IMPACT OF INTERNATIONAL MONETARY SYSTEM ON INDIAN ECONOMY

DISSERTATION

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This is to certify that the M.L. & I.Sc. dissertation of Ms. Nishat Fatima on "Impact of International Monetary System on Indian Economy" was compiled under my supervision and guidance.

(Almuzaffar A.G. Khan)
READER
DEDICATED
TO MY
DEAREST BROTHER
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I should thank the M/s Micro Computer Centre who have wordprocessed of my entire work.

(NISHAT FATIMA)
SCOPE AND METHODOLOGY

The present study in the form of annotated bibliography resembles together all the significant literature dealing with the "Impact of International Monetary System on Indian Economy" and affiliated financial institutions has been covered. I hope this bibliography would be some helpful to those who wish to know about the subject.

The study includes 200 selected annotations of articles on the topic collected from Maulana Azad Lib., AMU, Aligarh. Seminar Library of Department of Economics, Commerce, Business Administration of AMU, Aligarh.

STANDARD FOLLOWED:

As far as possible the international standard has been followed. The relevant bibliographical details were noted down on 20 x 12 cm cards. Uncompletion of the abstracts, subject headings are assigned. Subject headings are completely coextensive to the extent possible. The subject headings were arranged in an alphabetical sequence of various elements. At the end alphabetical index of author title alphabetically were prepared. Index providing reference to various entries by their respective number.
ARRANGEMENT:

Part first is a brief introduction to bibliography contains the information about the scope and methodology adopted on preparing this bibliography.

Part second is the bibliography of the subject, arranged alphabetically according to their subject headings, each bibliographical entry contains the following items information:

Serial No.

Name of author(s)

Full Stop (.)

Title of the article including sub title and alternative title, if any.

Full Stop (.)

Title of the periodical in abbreviated or in full form.

Full Stop.

Volume No.

Colon (:)

Issue No.

Comma (,)

Month, Date, Year of Publications

Semi Colon (;)

Inclusive Pages of Article

Full Stop (.)
APPENDICES:

The index of author title and subject is an alphabetical sequence. Index guide to the specific entry/entries with bibliography of hope. It will be found in making use of bibliography.
INTRODUCTION
INTRODUCTION

Recent developments in the international monetary system have provided further evidence that the present international monetary arrangements are grossly inadequate to meet the problems of developing countries and, indeed, to meet the objectives of international monetary stability for which purpose these arrangements were put in place. Major changes have taken place in terms of the size and structure of the world economy and at a pace which has outstripped the ability of the international monetary institutions to cope with the emerging needs of the international economy.

The Historical Background:

The International Monetary Fund was set up at the end of World War II against the background of the painful international currency experience of the inter-War years. The founding fathers of the Fund were, so to speak, so obsessed with the distortions caused by fluctuating exchange rates, competitive depreciation and restrictions on free movement of money across frontiers that they fashioned the International Monetary Fund in terms of a set of objectives which placed emphasis on stability of exchange rates and relative pursuance of the first objective they opted for a system of fixed and
unitary rates enshrined in the par value system and for, what in effect was, a gold exchange standard as reflected in the setting of the par values in relation to a fixed dollar price for gold. Reflecting the concern for exchange stability, change in exchange rates were to be permitted only in case of 'fundamental disequilibrium', a phrase and concept with permitted a great deal of discretionary and judgemental evaluation.

Equally, reflecting their concern to avoid restrictions on exchange movements, the Fund's Articles had, as an objective, full convertibility of exchange, those countries which opted for restricting full convertibility of their currencies being put under the so called traditional provisions of Article XIV. It bears mention that the IMF was conceived as part of a tripod of international arrangements, one of the other two legs being represented by the International Bank for Reconstruction and Development (IBRD) and the other by the International Trade Organisation (ITO) which, however, proved stillborn. The GATT cannot be regarded as an adequate substitute for the originally conceived ITO and the fact that the ITO did not come into being, if anything, placed an extra burden on the Fund's ability and effectiveness in helping to create an open multilateral trading and payment system.
IMF was governed by policy marking body. The board of governors but the day to day affairs are looked into by the Board of executive Directors consisting of the representative of 16 elected countries and 6 nominated countries. The Board of executive meet as often as is necessary to decide on all matters pertaining to the roll of fund. The managing director of chief executive of the fund is appointed by the board of executive director. It has a secretarial at Washington.

IMF is primarily a short term financial institution - a lender and borrower and a central bank of central banks. Secondary aims at promoting a code of conduct among members for orderly exchange arrangements and international monetary managements. The objectives of the fund as laid down in its articles may be briefly set out as follows:

1. To promote international monetary cooperation through concentration and mutual collaboration.

2. To promote exchange stability and maintain orderly exchange arrangements and avoid competitive exchange depreciations.
3. To help members with temporary balance of payments difficulties to tide over them without resort to exchange restrictions.

4. To promote growth of multi-lateralism to trade with payments and thus expand world trade and aid.

5. To help balance of payment equilibrium certain the duration of disequilibrium and promote orderly international relation.

The main objectives of the fund is to promote exchange stability and encourage multilateral trade and payment. It is also a financing institution and scheme for provision of short term of finance for meeting the balance of payment purpose. It provides international liquidity in time with the requirements of world trade and faster the growth of world trade and freer system of payments.

Every member country is given a quota in the fund. These quota were fixed originally on a formula. (a) 2% of the national income (b) 5% of Gold and Dollar balance (c) 10% of average annual imports (d) 10% of maximum variation in annual exports.

Each member quota was thus fixed as their initial contribution to the fund.
The Fund's Articles also provided for the provision of financial accommodation to its members to overcome temporary balance-of-payments difficulties. This stemmed from the idea of preventing countries taking recourse to deflationary domestic policies in an attempt to restore balance in external payments. Quotas represented the contribution members made to the resources of the Fund and also determined the extent of access to its resources by members in need of accommodation.

Again reflecting the inter-War experience, the Fund's role was conceived as an agency to promote monetary cooperation and as an international monetary policeman that would put it in a position to enforce its discipline on both deficit and surplus countries and to avoid the excesses of nationalist beggar-thy-neighbour economic policies. The 'Scarce Currency Clause' was not put into the Articles by accident; that it never was invoked, despite occasions that might have indicate the need for it, is another matter.

