing wage and working conditions which, in the opinion of the employee, are the best attainable?

The boss gives for the labour of the worker an amount that he considers less than the service he is getting in exchange; the worker, for his part, renders a service that he considers as less valuable than his wage.

Where there is free enterprise there will not be lacking another group of entrepreneurs, no less powerful than the first, prepared to lure away their customers with lower prices. Free competition will then reassert itself, and the two groups will engage in a “price war” until the prices obtained leave only a normal profit. This is possible, of course, only if neither of the competing groups enjoys an official protection that the other does not have and that renders the protected group superior to its rival in the market.

16.5.3 Should the government make it hard to fire employees?

No. Such a policy infringes on the freedom of contract between employers and employees. Employers should be free to hire and fire as they like. By making it hard to fire employees, employers are less likely to hire an employee in the first place.

Companies in India have reacted to such policies by keeping their size very small and not expanding. Others move on to capital-intensive industries which don't require much labour.

This has created an acute shortage of jobs in the formal sector and deprived hundreds of millions of Indians of well-paying jobs that would have otherwise been created and gone to them. The country has ended up much poorer as a result.

The ability of individuals to find employment opportunities and work is a key component of economic freedom. By the same token, the ability of businesses to contract freely for labour

and dismiss redundant workers when they are no longer needed is essential to enhancing productivity and sustaining overall economic growth.

16.5.4 Should government equal wages for women?

This is not the job of government. Left free, markets will pay workers their marginal productivity.

16.5.5 Does SBP support unionisation of government employees?

SBP is against any compulsory unionisation including of government employees. Individuals should, however, remain free to join a union if they so wish.

17. Free enterprise in agriculture

17.1 How can we alleviate the plight of our farmers and stop the epidemic of farmer indebtedness and suicides?

Farmers are held back by restrictions on access to technology and on trade, including on the movement, storage and processing of agricultural commodities, and through bans on exports. They are sheltered from global competition, such as through restrictions on imports on grounds of 'dumping'. And the government sets low and volatile agricultural prices for key commodities, making farm returns even more unpredictable.

Into this obstacle race the government has thrown in the "sweetener" of farm subsidies, but these go largely to fertiliser manufacturers, to corrupt government functionaries and to rich farmers. Subsidised Indian fertiliser is smuggled to neighbouring countries, transferring Indian wealth abroad. Subsidised power has helped deplete groundwater by promoting water-hungry crops, putting India's future food security at risk. Subsidies also harm poor farmers in another way: through budgetary deficits and inflation.

This perfect storm of bad policies has led to an inefficient farm sector stricken with poverty, indebtedness and unemployment. Agriculture has become a losing vocation. Farmers are prematurely abandoning the farm. Most deplorable of all: these policies are part of the reason for India's high levels of farmer suicide.

But objectively, India has everything going for it on the agricultural front. India has some of the world's most fertile land and more irrigated land than any other country. By unshackling agriculture, we should be able to supply not only our domestic needs but also meet demand in China and rapidly growing African countries.

The solution is two-fold: (a) broad-based governance reforms, and (b) radical liberalisation of agriculture policy. The government should get out of agriculture almost entirely and create markets, instead. All restrictions on the production, movement and pricing of agricultural inputs, as well as restrictions on post-harvest treatment, including on marketing and exports, must go.

In addition, we must streamline environmental regulation (e.g. water table, biodiversity, biosecurity) and the regulation of logistics and crop insurance to create deeper markets in agriculture support services. Market-based reforms will allow vast amount of new investment to flow into the agriculture sector, such as large-scale investments in logistics chains and crop insurance. Businesses (such as mining) should be allowed to operate agricultural subsidiaries. This will give hundreds of millions of farmers a new lease of life.

17.2 Why does SBP not support loan waivers for farmers?

Socialist policy failures often create emergencies. A common one is of farmers in distress. Under such circumstances, the situation faced by some farmers can be so dire that they need consideration of rescheduling loan repayments.

Free markets ensure that such emergencies are rarely created. A solution that markets will usually examine is crop insurance.

In general, the idea of loan waiver is untenable. Not only is it out of proportion to the circumstances (not all farmers are equally affected), it sets into place incentives that harm the farmers in the long run, basically by running down the value of the currency, as the government resorts to deficit financing.

SBP considers that the social insurance system (NIT-type transfers) will ensure that no farmer goes hungry.

17.3 Should the government help farmers get good prices for their crops or consumers get good prices for food through price controls?

No. The government has no business trying to provide economic security to farmers or low prices for consumers. It's our servant. Imagine your servant being generous to you!

The government's business is just to provide public goods, like security, justice, rule of law, and some infrastructure. Also, price controls transmit misleading information about relative scarcity. This distorts the behaviour of farmers because false information is transmitted by an artificial, non-market price which distorts the behaviour of farmers. The farmers misallocate their scarce resources into wasteful endeavours. This leads to sub-optimal outcomes: for instance, growing of rice in water-scarce Punjab. We need to create a well-regulated agriculture market, without any regulation of prices. As market signals freely transmit to farmers, farmers will seek the most competitive crops.

18. Free enterprise in tertiary education

18.1 Should the government pay for college tuitions? If not, then why?

Subsidy for higher education amounts to stealing from poor taxpayers to subsidize those who will become better off and earn much higher incomes tomorrow.

SBP's policy will allow for a modest subsidy on student loans, subject to ensuring that there are checks on the entire system to avoid causing demand to significantly outstrip supply.

18.2 Should government mandate a language for education?

SBP believes that parents must be left free to choose. Government has no role in this matter.

18.3 Should government mandate morality-based education or religious education?

SBP believes that parents must be left free to choose. Government has no role in this matter.

19. Equality of opportunity

19.1 What is SBP's policy on caste/tribe based reservations?

SBP does not have a reservations policy at this stage since we believe the first priority must be given to basic governance reforms.

Tinkering with third order things like reservations will not help the country. Let's first reform the main governance system and ensure that everyone is able to achieve equality of opportunity before we consider what is to be done re: reservations.

