THE EXCHANGE VALUE OF THE INDIAN RUPEE

(T. A. Pai Memorial Lecture-5)

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"What a fall was there my countrymen!"

Shakespeare

May I express my grateful thanks to the organisers of the T. A. Pai Memorial Lectures for according me an opportunity to join the series of distinguished speakers in this series. I had the priviledge of having been acquainted with the late T. A. Pai who in the judgement of many was perhaps one of the most socially and productively useful entrepreneur-statesmen of this country. The Pai family has etched for itself a great name in the annals of this country for very notable contributions to public well-being in the spheres of education, health services, banking development, industrial pioneering, promotion of thrift, tourism, legislative and ministerial service, technological spread, journalism, and so on. The late Madhav Pai was one of the greatest innovators this or any other country produced. The Pais have enriched the soil in which they have been born and their work has contributed to very conspicuous external economies as well. The late T. A. Pai was keenly interested in, and committed to, enlightened public discussion of economic issues. He played a crucial role in advice concerning financial mobilization at the time of the Bangladesh operations. He was also instrumental in toning up industrial development. He significantly contributed to development of managerial expertise. During the heyday of the Pais, Manipal became nationally known as a beehive of ideas. I recollect that in a seminar at Manipal the late Madhav Pai propounded his thesis of a taxless society. That was the occasion where I drew, before Arthur Laffer, the famous Laffer curve!

I remember the late T. A. Pai as a warm friend and well wisher of scholars and scribes like me.

The Theme of Exchange Value

In this Lecture I will be concerned with the issues concerning the exchange value of the Rupee. Its falling trend in the domestic sphere has been visibly obvious to all. But its falling trend in the external sphere is also a matter of great concern. Matters concerning the exchange rate are on the surface technical but they do affect very severely the economy's internal well-being and its external image. The exchange rate of the rupee was a matter of intense concern prior to Independence particularly in the early thirties. The Indian people felt that Great Britain, then our master, was setting the rate policy solely in her, Great Britain's interests. With the establishment of the Reserve Bank it was hoped that the exchange rate policy would be managed to the best interest of the country. Has this happened? What is now happening? What are the portents? These are the issues with which I am concerned here.

The period of the 30's brought in the experience of disorderly and autonomously floating rates. The tendency of a world system in crisis to get into a floating regime is well known. This regime is of great uncertainty and it confuses and clouds the business and trade. The national perspective dominates over the international. Each country likes to bend others to its will and course. We have now entered this phase. The IMF system disappeared by early seventies, the period of the end of Bretton Woods. Countries like India have to think by and for themselves. And this sort of urge for self-reliance, intellectual self-reliance, is what men in authority dislike intensely particularly, if they are bureaucrats or even service-economists The plushy anchor of international expertise of international Institutions is no longer there. The authorities will be asked questions, very inconvenient to them.

We have to place the exchange value of the rupee again at the centre of public debates.

Exchange rate regimes

At any point of time different currencies have specified rates of exchange among them. These rates are like beads in a garland. But rates can change because of even one country's

action. The 'structure' of rates of exchange is not rigid in all regimes, it is loose in some and very loose in some others. Under the historical gold standard which after the first war was succeded by the gold-sterling exchange standard, till the early Thirties, the exchange rates of different currencies were fixed in terms of gold. They were held by obligatory domestic action in the sphere of money and interest rate policies. Gold and exchange reserves when they underwent a change led to changes in money and in interest. Short-term compensatory capital flows occured. Prices of goods were two-way flexible. The veriation in nominal, and sometimes real, activity in the domestic economics had to occur as part of the discipline of the gold and gold exchange standard.

After the advent of the Great Depression the regime of disorderly floating rates emerged. This continued till the mid-thirties till the U. S., which was becoming dominant in the world economy, raised the price of gold by unilateral action. After the Second War the IMF regime of fixed but adjustable exchange rates emerged. This is the period of the gold-dollar exchange standard. The inequity of the system along with difficulties in adjustment led to its collapse in the early 70's. The U. S. announced its decision not to honour her external lialibities in gold. The IMF too went off gold. The floating rates system finally came into existence from 1972 onwards. Each country has the autonomy to vary its exchange rate. We are now witnessing very frequent changes. The developing countries are told by many of the economists of the developed world to depreciate their currencies to get trade advantages.