Over the years, the evolution of the Fund has shown the increasing distance between its objectives and the evolving realities of the international payments system. As long as international liquidity was being
provided for by the stock and production of gold and the deficits which the United States was running, the problems did not surface to a point calling into question the inherent contradictions of the system. By the late 1960s the industrial nations of Europe and Japan had rebuilt their economics and were beginning to question the prerogative of one country, however dominant, financing its deficits by issue of its currency and in the process providing international liquidity.

While these developments have affected all countries adversely, the developing countries have found to their cost that they are more vulnerable to the current international monetary turbulence. This vulnerability has been aggravated by the global recession that we have witnessed in the last few years. In an expanding world economy the problems for the developing countries did not surface in this acute form. International liquidity was expanding albeit insufficiently and in a haphazard form. The international banking system was active in recycling the surpluses of the oil-exporting countries to those developing countries that sought resource to the market and the modest increase in international resource
transfers provided some relief to the low income countries. However, with the emergence of worldwide recession and the reversion to economic nationalism the problems for the developing countries have become pressing. Aid flows have shrunk sharply in real terms; the international banking system has not been able to repeat its earlier success in recycling and developing countries have had to turn increasingly towards "official" international financing. Developed countries have their own cosy arrangements—currency swaps, BIS facilities and recourse to the General Arrangements to Borrow (GAB) should it become necessary. Developing countries have only the international financial institutions to turn to. These institutions have not had the resources or ability to provide adequate relief. IDA is in disarray. The IBRD's lending programme is proving inadequate. As for the Fund, as we will see presently, its ability to provide assistance has been constrained by an inadequate growth of its own resources and a hardening of its policies.

Areas of Inadequacy:

It is against this background that one might discuss the specific areas where the Fund's organisation, policies and procedures have revealed
shortcomings in relation to the needs of the world economy and the specific concerns of the developing countries.

The Size of the Fund—quotas:

The first and indeed basic inadequacy relates to the size of the Fund. Over the years, there has been a disparate rate of growth in the size of the Fund in relation to world trade which, in a broad fashion, determines the need for international liquidity, short-term balance-of-payments adjustment as distinct from the longer-term need for transfer of resources to developing countries.

While on the subject of quotas, a reference may be made to the suggestion of developing countries for a reconsideration of the variables included in the quotas formulas and the weights to be attached to them. The Eighth Review paid no attention to this and in fact in the result the share of developing countries as a group, and the non-oil developing countries in particular would remain disproportionately small and ineffective.

The inadequacy of the size of the Fund has inevitably meant concern with its liquidity position and, at one remove, has led to a severe rationing of its resources. Instead of evolving to be the ultimate source
of international liquidity, the Fund has had to be content with dispensing what in effect is a given stock of such liquidity within its control. The tests applied for provision of such liquidity have been getting stricter as the demand has tended to outstrip supply. The increasing stringency of conditionality could be viewed as an aspect of this phenomenon.

Conditionality -- rationale and content

Conditionality, of course, is the unique and distinctive feature of the Fund's assistance. This characteristic is sought to be justified by the revolving nature of its funding and to the purpose of Fund accommodation in providing finance for adjustment. Finance and adjustment obviously have to go hand in hand. Finance without adjustment would self-defeating, even as adjustment without financial underpinning would not be feasible. As a lending institution, it is entirely right that the Fund should satisfy itself that its resources are put to effective use.

Obviously, therefore, one cannot argue against the principle of conditionality but what one would like to see is the Fund applying its own precepts, as laid down in the Guidelines for Conditionality, of taking into
account the social and economic conditions in member conditions in member countries in formulating the conditionality in respect of its lending in individual cases, without detriment to the principle of uniform treatment of members. This is all the more so when the factors that have recently brought about the need for developing countries to approach the Fund have in an overwhelming number of cases been exogenous to them, reflecting their greater vulnerability to the serious distortions in the international economy. They have suffered from the continuation of inflation and global recession arising out of the policies of the industrial countries. The deterioration in the terms of trade of the developing countries, especially of the non-oil developing countries, the weakening of the market demand for their exports, and the rise of protectionism in the industrial countries have all combined to widen their current account deficit to unprecedentedly high levels. The sharp increase in real interest rates in the recent past has made this problem of financing these larger deficits both difficult and costly and has aggravated the debt servicing problem for those countries that have customarily drawn on the resources of the international banking system.
Case for an Evaluation of Fund Programmes:

It is a moot question whether the programmes of the Fund have in fact been effective in relation to their stated objectives of balance-of-payments adjustment, even in the few cases where the countries concerned have fully met the performance criteria. Equally there is no dearth of evidence that some countries have succeeded in improving the external account, even if they have not always met the conditionality tests. This only serves to underscore the importance of other variables, often exogenously induced, and of approaching the question of performance tests with becoming modesty. The reviews by the Fund of the experience with its programmes give little benefit of the doubt to countries that have failed to meet the tests, despite their best efforts to live up to the stern discipline of conditionality, especially when such failure has been due to factors beyond their control. There is a strong case for an in-depth, systematic and introspective study analysing Fund experience with programmes covering a period of say five years in differing country contexts. This could be done, if not by an outside group, at least by an autonomous group within the Fund, somewhat on the lines of the Operations Evaluation Department of the World Bank, reporting to
the Managing Director and Executive Board directly. Such an exercise could help to draw appropriate lessons for Fund policy prescriptions, which often go to the very heart of the economic, social and political policy mix in member countries.

**Need for a Medium-term Facility:**

Another aspect of the inadequacies of the lending policies of the Fund relates to the virtual absence of a truly medium-term facility. The EFF provides for repayment over a medium term but the finance itself is generally available up to a maximum of three years whereas the requirements of finance for structural adjustment often go beyond three years whereas the requirements of finance for structural adjustment often go beyond three years. The fear that such an elongated period of provision of finance would make the Fund a development agency has little logical foundation. Apart from the fungibility of funds argument, the recognition that the Fund has a role to play in structural adjustment with its emphasis on investment and on the supply side is an appropriate response to the realities of the current situation. There is no reason why growth should be sacrificed at the altar of adjustment. On the contrary, if structural adjustment is to be successful
it must be integrated into a growth-oriented investment programme. There is thus no need to be defensive about the provision of medium term finance which would help to make the effort at structural adjustment viable and successful without detriment to the revolving character of Fund resources. 'Revolving' is not necessarily synonymous with short-term emphasizes the requirement on the part of the country to repay in full and on time.