It is like a baby that is drowning. You don't worry about secondary issues first, such as the boils all over the baby's body. You first rescue the baby and only then start investigating the boils.

Likewise, India is drowning because of its totally dysfunctional governance and policies. Let's fix that first, then we can consider secondary issues. In fact, things will change so much once the basics of India are fixed that a lot of things that seem important today to so many people - such as reservations - will fade out of our mind and become irrelevant.

19.2 What role does a government have in ensuring equality of opportunity?

Confusion between equal opportunity and equal results is a dangerous confusion. We should avoid that confusion.

We are entitled in a civilised society to expect that all children in our country receive equality of opportunity. But that is not the same as ensuring equality of results or outcomes. After equality of opportunity is ensured, individual initiative and luck should determine the achieved outcomes.

19.3 What role does a government have in housing?

None whatsoever. Everyone should pay for their own housing.

For the destitute and homeless, the social minimum provided by the negative income tax should help take care of their frugal monthly living expenses.

Any government-subsidized public housing will drive up housing prices and act as a subsidy from taxpayers to a lucky few. This is inequitable and unnecessary.

19.3.1 Housing costs are very high. How will SBP make housing affordable?

As Edward Glaeser notes in his book, *Triumph of the City*, "In rapidly growing places like Mumbai, height restrictions cause enormous damage by forcing people to spread themselves horizontally rather than vertically, which helps to create massive congestion. The last thing that Mumbai or any developing megacity needs is regulation that prevents the construction of good, usable real estate. Cities are the path out of poverty, and preventing urban growth makes developing countries artificially poor."

Government regulation has suffocated markets and blocked housing supply. SBP will abolish rent-controls, and dramatically reduce zoning restrictions to allow cheap housing to be multiplied.

19.4 What is the role of government in social justice, particularly oppressed groups such as Dalits?

Sometimes people say that the government should force society to make amends for the wrongs and injustices that have been committed against historically oppressed communities.

A government must focus on equal treatment of all, and ensuring that every child gets access to good education.

Historical matters are not the business of government.

In any case, the concept of *social* justice is meaningless. Accountability only applies to individual action. It cannot apply to groups. Justice can only be individual. There is no such thing as *social* justice.

In fact, the concept of social justice is diabolical since it is licence for impositions against the liberty of those who have done nothing wrong *themselves*.

The remedy to all ills of society is freedom, rule of law and equal opportunity.

19.5 Should government legislate equal pay for equal work?

Such a principle should apply within government services but it is not something to be legislated for the private sector.

Any company that doesn't pay women employees well, will lose them to other companies.

If someone says that 'women are consistently underpaid' they need to explain why? Why are not profit-hungry entrepreneurs entering markets to seize the available profits?

19.6 What is SBP's policy to support education and skills?

The manufacturing sector cannot grow in India because India's labour is largely unskilled and poorly educated. Foreign businesses are unwilling to set up factories in India where labour quality is so poor.

20. Eliminating extreme poverty in three years

20.1 How can we eliminate poverty?

21. Access to high quality school education for children of the poor

21.1 Why is it not the job of government to run schools?

Parents are first and foremost responsible for the education of their children. Even the poor are extraordinarily concerned about their children's education. In India, where government schools have almost totally broken down, around 70 per cent of the children study in private for-profit schools. The poor work hard to save and scrimp small amounts of money to pay these private schools.

For their part, these private schools are focused on providing the best possible education, else parents will pull out their children from the school. It goes without saying that just like a private shop is accountable for the products it supplies if it wants repeat business, so also private schools are more accountable for student outcomes. It is hard to hold teachers to account in a government school system.

It is extremely challenging for any bureaucracy to manage hundreds of thousands of teachers in a dispassionate manner. Across the world, wherever governments directly manage schools, the system is racked with chronic inefficiency – and under the current governance system in India, with chronic corruption.

A government has a role in ensuring that the children of the poorest of the poor receive high quality education. This can be readily achieved through vouchers for the poor. But a government has no role in managing schools, which should be entirely left to the market.

The failure of the government managed system has nothing to do with the intentions of government teachers; it's just that the system can't work. When bad teachers cannot be fired they do not care to report in time and sometimes do not even attend school. Most such bad teachers have been appointed through corruption.

We should get the government completely out of school ownership and management. Privatizing all government schools (including letting them become for-profit) will ensure that all schools in India become fully accountable to parents and the country's land allocated to school education are managed efficiently.

21.2 Why shouldn't the government run healthcare and education?

22. Emergency health for all; basic health for the poor

22.1 How do we prevent deadly epidemics such as dengue, chikungunia, malaria, tuberculosis, cholera, etc, from occurring?

22.2 Why shouldn't the government manage hospitals?

23. World-class physical infrastructure

23.1 What is the role of government in providing things private sector cannot provide?

Not all problems can be solved by the market. Only the government can solve some problems, and government may need to intervene in some malfunctioning markets, such as public goods that do not deliver enough of a private return. The government could therefore (if necessary) supply some roads, bridges, and canals.

23.1.1 How will SBP fix India's infrastructure?

India needs massive investment in infrastructure. Infrastructure sometimes doesn't lend itself to private sector initiative. However, there is scope to privatise or at least partly involve the private sector in this area. This would apply to things like roads, railways, airports, seaports and utilities.

India has a major problem of load shedding and water shortage. These can be readily privatised. For instance, India's problem with water has entirely to do with mismanagement and improper pricing. India's annual average rainfall is 1160 mm, one of the highest among the countries of comparable size. We have numerous large rivers such as Jhelum, Ganga, Yamuna, Brahmaputra, Godavari, Kaveri. With good governance and the right policies, India can resolve the water crisis easily in all cities.

23.1.2 Wouldn't privatising utilities create a monopoly?

Any infrastructure that is converted into a monopoly should be privatised under a regulatory model that ensures the discipline of competition. Like anything else, utilities should not be subsidised.

