

THE DEVALUATION SURRENDER



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'The Devaluation Surrender' was originally written in October, 1966. We are sorry, the book could not be published earlier. Anyway, it is as valuable today as it was then in October.



The devaluation of the rupee was correctly assailed by all democratic parties as an anti-national act, an act of treachery against the people. The resolution passed by the Central Committee of the Communist Party of India at its Tenali meeting in June described it as an act of betrayal. It stated : "The Central Committee of the Communist Party of India considers the sudden devaluation of the rupee as an act of gross betrayal of national interests to appease India's creditors, the American Government and the World Bank dominated by it. One more outpost of economic sovereignty has been surrendered by the Government without the least compunction."

None the less, Government spokesmen and their apologists continue to present it as just a purely economic measure taken to deal with a specific situation—the continued imbalance in our foreign trade. The Finance Minister has been glibly asserting that the step was taken to meet the foreign exchange shortage and citing in support the example of other countries where according to him devaluation has led to economic recovery and even prosperity. They, besides, present the problem as if it was one dealing only with things—exports and imports—and having hardly any impact on millions of live human beings that constitute the real country.

And, finally, they attempt to represent that government action was voluntary, that the decision to devalue was India's own sovereign decision, and that there were no political pressures behind it. They want the people to forget the political context, the American blackmail that had been going on for months to secure this end and the surrender of the government before it.

The truth is that the foreign exchange crisis was no ordinary crisis arising out of imbalance between exports and imports but was the expression of the crisis of an economy reared in economic dependence on the West. It was not just

a balance of trade crisis. The devaluation of the rupee dictated by the Americans only uncovered the crisis of dependence ; it could not be a remedy against it. On the other hand, the subsequent steps demanded by the spokesmen of the government and business as well as by international capitalists make it clear that devaluation is only an introductory measure to 'rearrange' the economy, to scuttle all controls and allow private monopoly capital—foreign and Indian—to have a free run of India and take it further along the path of dependence.

The Prime Minister, the Finance Minister and the Planning Minister all have been assuring the people that there was no dictation from the World Bank, no ultimatum from the International Monetary Fund. Having been found to be expert liars, who have broken their solemn assurances to the Parliament on devaluation, there will be no disposition to believe them. They say that it was an advice, a wise counsel to us, which we had the freedom to reject. Krishnamachari was got rid of because he did not agree to this 'advice'. And was it mere advice ? Everyone knows that for the past few months, to be precise, for a whole year, India's economy and her foreign trade were held at ransom by the World Bank and the USA—the Aid Consortium having gone on strike till India's rulers agreed to accept the World Bank advice. And the thaw set in—at least the rumours of thaw set in—only on the morrow of devaluation. Till then all necessary finance to back up imports was withheld by breaking the pledges already given, and stopping the "aid" committed and promised.

Facts are too well-known to deny the World Bank blackmail. They are known internationally. It is known that the Bell Mission on behalf of the President of the World Bank not only demanded devaluation but also laid down the post-devaluation measures—and every step the government is now taking is exactly in accordance with the Bell Report.

It is also known that the Government of India begged for rescheduling of her debt responsibilities and the World Bank refused to give any concessions—naturally so long as devaluation was not a fact. Just a mere advice, no doubt !

What they deny before the public, they admit in official documents. In a pamphlet entitled "Devaluation of the Rupee—Some Questions Answered" published by the Ministry of Information's Press Bureau, it is stated : "The action could not be postponed as all further aid negotiations hinged on it." "It is extremely doubtful whether without demonstrable evidence of our determination and capacity to push up our exports and imports, of the external viability of our economy, we shall continue to get external credits, particularly as we are already at a stage when we have to raise fresh debts in order to pay off old ones." "Without reasonable prospects of aid forthcoming on the scale contemplated by us the Fourth Plan will be still further postponed". "Our foreign exchange position at present is so difficult that unless aid begins to flow soon in adequate quantities there is every danger of the economy receiving a serious setback. Already import restrictions are hurting industrial production very badly."

This is what they admit in their publication though they deny it before the people. Imports were held at ransom, debts could not be paid, no aid could be secured for the Fourth Plan unless the World Bank shylocks had their pound of flesh—devaluation of the rupee. The economy had been made so dependent on the USA by official policies that the government had not had the strength to resist the World Bank and break through the shackles imposed on our economy.

Recent newspaper-reports have shown that the blackmailing pressure has been there for a long time. In the Working Committee meeting on July 19 Mr. Krishnamachari startled the Committee by a long and documented narration of the repeated but unsuccessful American attempts to put pressure on him, during his term at the Finance Ministry, to devalue the rupee.

THE PROBLEM

What is the character of the exchange problem ? Is there an exchange problem ? It has been there for the last fifteen

years at least—to mention only the recent period—and has been extremely aggravated in recent years. Our imports have been increasing more rapidly than our exports and we are unable to pay for them by what we earn through our exports. In international trade unless exports balance imports, a country must find some other means of payment to meet the excess import charges. It must pay either in gold or acceptable international exchange like dollar or sterling or borrow loans or credits from other countries or international agencies which represent them. The excess of imports over exports has to be met by these means. In the long run a country must either increase its exports or curtail its imports or do both to bring the two in line and do away with the deficit. Imperialist countries, which have huge investments abroad, are able to finance a regular excess of imports by means of the dividends and profits they receive in foreign countries. In normal circumstances, therefore, measures to promote export and check imports are considered to be adequate remedies to correct the adverse balance of trade.

What has been the position of India? The following figures of exports, imports and deficit reveal that there has always been a deficit in foreign trade in recent years. They also reveal that the deficit has assumed enormous proportions since government planning began to claim big successes.

[*In crores of Rupees*]

Merchandise

Year	Imports C.I.F	Exports F.O.B.	Balance of Trade
1950-51	650.22	600.64	— 49.58
1951-52	943.13	732.99	—210.14
1952-53	669.88	577.37	— 92.51
1953-54	571.93	530.62	— 41.31
1954-55	656.26	593.54	— 62.72
1955-56	774.25	608.90	—165.35

Year	Imports C.I.F.	Exports F.O.B.	Balance of Trade
1956-57	902.91	619.62	—283.29
1957-58	1036.40	635.14	—401.26
1958-59	903.64	572.64	—331.00
1959-60	961.45	639.56	—321.80
1960-61	1121.62	642.07	—479.55
1961-62	1091.63	660.58	—431.05
1962-63	1131.48	685.32	—446.16
1963-64	1222.85	793.24	—429.61
1964-65	1270.34	813.26	—457.08
1965-66	1350.45	802.85	—547.60 (Provisional)

It should be remembered that the rupee was devalued in September 1949. There was 30 per cent devaluation of the rupee in terms of other foreign currencies except the sterling.

That devaluation did not solve the foreign exchange problem of India. On the other hand, it got aggravated though the arguments advanced then were identical with those put forward today. We are living beyond our means, our exports must get a shot in the arms—this was the refrain then also. Dr. John Mathai, the then Central Finance Minister, stated in his speech to the Constituent Assembly: “Whether we like it or not, we must look upon devaluation as a timely sign and warning that for many years now we have been living beyond our means, both internally and externally. I say *timely* because we have not yet had time to put things together and to remedy the situation before it becomes too bad to mend. We must put a check on the pace at which we have been living and on the extent to which we have been overdrawing on our existing resources. If this check is employed with forethought and with firmness, we shall achieve a healthier economy, and a sounder and a more enduring framework in which to labour for the good of the people.” (Quoted in CAPITAL, June 9, 1966)

This was said when there were as yet no planning, no huge developmental expenditure and when there were huge sterling balances in London belonging to India. And yet there was

this excuse of living beyond means and devaluation applying the corrective. Today the same nauseating hypocritical talk about living beyond means, devaluation being able to push the economy forward is indulged in by Mathai's successors. The pretexts have not changed; the hypocrisy behind has not changed; only the persons have changed. It is plain that wherever India's ruling class wants to tamper with the country's currency, its external ratio, under pressure from outside, it clothes its anti-national selfish act in fine phrases about national good, economic realism and future prosperity.

It must be remembered that this is the second devaluation of the rupee since independence and under foreign pressure. In 1949 September the pound was devalued; India being largely dependent on Britain and the Sterling Bloc for trade and economic dealings; with private British capital dominant in a number of industries in the country, her government had to follow the sterling and allow the rupee to be devalued in terms of the dollar and other currencies. Its value was lowered by 30 per cent. In 1949 it was the pound that forced us to devalue; in 1966 it is the dollar that has compelled us to do it. It only shows that the dollar has replaced the pound in determining the direction of our economy.

How has the earlier devaluation served the nation? From the figures given it is clear that the adverse balance of trade could not be converted into a favourable balance of trade. As a matter of fact, in 1951-52 it reached a very high figure. And later on as India entered the period of its Second Plan it started mounting and during the period of the Third Plan it reached new heights.

The point is that devaluation, even if it had given any impetus, did not do away with the adverse balance of trade even in the early years when we had not started planning, and our demand for imports was half of what it is today.

Devaluation is supposed to boost exports. In 1951-52, no doubt, exports seem to have jumped up, due to rise in prices and as an aftermath of the Korean war. Devaluation had very little to do with it. And just in that very year the adverse balance

reached a record figure. Devaluation did not give respite even for a temporary period. This is an experience from the past.

DEVALUATION IN DEVELOPED COUNTRIES

The reason is not far to seek. Devaluation plays a different role in advanced developed countries where it is used to correct temporary maladjustment between exports and imports, to restore the balance of payments. It is really a weapon of the ruling imperialist-capitalist class in those countries to restore their competitive capacity with their foreign rivals on the world market, at the expense of their own working class and people. The economy of these countries depends on huge exports to all countries of the world. The production capacity of their major industries is far above the requirements of the home market and they must sell abroad huge quantities if their industries are to run. To keep their industries running some of them have to import large quantities of raw materials—and also food. And these can be paid only by keeping the exports at a high level. If their exports fail, if imports exceed exports they must pay in internationally accepted currency, gold from the reserves or by means of loans – a process which cannot go on for long. When, therefore, there is any danger of losing gold, of adverse balance of payments through trade or financial developments, they take measures to facilitate exports and discourage imports. When initial measures like heavy import duties and export subsidies fail to achieve the result, they resort to devaluation which gives them a temporary advantage over their rivals in the world market, enabling them to sell their goods at a cheaper rate in foreign market, while raising the price of foreign goods in the home market.

Devaluation or lowering the value of your currency raises the price of imported goods; for every unit of imported goods you have to pay more in your own currency. Thus it discourages foreign imports. Discouraging and curtailing of foreign imports, lowering them to a point at which they balance the exports is an essential element to restore the balance of payments position.

Because for every unit of exports sold abroad after devaluation, for every unit worth of foreign currency you earn, you get more money in your own currency, the exporting capitalist is able to lower the price of his goods on the world market and yet reap profit as usual or even more. How much price manoeuvrability he gets depends on the extent of devaluation.

Thus devaluation is a measure which enables the exporting capitalist of a developed country to sell his goods at a cheaper rate on the world market, without any loss to himself. If the rivals also adopt devaluation measures then, of course, this temporary disadvantage disappears.

In so far as devaluation secures advantage for a country's exporters it enables it to increase its exports ; it also helps it to cut down its imports and thus restore the balance of payments position if there are no other complications and if counteracting measures are not taken by other countries.

But who pays to make it a success—when it relieves the balance of payments position ? Not the capitalists of the exporting country, which resorts to it, but the workers and common people of that country. The main purpose of devaluation in these countries is to make it worthwhile for the capitalists to export abroad at cheaper prices without any loss to themselves. But the workers and the people have to pay for this, because it raises the prices of necessities and all imported goods thus raising the cost of living and throwing the burden of devaluation on the common man.

Devaluation thus enables the capitalists to cut the price of their goods abroad by imposing an indirect wage-reduction on the worker and the common man, who is forced to reduce his consumption by rising prices to release goods for exports.

Its temporary advantage for the capitalists is further based on certain other conditions : (1) they must be in a position to increase the production of goods at short notice to dump on the intended market, or they must have readymade surpluses at their command so that they can appreciably increase the quantity of goods sold abroad ; (2) they must be in a position to curtail imports without vitally affecting production ; (3) they

should succeed in throwing the burden of the balance of payments crisis on the common man ; (4) they must have guaranteed markets overseas, access to which is not barred by heavy tariff, quotas, export restrictions, rivalry of other powers such as only the bigger imperialist powers have got.

In the absence of these conditions—especially sufficient scope for exports to counteract sales at cheaper prices and ability to cut down imports—devaluation will only mean compulsion to sell at a cheaper price—a condition imposed by the old colonial powers on their colonies.