Exchange Rate Volatility:

Another major weakness of the present arrangements is the continuing volatility in exchange rates, which understandably affects the developing countries more. The uncertainty surrounding import payments and export receipts makes the task of economic management more difficult for them. The link which their currencies often have with major currencies leads to exchange rate variations for them often unrelated to their particular circumstances. Nor are they able to take adequate offsetting action through operating on forward markets the way developed countries can. A decade's experience with floating rates has shown its inadequacies and that it is not the right solution to the problem. It cannot claim to have succeeded in improving the operation of the adjustment process, nor can it be said to have
helped with the international liquidity problem. We are still to find the mean between the recognised rigidities of a par value system and the dislocating and destabilising uncertainties of floating rates.

**International Liquidity:**

International liquidity is defined to include all the assets and currencies that are freely and unconditionally usable in meeting the balance of payments deficits and other international obligation of countries. Gold has for long served as a unit of account measures of value and medium of exchange. In the narrow official sense, the liquid assets used to meet balance of payments deficit by government or monetary authorities included gold convertible foreign exchange assets and reserve position with the IMF. In a sense all owned and potential borrowings should be included as liquidity. These potential borrowings are vast and scope for them is expanding with the passage of time. Besides in a wider sense, all currencies and currency, deposits and credits, actual and potential are part of the liquidity whether available to monetary authorities for meeting balance of payments requirements only gold, official reserves, gold tranche and super gold tranche with the IMF are considered as freely usable liquid
assets by the authorities. Gold and super gold tranche positions are drawable without conditions like the current account position with banks. SDRs which have been created by the IMF since 1969 are also included as assets.

Adequacy of Reserves:

The currency composition of foreign exchange has also undergone substantial change since 1975. The role of the US dollar was replaced partly by other currencies such as DM, Swiss Franc and Japanese Yen and partly by SDR.

If reserves are important, the adequacy of reserves of international liquidity is equally important. Firstly, adequacy of reserves may be judged by the relationship of reserves to imports, secondly, by the rate of growth of world trade as compared to the rate of growth of reserves and thirdly by the magnitude of balance of payments deficit today as against a base year. Reserves as percentage of imports for all countries stood at 85 per cent in 1950 but declined to 38 per cent by 1966. During the decade ending in 1985 the ratio of non-gold reserves to imports for all countries stood at around 20-25 per cent.
The adequacy of reserves is also assessed sometimes with reference to the degree of fluctuations in export earnings. The symptoms of inadequacy include increased restrictions on current account transactions such as imports, efforts to curtail foreign aid, depreciation of currency and greater reliance on trade credits etc. With increased access to international capital markets, more recently by creditworthy countries like India, the question of adequacy of reserves became less important to them.

Problems of Liquidity:

The basic problems of international liquidity are as follows:

(1) Inadequacy of Growth: Compared to the growth of world trade and increased deficits in balance of payments or judged by any other criteria, the inadequacy of reserves was felt more in the sixties and seventies than before. This was the justification for the creation of SDRs by IMF.

(2) Unsatisfactory Distribution of Reserves: The bulk of the reserves, namely, around 60 per cent, was held by the developed World and more recently by the combined groups of developed countries and oil-producing
developing countries. The poor developing countries and non-oil producing countries are left with inadequate reserves.

(3) Unsatisfactory Composition of Reserves: The proportion of gold to total reserves in 1952 was 68 per cent which fell to 53 per cent in 1968 and further to 23 per cent in 1973. Since then gold was completely replaced in official transactions by the SDRs. Gold, however, continued to play an important role with some countries because of its intrinsic worth, despite its demonetisation by IMF in 1973. Gold was revalued in terms of the US dollar from $35 to $38 per fine ounce in 1971 and again to $42.2 per fine ounce in February 1973.

Augmentation of Liquidity:

The methods of augmenting the liquidity adopted by the Fund are the quota increase, borrowing from members under GAB and creation of SDRs. Increase in quotas of all members with the IMF would improve global liquidity as their borrowing operations could simultaneously increase. Normally quota reviews are held at intervals of not more than 5 years. Then the Fund would consider the growth of world economies, growth of international transactions and world trade and judge the adequacy of
existing international liquidity. The quotas of members would determine their existing subscriptions to the Fund, their drawing rights on the Fund under both regular and special facilities and their share of allocation of SDRs and their voting power in the Fund.

So far eight quota increases took place in the past. The latest and eighth General Review of quotas made in 1984 raised the total quotas with the Fund by 47.5 per cent to 90 billion. Even so, the ratio of Fund quotas to world imports is still lower at 4 per cent at present as compared to 9 per cent in 1970 and 12 per cent in 1965. Such general increases in quotas had taken place earlier in addition to some special increases of quotas of a few member whose currencies were supposed to be lower than the general requirements.

Special Drawing Rights (SDR):

The Special Drawing Right (SDR) are another source of augmenting international liquidity. This is an asset specially intended to take the place of gold and as such called paper gold. Each SDR is equal to 0.88671 grms. of fine gold, equivalent to one US dollar prior to devaluation in 1971. The value of SDR was changed with the devaluation of dollar in 1971 and 1973.
During 1974 to 1980 the value of SDR was fixed on a daily basis as a weighed average value of a basket of 16 currencies of countries with more than 1 per cent of world trade. In 1981 these 16 were replaced by 5 major currencies, namely, US $, DM, UK £, French France and Yen.