We must now examine this issue. When a one-shot big depreciation occurs, it is termed akin to a devaluation. This is now being suggested to the Indian Government. A World Bank report is said to have advised this course of action to our government. Just as at the time of the 1966 devaluation, we seem to be now on the eve of a major public shock and public controversy if our government accepts the advice. It is time we looked into the pros and cons of the issue,

dispassionotely and in the light of experience.

What happens under depreciation?

When a single country depreciates its currency's external value - and this can happen when the exchange rate is administratedly floating, as currently in India, the rupee prices of the imported commodities, and those of the exported commodities also go up. Assuming that other domestic prices do not go up, or at least in the same proportion, the relative profitability of the exporting sector and of the import-competing sector will move up. The activities here get unanticipated surpluses. Assuming further that wages and other costs here to do not move up inproportion, these activities can now expand by drawing upon resources from other sectors. At the same time, home- consumers of the traded goods are forced to consume less of these goods. The depreciation implies that we have to export by the inversely proportionate extent, more of the exported commodities, or export more of the exportable commodities. Similarly we have to import less of the imported commodities and other importables by the inversely proportionate extent. If these two conditions obtain, in the external sphere our exchange earnings in tems of the foreign currencies would remain unchanged. Note that domestically we have to consume *less* of the traded goods; in other words, given the total outputs we have to save more in terms of the goods entering into trade. Every external depreciation by a single country necessitates larger real savings at home. If the real savings at home do not go up to the requested extent, the depreciation would turn out to be a flop. In a growing economy the exchange earnings will have to go up at a higher rate than otherwise without the depreciation. Note further that given the domestic factor and goods constraints, the additional savings are needed even if the production of the export sector and of the import-competing sector expand and even if the latter does not expand. We assume further that in-smuggling and out-smuggling do not take place to defraud the legitimates system.

When no benefit

If the depreciation leads to domestic cost inflation, if money

supply expands and by a larger extent than otherwise, exports will not go up to the required extent and the imports will not be reduced by the needed extent. Further if the rise in rupee prices of the traded goods transmits itself to the rest of the economy, there will be benefit due to the depreciation.

Elasticities

The case against depreciation leading to a rise in the ratio of exports to GDP and a fall in the ratio of imports to GDP by the sufficient extent so as to increase net exports and our exchange earnings, is based on the absence of needed elasticities at home and the probability of domestic prices moving up to prevent shifts within. Generally monetary controls are lax and actually growth rates of money tend to be raised after the depreciation.

Retaliations

In the rest of the world sector other countries should not depreciate their currencies in the external sphere at the same time we are indulging in the exercise. Here not merely our rivals in the export trade but also other countries which buy products from ourselves and our rivals are concerned. If everyone is depreciating and by the same extent, none will gain. We require the absence of retaliatory or compensatory action by our rivals and presence of accommodating economic environments in the other countries buying our products and exporting to us.

To the extent that foreigners reduce the dollar value of their exportables to us, the incentive within our country, to reduce imports will be lacking.

Non-dominance in export markets

Further the commodities which we export should not be such as our being the leading and dominant exporters of the same. In such a case the dollar value of exports will fall if we press more of our goods on the World market. And we get a deterioration in the term of trade. To that extent the rupee prices of our exportables will not go up by the extent required

under the initial depreciation. So to achieve a given goal, a greater extent of depreciation will be necessary.

Several conditions

I have described above the very difficult conditions, and several of them, that have to be fulfilled if an aggressive depreciation in external value has to succeed.

In fact the experience of even developed countries after the entry of the regime of floating rates bears testimony to my observations. An aggressive depreciation (or appreciation) by any one country does not help the country, or the others, much at all. Bearing the immediate effects which are unanticipated by the rest of the world, there are no enduring, sustainable, effects of such aggressive actions.

The J effect

There is general consensus that over the immediate future, extending even to some years, the aggressive depreciations have actually no effects or may even have adverse affects. If other conditions are equal and accommodating here, some effects will be seen after an unspecified time lag. This is the famous 'J' effect thesis. Economists who expect aggressive depreciations to succeed are like those waiting for God or to use a more homely analogy, like the ever hopeful Sabari waiting for Rama.

