Asto Speech

THE LEOPARD NEVER CHANGES ITS SPOTS

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THE Finance Minister on June 13, 1965 is reported to have announced that the country would not go bankrupt so long as he was Finance Minister. Are we going bankrupt? Finance Ministers of solvent countries do not protest their solvency. I would be inclined to the view that we are not quite bankrupt yet, but that we are on the brink of bankruptcy today. What are the facts?

First, the dissipating of our Sterling Balances. When the British left India, they left us with assets amounting to Rs. 1,402 crores at our disposal in London to be drawn, for our international needs. In 1949, within two years, the figures had dropped to Rs. 947 crores. In 1951, it was Rs. 880 crores. In 1956 it was reduced to Rs. 746 crores. In 1961, the figures had come down from Rs. 1,400 crores to Rs. 136 crores, one-tenth of what the British had left. We had managed to dissipate 9|10ths. At the end of March this year, the figure had come down to Rs. 86 crores. Now, by that time, our currency, which has to be backed with a certain amount of reserves, was being endangered because these resources had been eaten into. So, in February this year, the Reserve Bank of India had to get hold of gold wroth Rs. 16 crores from Government stocks in order to maintain the statutory cover for our currency, this lasted only another month. So, in March 1965, the Government had to obtain a stand-by credit of Rs. 95 crores from the International Monetary Fund in order to stop our currency from collapsing. On 28th May, the figures had come down to Rs. 7.35 crores, and on the 9th of June, which is the last figure we can get, our sterling balances, which, as I said were about Rs. 1,400 crores as left by the British, had come down to Rs. 3.4 crores. This is the lowest that India's reserves have sunk in its entire history. This is one index from which you can judge the state of our solvency.

Foreign Indebtedness

A second index is our foreign indebtedness. In March 1961, our external indebtedness was Rs. 846 crores. In February tris year within four years, it had risen to Rs. 2.439 crores. We now owe the rest of the world around Rs. 2.500 crores. How are we going to repay them?

This brings us to our repayment liabilities. It is estimated by the Government that, at the end of the Third Plan, which will be early in 1966, we shall be liable to repay Rs. 650 crores straight away by way of either capital or interest, and this payment will amount to 1|6th of our total exports during the Third Plan. That is, out of the five years exports of the Third Plan, 1|6th will have to be dedicated or devoted only to repaving our obligations or debts. During the Fourth Plan, which we are now so cheerfully and recklessly preparing, the liability will increase to 22% of our expected export earnings. In fact, just under 1|4th of all we export and supply to the rest of the world will not get us anything. It will repay our past debts. That is what people mean when they say that the country's future is being mortgaged by this Government.

New Way of Life

A third index of our economic condition is the amount of our dependence on foreign aid. Foreign aid does not mean anything of a commercial nature. During the first Five-Year Plan. which was a modest and sensible one, only 5% or 1|20th of the amount that we proposed to spend was to come from abroad. By the time we got to the 2nd Plan, our dependence on other parts of the world increased to 16%. In the Third Plan, which is now about to come to an inglorious end, foreign assistance accounts for 28.5%. For every two rupees that we spend now, we look to somebody abroad to provide us with one rupee. If the proposed 4th Plan comes into operation, we shall, according to Professor Shenoy. be dependent to the extent of 50% on the *meherbani* of the rest of the world.

In the *Indian Express* of 16th June, is an article by Mr. K. Bhasker Rao which was entitled: "Foreign Aid: Our New Way of Life". He wrote:

> Today in 1965, after 18 year of Indian Independence, the picture is very humiliating. For we are no longer reluctant to accept foreign aid. We openly seek it. We are even beginning to take it for granted. It has become our way of life. We send delegations to every corner of the globe to seek out aid from the treasuries of affluent governments to the pocket books of private individuals, from international organisations to private agencies, from secular and non-secular associations to even countries

bought 219.000 square metres, as opposed 290,000. They paid us Rs. 26.17 lakhs or ten lakhs more than the Soviet Union had paid for a larger quantity! If the Russian purchase had been made at the rate paid by the Unitel States India would have obtained 35 lakhs of rupees in place of Rs. 16 lakhs. Rs. 19 lakhs of foreign exchange were thus thrown away in giving the Russians a cut price! Italy also imports the same material. If the material had been exported at the rates paid by Italy. we would have got Rs. 22.50 lakhs. If the Western European countries had been given that silk they would have paid Rs. 27.60 lakhs. If Australia had been given that export, they would have paid the highest price, Rs. 37 lakhs. The average Asian rate was Rs. 29 lakhs and the average African rate Rs. 26. 40 lakhs. In fact, if we had exported these silk fabrics to any part of the world outside the Iron Curtain, we would have made 50 to 100% more than we made from Soviet Russia.