These reserve assets have been created by the Fund since 1969 as and when required as part of the long-term strategy of augmenting world liquidity to keep pace with the requirements of a growing world economy and world trade. The actual allocation of SDRs to members would depend on the then quotas with the Fund. The acceptability of the SDR as an international liquid asset would depend upon the unconditional acceptance of this asset by the members of the Fund. The Fund member have been given the option to join the SDR scheme and those who have joined are bound to abide by the rules of unconditional acceptance for international payments, conversion into reserve currencies, payment and receipt of interest etc. About 115 members had joined it originally in 1970 but now all its member have accepted and allowed the SDRs.
SDR accounts are kept separate from the General Account of the Fund. The SDR is like a coupon or a credit facility which can be exchanged for reserve currency as needed by the user and approved by the Fund. The governments of the countries are holders of the SDR and their accounts in SDRs are maintained by the Fund through book entries. If a member wants to SDR, it requests the Fund to designate another member to accept them in exchange for a reserve currency to use in international payments and the latter member is obliged to accept as designated by the Fund. This would then be tantamount to a credit granted by the latter member to the former for which an interest rate of 1 1/2 per cent is paid to the creditor by the debtor through the Fund. In this sense, SDRs are better than gold as no interest was received on gold. In order to encourage acceptability of these SDRs, a member country may be required to hold in all 300 per cent of the cumulative allocation - 100 per cent representing the original allocation and 200 per cent representing the part received from other as designated by the Fund. These SDRs are the liability of the member borrowing currencies in exchange for SDRs are not of Fund which keeps only the accounts with a surveillance over the
operations. The member are not expected to transfer SDRs for changing the composition of its international reserves. The Fund may also acquire SDRs in the process of its operations on General Account as the members may repurchase in SDRs or pay interest of service charges in SDRs. Further, with a view to put a limit on the use of this facility by deficit countries, the principle of "reconstitution" is laid down under which a member's net use of SDRs must be such that the average of its daily holdings over a five year period should be not less than 30 per cent (reduced to 15 per cent and later removes altogether) implying thereby that it could use only 70 per cent of the allocation on average. This puts an obligation on the members using SDRs to repurchase them also.

**SDR Allocation:**

Starting with January 1970, SDRs were allotted to all member countries of the IMF who accepted the SDR scheme. The first SDR allocations were made during each of the years 1970-72 totalling SDR 9.3 billion. Further allocations were made for each of the years during 1979-81, totalling SDR 12 billion. The cumulative allocations since the beginning of the scheme were SDR 12,433 million. Such cumulative allocations amounted to
only 5-7 per cent of the total world reserves other than gold. In timing of the allocations, the Fund kept in view the global need to supplement the existing reserve assets.

Limitations:

The SDRs cannot be used directly as reserves as they have to be converted into reserves of one or other currency before use for payments. They can be use by official agencies and for designated purposes only. There are not money as such but are comparable to near money or credit instruments. The fact that Interest is payable on SDRs used by the debtors to the creditors would indicate that the SDRs are credit facilities.

Uses:

Countries have made considerable use of these facilities since their first allocation in 1970. These transfers were partly designations by the IMF or by voluntary agreements among the members or in transactions with the Fund by members and partly in transactions by other international bodies who are holders of SDRs. Since then gold has been replaced by SDR in the Fund's transactions as well as in the international transactions of members. The SDRs cannot
however, be exchanged for gold or for changing the composition of reserves of a country.

There are charges payable for use of SDRs. The charge for a creditor position in SDRs with the Fund is paid to the member holding excess SDRs that allocated. This charge of 1 1/2 per cent was raised to 5 per cent in June 1974. Subsequently, the interest rate on borrowings in SDRs is determined quarterly, by reference to a combined market interest which is weighted average rate on specified short-term instruments in the money markets of the same five countries in whose currencies the SDR value is determined, namely, the USA, West Germany, UK, France and Japan. The interest rates in the money markets of these five countries are weighted according to the same weights as used for SDR valuation. The IMF rate of remuneration to creditor was fixed in terms of SDR interest rate.

SDRs can also be used in swap arrangements and in forward operations, as a unit of account or measure or value or a means of payment. The SDR is used as a currency peg by some countries and as security or pledge. The Asian Currency Union and a number of international and inter-regional bodies are using SDRs in the above applications.
SDRs in India:

India was allocated SDRs in the name of the Government of India since January 1970. These SDRs do not enter into the account of the RBI. During 1979-81, India was given further allocations on the basis of its quota with the Fund beginning with January 1979. India had a total allocation of about SDR 681 million during 1970-81.

India had used the SDRs in a very active manner since their inception and as at the end January 1987, our SDRs stood at 198 million. SDRs were used by India for payment of interest and repurchases from the Fund. India has also accepted them under the "Designation" plans of the Fund. India had Rs.7059 crores of foreign reserves, at end January 1987 excluding gold and SDRs, which account for about 4 months imports of India.

The Impact of the Debt Crisis:

The international debt crisis has cast a new responsibility on the Fund which, for the sake of protecting the financial stability and confidence in the international banking system, has been providing assistance to countries in the form of a 'seal of approval' and acting to catalyse private funds.
The debt crisis was a predictable sequel to the particular policy instruments chosen by the major countries in their efforts to control inflation. The primacy given to controlling inflation in the major countries is not in question but the instruments of policy, with their excessive reliance on monetary policy, have had wider adverse repercussions.

The role of the international financial agencies could and indeed should have been contra cyclical in helping to alleviate the impact of the recession and aiding the process of recovery. That it has not been so derives once again from the influence on its policies of the major countries, with has resulted in the prescribing of deflationary policies—which has only aggravated the problem for developing countries and, indeed, could be regarded as inconsistent with the spirit of the Articles.

The Need for Reform:

Over the last few years, the response to the international monetary disarray and the emergence of the debt crisis has been to find temporary solutions. The type of ad hoc arrangements for crisis management that we have witnessed cannot be a substitute for a plan of international monetary reform. Such arrangements have
only added to the complexity and fragility of the system, virtually making it a "non-system". The time for such piecemeal ad hoc and partial efforts at reform has passed. If we have to evolve a system where we are not moving from one monetary crisis to another, as we have been doing for nearly a decade, the role of the Fund would need to be redefined so as to make it more responsive to the emerging requirements of the international economy and more specifically to the legitimate needs of developing countries.

