

CURRENCY LEAGUE OF INDIA

RATIO QUESTION

statement by Mr. Nalini R. Sarker

After my first fairly long statement on the ratio question I should not have thought that a second one would be necessary ; but in the replies that have appeared in the press certain points have been raised, which require examination in the light of ascertained facts and actual figures. The validity and correctness of most of them cannot be permitted to remain unchallenged.

GENERAL AGREEMENT OF INDIAN OPINION

Except for a few individuals in Bengal in no other province has the present ratio found any responsible supporters among Indians. From the resolutions and statements that have been passed by various influential and representative organizations or appeared in the press all over the country I think even the protagonists of the 1s. 6d. ratio must concede that the Indian commercial community and influential leaders of public opinion have urged for devaluation of the Rupee from time to time.

BOMBAY—BENGAL ISSUE DEAD.

The controversy received impetus in Bengal,—in fact it is the main fuel on which it has been running—from the supposed antagonism between interests of Bengal and Bombay. Acharya Ray stated that the move for devaluation is intended “to give indirect protection to the Bombay mill-owners” and is thoroughly injurious to the interests of Bengal....” In his latest statement the emphasis has been shifted from the imaginary inter-provincial conflict of interests

to some pseudo-economic facts. Another gentle opponent of devaluation admits that the Bombay-Bengal question "does not interest us." I must express particular gratification at this refreshing change and I consider it an exceedingly valuable gain in the interest of a correct appraisal of the problem.

ACHARYA RAY'S LATEST STATEMENT.

About the ratio itself Acharya Ray at first said that the move for devaluation "should be opposed at the beginning." The natural conclusion is that he approved of the present ratio. In his latest statement I am glad to note that he "does not claim that our present ratio is at all a perfect one." If so, one would like to know what are its imperfections. A ratio can have only two imperfections. It is either overvalued or undervalued. He does not claim that it is undervalued, and therefore would we not be justified in concluding that it is overvalued? But he would stoutly deny that the rupee is overvalued. We can only conclude, therefore, that there is some confusion in his mind.

MISLEADING QUOTATIONS FROM TEXTS.

Before examining his main theme I must point out that his citation of authorities provides us with only some half truths. Prof. Keynes' "Economic Consequences of Churchill" was quoted in his first statement. I pointed out the contradiction between the text and the sermon, because Prof. Keynes' pamphlet was really a caustic attack on Churchill for restoring the gold standard at an overvalued parity. The old text has, I notice, been slowly dropped, but Prof. Keynes is still being quoted without the full context, from a different text this time viz., the Report of the Macmillan Committee. No doubt Prof. Keynes was a signatory to the Report, but if Acharya Ray had carefully read the Report he would have noticed that he has also signed A Addendum No. 1 which clearly states in its opening paragraph that the Report "is incomplete without certain further observations," Among them the most important for our purpose is that "theoretically the most obvious and comprehensive method of effecting the desired object would be.....to change the monetary standard, e.g., by diminishing by 10% the gold parity of sterling." In the special cir-

circumstances of Great Britain "they did not recommend it as a policy for Britain; but those "special circumstances," Acharya Ray must have known, do not at all apply to India. Our conditions and problems are entirely different, and for countries, differently situated they recommended a different policy. The Addendum affirmed that "for a country which was not an international banker and was not owed large sums from abroad fixed in terms of sterling this (devaluation) would be the *simplest solution*." (Italics mine own).

India, I submit, is just that type of country. She is not an international banker, neither is she owed large sums of money from abroad. She is an international finance debtor. I wish to say how misleading it is in a public controversy to quote chosen scraps from authorities without reference to the full context, for this is the second time that I have been forced to refer to the misleading quotations made by Sir P. C. Ray.

18d. STERLING AND GOLD DISTINGUISHED.

Acharya Ray next tries to reconcile his present support of 18d. rupee with his staunch advocacy of 16d. rupee in 1927 and says that what he wanted was "16d. gold rupee and the present 16d. sterling rupee is an altogether different thing to-day." The only deduction from this is that he still adheres to 16d. gold rupee. If that be so, may I put before him that 16d. gold rupee would be approximately 22d. sterling rupee to-day? In other words, he would have to be a terrible overvaluationist. Even the Government of India would shudder to fly the rupee so high. Acharya Ray's attempt to reconcile his old economies with his new has, I am afraid, tied him up in a curious economic knot.

