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"Devaluation - What next?"

Text of speech delivered by Mr. M.R. Masani, M.P.
to the Progressive Group, Bombay, on June 15, 1966.

Mr. President, Ladies and Gentlemen:

I would like to congratulate the Progressive Group on having taken the initiative to encourage discussion in public about this topic, which is at the same time a burning topic of discussion and a mystery of a rather technical nature to most people. It speaks volumes for the intelligence of the members of your Group that such a large number of them should be here to follow a discussion on what is rather an obscure and technical subject.

What is Devaluation? Let us say that it is a recognition of reality. It faces the fact that the value of a particular currency in terms of other currencies is at a certain level. Just as everything has a price, so the Dollar, the Pound, the Mark and the Franc also have a price in terms of the Rupee. When the value of the Rupee goes down, then just as all other prices go up the value of the foreign currencies which we can buy with our Rupee also goes up. Similarly, if the value of our currency were to go up, all prices would come down and the price of the Dollar, the Pound, the Mark and the Franc would also come down.

What happened a few days ago was therefore nothing new. It was not something that was contrived, something that was done by our Government. It was simply that our Government at last decided, for reasons which we shall go into presently, to accept the fact that the Rupee was no longer worth 20 cents of the American Dollar, as was the official theory till last week 4.75 Rupees made a Dollar, that is what our School children were being taught. But even the brighter school children knew by this time that this was not so. Our Ministers had not discovered it, but they discovered it last week.

Actually, for some months now, the value of the Rupee in the free markets of the world (which are published every week in Newsweek in a little box in case anyone wants to check up on them) was round about 10 U.S. Cents, when this development took place, half roughly, of what the Rupee was purporting to be. What the Government of India did with the approval of the International Monetary Fund a few days ago was to peg the Rupee at about 14 or 15 American Cents. In other words, the Devaluation is partial.

There has been a certain amount of confusion about the extent of the devaluation. On the one hand, our Government announced that the Rupee had been devalued to the extent of 36.5% of its value in terms of gold. That is correct. On the other hand, if we want to buy a Dollar or a Pound or an air passage, we find that the cost has gone up not by 36.5% but by 57.5%. This is naturally a little confusing because it looks as if there is some trick. But actually there is no trick. It all depends on the angle from which you look at it. From the apoint of view of the man who is looking from 1.5, which is the Dollar or the Pound, the depreciation from 1.5 to 1 looks like 33%. But from the point of view of the man at the other end, which is the Rupee, 1.5 is 50% more than 1. In other words, from the point of view of the foreigner the Rupee has gone down by 33%; from the point of view of the Indian, the other currencies have gone up by 57.5%.

What is the case for devaluation? The case for devaluation was put, probably at its best, by the Finance Minister, Mr. Sachin Chaudhary in

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his broadcast. He said there was a rise in prices over the last ten years of 80%. In other words the Rupee's value at home had gone down by 80% during the last ten years. Secondly just as the home value had gone down, similarly the foreign value of the Rupee had gone down also. As I said, it had gone down to half. This meant that the official rate of exchange was not being practised over large areas of commercial transactions. I remember saying during the Budget debate in Parliament in April on the Tourist Ministry's estimates that as much as 75% of the foreign exchange brought into this country by tourists in the form of Dollars, Pounds or Travellers Cheques was lost to the country. It was not going through the banks at all. India was not getting the benefit of ¾ths of the tourists' income which it would have got. Why? Because there were people available in all cities of India to give to the foreigner for the Dollar twice as much in Rupees as the Banks would offer. In other words, if the Imperial Hotel or the Ashoka Hotel in Delhi, or the Taj Mahal Hotel here were prepared to change travellers' cheques at the rate of Rs.4.75 to the Dollar, there are people hanging about the footpaths and taxi drivers and small shopkeepers who were prepared to give Rs.9/- or Rs.10/- for the same travellers cheque or the Dollar note. The result was that even the nicest people who came to India soon learnt about it, did not see why they should spend twice as much of their money and so they stepped outside or got into a taxi and found people who could promptly change their Dollars for them. This is how things were working till devaluation came. So the Finance Minister explained that this was not making sense anymore. It was better to face facts.

