

## **Address by Mrs. D. Purandeswari, Hon'ble MoS, HRD-HE to the supporters of the congress party in USA**

Friends,

I am glad to observe so many congress supporters and well-wishers present here this morning and it is nice to have a first hand and personal interaction with you.

Congress Party has been and is a big name in India ever since its birth in 1885 the credit for which goes substantially to one Mr. Allan Octavian Hume an English man who, with the blessings of the then viceroy, Lord Dufferin, brought the organization in to existence. "He wrote a letter to "Graduates of Calcutta University" on March 1, 1883 and the "Indian National Union" was formed in 1884, in response to this, for constitutional agitation, on an all-India basis, and was to meet in Poona later. The Government who first patronized this organization, however, found later that it had outgrown its plans and the patronage was soon withdrawn.

Conceptualized by Hume the first session of the Congress was inaugurated in Bombay on 28<sup>th</sup> Dec, 1885 under the chairmanship of Mr. W.C. Banerjee, the doyen of Calcutta Bar. The birth of the I.N.C, perhaps the oldest and the biggest political outfit did not take place in an atmosphere of a fanfare of trumpets nor did it create a stir by passing flamboyant resolutions. The main objective of the organization was to articulate and canalize the

surging discontentment of multitudinous population through an innocuous government friendly channel. It is interesting to note that the original proposal was to make Lord Reay, the then Governor of Bombay as the first President of the Congress who, infact, initially agreed but subsequently dropped out on the advice of the vice-ray of India.

The President, W.C. Banerjee, defined the objective of the Congress as “promotion of personal intimacy and friendship among all the more earnest workers in our country’s cause in the parts of the empire and eradication of race, creed or provincial prejudice and fuller development of national unity”.

Similar sentiments highlighting the importance of national unity and patriotism was expressed by Dadabhai Naoroji 1893 when he was elected the President of the Congress Party in Lahore Session.

He said:

**“Let us, always remember that we are children of our mother country. Indeed, I have never worked in any other spirit than that I am an Indian and owe duty to my work and all my countrymen. Whether I am a Hindu or a Mohammedan, a Parsi, a Christian, or of any other creed, I am above all an Indian. Our country is India our nationality is Indian”.**

In the early years therefore, the congress was by and large a government – friendly organization and its primary activities were limited to debates, discussions, petitions, and representations on various important public issues. But gradually the character of movement underwent a change first from moderation to extremism and then from extremism to mass movement aiming at nothing short of complete independence or “Purna Swaraj”. That took nearly quarter of a century. Through many vicissitudes and ups and down India, under the leadership of the Congress Party we were in successful in throwing out foreign yoke and in winning complete freedom but alas only for a truncated India divided on the principle of two-nation theory propounded by the Muslim league who had staked claim for separate Muslim homeland to be carved out of India.

How this was achieved with what sacrifice at what cost, under what travails and tribulations needs hardly be repeated for day for these are all now a part of history. In the words of Nehru, our first P.M: (I quote)

**“Freedom came to us but immediately after, we had to wade through oceans of blood and tears Worse than the blood and tears was the shame and disgrace that accompanied them; where were our values and standards then, where was our old culture, our humanism and spirituality and all that India had stood for in the past? Suddenly darkness descended upon this land and madness seized the people fear and hatred blinded our minds and all the restraints which civilization imposes were**

**swept away. Horror piled on horror and a sudden emptiness seized us at the brute savagery of human beings and the lights seemed all to go out. We sorrowed for the dead and the dying and for those whose suffering was greater than that of death. We sorrowed even more for India, our common mother, for whose freedom we had laboured these long years”.**

In fact our social and moral values had reached their nadir.

The period from 1947 when we attained an independence started a journey for development and growth so that we could wipe out the tears from the eyes of the poor and the downtrodden to give in the fruits of newly attained freedom. With this end in view the Congress Government under the leadership of Nehru launched the foundation of a planned economy to ensure regular growth in the country which had been subjected to centuries of colonial exploitation. The task was not an easy one. Even then the Congress Party did not get deflected from the path of development even after realizing that the task of nation- building was enormous and would be a long drawn struggle before it started yielding positive results. It goes to the credit of the Congress Party that it could succeed in pursuing growth without dispensing with democratic norms or processes and holding regular elections throughout the country. As a result of these gigantic effects. India was before long, put on a growth trajectory.