There are further grave inaccuracies in the facts and figures quoted by Acharya Ray, in connection with the effects of depreciated currency in New Zealand, Australia, Canada, England and U.S.A., to which I shall draw attention later.

IS RUPEE OVER-VALUED ?

I may now turn to the main proposition which has been questioned in certain quarters: "Is the Rupee over-valued?" In this connection

it may be pointed out that for the last 14 years the Government have been following a consistent and relentless policy of maintaining an over-valued rupee. Soon after the war the Government fixed the rupee at 2s. It broke down after our gold resources had all but decimated, and the rupee sagged below 16d. After the War many European countries such as France, Italy, Germany and Belgium devaluated their currencies before they returned to gold. England, however, returned to gold in 1925 at the pro-war parity. After six years of desperate struggle she threw up the gold standard in September 1931. But India was manoeuvred into returning to gold ratio higher than the pre-war parity. I think, I am right in saying that India was the only country in the world that adopted this ruinous policy. The demand for devaluation is nothing more than the demand for the rectification of that deliberate blunder. We are asking for expiation for that original sin.

In my previous statement on the subject I gave some relevant facts and figures to show that the rupee is overvalued even in relation to sterling. It was over-valued even initially when the present ratio was given statutory recognition and the over-valuation has continued ever since. In support of my view I referred to the catastrophic decline in the favourable balance of India's foreign trade in merchandise since 1928-29 and also pointed out how as compared with other agricultural countries like Canada, Australia, New Zealand and Argentine, the overvaluation of the rupee led to a proportionately heavier decline in the exports of India *vis-a-vis* the fall in the exports of the respective countries. As a further proof of the over-valuation of rupee I referred to the dwindling per centage share of India in the total world trade.

I had also shown that though the slump in world-trade had led to a shrinkage in the volume and value of trade in all countries, there was a greater set-back in the exports of India as compared with other agricultural countries and that this phenomenon was by itself a significant index of the over-valuation of the Rupee. It may now be pointed out in corroboration of this statement that even within India, the incidence of the over-valuation of the rupee is registered in very

much the same way in a larger percentage decline in the value of the exports as compared with the import trade of the country :

*Percentage change in the Exports and Imports of
India as compared with the previous year.*

	IMPORT.	EXPORT.
1931-32	-24%	-29.3%
1932-33	1.5%	-17%

This disparity between the decline in exports and imports gives point to the presumption that the rupee is over-valued. It need hardly be pointed out that an over-valued currency acts on the one hand as a bounty to imports and on the other as a handicap on exports. The implications of this first postulate of currency principles are amply borne out by the trends of our foreign trade during the last two years.

COMPARATIVE PRICE STATISTICS.

Another unmistakable testimony of the overvaluation of the rupee is furnished by the comparative price statistics of India and other agricultural countries which are susceptible to the same economic forces as India. Such a comparison of price movements reveals that although as a consequence of the depression in world trade there has been a fall in prices in all these countries, the decline has been conspicuously greater in the case of India than in other agricultural countries.

Index Number of Wholesale Prices.

	1930 (Average))	1933 (May)	Percentage fall as compared with 1930
Australia	147	129	10.8%
Canada	135	105	22.2%
Argentina	112	112	8.2%
New Zealand	143	130	16.0%
India	116	87	25.0%

To what else could the unique fall in prices in India be ascribed than to the over-valuation of the rupee? In my first statement I had observed

of course, in a different context that though after England's abandonment of gold standard the rupee has obtained the advantage of depreciation being linked to sterling, the advantage was not enough to compensate the initial over-valuation owing to the fixity of the ratio and expansion of the 'sterlingaria.' I had pointed out in that connection that though being switched off the gold basis both sterling and rupee had depreciated alike, in relation to gold, the continuity of the pre-existing ratio between the two prevented the phenomenon being advantageous to England and India to the same extent, as the disparity between the rise in prices in the two countries would reveal. While I still hold the view as strongly as I ever did, it has given me no little surprise to see that the contention has in some quarters been taken out of its context and the lesson of the unique price-movement in India has been sought to be obscured by giving over-emphasis to the naive and general principle, too well known even to the novice in economic studies, that the price structures of industrial and agricultural countries are not comparable, presumably to imply that the disparity between the price indices in England and India does not give any point to the case for devaluation. I cannot help mentioning the name of Prof. Beney Kumar Sarker who advanced this criticism with greater enthusiasm than regard for relevance to the particular point at issue would seem to justify. I wonder how such critics while labouring on an economic truism could have overlooked the disparity between the prices in India and other agricultural countries whose price structure is 'comparable' to that of India.