The third reason he gave was that India's exports were being priced out of the world market. Our prices were so high, our cost of production had soared so much that India had become a very expensive country to buy in or to buy from. The result was that even products which we were accustomed to export to the world we could not sell because we were not able to offer a competitive price in the world markets. Fourthly, he said our reserves abroad had declined to zero. The British had left us with a large sterling balance and our Congress Government during the last 18 years had completely dissipated it. And since there were no reserves, we were unable to meet our foreign obligations. We could not repay our debts, we could not pay the interests on our debts anymore. This was the picture he presented. And he said that devaluation would act as a corrective to this distortion.

He was right. Devaluation in certain circumstances, accompanied by certain other measures, could correct certain distortions. But, as we know, it also creates new hardships, new inequities. Innocent people get hurt in the process. People who were not at all responsible for creating this situation are the ones to be hit most. Students who want to go abroad. People who want to travel abroad on legitimate business, medical or other grounds. People who had contracted to buy machinery abroad and had not yet paid for it. This is very unjust. It means that innocent citizens of India have got hurt through no fault of their own. It is the Government that had misbehaved, but the people have to pay the price.

Devaluation is like the filing of a petition of bankruptcy. When a man cannot pay his obligations, when he is in default, then either he runs away, if he can, or he goes to the court of insolvency and says to the court: "I am sorry, I have made a mess of my affairs, I cannot meet my obligations anymore. This is all I have left now. Do what you like with it, pay my creditors as best you can, and tell me I am forgiven and I can start life all over again." This is exactly what a nation does when it goes bankrupt. You, Mr. President, reminded me that I addressed your group somewhere in May or June last year and I had asked the question: "Can India escape Bankruptcy?" I ventured at that time to suggest methods by which this step could have been avoided. I pleaded with you, the audience and the Government to listen. But as usual, our voice was a voice in the wilderness. And therefore today India has become bankrupt. And this bankrupt country now goes to the World Bank and the International Monetary Fund and says: "We made a mess of it, if you will forgive us now we will start again with a clean slate and as an earnest of this, we agree that our currency, our credit, our prestige has gone down by 57.5%.

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Now as you probably know, there are two kinds of insolvents. There is the honest insolvent and there is the dishonest one. The result is that at the end of the process there are those who are honourably discharged from bankruptcy and there is the undischarged insolvent who remains like a ghost fleeting around the courts and the civil prisons. There is one in Arthur Road, where people can be put for not paying their debts. Now the honest insolvent declares his assets, discards his bad habits, his extravagance, his attempt to live beyond his means and tries to live an honest life. The dishonest insolvent secretes his wealth, pretends that he is more bankrupt than he is, and tries to cheat his creditors. And then he goes on again, having got out of the mess with the same bad old ways. Now the question before us is whether our Government today is an honest insolvent or a dishonest one.

Trying to be judicious and objective, I would say that perhaps it is too early to pass a final judgement. But certainly the indications from Delhi are not very encouraging. Let us consider, for instance, what the real reasons for this action might have been. Now, I have given you accurately and fairly Mr. Sachin Choudhury's explanation. He is a good friend of mine, and I have no desire to be unfair to him. The question that arises is; are the reasons he has given the real reasons why this step was taken? Now let us consider what he said. Did he tell us anything new? Did he, Mr. President, tell you anything in his broadcast which I had not said 15 months ago. Well now, if that is so, if these same people ignored all the warnings which were given to them, pretended that everything was all right and everything we said was nonsensical, then thus suddenly adopt our arguments and make to us the same speech that we have been making to them, then certainly it begins to make one wonder whether these could be the real reasons.