Defensive depreciations

Depreciations in which a single country takes the intitiative and as a policy resort are aggressive depreciations. But when, under floating rates, there are depreciations in our trading partners, we have to follow suit, unless we have large exchange surpluses; otherwise we will be worse off . Depreciations are 'forced' here on us. These are 'defensive' exchange rate adjustments. We maintain our status quo. Depreciations-in-concert may be needed when we have to deal with a large, rich, importing country, which is itself depreciating its currency. Together the exporting countries like to retain their export share. Collective defense is better than isolated and reactive defense. Depreciations-in-concert are thus superior to competitive depreciations.

Beggars as neighbours

We have the example of rich countries taking collective action on exchange rates; the developing countries are not able do this. 'Beggars, as neighbours, do not come together; they fight each other for a larger share of the given crumbs.

The PPP Theory

The purchasing power parity theory has served as a normative basis for judging whether a country's exchange rate is moving in the right direction and by the right extent. The simple dynamic version of the PPP Theory is that if the relative trade apportionments vis a-vis different countries are not to be disturbed, the relative exchange rates should correspond to the relative movements of the relevent price level indices of the different countries. If a country say X is having a higher inflation rate than say in the group of the rest of the countries say Y, the PPP theory asserts that the exchange rate in the latter, that is Y, should be raising vis-a-vis that in X, roughly by the inverse proportionate extent of relatively higher rate of inflation in X vis-a-vis Y. If exchange alignments do not actually take place as above, pressures will develop forcing exchange value changes in them.

The theory holds that overvaluations and undervaluations are not in the enduring economic interests of the countries concerned. This is the fundamental premise for its validity in the world.

Basic Weaknesses

A basic weakness of the PPP's fundamental theorem is that undervaluations can persist and may be to the advantage of the country with the intrinsically appreciating currency. For, that country will be building accumulated surpluses and accumulate reserves. It can take the advantage of capital outflows and direct investments and take-overs in other countries. It can seek to obtain economic vantage, power vantage, over other countries even if it is prohibited from building strong military apparatus. Similarly overvaluations can continue if a country has initialy large reserves or has access to capital inflows.

Tango with one

The IMF's working prior to the advent of the floating rate regime in early 70's was based on one portion of the above theorem. It generally advised devaluations when the PPP index of the country moved visibly in the downward direction from the actual exchange rate notified with it as the central rate. But the IMF was not in a position to advise successfully for the upward adjustment of the undervalued currencies. It is said it takes two to dance a tango; with the IMF one was enough !

What is also equally revealing is that a country which should have depreciated its currency was moving in the exactly opposite direction through very strict monetary policy and high interest rate measures. Capital inflows permitted the country to indulge in large current account and budget deficits. This is the case of the 'dazzling dollar' during the period 1981 to 1985 March.

The IMF, one supposes today, is more sanguine in urging exchasge rate realignment as the sovereign solution to trade disequalibria. World War II is attributed by some to the reparations and the build-up by Germany of surpluses through hard and harsh domestic policy measures. The exchange rate management came in handy for Germany during that period.

Defiances

What modern researches in PPP theory indicate is that even if PPP norms are broadly observed, trade disequilibria or rather desparities can persist. Countries have alternative policy tools to retain their trade advantage. An appreciating currency can have strict monetary and fiscal policy measures and continue to have export advantage.

Brief history of rupee's exchange rate : the 1949 fiasco

I now turn to a brief history of our Exchange rate policy in the Post-Independence period.

In India's case the 1949 devaluation of the Indian rupee was the case of a depreciaton through collective action though

U.K. the initiating country did not consult India. We just followed suit, almost by habit. We had not done any advance thinking. Though we had become Independent, our minds were not prepared for independent, self-reliant, action. When we devalued in 1949, we did not anticipate that Pakistan, our close trading neighbour, may not, and would not, devalue its rupee. Not to devalue was in her interest. We lost heavily as a result of our eagerness to go with the U.K. By 1951 our exchange position had weakened and we had to take a loan to import food from the U.S.A. Anyway the Korean boom intervened and partly salvaged our position.

The 1966 Case

The 1966 devaluation, the second after Independence, was 'forced' on us by external experts and organisations and eagerly taken up by some of our own economists, many of them of 'socialist' hue. We were again completely unprepared. We had two bad harvests; we had been confronted by an invasion from China, and a war with Pakistan. The IMF is said informally to have promised us sizeable exchange help and we hoped for large project-aid from the World Bank. The good tidings did not come through. But again a beneficient, wholly unanticipated external shock helped us. We had the green revolution yielding us a quick and large bounty. Our pathetic dependence on food imports ceased. And this gave us considerable, rather big, leeway. The domestic rupee prices of food went up after the devaluation and this boosted the green revolution. In retrospect the domestic prices could have been adjusted through the agricultural price commission, without the need for a devaluation. The green revolution would anyway have come and we need not have devalued.