But as they say that country, like an individual has a chequered career of ups and downs, of rise and falls. After a lapse of about four decades more specially in the nineties India faced almost a crisis situation because of the economic and political developments

The Economic crisis comprised a steep fall in the foreign exchange reserve, galloping inflation, large public and current account deficits and mounting arrears of domestic and foreign debt. In politics, the fall of two governments in a sort span of four months, from November 1990 to March 1991; deferment of presentation of the Union budget, fairly long political interregnum till the elections, the assassination of a former prime minister Rajiv Gandhi and the emergence of a minority government with a leader sans charisma, reflected an unprecedented crisis. These events led to a sharp erosion of confidence in India among lenders, down gradation of India's credit rating and consequently cut off of international credit lines from private or commercial sources. Other crises were, due to poor performance of public sector, due to gulf war and poor performance of Indian exports; collapse of communist countries regime particularly the Soviet Union is the other major reason for introducing reforms in India. Indian Reforms initially thus, were essentially of a 'crisis –driven ' variety.

In this context, I would like to dispel one popular misconception. It is generally believed that the system of planned economy introduced by our first Prime Minister Jawaharlal Nehru

which created public ownership of production and distribution process was primarily responsible for the economic crisis which laid to the emerging problems in the Indian economy in the late Eighties and initial Nineties of the last Century. This is far from truth because for one thing, Nehru did not set up a complete socialist economy with complete nationalization similar to the Soviet Union and other Countries of the Easter Europe. In fact the Industrial Policy Resolution of 1948 and 1956 the major thrust was that the Government will operate in the major areas where huge funding was necessary whereas the relatively small areas would be left often for the private players. In 1954 the Congress Party in its Avadi Session adopted “Socialistic pattern of Society” as its main ideology for pursuing the development of the country. The object of the Government was thus never full-fledged socialism on the times of Soviet Union but a mixed economy which would allow both public and the private operators to function simultaneously in the productive and distributive process of the country. It is, therefore, wrong to say that the Nehruvian Socialist Pattern was responsible for our country’s economic ills. Also at the time we won our independence, we had no option but to ensure that State adopts a leading role in ensuring the country’s growth. And in the late eighties and early nineties we had no option but open up our economy and discard some of our ailing public sectors which had been languishing and failing to deliver the goods. After all, we must realize that no economic measures can be regarded as panacea for all our economic ills and distortion for all times to come. Even the U.S.A., the bigger votary of privatization had,

to restart to State interference in correcting the impact of Great Depression of the early thirties.

The problems of the economy in this country which assumed crisis proportions in 1991 did not develop suddenly. They had accumulated over several years. In fact, the origin of the crisis is directly attributable to the cavalier macro management of the economy during the 1980s, which led to large and persistent macroeconomic imbalances. The widening gap between the revenue and expenditure of the Government resulted in growing fiscal deficits, which had to be met by borrowing at home. Further, the steadily growing difference between the income and the expenditure of the economy as a whole, resulted in large current account deficits in the balance of payments which were financed by borrowing from abroad.

The Rao Government took a series of corrective measures to bring the situation under control. These included short-term measures (stabilization reforms) aimed at crisis management as well as long –term measures of structural putting the economy back on track or path of sustainable growth. Stabilization policies were calculated to work mainly on the demand aspect to reduce inflation and external deficits. Structural polices were concerned with the supply side; to address the efficiency of resource use, emphasizing reforms in specific sectors like trade, finance, and industry. In implementing reforms, monetary policy was further tightened by increasing interest rates, the exchange rate of the rupee was adjusted by 23 per cent and a major simplification and liberalization of

the trade was announced. It was the Government's intention to complement these initial measures by a comprehensive programme of economic adjustment. The centerpiece of the economic strategy was a substantial fiscal correction in the remainder of the 1991-92 fiscal year, and in 1992-93, to be followed by continued fiscal consolidation thereafter. The reduction in fiscal imbalances was supported by reforms in economic policy, which were essential to impart a new element of dynamism to the growth processes in the economy. The thrust was to increase the efficiency and international competitiveness of industrial production to utilize foreign investment and technology to a much greater degree than in the past, to improve, to reform and modernize the financial sector, so that it could serve the needs of the economy efficiently. During the inevitable period of transition, the poorest sections of the society were protected to the maximum extent possible from the cost of adjustment.