India's IMF Net Position:

India actively participated in IMF operations since 1947 when they were started. India has drawn IMF credits under most of its schemes. Any country can count as its reserves its IMF position in gold and super-gold tranches. Similarly, its repurchase obligations with the IMF are to be deducted from its official gross reserves. It is in this context that India's IMF position becomes relevant. India's repurchase obligations were nil in 1970-71, when it had repaid Rs.154 crores due to IMF. But India had a major drawal of about Rs.815 crores in August 1980 under two credits, namely, Rs. 275 crores from the compensatory financing facility. Our gold tranche position was about 25 per
cent of the quota which stood at 2207 million SDRs taking into account the 8th General Quota increase granted in January 1984. India has drawn into its credit tranches and also the compensatory financing facility, oil facility and special Trust Fund facility. In 1981, a loan of SDR 5.4 million was arranged under the extended Fund Facility of which only 4.3 billion SDRs, were used. We have at present outstanding repurchase obligations to the Fund of Rs.5621 crores at end January 1987.
BIBLIOGRAPHY

Foreign currency reserves position is sufficiently critical to justified recourse to IMF's standby credit. Multilateral institution recognise that economic development comprises growth accompanied by social changes.

LIBERALIZATION


Banks were nationalised in 1969. It was to spread the banking services to the rural parts of the country and to make finance available to financially weak parties who could start viable venture. New trend is the creditibility of the banks in the country and halted the progress of the bank.

MONETARY POLICY


Substantial financial reform requires financial restructuring. Monetary policy can be
crucial in fostering money market development in turn monetary management can become effective when money markets are well developed.

LOANS


In India there is no specific requirements at present to compel a company to provide for bad and doubtful debts and advances in the accounts. In India loans were classified as loans cash credits and overdrafts and bills discounted and purchased.

MONETARY, INFLATION


Principal proposition of the new classical macro economic namely the neutrality of anticipated monetary growth under rational expectations is applicable to the Indian economy. Monetary authority in India can not be certain of containing inflations solely by implementing of pre-announced reduction in the money growth rate leave alone being able to do so costlessly.
BUGET AND BUGETING, FINANCING, DEFICIT, INFLATION, 1973-74


During the debate on the union Budget for 1973-74, the government's failure to check the price spiral came in sharp criticism in both houses of parliament. Government policies are criticised in the whole article. Suggests some remedies.

CREDIT MARKETS, FORMAL AND INFORMAL


Whether or not the formal informal credit markets in India are interlinked. Instead of using unreliable interest rates data. Implication of informal credit for output behaviour are derived and tested. The result are consistent with no interlinkage between the markets.

DEFICIT/ORGANIZATION, FISCAL

Fiscal deficit spill over into external deficits leading to appreciation of the real exchange rates. Virtuous circle of growth and good fiscal management is one of the strongest argument for a policy of low and stable fiscal deficit.

ECONOMIC LIBERALIZATION, PAYMENTS, BALANCE OF -


Economic liberalization as a policy objectives and try to workout the content of a policy package to accompany the liberalization attempt so that it can be sustained in the long run. in the specific Indian contest. The paper brings together evidence to suggest that the economic in India is infect biased against export and urges for the use of the nominal exchange rate as a policy instrument to achieve and maintain purchasing power purity adjusted exchange rate.

ECONOMIC POLICIES, IMBALANCES

10. Sarkar, RC. Regional imbalances in Indian economy over plan periods. *EPW*, 29: 1, Mar 12, 94; 621-33.
Framework of the five year plans to devise measures to access how far maldistribution of resources among the states has been corrected and whether there has been a noticeable reduction in regional imbalances and charges in the placement of the different states according to the degree of development.

EXCHANGE, EQUITY, DEBTS


Study investigates the inflammation effect caused by a firm's change in capital structure via debt-for-equity and equity-for-debt exchange offers. The evidence suggests that the former transactions lead to abnormal stock price increase. While the latter lead to abnormal stock price decreased.

EXCHANGE RATE, 1997-98, RECOMMENDATIONS, CHELLIAH COMMITTEE

12. Joshi, Vijay and Little, I.M.D. Future trade and exchange rate policy for India. EPW, 28: 31, July 31, 93; 1599-1605.
Proposition of a trade policy for India which would be much less protective than the spectrum of customs duties envisaged for 1997-98 by the Chelliah Committee.

Flexible, Trade Balance, Devaluation, Effect of -


Effects of devaluation on the trade balance have restricted themselves to the estimation of import demand and export demand elasticity. Short term effects of devaluation are totally different from its long run-efforts.

Fluctuations, Depreciation


External value of the rupee is not only being changed frequently but also substantially in the downward dimensions in present year.
INFLATION, INTEREST RATES

15. Umrootkar, KD. Exchange rates floating on the Sea. 
   ET, Sept 27, 90; 9: 5.

   Falling rupee, would push up inflation to unreasonable levels, leading to higher interest rates. India would end up heading towards a recession situation.

PAYMENTS, BALANCE OF - MONETARY

Approach to -


   Monetary approach to exchange rate determination claims that the excess supply of money in an economy create capital outflows and if exchange rates are flexible than leads to a depreciation of the value of domestic currency. Monetary approach to exchange rate determination is weak in explained the exchange rate fluctuations when they are fully flexible.
EXCHANGE, RATES SYSTEM


Second Amendment to the articles agreement of the Fund specifies that each country is free to choose the exchange rate system that best suits its particular circumstances.

TRADE, LIBERALIZATION, INCOME CONVERGENCE.

Effect of -


Trade may actually have just the opposite effect leading to a reduction in income disparity among countries. Findings suggest a strong link between the timing of trade reform and income convergence among countries.

EXCHANGE, Role of - ACQUISITION, BIDDING, PREEMPTIVE

Medium of exchange in acquisitions is studied in a model where (1) bidders' offers bring forth potential competition and (2) targets and bidders are asymmetrically informed. In equilibrium both securities and cash offer are observed; securities have the advantage of serving in equilibrium to "preempt" competition by signaling a high variation of the target. Implications concerning the medium of exchange of an offer, the probability of acceptance, expected profits, and the cost of bidders are derived.

EXPORT - IMPORT, POLICIES, 1992-97


World Bank mounted pressure on government to reduce of items in negative lists in export-import policy, 1992-97. Also quantitative restrictions on export of items like cotton, abolish minimum export prices also to resolve other conditions like clearance from particular authorities.
LIBERALISATION, 1985-86.