Coincidences

Because of coincident, rather random circumstances, the Indian economy improved its exchange position after the 1966 devaluation though not because of it. The stoppage of project imports for quite sometime reduced the import flow. Excess capacity built up at home in a few industries because these had been expanding on the anticipation of continued facility to import materials and process goods. Further as the antici-

pation of high domestic growth in industry sustained by continued foreign aid had come to grief industrial growth itself received a set back. The period of the late sixties and early seventies was comfortable from the balance of payments angle very largely because of the big relief in the need for food imports. This had indirect effects as well.

Come the oil shock

But the sharp, very steep rise of oil price by the OPEC cartel in 1973 gave us a big jolt. The thinking on the Fifth Plan had to face a drastic readjustment. A fierce controversy ensued between Dr. Minhas and the other Planning Panel members. The former wanted a drastic cut in the plan size. Since the Government was not persuaded, he left in protest, a notable and an exceptional case of an economist leaving his job rather than compromising his position by staying on. Fortunately for the economy a little later after the oil-price shock, a large inflow of remittance and deposits started occurring and these cushioned the shock. The fifth plan did not see any balance of payments crisis and thereafter the years of 1977 and 1978 were the best years from our trade angle. Our exchange reserves boomed and we started investing abroad. The 1979 and 1980 oil price shocks were rather severe and our balance of payments got seriously upset. To keep up the momentum of the Sixth plan efforts, we went in for a massive IMF loan with all its conditionalities which did not contradict our Policy stances. The loan helped us to recover the poise and we forewent the final instalment.

Now managed floating

From 1975 onwards we have been resorting to managed (administered) floating. We adjust and announce the rupee's exchange value periodically on the basis of a secret system of weighting of the components of a basket of currencies. Neither the currencies of the basket nor the weights are revealed. We do not know whether the components are the same or whether they are varying. We do not know whether there are fixed or changing weights. We do not know whether there is a standing committee of the RBI Board which approves the

administration's procedures and action. We do not know whether the Finance Ministry Officials intervene and direct the rate changes. To give an example the 49 devaluation was on the 'initiative' of the late Dr. Matthai; his judgement was woefully wrong. At Bombay we were then working on the economic consequences of the division of India. The late Professor Vakil was our leader; the late Dr. T. M. Desai the late Dr. V. R. Cirvante myself were junior collaborators of Professor Vakil. We used to discuss issues among ourselves. Professor Vakil, thanks to the rare insight of the late Dr. Desai, came to the judgement that Pakistan may not devalue and that our decision to devalue the rupee would be fruitless. We were vendicated to the dismay of Dr. Mathai. I mention this incident to draw home the point that consultation with academic economists of different persuations would often be fruitful to the policy makers and even to the service-economists in the government. Economists who take public stands are useful to the community. Men in authority always like to speak to the advisers who echo their own hunches; and often economists who are not known for public stands may like to lend their expertise and their name to the hunches of the authorities. They have no responsibility or accountability to the public and the procedure of secret, closed, informal, consultations gives them a benefit of doubt.

Role of Economists

In a country like the U.S.A., or like the U.K., economists who are distant from the procedure of secret/informal as even formal consultations with the establishment are respected highly by the Public, the newspapers and the members of political parties. We have not yet reached that position as yet though our newspapers have tried to live up to their responsibility of being the Fourth Estate. One wishes that the T.V. and the A.I.R. also had the same independence and drive. In a modern community economic issues are very complex; often judgements have to be made and experience is valuable here. Service-economists have severe limitations. It is not good to take external economists opinions as the standard. For in economic matters economists often keep the interest of their countries foremost in their mind.

RBI's role

The statutory function for the Reserve Bank is to manage the currency to the country's advantage. Exchange control and exchange rate policies, along with monetary policies, are the prerogative of the Reserve Bank. In decisions concerning the exchange rate the RBI's voice is of predominant significance. It has no control over direct trade or fiscal policies. But the exchange rate falls within its domain.

Goals of Exchange Rate Policy

What is the country's advantage ?