23.1.3 Should government have a role in some of these things: public toilets, stadiums, planetariums, museums, zoos?

In general, most of these can be readily provided by the private sector under a regulatory model.

23.2 Environment

23.2.1 Are a carbon tax or cap-and-trade schemes an effective way to counter "carbon pollution"?

IF CO₂ is a problem, then cap-and-trade is the best possible mechanism. Carbon tax is the next.

But the main issue is that CO₂ is not a problem. It is a major net benefit to society.

There is no case either for a cap and trade scheme or a carbon tax.

23.2.2 How do we ensure a clean environment with a thriving flora and fauna?

Socialism destroys the environment. Pollution and other environmental problems are far worse under socialism.

23.2.3 How do we combat climate change?

24. Areas where government has no role, or a very limited role

24.1 Why should government limit itself? Why can't it do heritage conservation, sports, scientific research, awards?

The government is our servant. Let us drill this into our head a thousand times.

So there is absolutely no reason for government to do anything that the people (private sector) can do on their own.

The functions and capabilities of the government should be focused on delivering its core functions—external defence, internal security/law and order, justice/rule of law. After these functions have been performed well, the government can focus on facilitating those infrastructure projects which cannot be financed by the private sector as well as ensuring reasonable equality of opportunity through ensuring that everyone has access to a high-quality education sector and a high-quality healthcare sector.

Big government significantly increases corruption, as it provides more opportunities for cronyism.

How can a government possibly award us? Let all awards be privately funded. Similarly, all scientific and other research can be privately funded. We don't need Ministers and bureaucrats to pick what to research. The people can do that on their own.

24.2 Should plastic bags be banned?

This would depend on a cost-benefit analysis. In current India, given total failure of basic governance, it might be worthwhile at this stage to ban them. But enforcing the ban would be another issue in corrupt India.

In other places, cost-benefit shows that ban is not necessarily the best policy.

It is expected that India's governance system is improved, there would be less need to ban plastic bags and become more possible to regulate.

Part 5: Other indicative resources for party members

25. How to communicate effectively

25.1 Key principles

Some points:

We should be provocative in public speaking. While continuing to pursue some permanent themes (employment, corruption, constitutional amendment, *sarkar hamari naukar hai, jawabdehi*), we can pick topical ‘burning matters’ to show how SBP ideology could’ve helped, or explain our position derived from ideology (legislator defection is a recent example).

We can bring up ‘population issue’ into speeches/discussion, since it’s commonly misunderstood. We must tell that a well developed human being is ALWAYS an asset. This is what SBP manifesto says: **§19.1.1 Large, well-educated population the ultimate national asset**. Here’s a possible scenario: when someone says ‘population is India’s big problem’ we should sincerely ask them - when are they PERSONALLY going to help the situation by killing themselves? It is a genuine question. When someone is forced to admit they will not kill themselves because they contribute to the world, it brings home the point that inadequate development of individual is the problem not population by itself.

We should look out for good speakers and take the required time to have them come on the same page regarding SBP ideology. Having good speakers on ground is one of the most effective ways to grow. However, we must never compromise by rushing people in who are ideologically not quite on the same page, because growth at the cost of ideology is meaningless. There’re too many well-meaning folks who believe that honesty/putting country first will fix the problems.

25.1.1 Focus on “the why”

Refer to this video: <https://www.youtube.com/watch?v=I5Tw0PGcyNO>

Example: “We are doing this to fulfil our vision of a prosperous and well-governed India. We believe that we have all the right policies to ensure that well within our lifetime.” “Would you like to join and support SBP?”

25.1.2 Focus mainly on a positive message

Our promise which we will keep repeating as a mantra:

SBP will transform India into the world’s richest, freest, and best-governed country. Indians will be richer than Americans, socially freer than the Dutch and economically freer than Hong Kong, and served by the world’s best governance institutions on par with Singapore and Australia.

No one can argue against this, because we have all the policies to back it up. If they argue against this, we can always clarify their doubts and win them to our side.

Examples of positive messages:

SBP promises the following deliverables once elected to power at the centre. These will all be delivered within a single prime ministerial term of 5 years.

(1) We will rebuild India’s governance system and make it the world’s best within 5 years. All

our public institutions will be re-structured and the world's best practices and systems incorporated. Corruption, incompetence, inefficiency and abuse of power will come to an end because the system will not allow any of these. India's governance system will become the envy of the world, better even than the world's best governed countries such as Australia and Singapore.

(2) We will ensure strong property rights, strict rule of law, and liberate the markets so that there are enough well-paying jobs and business opportunities for all. This will allow the people of India to rise on their own and achieve prosperity and affluence comparable to what the rich Western nations enjoy today. Strong results will be visible even within the first five years.

(3) We will eliminate extreme poverty within 3 years through a direct transfer system on the lines of a negative income tax.

(4) We will ensure a clean India and a healthy environment within 5 years.

(5) We will facilitate the creation of new world-class high-quality infrastructure and upgrade existing infrastructure to world-class standards within 5 years. Load shedding, water shortages, pot-holes, etc, will be a thing of the past. The high rates of traffic accidents and fatalities will be dramatically reduced.

(6) We will seek to scrap all anti-freedom laws in our statutes including liquor ban, beef ban, book bans and maximize the amount of freedoms that citizens can have. Some of these matters come within the jurisdiction of state governments, so not everything is likely to be implemented within five years, but within ten years, most of these illiberal interventions should be removed.

(7) We will ensure the poorest of the poor are able to access high quality health care within 5 years.

(8) We shall ensure that the poorest of the poor are able to access high-quality education and vocational training within 5 years.

Overall, we believe that everyone in India should be able to achieve satisfying lives, like the people of many developed countries enjoy today.

25.1.3 You may also need a negative message

Our enemies are the socialist politicians and all mainstream socialist political parties.

These are the architects responsible for keeping India poor and stuck with low living standards. These are the lords of crime and corruption who have made India a poorly governed mess where insecurity and injustice is rife, all public institutions are corrupt, the governance systems are broken and inefficient, and only criminals become our political representatives. These are the merchants of death who spread hatred between Hindus and Muslims, and instigate riots between them, after which they climb on the ensuing piles of thousands of dead bodies to reach the chief minister's or prime minister's seat.