Important argument behind the progressive liberalisation of the import policy has been expansion and upgradation of production capacity liberal import policy initiated in 1985-86.

EXPORT PROMOTION


Strategic trade policy suggests how import protection can be export promotion under increasing returns to scale. After removing political economy endogenetics in tariff and non-tariff barriers, targeted import protection most frequently has been export deterring.


Export promotion measures play an important role in the ensuring continuous expansion and diversification of India's exports.
FINANCE AND FINANCING, CAPITAL, LIBERALIZATION, Impact of -


Dynamic impact of a joint liberalization of capital movements and the domestic financial sector. A liberalization generally leads to an initial period of capital inflows followed by capital outflows. It also increased investment and cause an overshooting in share prices.

INSTITUTIONS, IMF, MONETARY, APPROACH


IMF model of Financial programming for stabilization is based upon the monetary approach to the balance of payments. Keynesian theory of income determination is grafted on to the monetary approach and the import inducing effect of direct foreign investment is recognized.
LIBERALIZATION


Increasing number of countries have been prompted to liberalise their financial system in the hope of improving the distribution of income, the efficiency of investment and the quality of financial services and in order to raise the standard of public services by reducing the incentives for corruption. Objective of Financial system can be summarised as general improvement in the functioning and efficiency of the financial system as a whole and removal of impediments to its long term developments.

STRUCTURE, TAXES, Effect of-


Modern industrial organization theory predicts the use of sunk costs. Tax system and financial contracts of the incumbent firm may
affects its optional precommitment decision, and infact may attract the strategic incentives for precommitment.

FINANCIAL INSTITUTION


Financial institution have played a key role in bringing out an industrial revolution in the country by providing the most important and crucial input, much need long term finance and emerged as a powerful instrument of economic development in the country.

FINANCIAL MARKET


India financial markets are passed on the verge of a new and expansionary phase. The healthy developments of the financial systems needs a sound Macro economic framework.
EXTERNAL


India's external financial market links in the light of the major changes that have taken place in the international financial markets as well as in India's own external financial position to see whether any change in our policy on establishing an offshore financial centre in India's is called far, paper discusses the recent financial market developments and made it more opportune far India to establish an offshore centre and whether the potential costs benefits of such a centre have become more favourable today than they were in the early 80's.

FISCAL DEFICIT, CAPITAL RECEIPTS


Necessary to be clear about what to include or exclude in the calculation of the fiscal deficit, If concept is to be used far economic analysis or as
a policy tool. This note attempts to clear some doubts about certain capital receipts, particularly proceeds from disinvestments in public enterprise.

FISCAL POLICIES, MEASURES


Paper studies four classic fiscal policy experiments within a quantitatively restricted neoclassical model. Main findings are as follows:

1. Permanent changes in government purchases. (2) Permanent changes in govt. purchases induce large effects than temporary changes. (3) The financing decision is quantitatively more important than the resource cost of changes in govt. purchases. (4) Public investment has dramatic effect on private output and investment.

FEDERAL FUND RATE, MONETARY TRANSMISSION, CHANNELS


Interest rates on Federal Funds is extremely informative about future movements of real macroeconomic variables. Funds rate sensitively records
stocks to the supply of banks reserves that is the fund rate is a good indicator of monetary policy actions. Finally using innovations to the funds rate as a measure of change in policy, we present evidence consistent with the view that monetary policy works at least in part through arodit, as well as through Money.

FOREIGN EXCHANGE, CURRENCY

Applies an expected utility analysis to derive optimal contingent claims for hedging foreign exchange transaction exposures over the complete range of probabilities, as well as the optimal forward and option hedge alternatives.

FOREIGN EXCHANGE, DEBTS

International business and banking have suffered in recent years by events in the global
economy because of high interest rate levels, resultant damming up of trade flows fall of OPEC's decrease of price hegemony and International debt crises.

FOREIGN EXCHANGE, EQUITY, MARKETS, MEAN VARIANCE TESTS


Tests for Mean-variance efficiency of international equity market for ten OPEC countries. A world test that allows for time varying variance of excess returns rejects a vision of MVE.

FOREIGN EXCHANGE, INTERNATIONAL PRICING

37. Huang, Roger D. An analysis of intertemporal pricing for forward foreign exchange contracts. The journal of Finance, 44:1, Mar, 89; 183-94.

Asset pricing Model with an unobservable time varying risk premium is used to price forward foreign exchange contracts. Specially, the term spectrum of forward foreign exchange contracts is
examined in order to focus on country specific and maturity specific information. The intertemporal model is relatively robust involving forward contracts of different maturities and for different exchange rates but it may fail when there are significant short term country specific shocks.

FOREIGN EXCHANGE MARKETS


Filter rates profits found in foreign exchange markets in the early day of the current markets float persist in later periods as shown by Statistical tests developed and implemented here. The test is consistent with, but independent of, a wide variety of asset pricing models.

MONETARY POLICIES


Develop a model of production and exchange with uncertainty concerning the quality of
commodities and study the role of fiat money in ameliorating frictions caused by private information. Money works by promoting useful production and exchange. Inefficient monetary equilibria, agents adopt strategies that increase the probability of acquining high quality output.

RBI, EARNINGS, 1960-61 - 1987-88

Analysis of trends in Foreign Exchange earnings and expenditure of the private corporate sector over the period 1960-61 to 1987-88 based on data from RBI survey. Reports on foreign collaborations and the RBI studies on Finance of medium and large public and Private limited companies and foreign controlled rupee companies.

RATES
Exchange rate targeting helps economic performance depends on whether shock and spillovers are mutually reinforcing or offsetting cost of supporting the extra exchange rate target is greater than the degree of coordination it induces.


Implement a methodology to identify and measure premia in the pricing of farm and foreign exchange that involves application of signal extraction techniques from the engineering literature. Methodology can be applied straightforwardly to the measurement of unobservable in other financial markets.

CONSUMPTION SUBSIDIES, PUBLIC ENTERPRISES, PRICE CONTROLS, Effect of -

Examine the effects of consumption subsidies, public enterprise pricing and price controls on the real exchange rate. Plausible assumption shows that permanent reform in these areas leads to a permanent exchange rate appreciation. In empirical application to the 1990 Fuginion plan in Peru is discussed.