IMPROVED TRADE BALANCE AFTER 1927.

The question has been asked as to how, if the rupee was over-valued, the export of India could have increased in the year following 1926-27. The question speaks of an erroneous attitude of mind which presumes that over-valuation is incompatible with expansion of exports in all circumstances. Such a presumption is incorrect as the impediment created by over-valuation may at times be surmounted by specially favourable circumstances which may even lead to an increase in export. But the impediment will be there all the same and will bear its effect in its own measure though the same may be obscured

by the repercussions of other favourable factors. The following table shows that though during 1928 there has been an all round increase in the exports of all agricultural countries the increase has been the smallest in India excepting Australia; it also shows how with the advent of depression in 1929 the fall has been more precipitate in India than in most of those countries. By all tokens the unique effect in the case of India in both instances is to be ascribed to the over-valuation of the rupee.

Exports of Merchandise.

		Percentage of Increase & Decrease.		
		1928	1929	
Canada	.. ..	15	-15.4	
Australia	.. ..	-10	13	(Year of official sus-
New Zealand	.. ..	14.6	0	pension of gold
Brazil	.. ..	9.0	-2.1	standard).
Argentina	.. ..	5.8	6	
Denmark	.. ..	5.4	4.3	
		(1928-29)	(1929-30)	
India	.. ..	2.6	-5.9	

RECENT EXPANSION OF EXPORTS.

The fact that rupee is over-valued is indirectly proved by the arguments advanced in refutation of the contention by the advocates of the 1s. 6d. ratio. It is asserted by the latter that an adjustment in the value of the rupee to trade conditions must have taken place as otherwise the trade balance of India could not have gone up so high as Rs. 10 crores during the six months April to September in the current year. While it should be pointed out that the increase in exports during the period under review has by no means been exceptional in the case of India, as in fact it has been brought about by a general improvement in the conditions of the world trade being reflected in the stimulation of the trade of all countries, the increase in the case of India is to be ascribed partially at least to certain special circumstances. Taking 1928 as the base year equivalent to 100, the index of the industrial activity for the whole world (excluding U.S.S.R.)

marked a increase of more than 30.8% within five months, rising from 65.8% in March 1933 to 85.8% in July 1933, the percentage of increase being the highest in U. S. A., Japan and the U. K. A close scrutiny of the movements of India's foreign trade that have yielded the satisfactory balance shows that instead of challenging the fact of over-valuation these indirectly confirm it. Such a scrutiny reveals that out of the excess of India's exports during this period worth about 10 crores as much as Rs. 9 crores are accounted for by only 7 pre-existing countries, as shown below :—

Japan	..	Rs. 2,12 lakhs
U. K.	..	Rs. 2,34 ,,
U. S. A.	..	Rs. 2,23 ,
Germany	..	Rs. 84 ,,
France	..	Rs. 30 ,,
Italy ..	..	Rs. 74 ,,
Belgium	..	Rs. 37 ,,
		Rs. 8,94 lakhs.

SCRUTINY OF INCREASED VOLUME OF TRADE

Among these countries, the larger off-take of U. K. is to be partially ascribed to the dubious effect of the Ottawa Agreement and the increased industrial activity in England, but it is significant that her relative share of the exports from India during the six months April to September has been even smaller than it was in 1932. The increase in the case of Japan and the U.S.A. is explained by the remarkable acceleration of the industrial activities of the two countries under the direct incentive of a depreciated currency in the case of Japan leading to a phenomenal expansion of exports and the 'reconstruction scheme' in the U. S. A., creating increased demand for raw materials. For the rest of the countries it is significant to note that the increase of India's exports to those countries compared with the corresponding period of 1932 was primarily ascribable to the relative over-valuation of the currencies of these countries as compared with the position in 1932. This will be evident from the following table :

Rates of Exchange in 1932 and 1933 compare

Germany mark to £ Par—20.43	France Franc to £ Par—124.21
-----------------------------------	------------------------------------