We will overthrow these socialists out of power. We can never compromise or ally ourselves with them. They are our enemies and the enemies of India.

We need to make anti-socialist rhetoric mainstream. We shall launch such a campaign against them that the public will be disgusted by such politicians. We should portray these socialist politicians as the vile and opportunistic corrupt crooks that they are. We should highlight their failure to keep up to their promises.

We will tell the people how they have repeatedly betrayed India since independence and deliberately sabotaged our progress to keep us poor and ensure that we continue to live in

subhuman conditions. We would have been a wealthy developed country by now, if it weren't for their socialist policies and corruption.

We will tell the people how they have done their best to ruin India's name from the land of wisdom and wealth to a land of poverty, corruption, and filth in front of the rest of the world; and by their evil deeds, made a lot of people ashamed to call themselves Indian.

We will tell how they play caste-based and communal politics to win elections, and explain that every politician is corrupt because the electoral system only allows in the corrupt. Every day of the politician's tenure is spent on recovering their election expenses, making profits, and scheming to win the next elections. They are not in politics to serve the public. Only Swarna Bharat Party has the will and plan to change that.

This in addition to our positive message of liberty and governance reforms.

25.1.4 Be aware of SBP's key voters

The following voters will support SBP in their own interest:

(1) **Farmers** – They are the most oppressed segment of Indian society. They will be the easiest to win to our side. They are frustrated with price controls and other socialist policies. SBP's free market policies will come as a deliverance from the straight-jacket imposed on them by the socialist state.

(2) **Businessmen** – They are the second most oppressed segment of Indian society. Our businessmen are fed up with high taxes, a corrupt and inefficient bureaucracy, terrible infrastructure, weak justice system, and thousands of socialist regulations. SBP's free-market policies will be a breath of fresh air to our long-oppressed entrepreneurs. Our policies will make the state provide a welcoming environment for business and in fact make it very easy for our businessmen to conduct business without the fear of being harassed by the state and without the fear of not receiving justice in the event that they are cheated or defrauded by others. India will achieve a business-friendly economic environment on par with the most business friendly countries such as Hong Kong, Singapore, and New Zealand.

(3) **The urban and rural poor** – They are disillusioned with poor employment opportunities, terrible living standards, corruption, poor access to quality education, weak justice system, oppressive police, and lack of access to quality healthcare. Only SBP has the solutions to India's governance failures and they will have no choice but to vote for us if they wish for an incredibly better life for themselves and their families.

(5) **The middle class** – They are the same as the preceding category, with the exception that they can afford quality education and healthcare. They are frustrated with terrible living standards, corruption, bad job prospects, and harbor a desire within their hearts for India to become a prosperous and developed country. Only SBP has the solutions to India's governance failures and they will have no choice but to vote for us if they wish for an incredibly better life for themselves and their families.

25.1.5 Change the language of political discourse

We need to take a page from BJP's approach to politics. They completed the political discourse through new terms and issues. Advani single-handedly invented terms like "pseudo-secularism", "minority appeasement", "Hindu nationalism". He revived terms like "Ram Rajya". He picked up issues such as "minority appeasement", Ram temple in Ayodhya, Article 370. The Ram Janmabhoomi movement was the way to shift the discourse on the ground.

SBP must do the same through new terminology to draw attention to our issues and ideology. We need to show that liberalism, capitalism and the pro-freedom ideology will make India the world's richest and best-governed country.

For instance, we should show that socialism is a dirty word which equates poverty and corruption. We can address socialist politicians as poverty architects and socialist parties as dens of thieves and rogues. We can refer to socialism as poverty creation.

We can call Hindutvadis and caste-based political parties as "the brown-skinned children of the British who dividing the country to rule it." BJP politicians are Pakistanis in that sense, since they are merely fulfilling Pakistan's agenda. They believe in the two nation theory. SBP rejects it outright. While discussing BJP, we can point out RSS's shameful role in betraying the Indian independence movement and serving British masters. We can call Hindutva the politics of death and destruction and caste politics as feudal slavery.

We must refer to our goal as India - the golden bird.

25.1.5.1 Idea for a possible leaflet

A great idea for a party leaflet would be an article illustrating an alternate scenario of how India would have been today had it pursued the path of free market capitalism, free trade, and good governance from the beginning itself. It would have been the Switzerland of the East. Such an article would stir emotions and make people feel outraged.

Most Indians have no idea how badly they have been taken for a ride by their socialist politicians. They aren't aware of the scale and magnitude.

25.2 Public speaking

Politics is different from our dinner conversations. Shiv Sena's rise was solely due to the oratory skills of Bal Thackeray. Likewise for Churchill and even Lee Kuan Yew.

Boost your profile, sell dreams and be a man with a single-minded determination and in a hurry. Do not be afraid of denigrating the opponents.

If our members master oratory, then half the job is done. Our speakers must be sincere and cut straight to the point. Our leaders should believe that they will win.

If we are passionless and doubt the viability of our goal, we will be seen as soda without gas. Zero value!

25.2.1 Being a good speaker

25.2.1.1 Prepare

Always keep in mind that as a politician your job is also that of an entertainer. You must entertain the public with your speeches. The speech that you are about to give is like a performance at a concert. You must approach it in that manner.

What does an entertainer do? He doesn't just preach on a monosyllable tone. He also gossips, jokes, and vents his emotions with the audience.

Prepare for the speech you are going to give beforehand, and pump yourself up for the super performance you are going to give. Always remember that if you are natural and confident, your performance will shine while giving the speech.

25.2.1.2 Be natural and talk to the audience, not go over them

Do not talk to the audience as if you are reading from a script. Talk to them as if you are gossiping with friends. Be natural and don't fake anything. Rahul Gandhi is a classic example of a person who doesn't know how to converse with the audience, and appears half-witted.