India received appreciation of its new economic policies from the international observers and multilateral financial institutions. The IMF and the World Bank not only provided loans for immediate relief, but liberally aided India's efforts at restructuring its economy during the next five years along the lines negotiated and mutually agreed upon.

The macroeconomic objectives of the Government centered on the restoration of internal and external balances consistent with sustained economic growth. One basic direction of economic policy, required to achieve these objectives, was substantial change in the

composition of aggregate demand and supply. Public sector consumption had to be reduced in favour of a higher domestic saving, while investment and net exports grew in relation to the Government's budget deficit. Fiscal consolidation, particularly measures to increase public sector saving, was a key requirement for this adjustment. These measures were to be supported by reform measures aimed at removing structural rigidities in the economy, arising from a regulatory system. These had to be revamped in the light of the new strengths and capabilities of the economy. Thus, measures to restore macroeconomic stability were supported by structural reforms in the areas of investment, trade, taxation, financial markets, and public enterprises.

As the world was making an from an old ideology of planning to a free market era, India was also required to change itself to the new phenomena. Arguably last two decades have been quite eventful for India and there have been some achievements and landmarks, which stand out for their uniqueness.

The Indian economy was crawling at 1.2 per cent way back in 1991-92, and exports were less than \$ 18 billion. Today, the GDP is surging at 8 per cent and more and exports have topped \$ 100 billion. There are many other things that have changed about the economy. Let us have a look .....

Fiscal Deficit of the Union & State Governments

1991-92	7.02 %
2006-07	6.50%

Tax to GDP Ratio

1990-91	10.11%
2006-07	11.19%

Forex Reserves

Aug 1991-	\$ 1.1 bn
June 2006	-\$ 156 bn.

Poverty level.

1991	--38%
2006	--22%

Imports

1991-92	\$ 19,410.5 mn
2005-06	\$ 142,416.3 mn

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Exports

1991-92 \$17,865.4 mn

2005-06 \$ 102,725.1 mn

GDP Growth Rate

1991-92 1.2 %

2006-07 8 %

Food Production

1991-92 168.38 Million Ton

2005-06 208.3 Million Ton

Exchange Rate

1991-92 1US \$ = Rs 29.45

2006 1US \$ = Rs 44.79

While presenting the Budget on July 24, 1991 the then F.M and the present P.M, Dr Man Mohan Singh observed:

**“ The crisis in the economy is both acute and deep. We have not experienced anything similar in the history of independent India”**

In Nov 2005, P.M. Dr Man Mohan Singh while speaking at the World Economic Forum observed:

**” To-day, when I look back, I am even more convinced that I was correct to observe in my first Budget speech in 1991 that the idea of the emergence of India as a front-ranking economic power house of the world economy was an idea whose time has ,indeed, come”**

While there is a great improvement and all round progress in the economy, the only grey area is the scenario in the farm sector where growth is stile languishing and which is crying for reforms. The growth in this segment area is stagnating at 2 % and its contribution of GDP has declined from 28.59 % in 1991-92 to 17 % in 2005-06. The problems in this area have to be and are no doubt being addressed seriously. As the doyen of Indian Agriculture, Dr. M.S. Swaminathan, how a member of Rajya Sabha has stated that it is time that we usher in the second green revolution in order accelerate

further growth and to bring down the rate of rural poverty. This is also necessary to make agriculture more competitive in the global market and face the stiff competition of the farm sector, because the developed countries which are consistently refusing to bring down the high level of domestic subsidy given by them to the agriculture sector.

While the contours of the economy have shaped up well, thanks to the forces of globalization, the question now being debated is a daunting one: How many people are benefiting from this growth? The issue is not lost on India's political masters, with the Prime Minister constantly referring to the need to ensure 'inclusive growth'. He has reason to worry. Farm labour, which accounts for around 60 per cent of the workforce, contributes to only 17 per cent of the GDP. Importantly, this figure is gradually reducing.

The challenge ahead lies in carrying this process forward to ensure sustainable and inclusive growth. The Congress Party is firmly committed to achieve this in foreseeable future.

With these words, I express my thanks to all of you for being present here in good numbers and give me a feeling of participation and camaraderie. Needless to add that your ideological support and emotional involvement would go a long way in surging ahead in our march towards higher development and growth.

**JAI HIND**