Very recently, I had the experience of a visit from a very estimable manufacturer of pig iron in Bombay. His was a sad story. His works had been shut down because Government imports from Soviet Russia large quantities of iron ore which are not necessary in India., By over-importing Soviet pig iron, they have flooded the market and put hundreds of workmen out of work and good businessmen out of business.

Similarly, we are now told that we must not import Caravelles and Viscounts, we must import Ilyushins, a very good name for that plane because it is a symbol of illusions on the part of the Government. Now we want to import Ilyushins because they will be paid for in rupees, a great *mererbani* will have been conferred on us, even though it happens to be an inferior plane. The Ilyushins 18 is an out-of-dated plane not in any way comparable with the Caravelle. Cuba has grounded its entire Ilyushin fleet as not being air-worthy, and the Cubans are friends of the Soviet Union. Then there is Mr. Nkrumah of Ghana, another gentleman who has burnt his fingers in buying this plane and is trying to get rid off his fleet at greatly reduced rates.

Diesel Oil

Finally, we come to one of the worst examples—the crisis over diesel oil and kerosene. I visited my constituency a month ago and I found that trucks were lying on the side of the roads because there was no diesel oil. I found that the kheduts in the fields could not work their oil pumps and their tractors because no diesel oil was available. I investigated the matter and found that the Indian Oil Company has no distribution facilities, but the Government insists that we should only buy Soviet diesel through the Indian Oil Company. On 31st March everything was fine and there was no problem. On the 1st of April this year, our Government created this problem, for which there is no excuse. They suddenly and arbitrarily said that India was not to import any more diesel oil. All import licences were cancelled. When they were asked how they proposed to meet the shortfall, because we produce the remaining 25 or 20 per cent. they said Big Brother will provide. Moscow has promised to sell to us for rupees. So they are now buying Soviet diesel. Now who is to distribute it? Their own Company hasn't got the distribution facilities, they have few pumps. So what do they do? They call in the other oil companies and try to bully them. These companies know perfectly well that in the next few months when the Indian Oil Company has put up more pumps, by the end of 1965, they will be driven out from the trade. My friend Mr. Humayun Kabir says: "I shall use the Defence of India rules against you?" The other day Police Officers went to pumps in Delhi and said, "If you don't sell Soviet Diesel, we shall acquire your pumps under the Defence of India Rules." What a brave, what a generous, what a magnanimous a noble Government to bully petrol pump dealers!

Root Causes

Why are we in this mess? Why are we on the verge of bankruptcy?

Basically, therefore, the cause of our bankrupcy today is fundamentally wrong economic and planning policies of the Government in India. The policies of so-called Socialism and Planning are at the root of our disaster. For fifteen years some of us have warned against these wrong policies. Today, the chickens have come home to roost. Today, we cannot evade any more the consequences of our policies.

The Second and Third Plans have been disastrous for this country because we try to spend money that we do not possess. We have concentrated on heavy industries, which are wasteful and uneconomic, while neglecting agriculture and transport. We have put up State factories knowing perfectly well that the State is not efficient producer of anything except laws. We have indulged in economic chauvanism and turned foreign capital away from our doors.

Only a few days ago there was the breakdown of the Bechtel deal on fertilizers. They were prepared to set up five fertilizer factories to produce fertilizers in this country when the peasants are today going and buying fertilizers in the black market. But Bechtel, who were going to risk their money, capital and reputation, were not prepared to give a majority to the Government of India though they were prepared to give a majority to the Government of India and private investors put together.

A very intelligent and perceptive article in the 'Indian Express' by Mr. Rohit Handa says:

> "The Indian government, for reasons of prestige was unwilling to allow the management to remain in American hands. Its main fear seems to have been that, if a departure is made from the established practice of recruiting underpaid and badly trained personnel and obtaining departmental sanctions from the Finance Ministry at every stage in the case of fertilizer factories, similar concessions might have to be made to existing public sector enterprises."

These ministers and officials in Delhi want to keep their fingers in these industrial pies of government. If they had accepted the Bechtel demand for management by those who run the fertilizer factory, the managers of other State enterprises would ask: "Why don't you give us similar freedom? Why do you interfere in our business?" So in order to keep the tentacles of the Finance and other Ministeries on every industrial enterprise, this very fine offer to build five fertilizer factories has been turned down. And yet these people come to us and say they are trying to save foreign exchange when a cricket team has to go abroad!

The New Class

I would like to conclude by trying to answer my own question: We cannot escape bankruptcy unless certain things happen. The first of these is that Government should discard entirely these wrong policies that were inherited from Mr. Nehru and strike ont in a more realistic. more practical direction. Now it is for you to consider what the chances are of Mr. Lal Bahadur Shastri and his like little Rumania; financial aid and a lot of other assistance is being pumped to prime our stagnant economy. From the vast steel mills that span from Bhilai to Bokaro to the chapattis that we eat everyday, our growing intricate network of foreign aid should frighten us into asking the almost prohibitive question: "how independent are we?"

