

The fiscal year now drawing to a close has been a difficult one by any standards. It has been a year of crisis and of crisis management. It has also been a year of great economic challenges and bold new initiatives. When the new Government assumed office eight months ago, we inherited an economy on the verge of collapse. Inflation accelerating rapidly. The balance of payments was in serious trouble. The foreign exchange reserves were barely enough for two weeks <sup>80</sup>of imports. Foreign commercial banks had stopped lending to India. Non-Resident Indians were withdrawing their deposits. Shortages of foreign exchange had forced a massive import squeeze, which had halted the rapid industrial growth of earlier years and had produced negative growth rates from May 1991 onwards. Our first and immediate challenge was to arrest the slide and restore India's credibility both domestically and in the eyes of the world. To achieve this objective we had to make immediate measures to <sup>160</sup>avert a default in international payments and also take steps to restore macroeconomics balance in the economy in the short run, with a view to controlling inflation and reducing the balance of payments deficit to a manageable level. Our medium term objective was to place the economy back on the path of high and sustainable growth.

The new Government took several initiatives in pursuit of these objectives. We took emergency measures to prevent a default in external payments, which would <sup>240</sup>have been highly disruptive. The previous Government had already decided to use a part of the gold held by the Reserve Bank of India to mobilise temporary liquidity abroad. We did not consider it prudent to reverse this decision. But we promised to redeem the gold at the earliest opportunity and we have kept our word. We began the process of restoring macroeconomic balance by seeking to reduce the fiscal deficit which had grown very large in the previous year. <sup>320</sup>We also embarked on a medium term programme of structural reform, including new initiatives in trade policy and industrial policy aimed at improving the efficiency, productivity and international competitiveness of Indian industry. Our longer term objective is to evolve a pattern of production which is labour intensive and generates larger employment opportunities in productive higher income jobs and reduces the disparities in income and wealth between rural and urban areas which is very much essential now. Stabilisation and structural adjustment <sup>400</sup>are never painless or quick, especially when we are dealing with imbalances and structural rigidities which have built up over several years, to bring the economy back to a path of rapid and sustainable growth. A firm commitment to austerity, the pursuit of excellence and the promotion of efficiency and productivity for the benefit of the common people has to be an integral part of this effort. Given our limited resources, our people cannot afford to copy the soulless consumerism. <sup>480</sup>