It is impossible to feel fear in front of an audience if you are being natural and talking to the audience. You will automatically be confident. It is only if you are trying to fake emotions and just preach on a monotonous tone, that the audience will switch off

25.2.2 Examples of good oratory

Here are some examples of good oratory:

(1) Kay Kay Menon's opening speech in the movie Gulaal (2009)

<https://www.youtube.com/watch?v=r3pVKPtDTq8>

(2) AB Bardhan's speech against the BJP and Sangh Parivar (1993)

<https://www.youtube.com/watch?v=0UGEPNFwt70>

(3) Lee Kuan Yew's election campaign speech in Singapore (1980)

<https://www.youtube.com/watch?v=5uAYnSpp3hQ>

(4) Bal Thackeray's speeches in the mid-90s

<https://www.youtube.com/watch?v=9xzaBPYav9U>

<https://www.youtube.com/watch?v=L96TYEFRy0U>

(5) Akbaruddin Owaisi (2012)

<https://www.youtube.com/watch?v=4J-Ful7yA8Q>

(6) Kapil Mishra's speech (2017)

https://web.facebook.com/permalink.php?story_fbid=10212990662548071&id=1437008474

25.3 Illustrative FB/ Whatsapp posts/ memes

This is an illustrative list

- Are you sick and tired of the hallmarks of socialism – poverty, filth, corruption, bad roads, load shedding, water shortage, high taxes, inflation, lack of public safety, lack of justice, lack of job opportunities? If so, join and support Swarna Bharat Party. We are the only Indian party with detailed solutions to fix these problems.
- Yes it is easily possible to fix all of India's problems, as has been demonstrated in numerous countries around the world. All that is needed is liberty and governance reforms!
- (Current politicians' photos) Are you tired of well-intentioned politicians who have no ability to deliver? Join and support Swarna Bharat Party to entrust the country in the safe hands of honest and competent leaders.
- Do you feel insulted when foreigners refer to India as a land of slums and open-air toilets? Join and support Swarna Bharat Party to help transform India into a clean and prosperous developed country.
- India became independent on 15 August 1947, but not free. The rulers changed from British to Indian socialist politicians and these politicians turned India into the dustbin of the world where insecurity, injustice, poverty, corruption, crime, terrible infrastructure, and filth are rampant. They have sabotaged India's progress and prevented us from becoming a developed country. Join

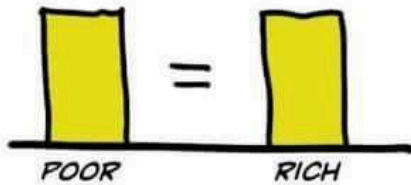
and support Swarna Bharat Party, which will transform India from a poverty-stricken corrupt cesspool into one of the world's most prosperous and advanced nations.

- (Current politicians' photos) Are you tired of well-intentioned politicians who have no ability to deliver? Do they appear to be people who will deliver a prosperous and developed India? Does it appear that they know what needs to be done? If not, then join and support Swarna Bharat Party to get rid of them and entrust the country in the safe hands of honest and competent leaders who will implement the SBP manifesto and transform India into a developed first world country in FIVE YEARS. (Swarna Bharat Party holding the banner)
- (Photo of Melbourne and an average chaotic Indian city) This is Melbourne, which has been voted the world's most liveable city. This is Mumbai / Delhi / Kolkata, which is amongst the least liveable cities in the world. What accounts for the difference between the two cities? Nothing much, other than that Australia follows good governance, individual liberty, and open economy, whereas India doesn't. That makes all the difference between prosperity and poverty, and between cleanliness and filth. Join and support SBP, which is the only party in India that knows how to deliver a developed, free, and prosperous India within 5 years - the course of just one prime ministerial term.
- Comparison between Australian private school and Indian public school
- Comparison between Australian private hospital and Indian public hospital
- Comparison between Australian poor living in housing projects and Indian poor living in slums. Only Swarna Bharat Party's policies will ensure that poverty is eliminated in three years
- Comparison between honest and well-mannered Australian police and corrupt and arrogant Indian police (from the perspective of an Indian citizen who is harassed for bribes and manhandled).
- Comparison between honest and quick Australian bureaucracy and corrupt and inept Indian bureaucracy (from the perspective of an Indian citizen who has to get ration cards, pensions, etc.)
- Politicians are rich and have money in real estate and foreign bank accounts, but poor people are suffering because of ban on 500 and 1000 rupee currency notes. (Photo of BJP cabinet ministers folding hands or smiling, and the common person holding useless 1000 rupees notes).
- The Prime Minister wears Rs.10 lakhs suits with his own name inscribed on it, but poor people have no clothes to wear.
- Slums and Chawls versus Lutyens bungalows and MP / MLA accommodations
- Politicians send their children to the best schools, while the poor have to go to shoddy pathetic government schools.
- Politician's don't suffer from load shedding and their toilets have no water problems. That is only for the common people. (Photo of a well-lit interior of the mansion, and good toilet with modern facilities)
- Politicians go to the best private hospitals in foreign countries for medical treatment. But the common people have to go to pathetic government hospitals where there is a shortage of staff, medicine, and everything. You are more likely to get sick there than to get cured.
- The clean and well pave neighbourhood streets of an MP or MLA. Compare that with the filth and bad infrastructure of the regular neighbourhoods.
- Crony capitalists receive hundreds of crores in government subsidies and have no problem opening factories and running businesses. They pay very little tax. But the common small

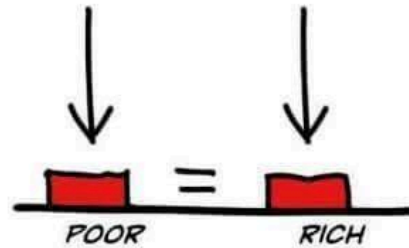
businessman cannot run his business without having to pay bribes and satisfy hundreds of regulations.