The Finance Minister tried to obliterate the differences between an underdeveloped and a developed country when he cited the experience of France in support of devaluation in India. France has an agricultural and industrial surplus which can be marketed abroad at lower international prices, with volume overtaking the fall in value. Even then this has to be accomplished at the cost of the ordinary man in France. In India, as we shall see, any such promotion of exports, not only does not earn additional foreign exchange, but only pushes the home consumption below starvation level. In India, instead of fighting foreign competitors, you have to fight your own people, deprive them of their minimum necessities, before you can release additional goods on the external market.

THE INDIAN BACKGROUND

The problems of a developing country are quite different and whatever distortions a selfish capitalist class may impose on our economy, thanks to its growing dependence on imperialist countries, they are not on par with those of developed countries and all attempts to draw parallels between them and us is just pure sophistry.

The figures quoted here show that the deficit in our balance of payments has been growing in the years following independence. During the First Five-Year Plan there were the sterling balances available to meet this deficit. By 1957-58 the bourgeois-landlord government had used these balances—quite

a large part was frittered away on consumer goods, perhaps to help British imports. The liquidation of these balances made the problem of this deficit more and more serious. In rough figures the total deficit from 1950-51 to the end of the First Plan was Rs. 570 crores ; for the five years of the Third Plan it was Rs. 2300 crores.

It was hitherto financed by huge loans and credits from foreign countries, mainly from the USA, the World Bank and its associates and the International Monetary Fund. Between 1961 and 1965 the external debt of the Government increased from Rs. 846 crores to 2439 crores at the end of 1964 and in 1966 it has exceeded Rs. 2600 crores. Of these 63 per cent were dollar loans, 12 per cent were loans from the U.K., 10 per cent from West Germany and 9 per cent from the USSR (p. 80, Report on Currency and Finance, Reserve Bank, 1963-64.)

The point that must be remembered is that this is no ordinary balance of payments crisis to be met by measures like devaluation. The enormous deficit is not a trade deficit in the ordinary sense of the term, but a well calculated "development" deficit. That is India's ruling class went in for heavy imports in the name of making the country self-sufficient and self-reliant. It was known that they would lead to a huge deficit, and they would have to be financed by loans and credits. Therefore, the analogy of Western countries devaluating their currency to seek foreign markets does not apply to India.

Take the year 1964. The excess of imports over exports was Rs. 437 crores. The Reserve Bank annual report comments on this : "The bulge in imports payments was entirely on government account, while private imports at Rs. 613 crores were lower by a few crores than last year. Nearly two-thirds of the governmental imports was under non-developmental imports. Food imports, in particular, were stepped up by Rs. 101 crores to Rs. 299 crores in view of the all-round shortage of foodgrains in the country ; and although the major portion of the imports was financed out of the United States PL 480 assistance programme, a sizable amount was

spent on other food imports involving a considerable draft on foreign exchange resources. The imports of capital equipment for government projects at Rs. 278 crores were also considerably larger than in the previous year, reflecting in the main speedier utilisation of both project and non-project loans. However, by and large private imports (except those for which foreign assistance was available) registered declines during the year" (p. 1).

Under these circumstances what was the need for devaluation which is used as an indirect weapon of control of unchecked private trade? Here the major imbalance in imports directly originated from the Government, and it had also ample powers to directly control private imports. Devaluation is used to control imports and exports trade when the government does not want to intervene directly in the country's foreign trade.

The reason why in spite of enormous foreign loans the balance of payments deficit continued to widen, with no sign of any respite or relaxation, is not to be seen in the sluggishness of exports and such other excuses, but in the anti-national selfish class policy of the bourgeois-landlord government which, with every loan, took the country deeper and deeper into the quagmire of dependence on the Western powers, especially the USA. Their attempt to build capitalism in the latter half of the twentieth century, howsoever it might be praised by the revisionists and their mentors as a path of self-reliance and economic independence, was in reality bound to lead to greater and greater entanglement in the imperialist net.

For one thing the capitalist path meant compromise with landlordism, and that meant dependence on the USA for food, a dependence which has grown with years to menacing proportions compelling the Government to kowtow to the Americans to escape the effects of their own policies.

Secondly, the capitalist path with its appeal to profit, with its state sector which is becoming a by-word in inefficiency and earning the ridicule of the private profiteers, is unable to

improve production with the speed required by the needs of the people and self-reliance. Thirdly, the pressure to open the gates to foreign private capital and Indian private capital has already had its effect and forces a distorted and slow growth on the national economy. Fourthly, the rate of growth under the capitalist path is so slow that it falls far short of the urgent requirements of the people resulting in further imports.

The economy is affected by recessions abroad and in the bargain the people, whose production enthusiasm is to be reared, are victimised by repeated attacks on their standard of living. Besides, the bourgeois-landlord government would not rely on the socialist camp but only utilised its aid to knock out more from the imperialist camp.

It is because of all this that the dependence on foreign loans could not end. A permanent crisis of payments threatens India. The industries, that were built in the private sector under the aegis of the bourgeois-landlord government to do away with dependence on foreign exchange, were themselves dependent on continuous supply of foreign imports and exchange. They often appear to be assembly plants of foreign concerns—being dependent for spares, components and raw materials on imports from abroad. The western imperialists precisely promoted this type of industrialisation which would not end India's dependence on them. It is not accidental that the main help for establishing heavy industry has come from the USSR and other socialist countries. It is not accidental that Britain and West Germany agreed to a steel plant only after the deal with the USSR. Nor is it accidental that the USA dropped out of the Bokaro Steel negotiations.

It is clear, therefore, that India's balance of payments crisis is a crisis of the capitalist path, expressing the dependence of Indian economy on Western doles—and not a balance of trade crisis which can be cured or even alleviated by juggling with devaluation or imports and exports.

WHAT IS DEVALUATION SUPPOSED TO DO ?

The rupee has been devalued by 57 per cent. Its value in foreign currency has been reduced. The rupee-dollar exchange rate was Rs. 4.76 for one dollar ; it is now Rs. 7.74 for one dollar. The rupee-sterling rate was Rs. 13.4 for one pound, it is now Rs. 21 for one pound.

This is supposed to give an impetus to our exports, help us earn more foreign exchange and do away with our foreign exchange problem and the balance of payments crisis. How is this supposed to happen ? The prices of commodities that enter international trade are world prices. They are quoted in acceptable international currencies like dollar and sterling. Let us suppose, one ton of commodity "A" fetched \$ 100 before devaluation. If an Indian trader exported one ton of the commodity he would have got Rs. 476 or so at the old exchange rate. He exports this commodity for this price if it is profitable to him, i.e., if this earns him a sufficient margin of profit after deducting the price he has to pay for purchasing the commodity. If this margin is just barely sufficient he may not show much interest in exporting. If he is to be enthused to export more he must be given the prospects of a bigger margin for profit-making as well as provided with conditions in which the world market will take more of his products. Devaluation is supposed to achieve both results.

Because the Indian rupee is devalued world prices of commodities exported from India do not change if the world demand is constant. So now also one ton of commodity "A" will fetch on the world market one hundred dollars. But because of the change in the rupee-dollar ratio our exporter trader gets Rs. 749 for one ton instead of Rs. 474 before devaluation. So long as Indian prices do not catch up with this external devaluation or catch up only partially, this leaves him a good profit margin. His rupee earnings are inflated by 57 per cent for nothing. He is highly pleased and is now interested in more exports. It is not the USA which pays these additional rupees. It is India, through the Reserve Bank, which pays it. But now even if he is willing to export more to the USA why

should she buy more from him. The demand in the USA or in the world market does not increase because of Indian devaluation. So unless he is prepared to sell below the price offered by his competitors his commodity will not be preferred. The devaluation by giving him a big margin in rupees—Rs. 749 in place of Rs. 474—enables him to quote a lower dollar price and yet reap a handsome profit and larger quantity of total profit. He may agree to receive only 90 dollars for one ton, reduce his price by 10 per cent and outbid his rivals. At 10 per cent reduction his commodity will be preferred so long as his rivals also do not reduce their prices. After a reduction of 10 per cent also he earns a good profit. He will receive now Rs. 674 for one ton which will be much more than before devaluation. And he will be able to sell his commodities in larger quantities so that the total profit he will get will be much more.

What will be the effect of this reduction of price on the total foreign exchange earnings of the country? Now for every one ton of commodity "A" the country will get only 90 dollars instead of 100 dollars. If the total exports increase by more than 10 per cent then the country will get more foreign exchange. The total foreign exchange earned will be larger only when the quantity of commodities sold increases by a larger percentage than the reduction of price for purposes of competition. If the proportion is less then it is a total loss to the country. You sell your commodities cheap and you earn less foreign exchange also.

This is the logic behind devaluation. Leave a big margin to the exporter, so that he is able to sell the country's product at lower prices; lower prices are expected to stimulate exports to such an extent that total foreign exchange earnings will increase.

At the same time devaluation is supposed to check imports. Now every \$ 100 worth of imports will cost Rs. 749 instead Rs. 474 as before. From food imported from the USA to all articles that go in the manufacture of consumers' and producers' goods, everything will cost more—the price rise being

57½ per cent. But the purchasing power of the people who have to buy these goods, their money incomes do not increase ; they have to stint themselves. The price-level rises and it restricts consumption. The manufacturers also find that they cannot sell their products because of the rising costs ; they have also to curtail their demand for imports. So the demand for imports is curtailed by forcing down the consumption of the people through high prices engendered by devaluation. High prices of imported goods, high rupee earnings for exports—all stimulate a general rise in prices—and the victim is the common man.

So devaluation enables the foreigner to purchase Indian exports at a lower price ; it leaves a good margin for the exporting capitalist and it only mulcts the ordinary man through a rise in the price-level and forced reduction of consumption. This is called living within our means. This is addressed not to the exporting capitalist but to the starving worker. The former is, on the other hand, encouraged to make more profits.

What is the relevance and what are the prospects of devaluation achieving these results? No doubt, the USA and others will secure India's exports at a lower price. No doubt, the worker will be mulcted. But will it lead to more foreign exchange earnings, will it close the gap at least partially between imports and exports? All this is sheer propaganda to screen the fact that devaluation was imposed on us by the USA, our creditor, to bring our economy under its control, to create conditions in which the burden of foreign debts, etc. will be so heavy, that we will be forced to accept foreign private investment on its terms and gradually give up all attempts to control private foreign monopoly and Indian monopoly capital. It is not just a measure to settle the balance of payments crisis, but to bring about basic reactionary changes in our economy. The foreign exchange crisis has only given an opportunity to deliver the first blow against our economic independence.

First, can anyone seriously talk of filling the gap between our imports and exports through devaluation? Imports are

being liberalised, their cost to us will increase by 57 per cent. In 1965-66 alone the gap was somewhere near Rs. 550 crores. Our exports were Rs. 803 crores and imports were Rs. 1350 crores. Is this huge gap likely to be ever filled in by devaluation? Only the gullible and the ignorant will be taken in by this facile and glib talk about filling the deficit in foreign exchange.

WERE EXPORTS IN DANGER ?

Did our exports require this special stimulus? The Finance Minister is spreading the yarn that our exports were being pushed out of the world market; that they were requiring subsidies anyhow; that the subsidies and other schemes like export promotion had failed. It is argued as if our exports were in imminent danger and this timely action alone could save them.

But the facts are otherwise. And these facts are given by a colleague of the Finance Minister—the Minister for Commerce. The annual report of the Ministry of Commerce for 1965-66 states that 80 to 82 per cent of our export commodities moved at almost the international price and that only about 18 per cent require substantial assistance in the form of import entitlement or cash subsidy. Why then mislead the people as if the entire export trade was being subsidised and even then it could not hold its own in the world market?

Were our exports going down? On the other hand, since 1960-61 they have been increasing as the following figures will show :

[In crores of rupees]	
1960-61	642.07
1961-62	660.58
1962-63	685.32
1963-64	793.24
1964-65	813.24
1965-66	802.85

Between 1960-61 and 1965-66, they increased by 25 per cent. Of course, they are not enough to meet our imports which have been determined by quite different considerations. In any case the exports were certainly not in doldrums to require this drastic action of devaluation which penalises the entire nation. It is futile to justify devaluation by pointing to the condition of our exports.

Press reports dated July 13 give the gist of a note prepared by the Commerce Ministry which says exports during the Third Plan rose by 20 to 25 per cent over those during the First and Second Plans. The annual average for the past five years was calculated at Rs. 762.8 crores against Rs. 600 crores per year during the previous ten years. For the whole of the Third Plan, exports totalled Rs. 3812.39 crores, thus exceeding the target set for the Plan period. According to the Ministry this increase would have been much larger if production of agricultural and plantation crops had not seriously fallen because of failure of the monsoon and severe drought last year.

