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TO ALL UNITS AND MEMBERS:

Dear Comrades,

Transfer of RBI's Surplus to Govt. will endanger economic stability:

It is surprising that when our country's economy is already facing turbulence and serious slowdown, instead of taking measures that will boost the economy, efforts are being taken which will further precipitate the economic instability.

RBI was specifically created as an independent institution mandated with the responsibility of ensuing the stability in the economy besides monitoring external stability, monetary stability and money supply. RBI is a totally autonomous body and is not expected to be an extension counter of the Finance Ministry or the Government. It has very specific tasks to perform which should not be interfered with. But what is happening now is a matter of serious concern where the RBI is apparently forced to bow down to the wishes of the Government to release their funds to bridge the fiscal deficit of the Government.

This was being objected to by earlier top brass of the RBI and hence had to leave their jobs abruptly.

Now, ways and means are being found to force the RBI to part with huge amounts in the name of transfer of surplus.

RBI's Reserves are meant to protect the various risks to the economy. In fact the Reserves are not real reserves, rather it depends on the market fluctuations on gold price, dollar rate and rate of interest on Bonds. It is a notional gross value of the Reserves. This is unrealized surplus. This surplus cannot be separately extracted.

Even while the surplus in the Contingency Fund can be transferred to the Government, what has been done by RBI now is to maintain the Reserve at 5.5 per cent at the lower band instead of at the higher bad at 6.5%, thus leaving no room with the RBI to meet any unforeseen contingent risk. This is the lowest level that the RBI has maintained thus far under the fund. This lowers the RBI's flexibility to maneuvers in future. Hence, looking from every angle, the pressure on RBI to transfer such huge amount is fraught with risk to the economic stability of the country and hence avoidable.

Government's package for economic revival – mere eyewash

We have been expressing our serious concern about the slowdown in the economy in the recent months. We were expecting that remedial measures would be announced in the Budget. But the Government chose to claim that the economic fundamentals are quite strong and we are moving towards a 5 trillion economy. A very rosy picture was painted before the people. No concrete measures were taken to address the problems of slowdown in the economy.

But the Finance Minister has announced various measures in order to revive the economy. This itself is an admission of the fact that there are problems in our economy which was stoutly denied only last month during the discussions in the Parliament on Budget. This admission has come because the slowdown is open and visible and even the corporates and leaders of industrial houses are talking about it.

But it is unfortunate that instead of taking measures to revive the economy and address the problems faced by those who are affected by the slowdown, the measures are only meant to help the corporates who are responsible for the loot of the economy. Further concessions have been extended to them. This is because the Government including the Prime Minster are saying that wealth creators should be honoured, protected and respected.

The real wealth creators are the workers in the factories and manufacturing sector and the poor peasants in the agriculture sector, but they are not being protected from the huge loss of employment, lay-offs, and from unremunerative prices for their produce. Government's announcements would only benefit the corporates and not help to boost the real economy.

When Banks are already saddles with huge bad loans of the corporate sector, further pressures to ease credit flow to them will only aggravate the plight of the Banks. Banks are being forced to reduce the rate of interest on loans. Who will bear the loss of revenue for the Banks. Government should announce equivalent subsidy and not force the burden on the Banks.

It is high time that the Government review their pro-corporate policies and take measures that will go to the succor of the suffering masses.

With greetings,

Yours comradely,

C.H.VENKATACHALAM
GENERAL SECRETARY