POLICIES, FISCAL, MONETARY AND DOMESTIC

44. Nandi, Sukumar. Exchange rate behaviour of Indian rupee in a controlled foreign exchange regime: a cointegration approach. JISPS, 6: 2, April-June 94; 257-72.

Whenever a currency is subject to control regarding its exchange rate and trading, a parallel market develops and a second exchange rate popularly known as black market rate, is established in the market. The interaction of this with the official rate is conditioned by the domestic fiscal and monetary policies and international scenario.
MONETARY

45. Honshan, Patrick. Monetary restraint and the exchange rate. *Economica*. 51: 201, Feb, 84; 163-76, Examines the short run response of the exchange rate and the level of interest rates to an unanticipated change in monetary policy. Sudden reduction in the rate of monetary expansion is postulated in an economy with a floating exchange rate. Monetary restraint nowadays usually takes the form of a reduction in the rate of monetary expansion.

TRADE POLICIES, INDIA


Trade policy for India which would be much less protective than the spectrum of customs duties envisaged for 1997-98 by the Chelliah committee. The committee's proposals argue are not too protective but also too much complex.
FOREIGN EXCHANGE TRADING, TRANSACTION, COMMERCIAL BANKS


During seventies, there has been a significant expansion in the inter-rational commercial transactions in India. Foreign exchange business is an important source of profits for banks. The main element of risk in foreign exchange transaction arises from unexpected changes in exchange rates.

FOREIGN TRADE AND INDUSTRIAL DEVELOPMENT


Basic strategy of export promotion is import liberalization. Fiscal benefits in the form of reduced import duties over a wide range of industrial machinery and raw materials.
EXPORT


International economic and trade environment has been difficult for export of many of our commodities and manufacture in recent years. Among the important items whose exports in 1983-84 compared to 1982-83, based on provisional figures indicated significant are gem and jewellery, tea, sugar, readymade garments raw, cotton, hand made carpets, cashew unels and spices crude oil and petroleum also contributed significantly to the general increase in exports.

IMBALANCES


Foreign trade plays a crucial role in the development process.

Trade imbalances induces disruption in the supply of imports and since this may have adverse repercussions for the whole economy.
LIBERALIZATION, FISCAL, MONETARY AND EXCHANGE RATE POLICIES


Foreign trade in industrialization is a vital issue for several reasons. There is a close relationship between trade policy and industrial development. Liberal outward looking trade policies can lead to a higher economic growth through efficient industrialization of developing countries, only if they are accompanied by appropriate fiscal, monetary and exchange rate policies.

GATT, TRADE NEGOTIATION MULTILATERAL


41st annual session of the GATT held in the last week of November 1985. Hence it specifies the position prior to the decision taken at the 41st session. The preparatory committee for doing ground work for the new Round has been setup and the issues relating to trade in services are to be examined separately.
GOVERNMENT FINANCE, FINANCIAL REPRESSION, Effect of -


Provides the empirical evidence on the effect of financial evidence on the effect of financial repression is a combination of controls on international capital flows with restrictions on domestic interest rates. The result is an artificially, low cost of domestic finding to governments.

INFLATION


Examines the impact of inflation in India on the rate of return on equity. The real rate of return for each year and all multi-year holding period between 1953 and 1987 are presented whereas equity provide a positive real sale of return over long periods. It is negative in the short run. Especially in the year of extra-ordinary inflation.

Inflation and deflation can have the relative share of workers. Since inflation in the Indian context is widely accepted as involving a squeeze on workers, especially the large number of modernized workers whose wages are not indexed to cost of living increase. It is often suggested that controlling inflation through a tightening of credit availability.


Described a new type of inflation unheard by the monetarists and structuralists alike. This inflation springs from the wealth effects that emanates unlike its Pigourian cousins from the stock market. The Budget will dig this channel of inflation deeper. Fiscal deficit is the root cause of inflation and balance of payment deficit.
Inflation avoids the real nature of a nominal debt and thereby confers a central gain upon the debtor. Inflation induced capital gain to the government of India as a positive item in the Budget Fiscal deficit and current payment crisis in India are unrelated contrary to the official claim.

Differential inflation effects caused by a disequilibrium in the wage good sector has now been documented. Shift in the inflation expenditure curve was due to acceleration of cereal price.

Interest rates on loans and advances have been administered with a view to influencing of
demand for credit and to introduced an element of discipline in the use of Bank. Credit, the stipulation of deposit rates aims at preventing undue competition among banks and to keep the rates broadly in alignment with the interest rates on other saving instruments to help deposit mobilization.

INTERNATIONAL BANKS AND BANKING, EXTERNAL, ECONOMIC CRISIS


Analysis of India's recent external economic crises, emphasising that the developmental dimensions of the crisis are distinct from the short term liquidity aspects which are paramount to the lenders.

IMF


International banking fraternity has been able to hide under the skirt of IMF, which orchestrated a remarkably effective creditor cartel.
Scores of countries caught in a debt trap are being adjusted to a new world order designed by the economic elites of the major industrial countries.

**LOANS, IMF**


IMF performance shows poor but international bank has done well. So far as loan is concerned, the bank has given loan of $1,897 million to member countries of this amount. India received by a share of $63 million.

**MONETARY FUND, PAYMENTS, BALANCE OF**


IMF programming directly affects livelihood of several hundred Million people. Which faces chronic starvation. IMF to provide debt of more than 80 billion and also to alleviate in Balance of payments difficulties reduce fiscal deficit and relieve inflationary pressure.
MONETARY SYSTEM


Successful management of currency and payments problems arising from the price hike of petroleum prices and a concern about the establishment of the reformed international monetary system were the main feature of development in the sphere of international money and banking during the three month period.

INTERNATIONAL FINANCIAL INSTITUTION, IDA, EXTERNAL FINANCE


Indian economy has undergone significant transformation in recent years. External finance from multilateral financial institutions and officials, development consistence from friendly countries with condition disbursed loans from World Bank IDA, Japan, IBRD, and IDA pledging $ 2.8 billion.

BOP is an important problem in India. Agriculture remains the most neglected sector in terms of present framework of policy. International Financial Institution is only way by providing credit. World Bank estimate about the problem of repayment of past loans.