An outstanding feature of the exports during the Third Plan has been that the share of traditional goods has declined as a percentage of the overall export trade. It also marked the emergence of some important items like iron ore, sugar, iron and steel, handloom fabrics and manufactured goods in the export list. New items like engineering goods, chemicals and rubber manufactures showed good response to export promotion measures but their impact on the total exports was still not significant. Exports of engineering goods, which were only of the order of Rs. 4 crores a year till 1958-59, rose to new heights, i.e., about Rs. 20 crores in 1965-66.

Exports of jute goods revealed a big increase in the last year of the Third Plan. The export target of nine lakh tons (in 1963-64) was surpassed, the decline in the unit price of exports experienced during the Second Plan was arrested and in terms of value jute goods fetched earnings totalling Rs. 183 crores in 1965-66 as compared to Rs. 140 crores at the beginning of the Third Plan. Diesel engines, complete automobiles

and parts, electric fans, steel pipes and fittings, bicycles, railway track material and sewing machines found their way to foreign markets in increasing quantities. "Thus a basis for a big boost of export of these new items has been laid in the Third Plan."

Export figures reveal that the plan period was marked by a setback in respect of two important traditional items—tea and mill-made cotton fabrics.

Exports had increased ; a certain diversification was taking place ; decline in certain traditional items was being met by export of new items some of which were offered incentive under the export promotion scheme which was having a good response. There is no complaint here of exports being priced out. They were getting more diversified which was what was wanted. Exports would have risen still higher if there had been higher production in the country. This was the position at the end of the Third Plan. Had it changed suddenly necessitating a precipitate measure for devaluation ?

The Planning Commission also testifies to the strength of our exports. "The stagnancy in exports witnessed during the 1951-60 decade was broken during the Third Plan period, and exports showed a buoyancy from the very first year. In 1961-62 exports amounted to about Rs. 680 crores which showed an increase of about Rs. 20 crores over the level of exports in 1960-61, the last year of the Second Plan. Exports of a number of commodities recorded increases in 1961-62 as compared to 1960-61. In 1962-63 exports increased further by Rs. 34 crores to Rs. 714 crores. The year 1963-64 recorded a substantial increase in exports ; exports in that year amounted to Rs. 793 crores thus registering an improvement of as much as Rs. 79 crores over the preceding year. Moreover, this improvement in the value of exports was due primarily to increases in the volume of goods exported rather than to increases in export prices.

"The spurt in exports witnessed during the three years 1961-62 to 1963-64 was, however, not maintained during the last two years of the Third Plan. Exports in 1964-65 amounted to Rs. 816 crores registering a small increase of Rs. 23 crores

over the previous year. The performance of exports in 1965-66—the final year of the Third Plan—was more discouraging. Exports during that year amounted to Rs. 810 crores showing an actual fall of Rs. 6 crores as compared to the preceding year. This decline in exports was due partly to a fall in the international price of sugar, and to lower earnings from tea and cotton fabrics. *A part of the decline is attributable to the bad agricultural harvest which adversely affected exports of a number of agricultural commodities. Exports in 1965-66 were also affected by the Pakistan-India hostilities.*" (Emphasis ours) pp. 92-93. Summing up the results of the five years the Draft Outline of the Fourth Plan concludes : "The level of exports during the plan period rose by about 23 per cent from 660 crores in 1960-61 to Rs. 810 crores in 1965-66. It may be pointed out that this increase would have been larger if the production of agricultural and plantation crops had not been seriously affected by the failure of monsoon and serious drought conditions in 1965-66." (p. 93). No complaint about pricing out of exports ; on the other hand, even in the worst year exports were 23 per cent above 1960-61. The comparative setback in 1965-66 was due to only drought and failure of monsoon and nothing else—such is the opinion of the Planning Commission (Note that there is some discrepancy between the figures we have quoted on page 6 and the Planning Commission's figures. But the argument is not affected by it.)

Of course, there is a complaint of falling exports from the jute industry. Exports of jute goods during the first three months of this year declined to 190,000 tonnes from 254,500 tonnes in the comparable period of the previous year. The fall has been mainly due to the high prices of jute manufactures, resulting from the high prices of raw jute. Devaluation is not going to help in the situation as raw jute imports will now cost 57 per cent more than before and inflate the cost of production.

For the rest no one believes that in recent months Indian exports were being priced out. In the 9th June issue of CAPITAL its London correspondent writes : "New Delhi's

statements that Indian exports have been priced out of world markets due to the overvaluation of the rupee is questioned as the prices of India's staples, such as tea and jute manufactures, do not seem seriously out of line with the world rates."

Nor is it accepted that devaluation will give a boost to exports. The London FINANCIAL TIMES comments: "On the export side traditional items such as tea, jute and textiles can hardly expect substantial increases in sales, because their prices tend to be fixed in foreign exchange rather than in rupee terms. The new range of export levies is evidently designed to ensure that the profitability of such exports, as measured in rupees per unit of foreign exchange, does not encourage businessmen to increase them further.

"The whole idea of devaluation is, in fact, to encourage a shift of India's export trade away from such items into new lines, such as engineering where lower export prices could mean real advances in world markets. But it will be difficult to prevent costs in these industries from rising because of dearer imported materials and components. India also faces quota restrictions on many of her exports in the markets of the main industrial countries."

Devaluation will not boost up traditional exports, it will be difficult to boost up non-traditional exports in view of the increased cost of components and quota restrictions in the markets of the main industrial countries—such is the opinion expressed in the journal.

BIG BUSINESS PROTESTS

The Indian bourgeoisie with few exceptions, like Mr. Birla and the President of the Federation of Indian Chambers of Commerce and Industries, and the jute capitalists, have disapproved devaluation and questioned the government's claim that it will help exports. With reference to the Finance Minister's contention that devaluation will give a great stimulus

to exports, the Indian Merchants' Chamber has pointed out that a substantial portion of our export trade, as much as 70 to 80 per cent, mostly of traditional goods, is inelastic. There is, therefore, little scope for any significant increase in exports. As regards non-conventional items of exports, as imports of raw materials and components will be costlier in the wake of devaluation, the cost structure of such items will be further affected, and it is doubtful whether they will be able to benefit by the price-edge now provided to exports in international markets. A full benefit from these measures would be possible only if larger quantities of goods and services are exported, and this would not be possible in the immediate future. (ECONOMIC TIMES, June 14)

The All India Exporters' Chamber, through its President, also expresses the same view : "It is doubtful if the devaluation of the rupee will help in stepping up exports to the extent expected, because our exports mainly comprise primary products and there is not much exportable surplus in the country available for increasing foreign exchange earnings substantially. Eighty per cent of our exports are effected without any incentive assistance according to the Commerce Ministry's view, whereas only 20 per cent of the exports are assisted by incentives under the Export Promotion Schemes. In the absence of a large exportable surplus, the selective devaluation followed under the Export Promotion Schemes was better than the general devaluation of the rupee now announced. This measure is likely to reduce our export earnings in 80 per cent of the commodities which were standing on their own legs without incentives!" (ECONOMIC TIMES, 7th June)

This is the general comment of industrialists and businessmen with a few exceptions. The main reason advanced by the Government for devaluation, namely, impetus to exports is not accepted by them. It is clear that this certainly was not the compelling reason for the Government to devalue the rupee.

In the context of Indian conditions—the character of our exports, the possibility of access to foreign markets, the big import content in the non-traditional goods that we seem to

export—devaluation cannot serve the purpose which it serves in advanced countries. It cannot boost our exports, nor curb our imports so as to alter the balance of payments position. It may actually reduce our foreign earnings though the volume of export may increase.

As is known a large part of Indian exports are primary commodities whose supply cannot be increased at will. Even if devaluation offers some temporary incentive, it can at best give only a marginal boost to exports of these commodities at lower external prices. This impetus may not be sufficient to compensate for the lower prices quoted, so that in spite of higher exports the foreign exchange earnings may be even less than before.

The case with other traditional items like jute and textile manufactures is somewhat different, though the results ultimately will be the same.

The jute industry had a close-down for a week or so for want of raw jute. Without importing it from abroad, especially Pakistan, the industry cannot work to its full capacity and increase her exports. And now raw jute, which forms a substantial part of the cost of production of jute manufactures, will be 57 per cent dearer as it will have to be imported in large quantities. No doubt, the jute magnates are exaggerating their difficulties in order to have a bigger margin of profit, but it does not seem possible that devaluation will lead to such a large increase in exports as to compensate for the lower competitive prices which will have to be quoted to promote them. As a matter of fact considering the competition of artificial fibres and all the other factors mentioned, devaluation may only increase exports without adding to foreign exchange earnings.

Another item of traditional exports is textile manufactures. Here once more devaluation raises the price of imports of cotton dyes, chemicals, spare parts of machinery, though it will, no doubt, help exports of certain varieties of cloth. Devaluation was expected to raise the price of PL 480 cotton by Rs. 400 to 800 per candy.

The textile magnates, however, do not seem to have protested against the measure. It is conceded that devaluation will not adversely affect the bulk of exports which were getting incentive to the extent of 57 per cent. Devaluation brings no additional incentive here. There is, therefore, no question of a rise in total textile exports which can compensate for lower prices and earn more foreign exchange than before. This seems to be an impossibility. The fact that textile exports came in conflict with quota restrictions is itself going to present the main obstacle and the plea that exports will automatically increase and bring in a substantial additional exchange of foreign earnings seems to be pure propaganda.

With regard to non-traditional goods like engineering goods the same limitations are there. Here, in the first place, the import content of exported goods is estimated to be near 50 per cent. Devaluation will, therefore, raise their cost of production. Besides, it is known that the competition to these goods comes not only from lower prices of the exports from other countries but also from the higher finish and greater reputation of the engineering industries in developed countries. Once more to raise hopes of automatic increase in exports not only to compensate for lower prices but sufficient to earn larger foreign exchange at lower prices is to mislead the people. The Finance Minister and his colleagues are telling the people that the world outside is waiting for lower Indian prices so that there would be a buying spree to solve India's exchange problems. In these days of protected markets the tough attitude of developed countries towards exports from developing countries, and the quota restrictions that the developing countries themselves impose on each other, it is futile to talk of an automatic increase of exports as the Finance Minister does.

Taking into consideration all these there is every fear that India's foreign exchange earnings will drop though her exports might increase. This is exactly what India's creditors are wanting. Utilising their position they want to dictate to India to sell her goods at a cheaper rate and this is what the Government of India and the Finance Minister are really out to

achieve in the guise of helping our balance of payments position.

IMPORTS POLICY

Devaluation, while enabling the capitalists to quote lower prices in international currency, raises the internal and rupee prices of commodities. We have seen that now for every dollar worth of commodities sold abroad the Indian exporter or capitalist will get Rs. 7.49 in place of Rs. 4.76 as before. In the competition for purchasing local commodities the exporting capitalist will be able to offer a higher price than before on the home market, and at the same time sell for a lower price abroad and make big profit. Devaluation leads to a rise in rupee prices of exportable goods. Similarly, it leads to a rise in the rupee prices of imported goods. Now commodities worth \$ 100 will cost Rs. 747 instead of Rs. 476 as before. Devaluation is thus bound to lead to a general rise in prices.

How is all this supposed to help the balance of payments position? As we have seen, devaluation by raising the prices of imported goods is supposed to act as a check on imports, reduce imports and thereby slash our foreign exchange requirements. People, whose monetary incomes do not rise, find it difficult to purchase consumer goods. Similarly, the capitalists also have to pay more for the machinery and spare parts, or intermediaries or raw materials that they import. This raises the cost of production, narrows the market and compels them to reduce the imports?

But the strangest thing about Indian devaluation is that imports are going to be liberalised, controls over them are going to be at least partially removed. The World Bank is supposed to loan \$ 900 million to finance these imports. From all accounts our import bill is not going to be reduced but likely to increase. As Mr. J. R. D. Tata put in his interview with the *ECONOMIC TIMES* (July 14): "The nature of our latest devaluation is unique in comparison with our previous decision of 1949 and the devaluation of the currencies of several other

countries in the past. In the present case, devaluation is made distinctive by the fact that the overwhelming majority of our exports and over a third of our imports are to be 'freed' from the impact of devaluation. It is also rendered unique by the fact that unlike in the traditional text-book case where devaluation causes imports to be severely cut, our imports, will, in fact, be substantially increased owing to the great inflow of foreign aid expected.

"In other countries, the success of devaluation is judged by the extent by which it removes the gap between imports and exports, but in our case the trade gap will actually widen because while imports will rise sizably, exports at best will rise marginally. The penalty for this increased gap will, of course, have to be borne in the form of increased repayment liabilities in the years to come."

This is how devaluation is supposed to cure our foreign exchange crisis. Exports may at best increase marginally—and even then the total foreign exchange earned may be less than before; imports will increase substantially increasing our foreign exchange bill and widening the gap between exports and imports. The excuses advanced by official spokesman to justify devaluation, the reasons given—all fall to the ground. Devaluation turns out to be a measure taken to satisfy India's American creditors so that they can continue to finance our indebtedness. The real reason for it is that without it the American creditors refused to extend credits for this year's imports.