Let me specify the points here. First and foremost, the exchange rate should not be fixed at levels and changed to levels which would make the country lose its export-competitiveness. Second, the rate fixed, and the direction and range of the changes, should lead to an increase in the export-competitiveness. Third, the rate policy should not lead to excessive imports and to luxurious imports. Fourth, it should keep down the propensity to import. Fifth, it should encourage inflows of remittances and other invisibles and short-term capital generally when needed, and of long-term capital, particularly from non-residents. In the matter of remittance and deposit inflows as well as of short-term and long-term capital, the RBI has the advantage of its supremacy in the matter of interest rate policy.

These interest rates are, the bank rate, the interest rates on deposits, the lending rates, the rates on government borrowing etc.

Evidence

Have we managed our exchange rate to our advantage ? Let us look at the evidence.

1. In 1950 our share in dollar value of world exports was around 2%; today it is less than half of one per cent.
2. Around the Fifties our reserves were worth nearly a years imports. Today we are functioning with only 4 months of yearly imports.

3. We had modest trade-deficits in the fifties and our current account balance of payments was in a surplus and certainly not in a big deficit position. Today both deficits are sizeable, absolutely also in relation to export earnings and as a ratio of GDP.

4. The exchange rate of the rupee prior to the 1949 devaluation was around 3 rupees per U.S. dollar, and around 13.3 rupees per U.K. sterling. Today it is around 13 rupees per U.S. dollar and nearly 20 Rs. per sterling. The rupee has fallen in external value with the dollar from 100 in 1950 to 23 in 1987.

5. The falling trend in the external value of the rupee has gone along with a rising trend in India's both long term and short-term ratio of external public debt of GDP. It was negligible by the beginning of the Ist plan and even by the end of the Ist plan it was around one per cent of GNP. By 1986-87 it has has risen in Dollar terms to around 12% of GNP. The debt-servicing charges in terms of interest and amortisation payments formed a sizeable components of export earnings in 1986-87. We may note that the ratios of debt to GNP and charges to exports are dependent in rupee terms upon the exchange value. If the rupee is depreciating faster than the U.S. dollar, we have to save in more and more terms of domostic rupee funds and in real resources more and more in order to repay a given dollar value of the debt.

The exchange rate between one currency and a composite of other currencies, weighted according to their relative trade significance to the first country, to repeat, according to the celebrated purchasing power party theory, should tend to stand in relation to the relative real purchasing powers of the first country's currency and of the composite of the currencies of the other countries. It should tend to vary in the same direction and by and large in the same proportion as the above ratio varies.

The second proposition follows if the first proposition is holding. If initially the exchange rates are in equilibrium, or

nearly so, the second proposition should follow as a matter of course.

Equilibrium here implies a one to one correspondence between the real purchasing power rates and the prevalent exchange rates.

The problem is one of ascertainment of the real purchasing power ratios. For simplicity let us take two currencies, the rupee and the U.S. dollar. The exchange rate of the rupee vis-a-vis the dollar has to correspond in the initial year of reference to the rates of real purchasing power of the rupee vis-a-vis the dollar.

An effort has been made by a group of distinguished scholars, Kravis and others, to work out the real purchasing power ratios between each currency and the dollar. The U.N. has been adjusting these estimates and has published for 1980 the real purchasing power parities between different currencies and the U.S. dollar.

On this basis about 3.3 rupees were the equivalent of a dollar in 1980. The exchange rate however for that year was between Rs. 7.9 and Rs. 7.8. The rupee had been 'undervalued' and very heavily on this norm. Note the 3.3 rupees parity was around the same that prevailed at the time of Independence between the rupee and the dollar. Since 1980 by 1987 the U.S. price level has risen by 40% India's price level had risen by about 50%. The parity between the two currencies should have been around Rs. 4 to a dollar. The exchange rate was around Rs. 13 per dollar.

Two issues arise here. First the 1980 exchange rate was not an equilibrium rate. It was very much below the equilibrum rate. Secondly even with respect to the actual rate the rupee has fallen by a larger extent than that changes in relative price level ratios should have implied.