I think his question deserves a very great deal of quiet thought.

Value of Rupee

To move on to another index of solvency, the state of our currency. Every country's credit depends on the state of its money. People talk about shortage of foreign exchange, but there is no shortage of foreign exchange. There is a shortage of an honest Rupee. Our rupee is supposed to be worth 20 cents of the American dollar. That is the theory. Today our rupee in all the world's free markets is worth around 10 cents, just around half of what it pretends to be. And yet we expect people to do business with us under the pretence that our rupee is worth about 20 cents. When these figures are thrown by us at the Finance Minister in Parliament, he says: "I do not understand all this. A rupee has only one value and that is the value that we say it has."

It might interest the Finance Minister to know that every hotel booking-clerk, every taxi-driver in a big city, everyone near the docks, every shop-keeper in Connaught Place in New Delhi or in the Fort in Bombay knows that the dollar is worth twice as much in terms of the rupee that it is supposed to be. That is why people cheerfully offer 8 or 9 rupees for the dollar.

Newsweek, the American journal, publishes a column where it gives the market figures of currencies all over the world. According to Newsweek on 17th June, 1963, as against the official price of 4.75 rupees to the dollar, the dollar was in fact worth 5.70 rupees. On the 6th of January 1964 six months later, the rupee had depreciated and fallen to 6.65 to the dollar. On 9th November 1964, the rupee had gone down to 6.90 to the dollar. On 1st February 1965 just before Mr. Krishnamachari introduced his last unfortunate Budget, you could only get a doller for 7.20 rupees. A day before the Budget you could get a pound for Rs. 24 as opposed to Rs. 13.30, which is the official price. But the morning after the Budget you couldn't get a pound sterling for less than 27 to 28 rupees. (So the last blow to the rupee was struck by this wretched Budget.)

Finally, the last index, the state of the Capital Market. According to the Reserve Bank's weekly index of variable dividends of industrial securities, that index declined from 192.9 in April 1962 to 162.5 on February 27, 1965.

You will see from all this that evidence of the fact that we are on the brink of bankruptcy is pretty conclusive.

Symptoms of Bankruptcy

In fact, the Government, by its own behaviour, is admitting this. First, the moratorium on essential imports. During the current quarter, practically all imports have been stopped; we haven't got the money to pay for them. During the last debate in Parliament on the Finance Bill, on 3rd May, I asked the Finance Minister across the floor, to confirm my understanding or information that at that time he had only six weeks' exchange to keep the country's imports going. In his characteristic manner, Mr. Krishnamachari blustered that, in spite of me, the country would not go bankrupt, he forgot to answer my question! His own actions later show that I was right. If this continues for a few more months, the wheels of our industry will grind to a stop. Factory after factory will have to shut down.

The second admission of insolvency is the Finance Ministry's demand that all sports teams going abroad should stop. They have informed the All-India Sports Council that no foreign exchange is available for sportsmen going abroad till March 1966. But while they were being so brave in preventing eleven cricketers from going abroad, let us take note of the fact that half the Ministers in Delhi were abroad themselves. Each of them has got staff attending on him. I don't mind saying that our sportsmen, like the hockey team that went to Tokyo, are as India's ambassadors much more effective than Lal Bahadur Shastri's and Swaran Singh's going abroad.

Finally, there is the credit squeeze, the denial of facilities to banks to lend money to perfectly solvent, stable businesses for their needs. The Reserve Bank has ordered the banks to refuse to give finance to solvent businesses and firms, because they say that is anti-inflationary.

Rupee Payment Hoax

We come now to a very unsavoury part of our economic life and policies today. A sports team can go to Czechoslovakia or Hungary or Moscow, but not to any other part of the world. Why? The answer is that when you buy something from, or spend something in, Russia or one of these communist countries, you do not use up foreign exchange. These countries are prepared to accept rupees, the debased rupees which are worth half their value. Now this is a big lie, and everyone who mouths it should know it.

The Russians acquire these rupees in India. What do they do with them? The Americans deposit all the rupees from our PL. 480 loans which they also allow us to repay in rupees, in the Reserve Bank of India, and about 80% of these rupees are given back to our Government for developmental projects in our own country. The balance they use for running their own Embassy and for the use of Americans in India.

What, in like conditions, do the Soviets do? The Soviets give a small percentage to the Communist Party to destory our Constitution and our Government, to the fellow travellers, and to certain newspapers, whose names we know in Delhi and Bombay. For the rest, they ask: "What are you going to sell us in return? We want your oilseeds, we want your shoes, we want your cloth, we want such and such thing." Soviet Union imports from us, in return for what it gives us, goods which have value in the world. If they were not sold to the Soviet Union, other countries would have bought them and given us valuable foreign exchange.