UNDER AMERICAN PRUSSURE

The imports policy of the Government of India, after devaluation is precisely what the Americans have laid down in the report of the Bell Mission. Bell demanded devaluation and in doing so spoke in Indian nationalistic accent, posing to argue for industrial advance of India. All the arguments which the Finance Minister dutifully made about import substitution, misuse of import licences—were all there in the Bell Report

and the Finance Minister was merely repeating them parrot-like. The Bell Report said that the insistence on maintaining the overvaluation of the rupee and the associated system of *direct administrative controls* were having the most pervasive negative effects on India's economic progress. It held that the overvalued rupee defeated rational import substitution and the expansion of exports which were the essential prerequisites for a development programme. It had resulted in increasing foreign exchange losses through the familiar devices which crop up under such circumstances.

The Report added that the *system of import controls* had failed to allocate scarce raw materials equitably and had equally failed to *maximise production*. It had also reduced industrial efficiency. The overvaluation of the rupee, it argued, created financial incentives for imports in preference to purchases from the home markets. (Americans are pleading that we should purchase from the home markets !) From this angle controls had led to larger imports. The system created imbalance in supplies available to individual producers, who as a result restricted their output. Instances of the holding of excessive stocks were not uncommon. By the system of allocation to individual producers *import controls eliminated market competition* and *created* incentives to expand capacity wastefully as a means of obtaining larger allocation of scarce materials. (Emphasis added)

The overvaluation of the rupee had led to lopsided investment. Units were established which had production patterns and processes designed to rely on imports and the use of imported capital equipment. On the export side, except in the case of tea and jute goods, no Indian product could be sold in overseas markets without loss to exporters unless some subsidy over the official rate of exchange was paid. The system provided no stable or permanent basis on which producers could plan investment or production for export markets. A stable rate of exchange at an appropriate level could open new opportunities for India's entrepreneurs (summary as appearing in CAPITAL, 9th June). It is evident that Bell while discussing

the alleged evils of the overvalued rupee, is directing his main fire against import controls and export subsidisation. Import controls eliminate free competition, create imbalances in supplies, etc.; a proper rupee ratio will eliminate the necessity of all import and export controls. This is his argument. He criticises export subsidies, he attacks import controls and makes it plain that for him a proper exchange ratio is only a means of getting rid of import controls, governmental controls on imports and exports.

To continue with the Bell Report, as a breakthrough it suggested, first, a rise in the effective exchange rate—which would correct the present relationship of imports to internal prices and costs, thereby tending to reduce the excessive demand for imports. Secondly, a suggestion was made to free maintenance imports to allocate adequate foreign exchange to meet the demand at the newly established rate. Side by side, the ban on imports of non-essential consumer goods and of components and semi-manufactures used in their production should continue. Thirdly, the report suggested the continuation of direct control over capital goods imports through related industrial licensing and capital goods import licensing operation.

Devalue, free maintenance imports from control, but retain control i.e., virtually ban imports of capital goods against "free" foreign exchange.

This is what Bell demanded and this is exactly what the Government of India is ensuring through her post-devaluation imports policy. The official press note issued on June 21st is nothing but a paraphrase of the Bell demands. It states: "The Government of India recently announced its intention to liberalise imports of raw materials, components and spares in order to secure highest levels of production in agriculture and industry. As a first step the following measures are announced." (India is the first country in the world which combines devaluation with liberalisation of imports). The note continues: "Special arrangements are being made to import in large quantities fertilizers and pesticides, sulphur

and rock phosphate in order to support the rapid expansion of agricultural products. Certain raw materials needed primarily for export production will be allowed to be imported on an open general licence which in the first instance will be valid for shipments made upto March 31, 1967.....For the 59 private industries included in the list, raw materials, components, and spares required for production upto full capacity for six months will be provided (Maintenance imports are freed from control for six months at least so far as these industries are concerned)..... In recent years, there has been a large increase in the output of spare parts for various industries. Many of these, therefore, have been banned from imports. All the same, there is a considerable volume of industrial, earth-moving, construction and other equipment which may not be fully utilised because of lack of adequate spare parts. It is, therefore, proposed to *license freely* both to actual users and traders the import from the U.S. of a wide range of spare parts other than those whose import is banned. The *quotas* for established importers from other sources are also being raised". Imports from the USA are to be freely licensed—that is what freeing of maintenance import means. Other sources will continue to have quotas—but they also will be raised.

And the note ends with the following : "These measures which may be supplemented hereafter should help to increase agricultural and industrial production. It will be observed that there will be no liberalisation in the imports of either capital goods or of less essential consumer goods." This is exactly what Bell had demanded—control over import of capital goods—severe restrictions of these imports if not virtual banning. This is what the Government is conceding though it only says that there will be no liberalisation. Having given a free licence to import maintenance goods, there will be nothing left for capital goods.

The Government's imports policy fulfils the exacting conditions laid down in the Bell Report, even to the detail of putting capital goods and non-essential consumer goods toge-

ther. Not only devaluation was dictated to by the USA and the World Bank but even the post-devaluation measures were ordered by them and the Government of India is meekly adopting them.

It is already clear that devaluation cannot achieve its declared objectives—the easing of the balance of payments position. On the other hand, as Mr. Tata points out, it is going to intensify the balance of payments crisis. It is not an honest economic measure to cure the adverse balance of trade but an economic surrender to the USA which has vital repercussions on the future of our economy. The commentator of the London FINANCIAL TIMES was right when he stated : “The main effect on the import side should be to replace the present cumbersome apparatus of import licensing and tariffs—which amounts to a de facto devaluation—by a system of rationing by price in a free market and to encourage import substitution. *The Indian Government’s ability to influence the direction of economic activity by means of import licensing policy will also be reduced—a point which has led some observers to suspect American support for devaluation to be motivated by free enterprise versus state control doctrines*”. (June 6) (Emphasis added).

This is the gist of the whole thing. Behind this facade of taking corrective steps to cure the balance of payments crisis, the Government is surrendering its capacity to influence economic activity, its control, to the American demand. The Americans want freedom for private capital, uninhibited by Government controls in this country. They have been repeatedly demanding it as the price for their “aid”. They have partially secured it in connection with the notorious fertilizer deals. And now at one stroke they want to paralyse all import controls, impede further industrial progress by insisting that imports of fresh capital goods should not be severely restricted and thereby make all planning virtually impossible. The Fourth Plan is already being scuttled and the only hope of establishing new industries lies in the help that the USSR and other socialist countries can give.

Liberalisation of imports, virtual ban on import of capital goods against "free" foreign exchange are not the only advantages secured by the Americans. They extend over the entire range of consequences following from devaluation.

It should be realised that the old rate of exchange actually facilitated industrial advance of this country. Machinery, foreign components, spares, intermediaries and raw materials could be bought from abroad at cheaper rupee prices. This was directly helpful to Indian industries which depended on imports of machinery and components from abroad. No doubt, under the aegis of the Congress Government, speculators, blackmarketeers and permit-favourites took advantage of this situation and exploited the difference between internal prices and the lower import prices. Even then the industries were in a much better position than now. Had the Government nationalised the imports trade, the entire advantage could have been reaped by the State and utilised to lower the cost of production. Neither the Finance Minister nor any spokesman of the Government mentions the fact that the old rate of exchange was favourable to industrial growth. Parrot-like they repeat American arguments against it, concentrating on some of the abuses. Not one of them is prepared to admit that under the old rate our exports were not being priced out, some were getting on well with a few subsidies and that we were favourably situated as regards the rupee prices of our imports.

Devaluation has wiped out this advantage without providing new possibilities of adding to our foreign exchange through increased exports. It has tremendously increased the rupee cost of maintaining our present industries, virtually making it more and more difficult to add to our productive capacity by establishing new industries. No wonder that almost the entire industrial capitalist class protested against this action of the Government which places them at a big disadvantage to satisfy the peremptory demands of American

and World Bank creditors. They protested but they knew that this bitter pill had to be accepted if the capitalist path, the path of private profiteering was to be pursued. But about their protest there is no doubt.

There was an additional strong reason for this. One section of the industrialists—the big monopolists and the partners in joint ventures—had taken loans from the World Bank and other foreign institutions and the burden of these foreign liabilities suddenly increased by more than 50 per cent because of devaluation. In his statement to the shareholders of the Tata Iron & Steel Co. dealing with the Company's working till March 31, 1966, Mr. J.R.D. Tata stated : "While it is too early to assess the full effect of devaluation over a period of years, the position is that our existing foreign borrowings have been increased in terms of rupees by about Rs. 13 crores including interest charges. Similarly, in respect of their foreign exchange component, the cost of projects already in train or contemplated will rise by another Rs. 9 crores, including interest over the expected period of repayment. In addition, the cost of imported equipment required for normal renewals and repayments over the next five years will go up by about Rs. 8 crores. Finally, our maintenance imports of certain raw materials and spares will cost us about Rs. 1.75 crores more per year. The total of these cost increases will be of the order of Rs. 22 crores over the next five years involving an average annual increase of Rs. 4.5 crores or about Rs. 30 per ton of finished steel. These figures ignore any increase in local costs resulting from devaluation."

It is not only the industrial giants that have been put in this position. Under the policies of the Congress Government there are hundreds of units which are known to be having foreign collaboration agreements and have received fairly substantial foreign loans for financing their projects. "The Industrial Credit and Investment Corporation alone has lent over Rs. 46 crores in foreign currency to some 300 units. The bulk of foreign exchange has come through the U.S.

Agency for International Development and the U.S. Export-Import Bank. No reliable figures are readily available of the total amount of foreign loans received by the private sector, but the additional liability resulting from devaluation (industrial units will now have to find Rs. 157 for every Rs. 100 in the past) is conservatively estimated around Rs. 300 crores. Apart from the question of finding necessary resources for meeting the additional burden, the enhanced debt liability resulting from devaluation is likely to cause a structural imbalance (debt, equity ratio) in several units and seriously disturb the investment output relationship in many others." (CAPITAL, June, 11 p. 825)

The immediate effect of devaluation on these concerns is not only to raise their cost of production and create financial difficulties for them, but to increase the influence and strength of their creditors from whom they had borrowed loans in foreign currency. It will not be surprising if a few of these concerns pass into the hands of the foreign creditors—directly or indirectly. This is how national interests are being served by Chaudhury & Co.

To hide the anti-national character of devaluation, the government is recommending it as a measure which will lead to imports substitution, and thereby help the economy to be self-reliant. The Congress leaders are now discovering *swadeshi* and are exploiting that word and sentiment to justify its complete betrayal. What chances are there of any genuine imports substitution, of a single step towards self-reliance because of devaluation? Actually there are none except under American permission. The USA has imposed devaluation not in order to lessen our dependence but to increase it. The fact that they have made it a condition of their 'aid' that it should not be used for imports of fresh capital goods itself shows that under their patronage the chances of increased imports substitution is almost nil. Unless, of course, the Government is able to point out that there is much unused production capacity in the country, which without any fresh import of capital goods can produce components, spares, etc. The

only other source is of course the socialist countries—but for getting help from them devaluation was not necessary.

The argument of imports substitution is only intended to mislead the people.

Increase In Debt Burden

The devaluation trick has at one stroke increased India's foreign debt burden by hundreds of crores of rupees. Sachin Chaudhury and his associates have made a gift of hundred crores to Lyndon Johnson and the World Bank without even a show of consultation with any one, India's foreign debt piled up by the Government of India in pursuit of the capitalist path had reached the colossal figure of Rs. 2600 crores by 1966. It was this debt and India's growing difficulties in meeting it that was placing her at the mercy of the USA. Instead of finding ways to reduce it, taking steps to shake off American political pressure, steps to meet the liability by mobilising the country's resources by placing the burden on the monopolists and those who can bear it, the Government of India agreed to increase the debt burden and took the country deeper into the clutches of American imperialism. The Government now will be under increased pressure and will be forced to make repeated requests to postpone payments of debt instalments, which will give the American imperialists further opportunities to demand political concessions and endanger India's sovereignty and independence.

The foreign debt—excepting a certain part, has to be paid back in foreign currency—especially dollars. What India earns through her exports under the new conditions will have to be utilised to pay it off. But as we have seen devaluation is intended to enable India to quote lower prices in foreign currency—which means for every unit of exports India will get foreign exchange at a lower rate. Thus to pay off the same debt-liabilities, to earn the same amount of foreign exchange, India will now have to export more commodities—and ensure larger quantities of exports. The burden of debt will mount in proportion to the prices lowered, in proportion to the use of devaluation to secure larger exports. This is nothing but surrendering gratis to the Americans good worth hundreds of crores of rupees and accepting to do so year by year.