Now here for the record is what I said in my Budget speech in Parliament on 22nd March, 1965, fourteen or fifteen months ago, when Mr. Krishnamachari was sitting opposite:

> "When foreign aid starts drying up (which has happened) there will only be two alternatives left to this country. It can shamelessly go bankrupt (as it has) or it can put its house in order. If it is going to put its house in order there are two ways of doing it again. One is to stop these inflationary policies and to scrap the Fourth Plan as it is at present devised and two create a stable measure of value in this country, an honest rupee. If you do not do this, I will tell what you will have to do, and what you won't like to see the Finance Minister of your Party doing in the next few years (we didn't have to wait that long, only fifteen months), and that is to devalue the rupee. It is a very painful expedient to cut down officially the value of one's currency. If you do not listen to our warning today and stop this inflationary, reckless way in which you are doing things, you will yourself have to come to this House and this country and say: 'Let us face the facts. Our rupee is worth only half of what it was, let us pretend that it is ¾th of what it was before'(this is exactly where Mr. Sachin Choudhury has now put it - ¾ths of what it was before). That is what is called devaluation. I am not advocating it. It is a very painful remedy. It will hurt rich and poor, honest and dishonest alike. And I would like to avoid it. But as things are developing today, with this Budget and the proposed Plan, I can say that devaluation is round the corner and even my hon. friend opposite will one day have the courage and the honesty to come forth and admit it."

Luckily for him he was thrown out of office. But his successor has to carry the baby.

I read this Mr. President, partly because you, like some others, seem to be labouring under some misconception. Where you got the idea from that I support devaluation and that Rajaji opposes it, I cannot conceive. There is a communist gentleman, Mr. Indulal Yagnik, who has been circulati

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that false impression in my constituency in Rajkot two days ago, and I have contradicted it. Rajaji and I are a hundred per cent in agreement on devaluation, as we are on almost every other topic. We spent the last weekend together in Bangalore, we spoke together on the same platform, and I had the satisfaction of hearing him tell our audience that he endorsed every word of what I had said. You cannot either like or dislike, support or oppose devaluation. It is like saying you support a storm or oppose a storm. Do you support cancer or do you oppose cancer or an operation that becomes necessary. These are calamities. You neither welcome them nor do you refuse to face them. When you are faced with the fact that your rupee has lost its value, it is no good taking sides about it. The question is what do you do about it? Can you avoid devaluing it? If you can't, what should you do? So frankly this idea of supporting or opposing devaluation is beside the point.

The Sunday Standard said last Sunday something very interesting. It said that the Reserve Bank now say that if they had devalued the rupee in March 1965, when I spoke in Parliament, the rupee could have been pegged at Rs.6 to the Dollar instead of Rs.7.50. In other words, by not listening to our warnings, not listening to what the Swatantra Party had to say in the last two years, they had to peg the rupee further down.

Now I mention all this to ask the question: how convincing is this sudden concern for fiscal rectitude? How genuine is this repentence? Can people who have flagrantly defied or denied the facts - (as the Congress Party has done over these years - saying: 'No, no, no, the rupee is all right, where did Mr. Masani get his facts from?" Mr. Krishnamachari pretended two years running that the rupee had only one value - Rs.4.75 per dollar, everything else was nonsense.) Can such people be taken seriously when they come and repeat our arguments to us and ask us to accept them? Particularly when there is talk of new Ordinances, new controls, new levies and a big Plan, these professions sound very hollow. I therefore frankly cannot accept at face value the reasons being given by Government for their action.

Then what can be the real motive? Here we do not have to guess too much because the cat was let out of the bag on the 8th of June. The Finance Ministry put out a note entitled "Devaluation - Some questions Answered" supposed to have been issued to all M.P.s I have not got my copy, but the Congress M.P.s got theirs and the Press got them from the Congress M.P.s, and I learn from the Press that what the note says to the M.P.s is this:

> "This action could not be postponed as all further aid negotiations hinged on it."

It is very clear then that devaluation came not because of the very high and noble reasons given by the Finance Minister but because the foreign loans and the aid they wanted were not forthcoming on any other basis. To put it very clearly, it was a bargain. It was a bargain struck between our Government and the World Bank and the other Governments that if we devalued our rupee they would make massive foreign aid available.

This evening, as I was going home from office I read "Arre Bhai" in Current, which I don't normally do, but I saw devaluation on top, so I thought I would learn from Current as to what this was about. I think they have got the right ida. It discusses the kind of correspondence between Indirabehn on the one side and George Woods on the other. And when Indirabehn wrote to the World Bank Manager asking for loans and an overdraft, "Arre Bhai" goes on to say:

> "....So what he is replying.
> He is saying: "Dear Behn, we will agree to extra overdrapht
> but you muss to sign Pronote phor 57.50% more."
> "Phor what?"
> "Bank charges, muss to be"
> "Jai Hind ph or that!
> Jai Hind phor Indirabehn...."