- A widow has to pay multiple bribes to get her husband's death certificate and receive pension. The politicians don't have to bother, because they have looted enough money that their children and grandchildren can live in luxury without having to work a single day in their lives.
- The police are servants of the politicians, and not the citizens. The police extort the citizens (who are supposed to be their masters) for money and ill treat them. They are not concerned with public safety, especially keeping our women and children safe, because they are too busy with taking bribes and fulfilling the demands of their political masters.
- Picture of half-naked kids in the streets and show the Lutyens mansions of BJP MPs. Government has thousands of crores to spend on the accommodations, travels, and living expenses of their MPs and MLAs, and thousands of crores more in running banks, hotels, and Air India; but it cannot provide good education and healthcare for these kids.
- Poverty architects of India: All Indian politicians are socialist, and it is these socialists who are responsible for being a desperately poor and badly governed mess. (Put a collage of all Indian politicians under the heading "Poverty architects of India")
- All Indian politicians are socialist, and hence, corrupt and criminal. (Photos of current socialist politicians.)
- Politicians don't really care about you or your family. The electoral system is rigged so only the corrupt and dishonest people who can afford to spend crores of rupees can enter. Politicians spend each and every day of their lives trying to recover their election expenses, make profits, and scheming to win the next elections. Whether Modi, Kejriwal, or anyone else, they are not in politics for public service. Join and support SBP so that we can change all this and ensure that only the most competent and honest people enter politics to serve the public.
- Photos of BJP politicians in which their eyes are blood red, hands are bloodied, mouth is dripping with blood, and they are standing on top of a pile of skulls. The text will say, "BJP will do anything to win elections. If that means killing thousands of people and destroying thousands of lives, it's all fair in the game of politics to get the ruler's throne. BJP supports merchants of death."
- Photo of politician with silly cap. The text will say that he pretends to be an honest aam aadmi and not power hungry, but his party has used black money to win elections. He has no idea of how to fix India's governance issues, but lies that he does to win votes and be in power. Corruption has remained at the same levels under his government. Delhi is still over-polluted and filthy. The governance in Delhi is still in shambles. Kejriwal buys the votes of the public through taxpayer's money, which would otherwise have been spent on the police, judiciary, better schools and healthcare, safer roads, etc. Socialists are by their nature very corrupt and only interested in enjoying the perks of power. They are not in politics to serve the public.

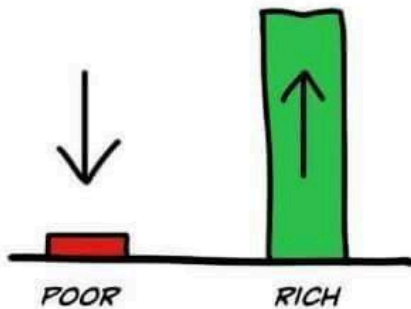
HOW SOCIALISTS
THINK SOCIALISM
WORKS.



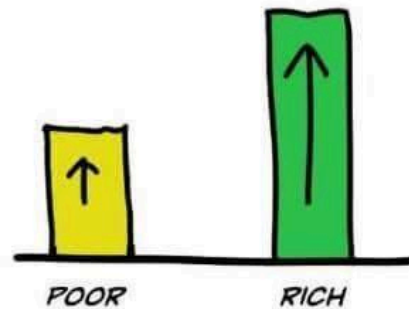
HOW SOCIALISM
ACTUALLY WORKS.



HOW SOCIALISTS
THINK CAPITALISM
WORKS.



HOW CAPITALISM
ACTUALLY WORKS.



26. Quotations, jokes, slogans

26.1 Some quotations

- “To the extent that someone really understands the principles governing economic life, and desires that human beings live and prosper, he can hardly fail to be an advocate of capitalism.” -
- “The case for capitalism is thoroughly rational” – George Reisman
- “a social order organized on genuinely liberal principles is so constituted as to leave the entrepreneurs and the capitalists only one way to wealth, viz., by better providing their fellow men with what they themselves think they need.” – Mises
- “Those fighting socialism do not reject socialism because they envy the workers the benefits they (the workers) could allegedly derive from the socialist mode of production. They fight socialism precisely because they are convinced that it would harm the masses in reducing them to the status of poor serfs entirely at the mercy of irresponsible dictators. In this conflict of opinions everybody must make up his mind and take a definite stand.” - Mises
- “Liberty in thought and action is the only condition of life, growth and well-being: Where it does not exist, the man, the race, and the nation must go down.” – Vivekananda
- Let noble thoughts come to us from all sides. (Rig Veda)
- “Give us power not to become insensitive and silent spectators to social, moral and political evils and bestow us necessary wrath to fight these evils” (Rig Veda 1-97-8)
- Satyameva Jayate (“Truth Alone Triumphs”) [Mundaka Upanisad (3.1.6) of the Atharva Veda]
- “I am not interested in freeing India merely from the English yoke. I am bent upon freeing India from any yoke whatsoever”. Gandhi.
- ‘The land ceiling is “a child of sadism”’ – Rajaji
- ‘Socialism ... is pure Statism’. Its believers imagine that ‘wisdom resides only in the State’ – Rajaji.
- ‘The laws of production are laws of nature and hence not alterable. ...The “State” cannot produce, it can tax or hinder or encourage, BUT NOT PRODUCE’. – Rajaji
- ‘Great shout has been raised over big favouritism in the distribution of licences and permits. The system is the root of poison and is bound to lead to corruption’. – Rajaji
- ‘Production in India is running a three-legged race or a gunny bag race, the Government’s interventions and clampdowns being the handicaps’. – Rajaji
- ‘In India ... honest men [are] engaged in the difficult tasks of production or trade’ but face ‘ruin at the hands of officials, ministers, and party bosses’. – Rajaji
- ‘I want an India where talent and energy can find scope for play without having to cringe and obtain special individual permission from officials and ministers, and where their efforts will be judged by the open market in India and abroad’. – Rajaji...
- ‘I want ... the government reduced to its proper functions’. – Rajaji
- ‘I want security for all owners of property, land or other forms of acquisitions, without Damocles’s Sword hanging over them threatening expropriation without payment of just and full compensation’. – Rajaji...
- ‘I want an India where the budget of the Centre does not cause inflation and soaring prices’. – Rajaji

