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"Since the country is already on the brink of bankruptcy, the only way in which Mr. T.T. Krishnamachari can carry out his assurance that the country will not go bankrupt while he is Finance Minister is for him, like the proverbial rat, to leave the sinking ship just before it goes down. The sooner he does that, the better for the country," remarked Mr. M.R. Masani, M.P., General Secretary of the Swatantra Party, while addressing the Progressive Group here this evening. Mr. Masani, who was speaking on the subject "Can India Escape Bankruptcy?" answered the question by saying that the country could only escape that disaster if it could throw out the Congress Government in March 1967, just as Ceylon had recently ended Mrs. Bandaranaike's similarly ruinous regime.

The immediate question was whether this country could carry on without collapse till 1967. Here Mr. Masani expressed the view that a great deal would depend on the United States and other Western friends of India. He welcomed the West German Government's recent decision not to give any more Government loans to India and other developing countries except for the legitimate purpose of building roads, bridges, dams and power stations. For everything else, those who wanted capital must go to the money market and raise foreign equity capital. The speaker hoped that the U.S. Government would also impose similar economic discipline on the Indian Government by withholding further economic aid unless inflationary policies were abandoned, the proposed Fourth Plan was scrapped, the bias towards heavy industry abandoned and agriculture given the priority that was needed. As it was, foreign aid, given indiscriminately and without appropriate strings, was unfortunately accelerating the country's drift towards bankruptcy.

Mr. Masani came to these conclusions after analysing a mass of figures which showed how the present Government had dissipated the country's sterling balances until they had fallen to an all-time low of Rs.3.54 crores on 9th June 1965; how India's foreign indebtedness had reached the massive figure of Rs.2500 crores and how repayment liabilities at the end of the Third Plan were alone likely to be Rs.650 crores, thus mortgaging the country's future; how India had come to be increasingly dependent on foreign aid, which now accounted for 28.5 percent of the entire outlay of the Third Plan; and how by recklessly following inflationary policies, the value of the rupee had dropped to 10 cents of the U.S. dollar, which was half its face value.

"The alleged shortage of foreign exchange," observed Mr. Masani, "is a myth. There is no absence of foreign exchange, only of an Honest Rupee. So long as our Government insists that our rupee is worth over 20 cents, while its real worth in the world's free markets is only 10 cents, it cannot expect others to subject themselves cheerfully to this kind of swindle."

In this connection, Mr. Masani made the disclosure that, during the year 1964/65, the country had lost Rs.100 crores of valuable foreign exchange due to the manner in which the Import Entitlement Scheme had been allowed to be abused. Bogus exports had been made, not with a view to earning foreign exchange, but with a view to securing the right to import into India and get foreign exchange out of this country. Those who had benefitted by this racket were mostly in Madras, where the loss of foreign exchange was to the tune of Rs.56 crores, while Bombay came next with Rs.24 crores, Calcutta with Rs.10 crores and the rest of the country with Rs.10 crores. One of the reasons for the suspension of import licences during the current period was the belated discovery of this racket which had been going on for the last twelve months. "The real issue is, therefore, not the shortage of foreign exchange," said Mr. Masani, "but the absence of sound economic policies and a stable currency."

The speaker denounced as a gambler's last throw the Indian Government's attempt to turn to Soviet Russia to bail it out in the face of impending bankruptcy. The Soviet Union, which was itself in the world markets for credits from Britain, Japan, Italy, Belgium and France, was in no condition to be of any appreciable help to this country. On the contrary, the Government was allowing this country to be exploite economically by the Soviet Union under cover of what the speaker described as the "rupee sources racket."

"All imports have to be paid for by corresponding exports, whether payment for the imports is made in rupees or dollars or pounds," explained Mr. Masani. "Therefore, in buying goods from the Soviet Union, which accepts payment in rupees, there is no saving whatsoever in foreign exchange. The Soviet Union uses the rupees to buy goods for export. It is allowed to do so at heavily subsidised rates." Mr. Masani cited the example of silk exports where, for more or less equal quantities exported to the U.S.A. and U.S.S.R., the U.S.A. was made to pay twice the price obtained from the Soviet Union. If that quantity of silk was not exported to Russia, it would have fetched nearly twice the price in countries like Italy and Australia and earned valuable foreign exchange.

Similarly, the stopping of licences for the import of Diesel oil had created havoc with transport and agriculture. The only beneficiaries were the Soviet Union and the Government-owned Indian Oil Company, which was trying to establish a monopoly. Mr. Masani denounced the attempt made by the Government to make scapegoats of the Oil Companies, while the entire dislocation in transport was caused by the selfish attempt of Government to establish a monopoly for itself.

There could be no escape from impending bankruptcy unless the real causes, which were the disastrous economic and planning policies of the present government, were removed. Mr. Masani saw no hope of what he described as the "charlatans at present in office and in the National Planning Commission" accepting such a change in policy since these policies, however ruinous to the country, were in the interests of their own class which Djilas, the Yugoslav communist,had well described in his book called "The New Class". "The new class in India, which is today the only vested interest in the country," said the speaker,"consists of corrupt politicians in office, corrupt officials and corrupt businessmen who go along in sharing the profits of exploiting the people. Every control means more corruption and more gains to this class."

In this context, the speaker deplored the supine and selfish attitude of large sections of India business who, with the honourable exception of an enlightened fringe of free enterprise, were busy making the 'quick rupee' by remaining on the Congress bandwagon in complete disregard of the country's future.

M R Masani

(M. R. Masani)