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Now this, I think, is the whole situation put in a nutshell.

It is very interesting that this bargain seems to have been arrived at by noother than our Minister of Planning. It was on his return that this discussion on whether or not to devalue started. The amusing thing is this that the Minister of Planning, Mr. Asoka Mehta, while he was discussing devaluation in Washington issued a statement for our benefit through the Indian Express, of the most valiant and courageous kind. He said: "I have not travelled 10,000 miles in order to discuss the exchange value of my currency. What we do with our rupee is a matter for the Government of India to decide. We shall not discuss it with anyone." Now, is it not p erfectly clear that among the things he was discussing, and probably more than anything else he was discussing, was precisely the value of the Rupee? When I spoke in Parliament after this vainglorious speech I said: "What impertinence! You offer a man a piece of paper and say, 'This is 20 cents of your Dollar' and the man says 'No, but Mr. Mehta it is not 20 cents but only ten cents'. He says, 'How dare you talk about the value of my money. I know what it is worth. You damn well take it for 20 cents.' " So I said it was an impertinence on his part to take this line. Well now it is proved he was trying to throw dust in the eyes of the Indian people. Itwas precisely because he was discussing devaluation that he was striking this posture of mock heroism. And these are the people whom we are now told are to be trusted with seeing this country out of the wood.

The Government had two alternatives last week. One, as you know, they have taken. The other would have been a much better alternative. It would have been the alternative of not taking massive foreign aid, of cutting our coat according to our cloth, of cutting out this wretched Fourth Plan and going about it in a decent, democratic, civilised manner with whatever resources we have. That was a better alternative than devaluation. You will see from this, Mr. President, that far from welcoming it, I am pointing out that the circumstances in which this particular devaluation has come does not justify what they are doing. They could have said: All right, no devaluation, no aid. We accept that. You can give us what little you can, we shall manage. We shall manage by cutting our coat according to our cloth, by balancing our budget, by putting our house in order. Maybe after a year or two, you will feel like giving us more aid. That would have been a self-respecting, decent alternative. But then of course, the Fourth Five Year Plan would have had to be scrapped. Perish the thought! That can never even be thought about! So, in order to save this wretched Plan, this country, has had to go through devaluation. The real motive of devaluation is thus to save the Fourth Five Year Plan.

The Fourth Five Year Plan, as you will remember, was to be one of Rs.21,000 crores. One would have thought that, ashamed with their own enormity, the Planning Commission would have been agreeable to keep it at that or cut it down. But, oh no! Mr. Asoka Mehta and his colleagues now want to increase it to Rs.28,000 crores of rupees on the ground that the rupee is worth less. And they are right. In real value, a Rs.21,000 crore Plan which will be carried out now will cost Rs.28,000 crores. At pr esent, as you know, the poor Finance Minister is fighting with his back to the wall to prevent this further disaster. So devaluation was brought in to save this wretched, disastrous Plan.

Now there are two possible difficulties we face. One is that the World Bank and the others concerned, seeing that our Government does not seem to have learnt anything and is talking of a bigger Plan, will not give the massive aid that our Government thinks they are getting. In other words, that the bargain will fall through. This will be a minor disaster. But the much bigger disaster will be if that aid really comes through, and if the World Bank and other Governments are unwise enough to underwrite this Fourth Plan.