This accentuation of the debt-burden will be an instrument of forcing the Indian economy and its foreign trade still further under the control of the Americans. During the next five years of the Fourth Five Year Plan India's foreign debt payments are estimated to mount up to Rs. 2,200 crores at the

new rate of exchange. This means every year India will have to sell out Rs. 400 crores in payment to these liabilities alone. The maximum earnings from India's exports in these five years are expected to reach Rs. 8,030 crores at the new rate. We have seen that in spite of devaluation there is little likelihood of India's foreign exchange earnings reaching a higher figure. The estimate is in any case exaggerated. Exports will be much less. But even if we accept this figure it means that in the coming years nearly 28 per cent of India's exports will have to be sequestered for the payment of our foreign debt. If more than 14 per cent of a country's exports have to be used for payment of old debts then that country's exports are considered to be mortgaged to her creditors and there is little chance left for it to escape from them. India has already reached that stage. By 1966 her debt-liabilities were estimated to amount to nearly 20 percent of her exports. Devaluation now raises the burden of foreign liabilities still further and accelerates the process of mortgaging our export trade to our foreign creditors. The fact that this monstrous condition was accepted by the Government showed that they were already getting overwhelmed by the debt like an ordinary peasant indebted to the money-lender and signing any deal to stave off the final blow.

It is argued that devaluation will at least save considerable foreign exchange on the remittances of dividends and profits, earned by private foreign capital in the country. In view of the fact that in recent years private foreign investment has increased from Rs. 300 crores before independence to nearly 1000 crores now this ought to lead to a considerable saving of foreign exchange. The argument is theoretically correct and under a strong democratic anti-imperialist government this would have been the result. But the present government which has accepted the measure under the pressure of the imperialists dares not implement it to the disadvantage of the foreign capitalists. It will see that the profitability of the industry is maintained, as it is doing in the case of the oil industry. It will make concessions, connive at manipulations so that the dividends and profits in terms of foreign exchange remain unimpaired.

Strengthening American Grip

Devaluation will inevitably strengthen American grip over our foreign trade, change its direction further in the direction of the USA. Already the USA has made big strides in sharing a large part of our trade. The latest figures circulated by the Commerce Ministry (July 13) show that during the period

of the Third Plan the quantum of exports to the USA rose by 40 per cent as compared to the period of the Second Plan ; exports to the East European countries—USSR and other socialist countries—rose from an average of 6 per cent to 15 per cent ; trade with the socialist countries has developed in recent years still it is far behind that with Western countries. The USA especially is forging ahead, sending huge imports— including large-scale food imports and is now getting a larger share of exports also. The following figures are eloquent :

LAKHS OF RUPEES

Year	Total		U.S.A.		United Kingdom		East European Countries including USSR		U.S.S.R.	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
1960-61	1121,62	642,32	327,56	102,53	217,15	172,48	44,31	49,56	15,87	28,81
1961-62	1090,06	660,34	255,54	115,74	200,15	160,93	87,62	63,79	39,94	32,20
1962-63	1131,47	685,48	364,84	114,33	185,56	163,22	110,11	92,36	58,64	32,85
1963-64	1222,85	793,74	449,97	129,89	171,46	163,67	123,77	108,91	68,46	52,10
1964-65	1262,12	838,70	436,14	151,10	162,12	170,27	143,86	148,43	77,99	82,42

(Reserve Bank Report)

Now, with the devaluation enhancing the debt burden to the USA, with the new imports—food, etc., costing 57 per cent more in rupees, the Americans will be able to tie India's trade firmly to their country and attempt to snap India's ties with other countries.

In fact, an open, deliberate and calculated scheme was hatched under American pressure and inspiration to freeze India's exports with the USSR and other East European countries—especially exports of tea and jute manufactures. The Commerce Ministry had prepared the plan.

The Delhi correspondent of CAPITAL wrote (in CAPITAL 16 June) : “Meanwhile the Government of India has decided to freeze the export of a dozen commodities to the East European countries at the 1965 level. The items are jute manufactures, tea, coffee, tobacco, black pepper, cashew kernels, groundnuts, raw wool, coir yarn, cotton waste, raw goat skins and deoiled cakes. As a result of a serious fall in the production of agricultural and plantation crops last year, it is considered necessary to avoid any major diversion of these commodities to Eastern Europe at the cost of free foreign earnings. *The traditional items mentioned above accounted for Rs. 112 crores out of India's total exports of Rs. 153.6 crores to Eastern Europe.*” (Emphasis added)

So, as a part of the devaluation there was a game afoot to virtually freeze the trade with the socialist countries at the 1965 level. This wonderful non-aligned country not only did not inform the USSR about the devaluation decision, but in pursuit of its non-alignment wanted to cut down its trade with the USSR so that it could trade more with the USA and its allies.

No wonder, the post-devaluation trade negotiations conducted by the Commerce Minister in Moscow were protracted and generated lot of heat. The USSR had come to know about this scheme and in the end the Government of India had to assure that not only there would be no diminution of the present level of trade between the two countries but there would be a sizable increase in the coming year.

Nevertheless, devaluation with its peremptory accompaniment

of imports liberalisation is meant to slow down and curb India's trade with the socialist countries. Due to shortage of foreign exchange, the Government of India hitherto preferred imports from the rupee-payment countries like the USSR and the East European countries. Now that foreign exchange (free foreign exchange if you please) will be liberally supplied under the liberalisation of imports dictated by the USA, the Government will get an excuse to give up its preference and slow down its trade with the socialist countries. The Delhi correspondent of CAPITAL puts the matter as if an injustice was being rectified: "The devaluation of the rupee will take away the edge which had been operating in favour of the rupee-payment countries and put them on a par with the free foreign exchange countries. Due to the foreign exchange shortage, the Government of India preferred imports from the rupee payment countries. This preference will now disappear under the imports liberalisation scheme. An Indian importer will have the freedom of choice to import his requirements from the cheapest source, if other things such as quality and delivery dates do not pose any problem. In other words the rupee-payment countries shall have to compete in the Indian market with the free foreign exchange countries." Shorn of verbiage it means that imports liberalisation will divert imports away from the USSR to USA and its allies. This is one of the political motives behind devaluation and imports liberalisation.

Invitation to Foreign Capital

Devaluation is further an instrument of promoting private foreign investment in India. It has been the persistent demand of the World Bank and the USA Government that the Indian Government should give up its doctrinaire or 'ideological' approach to industrial development i. e., give up insistence on the public sector and throw open the country to the influx of foreign monopoly capital by creating a suitable climate for it. This was supposed to be a remedy against the perpetual foreign exchange crisis. For it was argued that while loan capital for the public sector entails a continuous drain of foreign exchange by way of interest charges and

regular payments, equity capital invested in private industries does not involve regular payments, and remittances are made only when profits are realised. With these arguments the World Bank has been seeking to have private foreign capital invade India. Taking advantage of the food crisis, they forced the Government of India to accept it in the fertilizer industry though the latter was a declared public-sector industry. They also succeeded in laying down exacting terms about profits, distribution, price and marketing and practically doing away with Government control. The Government accepted this shameful deal in the name of promoting Indian agriculture.

But the proper conditions for the looting of the Indian people were not yet there. There was no guarantee that for every dollar worth of capital invested there would be enormous and easy profits, though the rate of return on the USA capital in India is found to be the highest in the world. Devaluation gives them the advantage they have been seeking and unless they are deterred by the rumours of a second devaluation they are likely to make the most of this favourable situation. Now every dollar worth of investment that they make in India will be worth Rs. 7.49 insted of Rs, 4.74 as before. The rupee value of their capital will be inflated by 57 per cent and they will be able to reap correspondingly higher profits in India without any protest.

Now that imports liberalisation will not cover capital goods for new industries, Indian industrialists will be compelled to seek agreements with private foreign capitalists for establishing new industries. The foreign capitalists' contribution in the form of machinery, etc., will meet the foreign exchange requirements of new industries, involving no strain on the available foreign exchange resources. Thus, the foreign private investor will be in a commanding position and at the same time find India a fertile ground for profit hunting.

A section of Indian industrialists has already started moving in the direction of extending an open welcome to foreign investment and demanding removal of all controls to facilitate the entry of foreign capital. The ECONOMIC TIMES (Bombay, dated June 10) reporting a despatch from its New Delhi Bureau

says : "Industrial circles are now pressing the Government for a complete revision of the policy on foreign capital and collaboration in view of the economic effects of the devaluation. Discussions have commenced here among the industrialists about the implications of continuing the present screening procedures and conditional link-up between foreign investment and export programme insisted upon in the existing policy... Some felt that a wholesale review of the policy may not be possible, while others felt that benefits from the devaluation will not materialise unless the policy was revised to allow foreign investment and collaboration in industries regardless of current indigenous trends and developments...It is felt no doubt that the foreign investor is in an advantageous position because his investment today is worth 57 per cent more than what it was before the devaluation. This is really a big incentive for the foreign investors and to what extent this incentive will be made use of depends again on the assessment of the foreign investor about the stability of the internal value of the rupee and the maintenance of the foreign exchange value at the present devalued rate...In spite of the assurances regarding remittance of earnings, transfer of capital and non-discriminatory treatment to foreign capital invested in India, industrial circles feel that the processing of each case on its merit is proving dilatory. There are suggestions that the approval procedure may be speeded up and a large flow of capital and know-how to various industries facilitated if the terms and conditions of foreign investment and collaboration are welldefined." Opinion is still divided and one section is prepared to take the inevitable path laid down by American-dictated devaluation and turn to private foreign capital—American capital for collaboration and help in its loot of the Indian people.

How this foreign investment—which devaluation is bound to promote—not only exploits our people but also increases our dependence on foreign imports still further can be seen from the following. An article published in the May 1966 issue of the RESERVE BANK BULLETIN observes that the average rate of return in India on U. K. and U. S. investments is marginally higher than the average for all countries and the

average for domestic investment in the U. K. and the U. S. It states that foreign companies reap benefits from pricing, controlling as they do in the case of the oil companies, the price of crude as well as the refined product. Many of the prices used are notional because transactions are between departments and close associates. The allocation of overhead expenditure of the head office between branches gives sufficient scope for adjusting profits in different countries. What is meaningful is, therefore, the concept of overall returns rather than returns on individual segments of an integrated operation. The article further shows that foreign companies are able to circumvent protection granted to nascent industries by shifting from mere selling to assembling and subsequently to domestic manufacture. Additionally foreign affiliates import from the parent company. One fourth of U.S. exports of manufactures and semi-manufactures of about 14 billion dollars is to foreign affiliates of U.S. companies. *U. S. exports to Indian affiliates amounted to 148 million dollars in 1962 ; and 125 million dollars in 1963. U. S. direct investments in India are a little over 200 million dollars.*

This is how private foreign capital not only extends but creates further ties of dependence and subjection. And this is what is being promoted through devaluation.

Rise in Prices Inevitable

One of the most disastrous results of devaluation is going to be a sharp rise in prices. The annual report of the Ministry of Commerce for 1965-66 also expresses the same view when it states, that any change in the value of currency will put up the internal costs of all products made out of these imports in such a manner that both the living standards and wage structure of the working class will be "highly distorted and upset." The lowest estimate is that prices will rise by at least 20 to 25 per cent.

Apologists of the Government argue as if the price rise can be controlled and mastered ; they say that at best prices of certain exported articles will rise. This, of course, is wrong.

As we have seen, devaluation cannot be said to be success-

ful unless it raises the internal price-level and forces down consumption of the ordinary man, unless of course there is over-production of exportable goods. When surpluses are not ready at hand, when there is no over-production, increase in exports must come at the expense of home consumption. Devaluation is precisely meant to achieve this result by enabling the exporting capitalist to offer higher prices in the internal market and sell the same at lower international prices with a good profit for himself. The exporting capitalist is able to outbid the consumer in the home market, raise prices, and force the common man to reduce his consumption. If Indian exporters succeed in raising the exports of tea or oilseeds appreciably they will be able to do so only at the expense of the Indian consumer, by raising the prices of these commodities. The only condition is that internal prices should not rise to the full extent of devaluation wiping out all advantage for the exporter. There should be a reasonable gap between the internal price-level and external devaluation so that the exporting capitalist can underbid on the foreign market and reap his profit. This is what devaluation is intended to achieve. To tell the people that it is a painless operation, that devaluation need not lead to a rise in prices, to sidetrack their attention on bogus price-control measure, is plain downright cheating; it is a callous attempt to exploit the innocence and ignorance of the common man.