1932		1933		1932		1933	
April 7 ..	15.95	April 6 ..	14.43	April 7 ..	96	April 6 ..	86½
May 12 ..	15.31	May 11 ..	14.32	May 12 ..	92½	May 11 ..	85 9/16
June 16 ..	15.40	June 15 ..	14.25	June 16 ..	93	June 15 ..	86 1/16
July 14 ..	14.90	July 13 ..	13.875	July 14 ..	90¼	July 13 ..	85 1/8
Aug. 18 ..	14.55	Aug. 10 ..	13.875	Aug. 18 ..	88½	Aug. 10 ..	84 7/16
Sept. 22 ..	14.50	Sept. 21 ..	12.93	Sept. 22 ..	88½	Sept. 21 ..	79

Italy Lire to £ Par—92.46

Belgium Belga to £ Par—35.00

1932		1933		1932		1933	
April 14 ..	73½	April 12 ..	66½	April 14 ..	26 3/16	April 12 ..	24.39
May 19 ..	71½	May 18 ..	64 13/16	May 10 ..	26.15	May 18 ..	24.27
June 16 ..	71½	June 15 ..	64 13/16	June 16 ..	26½	June 15 ..	24.22
July 14 ..	69½	July 13 ..	62¾	July 14 ..	25.50	July 13 ..	22.13/16
Aug. 18 ..	67½	Aug. 24 ..	62½	Aug. 18 ..	25.0	Aug. 24 ..	23.48
Sept. 22 ..	67¼	Sept. 21 ..	58¾	Sept. 22 ..	24.85	Sept. 21 ..	22.15

The fact that the currencies of Germany, France, Italy and Belgium were all relatively over-valued in relation to £ and consequently the rupee, during the 6 months April to September of this year as compared with the corresponding period of 1932, is the real explanation of the remarkable increase in India's exports to these countries. As a matter of fact, it is this relative over-valuation of the currencies of the aforementioned countries that lead to an increase of their percentage share in the total exports of India during the period under review and a corresponding fall in the percentage share of India's imports therefrom in accordance with the basic economic law that an over-valued currency stimulates imports and discourages exports.

In other words as against these countries India enjoyed the advantage of devaluation and the trade figures are the most eloquent justification of the demand for devaluation.

(Six months—April to September)

		<i>Imports from India</i>		<i>Exports to India</i>	
		1932	1933	1932	1933
		%	%	%	%
Germany	.. ..	6.3	6.5	8.0	7.3
France	.. ..	5.4	5.0	1.5	1.4
Italy	.. ..	2.6	3.0	5.3	3.2
Belgium	.. ..	2.4	3.5	3.8	72.5
U. K.	.. ..	29.4	28.4	35.8	41.2
U. S. A.	.. ..	7.3	9.5	9.8	5.5
Japan	.. ..	7.9	9.7	15.4	15.3

CASE FOR DEVALUATION UNAFFECTED

However, the fact that rupee has been relatively under-valued in relation to gold currencies and has yielded the advantage of depreciation in India's trade with gold standard countries does not at all lessen the urgency for the necessary devaluation even in terms of sterling against which our rupee still remains over-valued. As I have already pointed out, India's claim for devaluation is suggested not by the thought of taking any undue advantage of depreciated currency but by the legitimate grievance against an initial over-valuation that has been persisting from 1927. Devaluation of the rupee is needed as much in relation to the currency of England as of other countries and since the rupee is tacked on to sterling at the pre-existing ratio, the abandonment of gold standard by England has not in any way extenuated the original handicap imposed on India in her trade relation to the sterling group of countries which have greatly widened since September 1931 and account for by far the largest share of India's export trade. I invited special attention to this fact in my previous statement asserting that the depreciation of the rupee as a consequence

of being linked to sterling gave India no advantage against the sterling group of countries and I may point out to those who attach exaggerated importance to the increase of India's exports during the aforesaid six months' period of the current year that the case for devaluation is as urgent at present as it ever was despite the increased volume of exports in recent months :—

*Value and Percentage increase of India's exports
to the Sterling & Gold group of countries.*

	6 months April to Sept.		Per centage in- crease.
	1932	1933	
Sterling Group ..	30 Crores	34 Crores	13.3
Gold Group ..	12 „	14 „	16.6

It is clear that India's exports to countries in relation to which she enjoys the advantage of devaluation have increased more than to those against which she has no such advantage.