- ‘I want the spirit of compassion and benevolence to have free play and not stifled by State schemes of monopolizing all welfare by over-taxation and over-centralization’. – Rajaji
- Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it’s the only thing that ever has. – Margaret Mead, Anthropologist
- “Liberty is the first condition of growth. Just as man must have liberty to think and speak, so he must have liberty in food, dress, and marriage, and in every other thing, so long as he does not injure others.” – Vivekananda...
- “This life is a tremendous assertion of freedom” – Vivekananda
- “Wherever in any society there are too many laws, it is a sure sign that that society will soon die. If you study the characteristics of India, you will find that no nation possesses so many laws as the Hindus, and national death is the result.” – Vivekananda...
- “Political writers have established it as maxim, that in contriving any system of government ... every man ought to be supposed a knave and to have no other end, in all his actions, than private interest.” (David Hume)...
- “None deserves liberty who is not ready to give liberty” – Vivekananda
- “The moment the slave resolves that he will no longer be a slave, his fetters fall. He frees himself and shows the way to others. Freedom and slavery are mental state.” – Gandhi
- Once freedom lights its beacon in a man’s heart, the gods are powerless against him. – Jean Paul Sartre
- I disapprove of what you say, but I will defend to the death your right to say it. – Voltaire
- Freedom is the right to tell people what they do not want to hear. – George Orwell
- The most beautiful thing in the world is freedom of speech. – Diogenes (412-323 BC)
- Liberty means responsibility. That is why most dread it. – George Bernard Shaw
- Liberty of thought is the life of the soul. – Voltaire
- Those who would give up essential Liberty, to purchase a little temporary Safety, deserve neither Liberty nor Safety. – Benjamin Franklin
- “If freedom of speech is taken away, then dumb and silent we may be led, like sheep to the slaughter.” – George Washington
- “The tree of liberty must be refreshed from time to time, with the blood of patriots and tyrants. It is its natural manure.” – Thomas Jefferson
- “I would rather be exposed to the inconveniences attending too much liberty than to those attending too small a degree of it.” – Thomas Jefferson
- “Dissent is the highest form of patriotism.” – Thomas Jefferson
- “When the people fear the government, you have tyranny. When the government fears the people, you have freedom.” - Thomas Paine
- “If there be a principle that ought not to be questioned within the United States, it is that every man has a right to abolish an old government and establish a new one. This principle is not only recorded in every public archive, written in every American heart, and sealed with the blood of American martyrs, but is the only lawful tenure by which...
- “It is proper to take alarm at the first experiment on our liberties. We hold this prudent jealousy to be the first duty of citizens and one of the noblest characteristics of the late Revolution.” – James Madison...
- “Give me liberty or give me death!” – Patrick Henry
- “It is the first responsibility of every citizen to question authority.” – Benjamin Franklin

- “Disobedience is the true foundation of liberty. The obedient must be slaves.” – Henry David Thoreau
- “A man who has nothing for which he is willing to fight, nothing which is more important than his own personal safety, is a miserable creature and has no chance of being free unless made and kept so by the exertions of better men than himself.” – John Stuart Mill...
- “This country, with its institutions, belongs to the people who inhabit it. Whenever they shall grow weary of the existing government, they can exercise their constitutional right of amending it or their revolutionary right to dismember it or overthrow it.” – Abraham Lincoln...
- “To sin by silence when they should protest makes cowards of men.” – Abraham Lincoln
- “Love your country, but never trust its government.” – Robert A. Heinlein
- “Live free or die; death is not the worst of evils.” – General George Stark
- “I would rather die on my feet, than live on my knees.” – Emiliano Zapata
- Freedom is not worth having if it does not connote freedom to err. – Mahatma Gandhi
- Don’t regard yourself as a guardian of freedom unless you respect and preserve the rights of people you disagree with to free, public, unhampered expression. – Gerard K. O’Neill
- Those who deny freedom to others deserve it not for themselves.- Abraham Lincoln
- I prefer liberty with danger to peace with slavery. -Author Unknown
- “If it is an unjust law you would abolish, that law was written with your own hand upon your own forehead.” – Kahlil Gibran
- “And if it is a despot you would dethrone, see first that his throne erected within you is destroyed.” – Kahlil Gibran
- “The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design”- F.A. Hayek
- I disagree with the idea that freedom is obedience to the laws of nature. ... According to the history of human progress, it is disobedience to nature that has constituted that progress. ... (Vivekananda, *The Complete Works of Swami Vivekananda*, Calcutta: Advaita Ashram, 1989 [1990], vol 5 p. 287.

26.2 Some jokes about socialism

<http://www.sabhllokcitv.com/2017/03/complete-set-of-links-to-jokes-about-socialism-and-communism/>

26.3 Slogans

Propaganda	The truth
Socialism means caring for the poor	The poorest members of free-market-oriented societies live better now than royalty lived a couple of hundred years ago.
If liberalism is so good why has it not been tried anywhere?	The ideas of liberalism have underpinned all prosperity in the world over the past 300 years.
Capitalists are greedy and make huge profits	<p>Socialists are unable to see the unseen. In reality, “capitalists” risk making huge losses if they don’t serve you, the customer. Losses constantly stare at the “capitalist” so he works hard.</p> <p>The reality is that most businesses go bankrupt quickly because they failed to serve their customers.</p> <p>Don’t believe it? Try an experiment. Become “greedy”, start your own business and charge huge profits - then make note how quickly you are bankrupted.</p>
Everything will become affordable in a socialist society	All socialist societies, without exception, have led to shortages, lost production and extreme poverty
“Never talk to me about the word profit; it is a dirty word” - Nehru	Profit is a signal that you are serving the society well. That’s why they say <i>Shubh Labh</i> .
Government must control car production (so we got the hopeless Ambassador car)	(After removal of socialist controls) India now produces much better cars and the hopeless Ambassador car has shut down in the face of competition
India is a democracy	Democracy that does not limit the powers of government is more harmful than any other form of government. India has become an unlimited democracy, where government has taken control over all aspects of life
Government knows best	Prices, profit (and loss) and private property rights orchestrate the best knowledge and skills in the world and make them available to all of us
Free electricity helps farmers	Free electricity makes farmers draw excessive underground water. Now there is no water even at 400 feet. The whole country loses from subsidies.