Devaluation does not mean only a rise in the price of exported articles. It is intended to lead to a lower standard of living for the people—living within one's means it is called—to subsidise the exports, and increase the competitiveness of the goods of the exporting capitalist and guarantee him extra profits. It, therefore, must lead to a rise in the prices of necessities of life sooner or later. Rise in the prices of imported articles, which enter into the production of articles of daily use, sets the process in motion. Producers of food and other necessities of life who use these articles are faced with a rise in their cost of production and forced to raise the prices of their articles. In this way the people are made to pay the prices of rescuing the capitalists from their crisis. This is how the crisis is solved.

Besides, devaluation will directly affect the prices of food and cloth in India. First, it will raise the price of imported food by 57 per cent.

This is bound to raise the price of foodgrains in India, whatever yarns the Finance Minister might spin about subsidising food prices.

The price of cloth, another necessity of life, is also bound to rise since the cotton textile industry uses foreign cotton and other materials to an appreciable extent. The price of these raw materials will rise by 57 per cent and the price of cloth must rise. To what extent the industry is dependent on foreign imports can be seen from the fact that it spends more foreign exchange than it earns. According to an article in the June issue of the RESERVE BANK BULLETIN, during 1960-64 the total foreign exchange income of the cotton textile industry from exports (including exports of the decentralised sector) of cotton piece-goods, yarn, hosiery, waste and other manufactures amounted to Rs. 344 crores. On the other hand, the foreign exchange expenditure on account of imports of raw cotton, twist, and yarn, machinery, dyes and chemicals, fuel oil and lubricants, etc., was placed at Rs. 538 crores, indicating a net deficit of Rs. 194 crores in the foreign exchange position of the industry. Nearly 56 per cent of the total foreign exchange cost was accounted for by imports of raw cotton and 25 per cent by machinery, spares, accessories and components.

A previous study relating to the period 1956-60 revealed a deficit of about Rs. 90 crores or an average of Rs. 18 crores a year. The deficit for the period 1960-64 was more than double—Rs. 194 crores or nearly Rs. 39 crores a year.

And now devaluation will raise the price of imported cotton, machinery, etc., by more than 50 per cent and with all the export promotion the foreign exchange gap of the cotton textile industry will increase. What an effective method of solving the foreign exchange crisis !

It must be remembered that a greater part of the cloth in which foreign cotton is used is consumed in India, which means that the price of cloth is bound to rise. Thus the

prices of the basic necessities of life are bound to rise leading to an inevitable rise in the general price level.

The Finance Minister who shed tears over the higher price-rise in India as compared with foreign countries and advanced it as an excuse for devaluation is imposing another price-rise on the country which might become a handy excuse for a third devaluation. Prices have been rising rapidly during the Third Plan period with increasing doses of deficit financing. Last year alone there was deficit financing to the extent of Rs. 400 crores which pushed prices still further. The utter hypocrisy and dishonesty of the Congress Government is seen in this—that while it talked all the time about controlling prices, it undertook deficit-financing which continuously raised prices and was meant to do so. Deficit financing has been one of the special weapons of Congress planners to pass on the burden of the capitalist path to the backs of the common people. The constant rise in prices it entailed served to depreciate the wages and labour of the common man, made an indirect cut in his income, and transferred wealth from him to the rich, the monopolists and to the capitalist state to take the form of capital in their hands.

Now the Finance Minister has added to this burden and increased the miseries of the Indian people.

No sane and honest government would support devaluation and a consequent rise in import prices, considering that India has to import huge quantities of foodgrains from outside. Does it stand to reason that any Planning Minister worth the name will voluntarily sanction a measure which raises price of imported foodgrains by 57 per cent and which is therefore bound to set in motion a price spiral when with deficit financing prices have been already stretched to the farthest limits leading to miniature revolts on the part of the people? Yet the Government of India accepted this measure obviously under the threat and blackmail of the Americans.

The assurances of the Government that they will subsidise food, kerosene and other necessities of life and thus hold the price line are not worth consideration. India imported foodgrains worth nearly Rs. 300 crores in 1964. A subsidy

of at least Rs. 100 crores will be required to offset the full rise in prices due to devaluation. Is the government going to give this subsidy ? The Finance Minister when questioned by Shri Kamaraj is reported to have said that a subsidy of Rs. 50 crores will meet the needs of the situation. It all depends on how much grain you import. But no one can believe that the Indira Government will subsidise necessities of life and that it will keep down the cost of living. It has never done ; it will never do it because it is not its class interests to do so.

Not only food prices will rise, but prices of all necessities of life. The Government knows this and is trying to humbug the people by starting a few consumers' stores, supermarkets and what not. Mr. Asoka Mehta who is great at coining phrases to cheat the people suddenly talked about socialisation of internal trade at a meeting of the Planning Commission. All that he meant thereby was the starting of a few trading co-operatives. These pitiful efforts to arrest the inevitable price-rise will come to nothing. The Congress Government has the blackmarket touch. Everything that it touches will expand the black market and ensure a speedy rise in prices.

In 1962 when the India-China conflict was on, Nanda made similar promises to hold the price line by opening consumers' stores in all factories. He assured that owners of factories with a compliment of more than 300 workers would be compelled by law to open cheapgrain stores. The treacherous Dange clique asked the workers to surrender its right to strike for this false assurance. The majority of employers did not carry it out ; the workers were cheated and subjected to an indirect wage-cut of 15 per cent. This is the recent experience about government's promises to establish co-operatives and hold the price-line.

The huge subsidy that will be required to counter the increased cost of American food and hold the price-line will never be sanctioned. In these days when the government is advertising cuts in expenditure the subsidy will be only nominal and have no effect on rising prices.

How every price-measure of the government safeguards the profits of the big capitalists, especially foreign capitalists, can be

seen from the following. The ECONOMIC TIMES reported on June 8 that the refinery prices of all petroleum products were being raised to compensate the refineries for the increase in the rupee value of imported crude following the devaluation. But consumer prices are being pegged at the present level. The government has decided to reduce the excise duties on petroleum products so that the present levels of consumer-prices are maintained. It is estimated that the loss to the government revenues because of cut in excise duties will be of the order of Rs. 45 crores to Rs. 50 crores including Rs. 23 crores representing the compensation for the extra cost of crude to the three private coastal refineries. It is further reported : "In making adjustments in the wake of the devaluation, the Government is ensuring that the present profitability of the refinery operation remains unaffected." This is the gist of the whole thing. The unconscionable profits of the foreign monopolists, especially the American monopolists, must be protected against the effects of devaluation, though it is the American Government that has forced this devaluation on India. The sovereign Indian government dares not touch their profits. Therefore, they are compensated at the expense of the people. A direct burden on the people through a rise in prices would have easily exposed the game. Therefore, an indirect burden is thrown by incurring a loss to the treasury through the foregoing of excise duties. This loss, of course, will have to be compensated by the people at some other point. This is called holding the price-line.

Export Subsidies

The claim that devaluation was resorted to because anyhow Indian exports were subsidised showing that the rupee was overvalued, and that devaluation has only changed the manner of helping exports cannot stand the test of facts.

In the first place, 80 per cent of India's exports were not subsidised and therefore the argument that the rupee was overvalued does not hold good. In the second place, the 20 per cent of exports—exports of manufactures that we subsidised, will be actually handicapped and might be priced out of international exports because of devaluation, unless subsidies are restored.

Among the subsidised exports, engineering goods occupy a prominent place. Superficially it may seem that devaluation may give an impetus to the export of those goods by making them competitive in the world market, through price-reduction. But a look at the problem reveals that the competition to these goods comes not only from lower prices of the exports of other countries, but also from developed countries. Besides, the countries of the world are not just waiting to receive Indian goods. There are trade restrictions, mutual arrangements between different countries and political considerations which decide the extent of exports from one country to another.

The ECONOMIC TIMES, dated June 7, gives the following information supplied by its Delhi Bureau. In addition, there are several engineering and other manufactures which are priced out of the world market by as much as 400 per cent. A mere cut of 25 per cent in their price would touch just a fringe of the problem. The remaining gap in prices would be still much too wide and would have to be filled by subsidies, devaluation or no devaluation. In the case of the Indian steel exports the price differential in world market is Rs. 400 per ton and a 57 per cent cut in price does not make them competitive. In sugar exports, the mainstay of promotion would have to be subsidy even in spite of devaluation, because the price differential is nearly 400 per cent. In the case of Indian bicycles the price differential is nearly Rs. 100 and the devaluation gives them only an advantage of Rs. 57. It has been estimated that the imported content of exportable goods is as high as 50 per cent and to that extent the cost of these exports would rise.

Within two months of devaluation, the Finance Minister, who thundered against export subsidies and cited them as visible proof of overvaluation of the rupee, had to reintroduce them. On August 17, cash assistance ranging from 10 to 15 per cent of the f. o. b. value of exports of selected products, which have a sizable export potential, was announced by the government—as part of the measure to promote exports.

Engineering goods with a high export potential have been divided into three groups which will get cash assistance

of 10, 15 and 20 per cent respectively of the f. o. b. value of exports. Thus, it was realised that for these goods, especially the engineering goods, the advantage offered by devaluation fell far short of the former subsidy, that instead of promoting their exports, the devaluation advantage hindered them and, therefore, over and above the 57 per cent advantage given by devaluation, another 20 per cent had to be offered so that they were not priced out of the international exports.

All this gives the lie to the claim that devaluation was rendered necessary to keep up the exports of manufactured goods and that subsidies could not secure the purpose. The Finance Minister argues that export subsidies meant that the rupee was overvalued and it should be devalued. Will he resort to the same argument, say that these new subsidies mean selective devaluation and further devalue the rupee? Is it not *de facto* devaluation—to use the word of its sponsors? Or are we heading for yet another cut in the exchange value of the rupee?

The imposition of export duties and restoration of export subsidies reveal as nothing else that devaluation was not a necessary economic measure to protect India's exports, but a forced measure at the dictates of the USA. In justification of devaluation the Finance Minister stated that Indian exports were in danger of being priced out of the international markets and that a shot in the arm—a virtual subsidy of 57 per cent was necessary to keep their competitive character and increase the quantity exported. And yet on the morrow of devaluation he levies heavy export duties on certain traditional items to see that they are not exported in large quantities. The reason is that government also knew that even with the price advantage of devaluation exports of these items will not fetch additional foreign earnings—because the demand is inelastic; it also knew that there were no available surpluses. If the export duties had not been levied, there would have been only a fall in export prices without a corresponding increase in quantity—leading to a fall in total exchange earnings. But where then is the shot in the arm? Do not the export duties unmask the real reason behind devaluation?

The restoration of export subsidies also tell the same tale—

devaluation is no substitute for subsidies in promoting the export of non-traditional goods.

The Offensive Against the Economy

All kinds of well-informed and ill-informed people are today vociferously talking about post-devaluation measures—devaluation follow-up. Among the latter are a number of Congress MPs who think they are uttering original ideas when they give expression to the repeated demands of the big bourgeoisie, neatly paraphrased by some learned economists.

Everyone agrees that devaluation by itself will achieve nothing. By implication all seem to agree that devaluation is not a measure for remedying the foreign exchange situation but the beginning of something which should remedy the entire economic situation. Their concept of post-devaluation measures itself lets the cat out of the bag and reveals that it is a measure intended to start the attack on the Indian economy to satisfy the appetites of monopolists and big capitalists. This is what Mr. Tata has to say about the devaluation follow-up : “Fortunately the need to expand the maximum production of food and agricultural raw materials seems now to be universally accepted.....There is unfortunately no sign as yet of a willingness to reconsider the policy of rigid limitation of land-holding which is a major factor responsible for the stagnation of Indian agriculture.” So devaluation must end in unrestricted legalised land monopoly.

Turning to industry and planning Mr. Tata says, “..... the corporate sector and the investor have been starved of the finance required to create, operate and expand industries. Finally, there is an almost unanswerable case for a review of the final policies which for the last four years crippled the private sector, dried up the sources of corporate and private finance for industry, deterred foreign investment, encouraged blackmarkets, and generally smothered the growth of economy. Unrealistic and wasteful planning, excessive bureaucratic controls and crippling taxation have been the three principal factors responsible for our present economic plight. Of the three, the last two have been the most damaging to the private sector. The failure of these

policies is today so evident that surely the time has come for a fundamental reappraisal of our economic thinking. Having shown courage and realism in deciding on such an unpopular measure as devaluation, let us hope that our Prime Minister and her colleagues will show an equal boldness and wisdom in setting a new economic course in regard to controls and taxation" (Speech to Annual General Meeting of Tata Iron and Steel, 1966). In short, the demand for a free economy is made. While no one need defend the so-called Congress planning, it is to be noted that the monopolist demands an end to all controls and lower taxation on the big capitalists with bigger opportunities for private profiteering.