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In case you think this is a harsh remark let us consider why we are in our pitiable condition. Why did we go bankrupt? Why did we have to devalue? What are the wrong policies of Government which have brought us to this pass? The first, undoubtedly, was living beyond our means; spending what we did not earn or possess, importing more than we exported, spending more than we produced. The Second and Third Plans were the vehicles by which this was done. Each had deficit finance as a necessary part of it, and only last week it was announced that the deficit financing or created money (printing of currency notes to put into our hands) was twice that what was budgeted under the Third Plan document. In other words, the Third Plan had said so much deficit financing is legitimate. Nothing is legitimate. But they said that so much cheating would be legitimate. Well, they cheated twice as much on their own admission last week. The second thing wrong with the Plans was that these plans are Stalinist, communist Plans. They are taken from the Stalinist phase in Soviet Russia when the obsession was with steel and heavy industry and starving the people of food and consumer goods. Our second and Third Plans were obsessed with heavy industry and steel and left very little money for spending on agriculture, water, roads and consumer goods. The third thing wrong with the Plans was heavy indebtedness depending too much on foreign loans which we are now unable to repay. The fourth thing was over-taxation, both direct and indirect. Now what is wrong with over-taxation in terms of inflation is that when people have money in their hands, banks or pockets, they spend it fairly productively, they invest where they get a good return. They entrust it to good businessmen, entrepreneurs, and industrialists who give them a good dividend. But when Government takes the money away from the private people into its own coffers, it is incapable of investing it productively. It wastes it either on the civil service or in big Steel works where the country loses crores of rupees, as in Bhilai, Rourkela and Durgapur. Fourthly, these Plans devised a system of controls which has stifled all enterprise, which made hard work unremunerative, which has created a massive amount of corruption - because every control means more corruption.

Now the Fourth Plan is just as bad, and worse. There is nothing in the Fourth Plan document as now proposed which is basically different from this Second and Third Plans. In fact, it is worse than the Third Plan because it is bigger, with no more money to show for ourselves. It would be an inflationary p lan. It is as much biased in favour of heavy industry as the last Plan, and it is as much biased in favour of State enterprise, as against the people's enterprise, as the Third Plan.

You don't have to take my word for it. I shall quote Mr. Asoka Mehta and Mr. Sachin Choudhury. On 17th May, the last day when Parliament adjourned, Mr. Asoka Mehta told Parliament that of the foreign loans they were negotiating (he had just come back), 70% would go to State enterprises. More than two thirds was going into these wasteful public projects over which Mrs. Indira Gandhi has this morning lamented for not giving the country a fair return. Mr. Sachin Choudhury repeated this on 8th June when he said: "To the extent larger foreign aid is available, the prospects of a larger Public Sector Plan will improve." God forbid! Because 70% of it is going to be wasted on bureaucratic, State enterprises.

Now, I fear our poor dear Prime Minister does not quite know her facts yet. She said on 11th June that Soviet Russia was helping us to build the public sector and America was helping us to build up the private sector. I wish it were so! But the fact is, as I pointed out, - and she should learn it from her own colleagues, the Planning and the Finance Ministers, - that 70% of Western aid is going into the coffers of the State to spend on these wasteful State projects.

Now, this if I may say so, is utter madness. If a man has gone insolvent and he asks to be forgiven, and then resorts to the same measures which were responsible for his plight, then he cannot be a responsible person. And I do not mind saying, Mr. President, and you can quote me next year when I come to speak to you again, that if this Fourth Five Year Plan in its present shape and dimensions is imposed on this country, our Rupee, which is today 10 U.S. cents in the free market, will sink to 5 cents of the American Dollar. What will we do then? 'Again devalue', somebody said. But at that time it won't work, because people won't trust us a second time. Mr. Sachin Choudhury has described devaluation as the ultimate remedy. Now, when you try the ultimate remedy, nothing is left except complete collapse and chaos. And what I am worrying about is this that this will prove to be in the hands of these people only a short time stimulant. And when the effect has faded away, we shall be worse off than we were before.

Devaluation is like a strong drug. It is like a surgeon's knife. There is a disease, you are in a horrible condition and you have to resort either to a very strong drug or to get a surgeon's knife to operate on you. Now a surgeon's knife or a strong drug is neither good nor bad. It is neutral. It is a remedy for your condition. You have got to accept it. But it makes all the world of difference whether you put that Surgeon's knife or that drug in the hands of a qualified surgeon or physician or in the hands of a quack. I consider the present National Planning Commission and the Cabinet to be a set of quacks. I have said on the floor of Parliament last year that they were a group of charlatans, playing ducks and drakes with the people's well being, their money and their credit.

