

Is it falling primarily because of international pressure?

It is believed that the decline in the value of the rupee was due to Federal Reserve's Ben Bernanke's announcement of withdrawing the policy of monetary easing which caused the capital to flow out of India, which in turn caused the value of rupee to fall (when there are capital inflows in a country, its currency appreciates and vice versa). But if this would have been the case then the rupee wouldn't have fallen against the yen, euro and pound. Moreover the rupee had started falling much before the announcement. Thus this proves that Bernanke's announcement of monetary tightening was not the real reason.

Then why is it falling? An Alternative Explanation

There is growing trade deficit i.e. our imports are very high whereas our exports are falling and are way less than the imports, this is leading to high current account deficit (CAD). This is because we have a high import demand of oil and gold. Oil is a necessity as it is a major source of energy production and hence used by almost every industry and people cutting across all classes, thus we cannot do much to cut down on the oil imports but we can certainly cut down on gold imports as it is more of a luxury good which the richer section of the society buy, to bring down the current account deficit by imposing high import duty. Some may argue that this will lead to smuggling but the black money (unaccounted money which apparently does not exist in the system) that will be used for smuggling will not affect the value of the rupee vis-a-vis other currencies.

Exchange rate and Sensex: Why are they moving together?

The stock exchange prices are highly influenced by the inflow and outflow of capital. When there is an outflow of FII and FDI then the stock prices fall dramatically. Thus there is a need to have regulations to curb such easy mobility of foreign capital to reduce the volatility of Sensex prices and hence the vulnerability of the rupee.

Second Session: India at the crossroads and the way ahead

We had amongst us Dr Subramaniam Swamy in the second session of Vishleshan. Dr Swamy is an important leader of the BJP and has taken a stand on several occasions against the wrongs that rampantly plague the Indian society. He played a very important role in exposing the 2G scam. Here are the highlights of his speech. He started his speech by telling that India is at a T junction i.e. it does not have a definite way ahead from here, as we are struggling with a low GDP relative to what was targeted or aimed, high inflation, and a lot of macroeconomic instability.

He emphasised the role of politics. He said that even though it takes a credible effort to frame a blueprint of an economic policy whose objective is to redress the economic conundrums but the real work lies in getting the policy implemented. This role lies within the ambit of politicians in power, but then he emphasised the fact that there is an important rule that elected representatives should follow while implementing such policies—that the policy should not just

have long term benefits but also have some immediate benefits, because in a democracy it is important that people see results and it is only then that they place their faith in politicians.

After this he started discussing the ways in which Indian economy can be restored to its phenomenal rate of growth and can well be back on its path to be the next global power.

According to him, agriculture has the maximum potential and it is by concentrating on this sector we can transform our economy.

Only 25% of the land in agriculture is used for growing more than one crop a year, and in the rest 75%, only one crop a year is grown, thus in this way, full utilization of resources (land) does not take place. Another product in which we can be a major exporter is milk.

Next, he emphasized that we should spend more on developing research and development institutions, so that the youth aspires to be entrepreneurs with innovative ideas.

He said that in western countries the universities are funded by the alumina, and similar pattern should follow in India so that the government doesn't intervene in the system and the curriculum can be devised according to the need of the hour.

Then he gave the statistics regarding money laundering. In his opinion, the big fishes who stash their money in tax havens should be targeted and income tax should be abolished altogether as the poor do not come under its ambit, rich hire specialists to evade taxes and the burden of income tax falls only on the professional middle class. This will stop money fleeing to other countries and will get invested in our own country which will spur growth.

Corruption is an important issue that needs to be addressed. He suggested that to reduce corruption, procedures should be simplified and digitised to maximum possible extent so that the discretionary power in the hands of officials is reduced.

He also gave a political reason for the depreciation of rupee, he said that people very close to people in seats of high position and power do not let measures be taken that can appreciate the value of rupee against dollar for their own vested interest.

In fact, he explained the mechanism through which people use black money to make more money: People take loads of cash (unaccounted black money) to tax havens like Switzerland & Mauritius and from there they get "participatory notes". These notes carry the amount of money in dollars without their names written on it and they can be traded legally in India without any enquiry, the law designed is such. When the value of rupee goes down against the dollar, they go to RBI and ask them to give cash in return of that participatory note.

Besides entering politics, what we can do is, form a group of 5-6 people, take the list of 1000 people from a polling booth station, see which all people in the list still stay in that constituency and have not migrated and then convince the remaining ones to cast vote for the candidate or party you thing is best or is the least worst. This way we can make our contribution towards changing the society because the time allowed for campaigning is only 15 days and the candidate cannot cover every house individually in this short span.