Goals not achieved

There is no gain saying that the management of the Indian rupee's external value has not resulted in the achievement of any of the goal specified earlier. In effect it has made the citizens pay more and in terms of domestic resources to obtain given amounts of exchange earnings. This is so despite

periodic and, now, growing access to the IMF and other short-term lending agencies, liberal inflows of foreign capital and relatively or more consessional terms than to others, sizeable inflows of remittances and deposits from non-residents, apart from equity funds from that source, and considerable improvement in our terms of trade, if we abstract from oil price impact, and in the purchasing power of our exports. What is equally important is that our demostic net savings to income ratio has risen from around 7% — 10% in the fifties and early sixties to currently around 20%.

Between 1950 and 1985 the index of U.S. income deflator rose from 27.9 to 130.3 (1980 = 100). The Indian deflator rose from 23.6 to 146. On the above basis the Indian rupee should have fallen vis-a-vis the U. S. dollar from Rs. 4.77 in 1950 to Rs. 6.6. The actual exchange value in 1985 was Rs. 12.2 per U.S. dollar. The index of U.K. deflator rose from 12 in 1950 to 139.3 in 1985. As against the required fall to 7.8 from Rs. 13.3 in 1950 the Indian rupee fell to about Rs. 15.95 vis-a-vis the U.K. pound sterling. The index of the West German deflator rose from 31.3 in 1950 to 116.6 in 1985 and the Japanese deflator from 25.7 to 109.1. In all cases the extent of the fall of the rupee have been more than warranted relative by change in deflators.

And this is very important. In respect of the U.K., West Germany and Japan we have trade deficits and the relative shares in our exports with the U.K. and West Germany have fallen.

Forewarning

According to newspapers some World Bank advisers/ experts have currently suggested a one-shot major depreciation of the Indian rupee. The rupee no doubt has been by and large depreciating with respect to the major currencies though it is maintaining a nearly stable link with the U.S. dolllar for the obvious reason that our Trading rivals are also doing the same. The new suggestion is that India should unilaterally and aggressively bring down its exchange value by a big bout. The probable arguments can be imagined. India's debt ratio to GDP is rising. The Seventh Plan has got into a severe Ba-

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lance of Payments crunch. The Indian rupee domestically has fallen at a higher rate than the dollar. The Indian economy is not in a position to control its inflation rate. India's exports are not rising at a higher rate than the real GDP. The imports of bulk commodities are growing and no economy in rate of growth of absorption of petroleum products and other imports has occured. The remittance inflows and deposit inflows as also equity inflows from non-residents have remained static and are even decreasing. Government budgetary deficits are rising in terms of their ratio to GDP. A devaluation would administer the necessary shock to the Indian economy and make it realise the need for utmost prudent fiscal and monetary management. It will so jolt the economy as to prevent it from going into further debt. On the positive side it is argued that our exports would get a big push, Remitter of funds will increase, etc.

We may notice that underlying the proposal for devaluation is the severe criticism of our recent domestic economic policies, though not specified in that form. What is not clear is why devaluation alone is the remedy. However, it would be good for the economy to debate as to whether devaluation is the only and inevitable remedy. Why should we not set right domestic economic policies as we have been urging.

I suggest the following Seven Point action to hold and move up the exchange rate.

1. Reduce our inflation rate to nil by strict monetary and fiscal discipline.
2. Prepare the Eighth plan with zero exchange gap.
3. Adjust the size and components of the Seventh Plan for the remaining two years, to visibly reduce the exchange gap.
4. Adjust upwards our interest rates for remittee deposits and funds and give differential fiscal concessions.
5. Control unproductive expenditure both by the public and private authorities.

6. Observe strict economy in the use of foreign exchange for the next two years.

7. Reduce and even do away with additional debt committments even if other countries are willing to lend to us.

Suppose we adopt the above Seven Points Programme of action and at the same time allow the exchange rate to stabilize itself with the dollar, we will be completely obviating any need for devaluation. We will be protecting the economy from getting into a Latin American type debt trap.

If we are not prepared to take the above steps not merely we will be forced to devalue the rupee but such devaluation will not help us at all. To be forewarned is to be forearmed.

THE CHOICE IS BETWEEN DOMESTIC DISCIPLINE TO DEBT TRAP, NO DEVALUATION AND NO DISASTER VERSUS DEVALUATION, DEBT TRAP AND DISASTER. IT IS NOT BETWEEN NO DEVALUATION AND A DEBT TRAP. BOTH ARE PERILS TO THE PUBLIC. LET US BEWARE ALL OUR CHERISHED IDEAS ARE NOW AT STAKE.