Government can stop
people from producing
meat

In a free country the servant (government) cannot stop citizens
(the sovereign) from their occupation unless they are physically
harming others.

27. Other resources

This is an unedited and unverified list to assist party leaders in accessing potentially useful information. Inclusion of any resource in this manual does not imply endorsement.

27.1 Texts (books/ articles)

<http://www.economicshelp.org/economics-a-z/>

<http://tomwoods.com/ep-874-snappy-answers-to-anti-libertarian-questions/>

<http://tomwoods.com/ebook/Busting-Myths-About-the-State-and-the-Libertarian-Alternative.pdf>

<https://sites.google.com/a/temple.edu/alistairhoward/home/political-ideologies/arguments-for--against-capitalism>

<http://listverse.com/2012/12/27/top-10-reasons-why-capitalism-sucks/>

<https://www.slideshare.net/MartinJohansen/top-ten-arguments-against-capitalism-and-how-one-can-answer-them-5587490>

<http://dissidentvoice.org/2012/08/six-arguments-for-the-elimination-of-capitalism/>

<http://www.counterpunch.org/2007/04/30/anti-capitalism-in-five-minutes/>

<http://www.debate.org/forums/politics/topic/11928/1/>

<https://fee.org/articles/why-socialism-is-impossible/>

<http://www.bankableinsight.com/socialist-arguments-destroyed.html>

<https://mises.org/library/todays-anti-capitalists-ignore-fundamental-problems-socialism>

<https://mises.org/library/mises-destroys-socialism-again-and-again>

<https://mises.org/library/living-wage-myth>

<https://mises.org/library/mythology-minimum-wage>

“Sweden” argument

<https://capx.co/author/nimasanandaji/>

<https://fee.org/articles/the-great-infrastructure-myth/>

27.2 Videos

Six killer apps of prosperity by Niall Ferguson:

<https://www.youtube.com/watch?v=xpnFeyMGUs8>

Marginal Revolution University is good:

<https://www.youtube.com/user/MrUniversity/playlists>

<https://www.youtube.com/watch?v=tcb9bKSZ2VU&t=14s>
<https://www.youtube.com/watch?v=P5V5fcyVEFw>
<https://www.youtube.com/watch?v=BcGvfoZISR8>
<https://www.youtube.com/watch?v=WF2d7n18IkY>
<https://www.youtube.com/watch?v=5gvVPBBDpV8>
<https://www.youtube.com/watch?v=qtmNXngLP3Q>
<https://www.youtube.com/watch?v=r2IbjhV00as>
<https://www.youtube.com/watch?v=FZkIABDVRs>
<https://www.youtube.com/watch?v=ixvhQAliinI>
<https://www.youtube.com/watch?v=ohnq4pfRIOc>
<https://www.youtube.com/watch?v=wzW2RLxrZN8>
https://www.youtube.com/watch?v=1uvAL_LcSfM
<https://www.youtube.com/watch?v=L0LabBo7Amk>
<https://www.youtube.com/watch?v=KL4y5NJjii0>
https://www.youtube.com/watch?v=7N_Bm-t_sEM
<https://www.youtube.com/watch?v=7uv0KhsXooQ>
<https://www.youtube.com/watch?v=4G24N-TD4SE>
<https://www.youtube.com/watch?v=qZERDOKNY9U>
<https://www.youtube.com/watch?v=l2ZOEfSQahs>
<https://www.youtube.com/watch?v=UfxRpBoGRyc>
<https://www.youtube.com/watch?v=3jiAEq3G4YM>
https://www.youtube.com/watch?v=x1ZTSTXL_2Y
<https://www.youtube.com/watch?v=LpcEj2FGHq0>
<https://www.youtube.com/watch?v=pGUtpWYEGx0>
https://www.youtube.com/watch?v=NxR_C2ZsRLM
https://www.youtube.com/watch?v=x_m0Yf-P814
https://www.youtube.com/watch?v=ekpe2_VhP8s
https://www.youtube.com/watch?v=B2ESS_pwi0A
<https://www.youtube.com/watch?v=VB8x9x7cw24>
<https://www.youtube.com/watch?v=bJWeFcijLCs>
<https://www.youtube.com/watch?v=oCPidBG6w2s>

<https://www.youtube.com/watch?v=lc3HXEQkrSw>

(1) Free-market environmentalism

<https://www.youtube.com/watch?v=rKoTYMKyVh8>

<https://www.forbes.com/forbes/welcome/?toURL=https://www.forbes.com/sites/frankminiter/2013/07/02/how-capitalism-is-saving-and-expanding-africas-wildlife-populations/&refURL=https://www.google.com.bh/&referrer=https://www.google.com.bh/>

(2) The government's job is to facilitate infrastructure creation and maintenance, not to build and maintain infrastructure directly.

<https://www.youtube.com/watch?v=rKoTYMKyVh8>

https://www.ted.com/talks/hans_rosling_shows_the_best_stats_you_ve_ever_seen#t-1174046
www.gapminder.org

INTERNAL: <https://drive.google.com/drive/folders/0B9pLwFw712QxV3dIWHdrOG4tTFU>

Bryan Caplan's critique of the failure of Austrian Economics to posit an alternative to mainstream Neo-classical Economics as well as Austrian economist Tom Wood's response:

<http://econfaculty.gmu.edu/bcaplan/whyaust.htm>

<https://www.youtube.com/watch?v=hst0Wpg-dAM>

An interesting debate between an Austrian and Neoclassical economist:

<https://www.youtube.com/watch?v=IIPq3eXdofk>