Not to be outdone, the Standing Committee of the Federation of Indian Chambers of Commerce and Industry stated on June 13 that devaluation should lead to a reduction of controls. It was felt that the whole purpose of devaluation would be defeated if the country was not freed from controls as soon as possible. The Committee also emphasised that the efforts to hold the price-line, to increase exports, to develop indigenous substitutes for imported materials and to make economic growth self-sustained could not succeed without stepping up production in the highest measure and widening its base to the fullest extent. The objective could be secured only by *enabling people to participate freely in economic activity*. The Committee felt that supplementary measures should be taken to stimulate the economy without delay. These should include larger and freer imports of essential raw materials and components, liberalisation of credit and larger availability of rupee finance from financial institutions and the banking system.

The Federation President, Mr. Amin, had earlier welcomed the measure mainly because "it was most realistic and timely in our present economy" and it would also enable the market forces to have a free play in bringing about the necessary adjustments in "our economy".

The same opinion and demand are expressed by Mr. Whitehorn, Overseas Director of the Confederation of British Industry, Britain's most powerful organisation of industrialists, when he said : "It will, however, have to be accompanied by

other measures to liberalise the impact of devaluation on maintenance supplies and *to lighten the weight of administrative controls.*"

And, in fact, this has been the demand of the World Bank and the U.S.A. financiers for a long time. The Bell Mission openly came out against import controls. There have been repeated U.S.A. warnings that the exchange problem can be eased if proper conditions are created for attracting foreign capital in the private sector. These conditions were, of course, the removal of controls, the inviolability of the enterprise, the guarantee for uncontrolled profits and uncontrolled prices. And in the background since 1954—since the Birla Mission reported on its visit to the U.S.A.—was the demand for scaling down labour legislation—for giving unfettered rights of exploitation to indigenous and foreign capitalists.

The pressure had already resulted in heavy concessions. The U.S.A. had demanded decontrol of cement. It was granted. It demanded that Indian bourgeoisie should restrain their industrial ambitions which was also accepted in the name of giving priority to agriculture—the so-called package deal. They demanded that fertilizer factories should be opened in the private sector—that American private capital should be given entry in the fertilizer industry. The Government, ignoring its own industrial policy, had to accept it. They further demanded that the companies should have the freedom of marketing and pricing their products, i.e., there should be no control over prices and profits. This also was accepted. The Government, however, laid down that the Government would have the right to buy one-third of production from the factories. The Americans now have demanded that the Government will be allowed to buy only at market prices. Thus the last vestige of control is being sacrificed.

And, recently, another principle of Government's policy was sacrificed. It has all along been the official policy not to allow foreign capital in consumers' goods industries. Recently the Government was forced to sanction American investment in the biscuit industry in Tamilnad.

When questioned on the subject in the Rajya Sabha,

Mr. D. Sanjivayya, Minister for Industries, stated : "We have satisfied ourselves that indigenous technical know-how is not available" for the manufacture of special varieties of biscuits for which collaboration with an American firm has been permitted. Although India was producing biscuits, Mr. Sanjivayya said, "it has not been possible to keep pace with the revolutionary changes taking place" in the industry.

Thus the softening process had been going on for some time. American success in enforcing devaluation will now accentuate it still further, the World Bank and the U.S.A. demanding more and more measures to decontrol Indian economy and regulate it to suit their needs.

In the name of follow-up measures the Indian monopolists and capitalists also demand a virtual end to all Government controls, drastic reduction in taxation, and complete freedom for land and capital concentration, freedom for private sector and profiteering.

These plans have nothing to do with solving the foreign exchange crisis ; restricting imports and increasing exports ; changing the imbalance in foreign payments. They are open and avowed plans for reorganising the economy to suit the profiteering motives of the capitalists and the marauding interests of the Americans. The fact that they are seriously proposed shows that devaluation is regarded by these elements as the beginning of an assault on controls, and not just a measure rectifying the imbalance between exports and imports.

POST-DEVALUATION PLAN

The Fourth Five-Year Plan, announced three months after devaluation, bears the full mark of American pressure to regulate the Indian economy, to promote the private sector, lower the role of the public sector, stifle the rate of advance of basic industries and, in fact, cripple the power of the bourgeois government to divert the flow of capital according to its needs. In the first place, the draft was submitted to Parliament only in September. Why ? Because the American paymasters, on whom the planners rely to supply a major part of the Rs. 4,000 crores external assistance, have not yet finally sanc-

tioned the plan. Mrs. Indira Gandhi's exhortations that we should have a flexible approach to the plan, being ever-ready to alter it, had only one meaning that we should be ready to cut it and bring it in line with the supply of foreign funds released by the U.S.A. Even now the U.S.A and the Consortium countries have not committed themselves to any definite quantity of 'aid'—yet the Plan Draft shows how every attempt has been made to meet the demands of the World Bank and the U.S.A. The Plan, coming in the wake of devaluation, is a document of Congress Government's post-devaluation policies and some of its aspects deserve examination.

Consider the following principal tasks of the Plan and the priorities given ; (1) for ensuring the achievement of self-reliance as early as possible, highest priority will be given to all such schemes of agricultural and industrial production as are designed to promote exports and replace imports ; (2) for ensuring price stability, effective steps will be taken to check all inflationary factors and avoid deficit financing ; (3) for enlarging the income of the rural population as well as for augmenting the supply of food articles and agricultural raw materials, all possible efforts will be made to maximise agricultural production ; (4) for enabling the objective to be realised, production of such goods as fertilizers, insecticides, agricultural implements including pumps, diesel engines, tractors, etc., will be given the highest priority in the programme for industrial development ; (5) for enlarging the supplies of essential mass consumption goods on which additional incomes will be spent, production of articles like textiles, sugar, drugs, keronese, paper, etc., will be stepped up ; (6) for ensuring continued growth in the metals, machinery, chemicals, mining, power and transport industries which are important for self-reliance, schemes in hand will be completed with the maximum possible expedition and such new schemes will be undertaken as are essential for keeping up the momentum of economic growth already built up and for meeting the basic needs of the country during the Fifth Plan period. After this there are only two tasks mentioned : Family Planning and development of human resources. It must come as a shock to everybody

that while hypocritically talking about self-reliance, the planners have given the lowest priority to development of basic industry, of machine-building and other industries. It cannot be pleaded that India is already on the way to self-reliance in respect of these—even the revisionist Dange group will not say it—and yet these basic industries occupy priority only over family planning. Everything else gets precedence over them. Why ? Because this is post-devaluation planning. The demand that Indian bourgeoisie should restrain their industrial ambitions had been repeatedly made by the World Bank and the USA spokesmen. It was made during the course of 2nd Plan—when the Plan was in crisis—by the World Bank whose mission had suggested that Indian planners should confine the Third Plan to completing the schemes already in hand.

Now having cornered the Indian Government, the Americans have enforced this demand. It has been pointed out earlier that the Bell Mission had suggested that while foreign exchange for maintenance imports should be liberalised, exchange for new capital goods should be strictly controlled—i. e., the development of new industrial capacity should be severely restricted. It has also been noted that under the post-devaluation liberalisation of imports, foreign exchange is not to be released for new capital goods.

This retreat is now openly announced as a part of the strategy of the Fourth Plan by giving the lowest priority to the basic industries. And, here too, the main emphasis is on completion of schemes already undertaken with a lip homage to such schemes as are essential for keeping up the momentum of economic growth. So, in the main, we must devote ourselves to capacity already existing. It will be noted that not only pesticides, agricultural pumps all have priority over basic industries but consumers' goods industries—textiles, sugar, paper—all are put higher on the list.

The American demand for this retreat was clothed as concern for Indian agriculture and its development. The planners are adopting the same technique and posing as if they are only paying greater attention to agriculture.

The Congress planners have been advertising that the

Fourth Plan will be a plan of agricultural development, of development of food production so that our dependence on foreign food imports ends once for all. But mark the priority—maximisation of agricultural production including food articles gets priority number three. The first place is given to the developing of industrial and agricultural schemes to promote exports and replace imports. The main industrial priority will be for exports—not for basic industries. Shorn of verbiage this means that the first priority will be for meeting American debt obligations—because without exports you cannot meet them. A so-called national plan makes exports its first objective—neither basic industries nor self-sufficiency in food nor anything else. What does it mean? That it cannot start unless it guarantees mortgaging of some part of production to the foreign creditors. The Plan of no other nation can boast that its main purpose is to raise exports for its creditors—and not the raising of the standards of living of its own people.

No doubt, exports must increase; no doubt, they are necessary if our foreign trade is to go on and if we are to get vital imports from abroad. But the highest priority given to them arises from our dependence on foreign aid—and is the follow-up measure demanded by Americans.

Take priority No. 2—for ensuring price stability effective steps will be taken to check all inflationary factors and avoid deficit financing. It almost seems as if the popular demand for price-stabilisation is at last being given proper importance. But is it so? Everyone knows what these promises are worth and how the people are defrauded after every such promise. Strange though it may seem, this is not so much a concession to the people as to the foreign creditors who do not want the Indian bourgeoisie to have the advantage against them of an overvalued rupee. The World Bank and other institutions have repeatedly demanded control of inflationary tendencies in India, i.e., in the name of controlling inflation they have demanded of the bourgeoisie that they go slow with their developmental programme and cut down their Government's expenditure i.e., on planning and public sector. They dare not

say openly that there must be a stop to industrial development, they said it indirectly by demanding control of inflationary tendencies which were engendered by deficit financing which was one of the main weapons of bourgeois finance. The categorical assurance that there will be no deficit financing is an assurance to the foreign creditors.

Nobody will shed a tear over the end of deficit financing. As has been pointed out earlier, deficit financing has been one of the special weapons of Congress planners to pass on the burden of the capitalist path to the common man. The excruciating rise in the prices, grinding down the common man, is the direct result of this method of finance. It has expropriated the poor and enriched the rich. But the assurance to end it does not mean any relief to the people. On the other hand the assurance that effective steps will be taken to check all inflationary factors—contain a promise, as will be seen later, that in future there will be no automatic linking of dearness allowance with the cost of living index.

ATTACK ON STANDARD OF LIVING

It might appear as if the planners are planning a big rise in per capita income and consumers' expenditure since they are showing so much solicitude for agriculture, food and consumers' goods. But their own targets show that per capita income between now and the end of the Plan will rise annually only 3 per cent, as at the end of the plan per capita income in 1960-61 prices will be somewhere near Rs. 417 whereas in 1961-62 it was Rs. 324 and in 1964-65 Rs. 348. The planners do not talk about the rise in consumer expenditure and naturally so.

And, finally, the Plan in true post-devaluation fashion declares that there is not going to be any rise in the standard of living of the vast masses of toilers during the entire period of five years. Official spokesmen as well as the capitalists have been demanding that there should be a drastic reduction in the consumption of the people to make devaluation a success. This entire gentry is of the opinion that it will not achieve its aim unless the people stint themselves of the

necessities of life. We have seen that it is an instrument to pass on the burden of the difficulties of the capitalist class to the masses.

The Government while saying that there should be a reduction in consumption was chary of mentioning any direct attack on the living standards of the workers. The cruder among Congressmen suggested a wage-freeze *a la* Wilson as an original measure to ensure success for devaluation. The more wary among them, especially Ministers, thought it prudent to deny a wage-freeze as unfair under Indian conditions, but like Jagjivan Ram they craftily stated that they were not averse to consider it along with a profit- and price-freeze. But the Government spokesmen had not the courage to advocate a wage-standstill openly.

But now the planners have brazenfacedly recommended it. Discussing the wage policy, the planners say : "Although there are obvious difficulties, it is essential for the success of planned development and, more specially in the context of the Fourth Plan, that an integrated incomes policy should be evolved for the guidance both of the public and private sector." And what is this integrated policy ? "While criteria related to fair wages and nutritional requirements are important as long-term guiding principles, *in the current situation*, the issue is somewhat narrower, namely how the workers' standard of living can be protected in view of the price-increases in recent years." Thus it is clearly stated that the issue is not of rise in real wages but at best a freezing of the present miserable standard of living.

It is further stated, "In principle, it would be appropriate to link dearness allowance with the cost of living, but complete neutralisation of increases in cost of living at all levels is not feasible". Thus the linking of DA with cost of living, which at least partially compensated for the rise in prices, is to be discouraged.

This objective is further definitely stated in connection with price policy, in the following words : "and, secondly, efforts should be made for reducing the scope of automatic linkage between the cost and price increases, or between price

and wage increases in the economy" (emphasis ours—p. 18). The linkage between cost and price increases is mentioned only to hoodwink the people ; the real objective is to reduce or remove the linkage between price and wage—an open attempt to freeze nominal wages and reduce the real wage. Prices will not be frozen while automatic linkage will be removed. And this is suggested at a time when the real wage has been reduced by 14 per cent in the last few years, and is on a level with the 1939 wage, or even below it.

The Plan Draft thus does not propose freezing of real wages at the present level ; it proposes direct reduction of wages over the ensuing five-year period—a real follow-up measure. It ought to show how the Central Ministers lied when they said that they were not in favour of a wage-freeze or wage-reduction. They knew it was a vital part of their price-policy under the Fourth Plan yet they went on reassuring the critics that there would be no one-sided wage-freeze.