So foreign exchange is used from whichever country we buy our goods, because ultimately those rupees are converted into exports and the use of exports means the loss of valuable foreign exchange. This rupee sources racket is an attempt to throw dust in the eyes of the Indian people and to pretend that, when we buy from Russia, we are not spending foreign exchange.

Export to USSR Subsidised

Here are the figures of our silk exports: During 1963 we exported mulberry silk fabrics in large quantities. The Soviet Union bought 200,000 square metres. and they paid us Rs. 16.11 lakhs. The United States bought almost the same quantity, a little less. They colleagues having the courage to admit their mistakes. I don't think they have any lack of intelligence. Many of them privately admit this. But they lack courage and some of them are also making money out of this rotten system. The New Class in India, the corrupt politicians, corrupt officials, and corrupt businessmen who work with them are exploiting the people of India today under the name of Socialism and Planning. Now this is not specifically a Indian phenomenon. It happens in other countries also. The great Communist, Milovan Djilas, the former Vice-Premier of Yugoslavia wrote a book—for which he is now serving a ten-year sentence—called the "New Class." There, Djilas describes our Malaviyas and our Serajuddins to perfection. He had never heard of them, of course. He wrote this book before they came to the surface. But you will find there a beautiful description of people who talk communism, socialism and leftism, and line their own pockets. If I am asked whether there are any vested interests in India today. I would say: "Yes, there is only one vested interest and that is the vested interest of the corrupt politician, the corrupt official and the corrupt businessman who work hand in hand to exploit the people."

Recently, in Calcutta you had the unsavoury spectacle of Mr. Gulzarilal Nanda, our present Home Minister, who is one of the men most responsible for India's drift to bankruptcy, because he was the man who as Planning Minister was responsible for the 2nd and 3rd Five Year Plans, sharing the platform with some prominent businessmen. We had this rather sickening spectacle of each patting the other on the back, our business leaders saving that Mr. Nanda was a very good man and Mr. Nanda saying how wonderful were the businessmen and they all said that the Congress was the only Party. People mustn't think of any Opposition Party, only the Congress can deliver the goods, only the Congress will save you from Communism, therefore let us vote Congress next time.

If there is one class in India which would be responsible if India really goes bankrupt and its democratic Constitution and way of life are destroyed, it is the business class. I know there are very fine business leaders in India of whom any country can be proud. But let me be quite frank. Nine out of ten businessmen today are selling out their country and their childern's future for the sake of the Quick Rupee, for the sake of the extra licence and permit which these men in Delhi can give. They don't seem to care what will happen to their childern and their country. All they care is how mush they can make in the next twelve months. If a nation has too many of much people, than that nation gets destroyed.

I frankly have very little hope that this group in office can ever be made to change their policies. The leopard does not change his spots.

UNPROFITABLE FACTORIES IN SOVIET UNDER ATTACK

USELESS GOODS

MOSCOW, June 24—The Communist Party newspaper "Pravda" attacked unproductive and unprofitable factories today as the Government published plans designed to bring a new era of prosperity to the nation.

Pravda, coming down on the side of a profit motive to increase production, said that in 1962, *there were* 12 *plants in the Moscow area which were "completely unprofitable". Now there were only four, it said.*

But it said, plenty of other factories were producing goods which were almost totally useless in an economic sense. For example, one furniture factory produced 1,500 *different types of articles of which* 300 *were unprofitable.*

Another plant produced 189 *drills which were so unprofitable they lost the state one million rubles* ($1.1 *million*).

The reason, the newspaper indicated, was the same old trouble: factory managers meeting a quota for production and not caring whether the item sold or was profitable.

Partial scrapping of the quota system was one of the planks in a series of major economic reforms which would put more money in the pockets of Soviet workers, more goods on their store shelves at lower prices and allow them to work less.

The reforms, aimed at giving Soviet citizens incentives to produce more, were expected to be approved at a meeting of the Soviet Communist Party's central committee in July or August.

These semblances of capitalist life were expected to include:

— A drastic curtailment of state management of industry and partial scrapping of the quota system. Factory managers would be given greater freedom to run their plants.

— The profit system, already introduced into the clothing and apparel industries, would be introduced into other industries. Plant managers would be expected to show a profit and would be allowed to use at least part of that profit as they wished.

— Workers would be spurred through better wages, bonuses and even a profit-sharing plan.

— Prices would be cut and more new goods would appear on stores shelves.

Soviet authorities have been testing the profit motive as a guideline for production since 1962 *and now are apparently convinced that it is what is needed to boost the nation's production.*

—From The Journal of Commerce, New York Friday, June 25, 1965