Rajaji in Bangalore the other day gave a very good analogy. He said: "I had a doctor. Under his kind care my leg got worse and worse and festered more and more until it got gangrene, which was poisoning my whole body. So a surgeon was sent for and the surgeon said: 'I am very sorry Rajaji, but I shall have to amputate your leg. It is beyond repair now, it has been neglected very badly,' And at that stage, he said, my doctor chimed in and said: 'Yes sir, yes sir, you must have an operation.' I said to my Doctor; 'Yes I will listen to the surgeon, I will have the operation. But you get out. You have brought me to this mess and you are not going to look after my leg after the amputation, otherwise my other leg will get gangrene.' "

This is exactly the position. If the charlatans of the Planning Commission are going to be in charge of this operation, then nothing good can come of it. There will be a further disaster for this country. I was reading the London Economist of last week. There is an excellent article on the Shah of Iran. The Shah's advice to developing countries, as reported in the London Economist is: "Listen to what the economists say and then do the opposite." If only the Prime Minister would listen to me, I would advise her to listen to the Planning Commission and then do just the opposite. She can't go wrong.

And now, Mr. President, I come to the last part of my discourse and that is what we are going to do about it. The elections are still far away. We can't throw these men out, much as we would like to, not till then. What is the country to do meanwhile? And if the Government were prepared to listen to our advice, what would we advise them to do now that they have done this? I would like to spell out the answer before I conclude.

There are two or three things that need to be done as measures of immediate relief, - relief for those who have been injured by this act. I would mention three such measures of relief which are immediately required to lessen the hardship and the blow that has been struck at various sections of our people by devaluation. There are many exporters of non-traditional exports who were using imported raw material. They were getting it through their import entitlements, if you understand what that means. In return for your exports you are allowed to import, given import licences for a certain value which you can cash for whatever you need. The import entitlement schemes have been scrapped, quite rightly. But where are these people going to get the raw material with which they can make something that they were exporting? And since we need to export this is of national interest. I am not thinking so much of the hardship of the individual, but of what the country needs. So the first relief should be that adequate supply of raw material must be ensured for exporters of non-traditional goods.. replace the entitlements they have lost.

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Secondly, there are many industrial projects which were just about being launched, orders have been placed for machinery worth crores of rupees, but payment had not yet been made or not made in full, and suddenly the price of that machinery has gone up by 57.5%, and crores of more rupees are required if that contract has to be carried out and the factory established. Obviously, here is a case where easy loans from public financial institutions like the IBD and the ICICI, and all those other initials should be made available for these orphaned projects.

And the third thing is there should be a complete abolition of all import duties and countervailing excise duties on certain categories of goods required by the country, - raw materials, intermediate components, fuels and spares. Now, this is so, because the present reduction of import duties is a fraud. All it does is to charge you a slightly lower rate for Rs.157 instead of Rs.100/-. In other words, you pay the same import duty as you did last week. There should be no import duty on those essential goods for the country if there is any sincerity in the talk of liberalising imports, because these things are needed by the country and the devaluation will take care of the additional restraint that has been imposed.

The much more important and basic thing is that the basic economic policies of this country and the Government have to change. First of all, we must learn to live within our means. This means that all kinds of inflationary policies so far followed must be eschewed. There can be no more deficit finance for the Central Government, no more overdrafts from the Reserve Bank for State Governments. They must earn what they want to spend. This will involve a drastic reduction in civil, non-developmental expenditure. All further recruitment to Government services will have to stop for two or three years at least, so that those who are on the job can be dispersed over the whole field, in place of those who retire, die and so on.

The second thing will be to postpone and recast the Fourth Plan which, as I said, would be a bigger disaster than the Third and the Second Plans. This can be done by dropping from it all new capital projects in the State sector, because they are generally wasteful. The first that should be dropped from the Fourth Plan is the Bokaro Steel Plant, the biggest of the white elephants we are asked to feed! When it was discovered that the Bokaro Project was more expensive than anything we had gone in for and even the Government was forced to admit it, the reason given for not dropping it was a very peculiar one. It was said: "We must not be ungracious to the poor dear Russians."

Then again Government to Government loans, which are a drain on the country's resources, should be restricted to only two things. In the immediate, they should be used for importing the raw materials, the parts and the fuels which are needed and which are called maintenance imports. It is a desperate necessity. Otherwise the wheels of our industry will grind to a halt. Many of us will go unemployed and the whole country will go down. For this particular emergency which has been caused by the misdeeds of Government, certainly maintenance imports should be imported.