It should be noted further that the planners are paying lip homage to control of prices only in respect of certain necessities—foodgrains, cloth, edible oils ; but are openly announcing that so far as the rest of the commodities are concerned—which may affect the standard of living of the people, there is to be practically no control and people must learn to control their consumption. This may include tea, sugar, coffee, toilet articles—specially the first three whose exports cannot be increased without reduction of domestic consumption. All this means that Government will not make even a show of controlling the prices of these articles. While its attempts to regulate the prices of basic necessities will be without results.

The demand for reduction of official controls made by the vested interests and American creditors is once again accepted by formally limiting the operation of price control measures and freeing the greater part of production more and more from controls where they exist or from future controls.

The draft puts forward the policy in the following words : "In formulating the specific measures, a distinction should, however, be made between price-increases which are likely to have a cumulative and wide impact on the economy and those

which are of a peripheral nature". What it means is explained further. "In their case, changes in relative prices which derive from the need to promote exports or to restrain domestic consumption or to provide incentives for additional investment and production, (read : for profiteering) should be accepted as a necessary measure of achieving Plan objectives. An aspect of such acceptance is that any increase in the prices of less essential commodities should not be sought to be offset by subsidies and other types of accommodation to consumers or producers". The free play of market and prices must be guaranteed and consumption should be forcibly reduced by the usual method of a price-rise.

The salaries of government employees have not escaped the attention of the worthy planners. "An important factor contributing to the increase in public expenditures in recent years has been the periodic stepping up of the salaries and dearness allowances of government employees consequent upon increases in consumers' goods prices." While saying that in the case of low-paid employees the increase, if any, in the price of basic consumers' articles will have to be compensated by adjustments in allowances or emoluments the planners make the following declaration of policy : "Apart from such changes which have a basis in equity, any general increase in the wage or salary structure as a whole would add to inflationary pressures and affect the resources available for development purposes adversely. In the public as well as the private sector, price increases induced by policy decisions of the Government to curtail imports, to generate surpluses for exports or to reduce consumption for other reasons, will have to be absorbed by wage and salary earners as by other sections of the people. Unless such a broad principle is accepted, and restraints on consumption expenditures made operative, the financial resources for the plan may not reach the levels anticipated" (pp. 81-82). Once again it means that at best the promise is to compensate for rise in prices only in basic articles, but the rise in other consumption articles, engendered by official policies, must be borne by the employees and workers. The general cost of living index will cease to have any meaning.

Any basic increase in real wage is not only banned but a reduction is foreshadowed.

Such is this follow-up plan. The effects of this outlook and policy are already being witnessed. While prices are soaring high, Government refuses to increase the DA for its own employees. As a measure of delaying and postponing the whole issue, and defrauding the workers of their just claims, the Central Government has appointed a new DA Commission with terms of reference which pre-judge the issue and are intended to create a bias against an increase in DA. The State Employees are forced to go on strike—and they are threatened with dismissals. They are lathi-charged as in U.P. though their demands were considered to be just.

Incited by official policies, individual employers are resisting wage-increases ; they are withholding the bonus due to the workers or are declaring ridiculously small amounts to be given as bonus. The wage-boards delay their findings and workers have to strike in some cases—tea garden workers of Bengal—for arrears of wages. Very soon every section of the workers and middle-class employees will be engulfed in the struggles engendered by the post-devaluation offensive against the workers—officially approved by the draft of the Fourth Plan.

ECONOMIC INDEPENDENCE IN DANGER

Devaluation is thus a challenge of Congress economic policies to the Indian people. It is not just an innocent economic measure undertaken to correct the imbalance between exports and imports but a measure under American coercion which only uncovers the dependence of our economy on American aid. It constitutes the beginning of an open assault on our economy by the Americans. And hence the post-devaluation measures of the Government are not just steps in connection with promotion of exports or restriction of imports but further steps down the ladder of surrender. That is why the whole policy has to be fought.

The acceptance of devaluation was no *ordinary* surrender. Though it was preceded by a number of outrageous concessions—and the notorious Indo-American Foundation—that nursery

to breed American stooges and manufacture 'cultural' beings out of known thugs—the devaluation surrender is in a class by itself. It initiates the process of openly subjecting the Indian economy to American demand. How severe was the American pressure can be gauged from the fact that almost all sections of the Indian big bourgeoisie were opposed to it. In fact, the old rupee—with the old rate of exchange—actually subsidised bourgeois plans of building industry. It enabled them to purchase machinery and components at a cheaper cost. This is precisely what the Americans wanted to stop. They want to exercise a veto on industrial advance here. Hence their pressure. And the bourgeoisie was so much dependent on the U.S.A. finances that they had to swallow this bitter pill and put a good face on it. It has been correctly stated in the Party Programme : “Despite the growth of contradictions between imperialism and feudalism on the one hand, and the people including the bourgeoisie on the other, and despite the new opportunities presented with the emergence of the world socialist system, the big bourgeoisie heading the state does not decisively attack imperialism and feudalism and eliminate them. On the other hand, it seeks to utilise its hold over the state and the new opportunities to strengthen its position by attacking the people on the one hand and on the other, to resolve the conflicts and contradictions with imperialism and feudalism by pressure, bargain and compromise.” (P. 6)

For the people and the national economy devaluation means a frontal attack on the standard of living and economic independence. In the first place, it enables the U.S.A to buy Indian goods at cheaper prices while selling foreign goods at higher prices. It does not solve the foreign exchange problem but intensifies it. It does not reduce American imports ; they are being liberalised. We will be more and more forced to buy from the U.S.A after devaluation. The price of food we import from the U.S.A or elsewhere will cost us 50 per cent more. To be able to export more we must not only sell at cheaper prices but ourselves consume less—less tea, coffee, cloth, sugar, etc., and this will be achieved by higher prices for these goods following devaluation.

Devaluation increases the burden of foreign debt payments and we will have to export more goods to pay back the same amount of debt. But since it is only the beginning of the process, things do not stop here. Since it does not end our dependence on the U.S.A but increases it, the latter refuses to make any commitments regarding 'aid' to the Fourth Plan and keeps India on yearly rations. Further aid will not be granted unless India accepts all the terms. Otherwise, imports will be held up next year also.

The devaluation surrender and further dependence on the U.S.A will sharpen all the contradictions of Indian society, intensify the economic crisis and make the burden of our crisis unbearable for the people. Far from imparting stability to our economy it will make it more unstable bringing over larger sections of the people into sharper conflict with the Government. It will lead to contradictions between the dominant monopolists and big bourgeoisie and other sections isolating the Government still further.

MEET THE CHALLENGE

It is in this background that the fight against the post-devaluation measures is to be carried on. Immediately every effort must be made to defeat all attempts to hold the workers, peasants, middle-class employees—the people as a whole—as hostages of the crisis, and pass on the burdens to them. Against the rising prices, against the resistance to rise in wages, dearness allowance or grant of bonus, there must be united struggles defeating the efforts of the capitalists and Government to force down the workers' standards of living. A united campaign must be launched exposing and unmasking the real meaning of devaluation—and, particularly, attacking official claims that the measure will promote exports and ease the foreign exchange situation. The people should be made aware of the fact that devaluation was enforced under American pressure and that it constitutes the beginning of the attack on our economic independence. From now on and in the elections [the mass] of the people should be educated on the seriousness of American danger to our freedom and indepen-

dence. It is not merely a question of increasing exports and reducing imports ; it is related to the entire economic policy of the bourgeois-landlord Government. With foreign trade mainly orientated to the Western capitalist and imperialist countries, the foreign exchange crisis will be permanently with us. Exports can increase ; imports need not immediately create a balance of payments crisis if trade is more decisively orientated towards socialist countries and socialist markets.

In recent years, especially during the course of the Third Plan, when the Western imperialists were creating more and more difficulties in our way, trade with USSR and East European socialist countries has increased, giving us much relief. Its beneficial results are seen by everybody including the ruling bourgeoisie, for it has given them much manoeuvrability in their dealings with the imperialists. If they have not expanded it to its fullest capacity, it is because of their innate affinity with the Western world.

A decisive orientation towards the socialist countries will immediately ease the exchange problem besides leading to the kind of exchange that India requires to be self-reliant. But India's ruling classes in pursuit of their selfish class policies have not only failed to utilise the possibilities of this trade, but have recently attempted to restrict it under American pressure.

India's ruling class has also sacrificed trade and economic relations with People's China which would have been mutually beneficial and if cultivated can help India to get out of the clutches of American imperialism. Socialist China's miraculous advance in production and technique is attracting all the big trading countries—except the U.S.A—towards it. Britain, Japan, France, West Germany all are wanting to trade with China. Britain has recently increased her trade with China by a big margin. But India, China's neighbour, is afraid to resume normal relations with her, because of the border conflict and out of fear of offending the U.S.A.

Similarly, if India gets the confidence of a number of newly liberated countries in Asia and Africa, she can immensely increase her trade with them. But, instead, she is trying to club with monopolist Japan for unequal trade with these areas and

is actually sending trucks and steel to South Vietnam—the American satellite.

There is nothing impossible about the foreign exchange crisis, if a democratic Government wedded to protect the interest of the common man were to assume authority.

Today in the name of our economic independence there must be a united demand that the Government stop all 'aid' from the U.S.A—especially the colossal 'aid' of Rs. 4,000 crores they seek for the Fourth Plan. So much of American aid for the next plan will prove a lethal dose, leaving nothing of our independence and industrial development. Obviously it will create some difficulties in the beginning but a democratic Government wedded to defend freedom and people's livelihood will be able to overcome the crisis in the shortest possible time. Stoppage of this help will mean in the beginning that we may have to go without some of our import requirements. But that will have to be faced.

Side by side with this, compensatory action essential for maintaining the independence of our economy, and stopping the surrender, will have to be taken. Even now we must popularise the demand for such action and raise the people to compel the Government to accept it. Moratorium on all foreign payments of the Government, and nationalisation of all foreign-owned concerns must be immediately demanded. Both these actions will stop the heavy drain on foreign exchange. If the foreign Governments are not prepared to behave, we may demand outright repudiation of government debts.

A rigorous examination of the real imports requirements will have to be made—cutting down all unnecessary imports to the bare minimum. The present Government, with its corrupt connections with profiteers and blackmarketeers, is incapable of doing this.

To end dependence on food imports a democratic government will immediately undertake distribution of land to the tillers and help the peasants for common organised efforts to increase food production. The food problem can be completely solved within three or four years with all dependence on imports ended.

A drastic reduction of taxation on the common man, reduction in Defence budget which will make it possible, is necessary to rouse the common man—worker, peasant—for greater production effort. This, together with the assurance that the fruits of additional productivity will not be monopolised by profiteers but will primarily benefit the producers, will lead to increased production which will create the necessary surpluses for exports.

The capitalists and Government also talk of increasing production to create export surplus. But their plans, based on profit-making, will hardly succeed. And, in the main, they rely for exports on reduction of domestic consumption.

To save the economy it is absolutely essential that a more vigorous economic plan orientated towards the masses should be put into action. This has to be based on, (1) nationalisation of foreign capital (oil, tea etc.), (2) nationalisation of Indian monopoly concerns, (3) nationalisation of banks and foreign trade, (4) nationalisation of other large-scale industries whenever necessary or if they pursue an anti-national line—all of which will concentrate the resources of the nation in the hands of the democratic government. The rest of the industrial sector will be under the control of the Government—which will see that profiteering is curbed and full use is made of the productive capacity.

When these measures are taken, people will see that the Government is serious about setting the economy in order in the interest of the common man and economic independence. They will be willing to make all the necessary sacrifices for the transition period. In the background of these steps a patriotic appeal to surrender gold in the possession of individuals will evoke a tremendous response leading to a considerable easing of foreign exchange problem. And, finally, it is necessary that the direction of foreign trade is changed and the one-sided reliance on the West is ended. The Western world no longer possesses the monopoly of know-how and India has no reason to be dependent on it. It is only due to this narrow class interests of the bourgeoisie who are opposed to socialism that the Government of India has developed close ties with the

West and only minimum connections with the socialist world. Once this orientation takes place then all the problems created today by imports of capital goods from the West will be automatically solved.

It is in this direction that the popular forces must move to checkmate the dangerous results of devaluation on our economy and its immediate results for the common man. The battle against the effects of devaluation is a battle for our economic independence and it must be fought as such. Post-devaluation measures of the Congress Government will move in the direction of attacks on the people and concessions to the U.S.A and greater freedom to Indian profiteers. They must be defeated. The devaluation betrayal of the Indian people by the Congress Government can be fought and must be fought by the people unitedly. Let the Americans know that the people will still have the last word.

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