ACHARYA RAY'S CITATION OF DEVALUATED CURRENCIES EXAMINED

It will now pass on to consider some of the arguments advanced against devaluation since I made my first statement to the press. My mind is naturally drawn to such of these arguments as have been put forward by Sir. P. C. Ray in his latest statement in a manner which suggests that they are all based on unimpeachable facts and not personal impressions of his own. Sir. P. C. Ray observed "it is true that in normal years currency depreciation would have acted as a lever for encouraging our exports with a consequent rise in prices. But we must remember that particularly since the year 1931 various agricultural countries like Argentine, Canada, New Zealand, Australia etc., have had recourse to this method, but none of them has profited by it." I was amazed at this observation of Sir P. C. Ray which from a reference to authoritative literature on the subject appeared to involve a direct contradiction of facts. A recent issue of the 'Midland Monthly Review' bears an eloquent refutation of this puzzling observation. The issue in its principal article effectively points out how in most of

those countries mentioned by Sir P. C. Ray depreciation has led to the very results denied by him. Referring to Australia it observes (the observation is also confirmed by the Lloyds Bank Monthly Review) "that the readjustments imposed by the fall in the primary commodity prices (till 1931) took the form of severe retrenchment in national and state expenditures, heavy increases of taxation, reduction in wages and salaries, exchange depreciation and restriction of imports. Those measures contributed in varying degrees to the recuperation which began two years ago, but it is beyond doubt that Australia's task was facilitated by the depreciation of the pound sterling in terms of gold and the inauguration here of a more liberal monetary policy than could have been pursued while we remained on the gold standard. *Primary commodity prices in Australia have risen substantially until in August last the index number was well above the level of a year ago and slightly higher than the average for 1931. The improvement in external trade is striking.*" (Italics mine). Almost identical remarks are made about New Zealand in the following words :

"Indeed, conditions did not begin definitely to mend until the current year, when the *position of primary producers was eased first by the depreciation of the New Zealand pound in terms of sterling to about the same level as the Australian, and secondly, by the recovery in export prices. Between January and August 1933 the whole-sale price index rose by about five per cent, mainly as the result of exchange depreciation. The improvement in the external trade position in the past two years has been conspicuous*" (Italics mine). About South Africa it is observed ; "It is much more than a coincidence that the turn of the year also witnessed the departure of South Africa from the gold standard and the depreciation of her currency, in exchange value, to parity with sterling. The resulting rise in the South African price of gold was followed by increased activity in gold mining and a large addition to current output. This development whose *effects radiated throughout the economic structure, was shortly followed moreover by a rise in the prices of South Africa's other staple products notably wool. In the first eight months of this year both exports and imports have increased in value, the improvement in exports being by no means confined to gold but spread over*

a wide range of commodities." (Italics mine). Even Canada, whose inclusion in the sterling group till recently was of 'doubtful justification makes no exception to the rule. Referring to the fact that the Canadian Dollar has till recently tended to fluctuate more with the United States Dollar than with the pound it is stated, "it is not surprising to find that the improvement in Canada began in the second quarter of this year. Since then it has proceeded steadily. *Wholesale prices have risen from the record low level of February, until in August they were well above the average for 1932 and almost upto the level of 1931. Exports have just as consistently increased.*..." (Italics mine). Argentine depreciated her currency in November 1929 and in December the wholesale prices index stood at 94, it went on increasing till it became 96 in March 1930 being fairly maintained on that level till May when the onset of the depression proved too much for Argentine to cope with. As a matter of fact the trade returns for 1920 showed an adverse balance of 100,000,000 pesos. But this adverse balance was turned into a favourable balance of 295,000,000 pesos in 1931 and 203,000,000 pesos in 1932,—an achievement indeed in the midst of universal shrinkage in trade balance. I may point out that the depreciation of currencies in the case of all these countries has not only stimulated prices and exports but has also helped a general economic recovery including the financial position of their respective Governments.

EXPERIENCE OF U. K. AND U. S. A.

The same inconsistency with facts vitiates another argument put forward by Sir P. C. Ray asserting on the basis of a report published in the Statesman of the Bank of England's statistical summary, that since September 19, 1931 'neither Great Britain nor the United States have been able to raise the price level by monetary action.' On the contrary, the following figures taken from a table relating to sterling and international prices published in the Economist dated the 18th November, 1933, show that prices of primary products have appreciably risen in England since September 1931 and also in the U. S. A. since April 1933 following the suspension of gold standard in that country.

Index of Prices.