And the other fundamental, long term purpose for Government loans should be what is called the infra-structure, which in plain language means the foundation of our economy. The supply of water for drinking and irrigation purposes, of roads, transportation and communications, the supply of electric power to make our oil pumps in the villages and the machinery in the factories run. Beyond that we should not go in for foreign Government to Government loans at all, because these loans come at our risk. Even if our Government spends those loans badly and unwisely this country has to repay capital and interest. They are bad for the country and those who give us these advances and loans, except for these limited purposes, are doing us no good. All the rest of foreign capital should come in as risk capital at the risk of the men, the industrialists who bring it in. If they make a profit in India then they can take away their profits. If they make a loss, let them go empty handed. Let not this country bear the loss. These are some of the anti-inflationary measures of which we should demand that the Government announce their acceptance.

The next thing should be a sharp reduction in direct and indirect taxation. No amount of foreign aid will save the country unless there is rupee finance to develop this country. Today, there is no rupee finance. The capital market has had its bottom knocked out. The only way to put rupee finance in the hands of those who can produce is by cutting down direct taxation and the excise duties, so that there is more money in the hands of the people which they can invest. When it is invested, there will be more goods and when there are more goods, prices will come down.

Now, this would involve in my view the introduction of a supplementary Budget during the Monsoon Session of Parliament when it meets on 25th July. If the Government knows its job, it will bring forward a supplementary budget drastically cutting down income tax, scrapping the Annuity Deposit Scheme and cutting down excise duties.

Finally, just as important as anything else, this mass of controls with which this country has been fettered will have to be discarded. The entire structure of import licensing and foreign exchange controls will have to be dismantled. I know there are people who get shocked at this. There are reasons for it. There are some people who get so used to fetters and slavery that they forget what it is to be free. There are others, politicians and officials who sell these licences and take bribes and there are those who buy these licences and make huge profits of several hundred per cent by selling these licences to others who really need the goods. Prof. Shenoy, one of our finest economists, has described import licencing as the biggest portfolio of political patronage in this country. There are too many ministers and too many civil servants and too many businessmen involved in this racket. The real test of the sincerity of this Government will be as to whether or not they abolish exchange controls and import licences. If they don't then I shall be convinced that my thesis is correct that devaluation has been brought in not to make India an honest country, not to have clean hands but only to get foreign aid, so that this Government can tide over the next twelve months and somehow tide over the next General Elections. When I say that decontrol must come, I say that Gold Control must go, restrictions on foreign travel must go, exchange control must go, and import licencing must go if the vital energies of the Indian people are to be released, if they are to be harnessed to the productive needs of this country. If these things are done, then production will go up. It is only then that prices can be stopped from rising, if we produce more and sell more abroad.

It is only when you do this that you have a right to go to the rest of the world and say: "Now I am an honest insolvent, please forgive me my debts." The future of the country has been hopelessly mortgaged by the Congress Government. We can't go to the rest of the world and ask to be forgiven if we don't put our house in order first. I have tried to indicate, Mr. President, the steps which are necessary to make us honest insolvents. If we do that then I think, as Rajaji has suggested, our Government will have a right to go abroad and say: "Look, we have done all the hard things, now will you forego part of the interest on the capital on these debts or will you allow us a postponement for a few years.

Now the 64,000 dollar question is, - will our Government do all this? I do not think I am being unduly cynical or sceptical when I said that I doubt it. I am prepared to believe that the Prime Minister and the Finance Minister would like to do the right thing by the country according to their lights and within their capacity. But when I look at the Treasury Benches as we have them in the Lok Sabha and recall all the faces on it, my hopes fade.

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Somebody once wrote rather aptly that "the most underdeveloped territory in the world lies under the hats and caps that men wear". And of that territory, the most underdeveloped territory is that which lies under the White Caps in our country.

Therefore one sadly comes to the conclusion that it is very doubtful whether this government has either the integrity or the courage or the capability to carry through this very difficult operation. It may be that we shall once again go through disaster, that the rupee will sink to five cents, and that the only solution to this problem of our economy may, after all, turn out to be a political one - a change of Government.