September 18, 1931—100

		(Primary Products)	
		Br. Sterling	American
		Dollar.	
1932	January 27th	115.7	
	August 24th	111.8	
	December 28th	109.3	
1933	April 19th	104.6	88.7
	May 31st	116.3	108.5
	June 28th	118.2	117.2
	July 26th	120.6	124.7
	August 23rd	116.9	119.0
	September 20th	116.9	120.7
	October 18th	112.8	109.1
	November 15th	113.8	122.0

It will be noted from the above table that the price of primary commodities as recorded in November 1933 marked an increase of 13 % in the U. K. since September 1931 and about 38% in the U. S. A. since April 1933, the percentage recorded during the intervening period being even higher than these figures.

CONTRAST WITH CASE OF INDIA.

Against these figures the comparative price statistics of the primary commodities in India which are faithfully reflected in the price movements of the articles of export afford a pitiable contrast.

Indian Index Number Series

(1873—100)

		Exported Articles.	
1931	December	123	
1932	December	120	
1933	March	115	

Fall in March 1933 as compared with

December 1931 —6.5%

The fall would be found to be greater still if the latest figures were compared with the figures before September 21, 1933. It is impossible to exaggerate the urgency for devaluation of the Rupee in the face of such pronounced disparity between the price movements of primary products in India and the U. K.

RATIO AND PROTECTION

Sir P. C. Ray says that if our industries require protection they should ask for it directly by establishing the case for it. The real point is that if the right ratio were established a large number of them would not require protection. Their position would be amply safeguarded if the indirect bounty that imports receive through an overvalued rupee were abolished. There is not much economic sense in endangering your industries by pursuing the wrong ratio policy and then rectify it by protective duties. Why burn your foot for the pleasure of applying the ointment? Further Sir P. C. Ray's assumption that the advocates of devaluation are really manoeuvring for protection to industries is absolutely erroneous. As I have conclusively proved, overvaluation of the rupee acts as a drag on exports, and the removal of this obstacle should certainly not be confused with the grant of protection to industries. Overvaluation of the rupee has affected all industries equally, and this can and should be corrected by devaluation alone. To counteract this overvaluation of the rupee by cumbrous procedure of raising tariff on all kinds of commodities is as illogical as it is impracticable.

INDUSTRIAL DEVELOPMENT—REAL REMEDY:

It has also been suggested that industrial development is the real remedy; but how can industries develop without a sound currency and exchange policy? The point is, the present ratio is very largely responsible for the parlous condition of our industries, and Indian industrialists have with one voice condemned it. Acharya Ray's complete failure to grasp this fundamental causal relationship is mainly responsible for putting the industrial horse before the ratio cart.

CONCLUSION.

The controversy has, I am afraid, become somewhat diffused in the hands of our critics. The constant shifting of grounds, the dragging in of irrelevant features, and the increasing emphasis given to non-essentials are likely to take our attention away from the crust of the problem, give it a wrong focus and render the whole question rather hazy. Criticisms have been made against devaluation on the ground that a mere devaluationists policy will not solve the whole problem. No one, far less I, has even claimed this advantage for a lower rupee. All that I have so far said on this point is that the rupee is definitely over-valued at 18 $\frac{1}{2}$ and that as a consequence India's prices, production and trade have been disastrously affected. I have never said that the overvalued rupee is the only cause of the present economic distress, but I do believe, it is, as far as India is concerned, the most important, and, am also emphatically of opinion that the remedy lies in the devaluation of the rupee. Here, again, it would be reply to say that there are other measures which would be beneficial. I never denied them, in fact, I myself have always insisted upon the Government the necessity of taking various measures for remedying the existing situation. The devaluation of the rupee, I admit, would not be the complete remedy for the present situation, but nobody can deny that it is necessary to augment our balance of trade, to assist export producers and sustain the internal price structure. Devaluation is only one item in a connected plan of recovery, and to achieve complete success the Government must take active steps to promote an expansion of credit and adopt a bold banking policy. Severe adjustments in costs are necessary and Government's uneconomic expenditure should be drastically reduced so that larger amounts may be available for an extended programme of public capital expenditure. Money rates in India have to some extent been reduced, but the necessary economic confidence has not yet been created for the country to take productive advantage of them. In addition to devaluation the Government will have to stimulate the improved outlook and the upward trend in prices by a comprehensive scheme of public expenditure, which could be expected to give a spurt to economic activity.