**IMF & INTERNATIONAL MONETARY SYSTEM**


Present world monetary system is that of a lack of means of automatic adjustment in the current account in balance in payments position between surplus and deficit countries. The present monetary system is characterised by three major problems, the confidence problem, the long run liquidity problem and the adjustment problem. Better world monetary system necessitates the simultaneous solution of these problems.
Establishment of the International Monetary Fund in 1945 was an attempt at reconciliation of the autonomy of internal economy with the discipline of international monetary system. IMF allowed for adjustment of the exchange rates in conditions of fundamental disequilibrium in balance of payments of member countries.

FINANCING FACILITIES

India likely to obtain US $ 600 (Rs.10800) under modified compensatory and contingency financing facility (CCFF) World Bank and IMF support CCFF, and take favourable stand.

LOANS

IMF announced loan of $ 1786 million to India $ 777 million was granted under first credit and $
1009 million under compensatory and contingency financing facilities. Loan paid over five year and rate of interest 9 percent.

PAYMENTS, BALANCE OF -

71. Sinha, B.L.N. Balance of payments: recent global trends. ET, Aug. 13, 90; 7; 3.

Developing countries need a strong IMF for their own good as well as that of world economy. Influence of IMF has come down

BUDGET DEFICIT,

TIGHTENING MONEY SUPPLY, INFLATION


Role of IMF in sorting out balance of payment difficulties has always been questionable. Quantum of loan is so massive and as such it attracts the conditionalities clause of IMF. IMF’s package involves wiping out budget deficit, tightening money supply to control inflation, cutting all subsidies, loosening control on the economy and liberalising import controls.
Economic policies of the government of India in recent months have attracted widespread response from various quarters. Imbalances in trade and payments position of the country which have developed over time and which have triggered off the policy changes and the need for borrowing from the IMF.

INTERNATIONAL MONETARY SYSTEM, DEBT


Global debt of less developing countries has crossed 1200 billion dollars, proposed scheme for reduction of burden of debt are sincerely put into operation. International financial system must inevitably increased condition for removing debt burden.
GOODS, SERVICES, EXCHANGE OF -


International monetary system is to provide a framework which facilitates exchange of goods, services and capital among countries and sustain sound economic growth. Liquidity, adjustment and confidence are the three essential requisities of monetary system. Floating exchange rate system should be suitably managed under the surveillance and the review of the IMF with a simple suitable technique.

MEASURES, STABILIZATION, PAYMENTS, BALANCE OF -


Key role of international monetary system not only in the financing and settlement of international economic relations, but also in the success or failure of each country's efforts to pursue orderly monetary policies promoting full employment and economic growth while preserving a reasonable degree of price, stability and a viable balance of payments.
*ET*, April 20, 89; 5-3.

India's balance of payment position which remained difficult throughout eighties has now become critical. To tide over the short term difficulties there seems to be no escape for the country from seeking a new IMF loan.

78. Mehrotra, K.N. Developments in international monetary system: implications for India. *FTR.* 28: 1, April-June, 85; 60-4.

International monetary system and world trade and closely interlinked. Flexibility of exchange rates has not equilibrium in their balance of payments. India has to resort to commercial borrowings in international financial markets then. Interest and services payments on foreign loans and credit bill be increased significantly.

*ET.* May 8, 90; 7; 3.
Quantum of international trade of a country alone does not determine the exchange rate of its poling nations. The strength of each currency in the market is related to its value influencing currency and the relevance of exchange rate is in indirect proposition to the volatility of a currency with its resource base at home.

EXCHANGE RATES


International trade and money along with the capital movements along with the capital movements are the basins of foreign exchange transaction. The banks are the natural intermediaries between foreign exchange demand and supply. New exchange rate mechanism will provide significant benefits to exporters, importers and other customers.

FISCAL DEFICIT, PAYMENTS, BALANCE OF - ,INTEREST RATES, Effect of -

Effect of fiscal deficit on welfare interest rates and balance of payments are examined in an open economy. Anticipated future deficit decreases current welfare and decreases short term interest rates but increases long term rates.

INTERNATIONAL CAPITAL FLOW,

RECESSION

82. Shetty, J.V. Indian banking and its role in emerging international economic environment. The Banker. 32: 5, July 85; 11-8.

Recession resulted into new barriers to international trade and lowered the international capital flows. Nationalisation of banks has resulted in a marked functional and geographical expansion in their business. Indian banks have to help top sources other than the official lending agencies for financial assistance in order to meet the funding requirements of the country.

INVESTMENT AND INVESTMENTS

Tax reduction in lieu of investments allowance would affect the acceptability of a new project because one set of benefits would be substituted by others.

FOREIGN


Paper examines in this background the role of foreign private investment in the natural resources of developing countries in the light of their current policies. Foreign environmental investments are likely to be export intensive and oriented towards processing of local exhaustive resources.

85. Bhakta, M.L. Foreign investment policy needs to be spelt out. ET, April 9, 90; 7: 2.

World is looking forward to India to spell out its policy on foreign investment. The main objective of the country should be to generate and distribute more wealth. This schemes would continue to have the advantage of increase in industrial production and employment in the country. Participation of foreign
capital and enterprise was accepted as a necessary tool for faster industrialization.


Foreign direct investment from India is not a marginal phenomenon. It is quite seizable relative to foreign direct investment into India and private corporate investment in India. Transnationalization of the Indian private corporate sector is not too insubstantial. The Indian capitalist class has "Come of age" and is undertaking industrial ventures abroad in its drive towards capital accumulation.

DOMESTIC CAPITAL


Foreign investment in the high wage manufacturing sector crowds out domestic capital on a greater than one-for-one basis and lowers the level of manufacturing sector employment in the long run.
TAX


Tax havens affiliates of American corporations account for more than 20% of U.S. foreign direct investment and nearly a third of the foreign profits of U.S. firms. American companies report extraordinarily high profit rates in their tax haven investment in 1982. Foreign investment in tax havens has an uncertain effect on U.S. tax revenue but since low tax rates encourage American companies to shift profits out of high tax foreign countries.

LOBBIES, FINANCIAL


Union budget 1985-86 has taken some positive steps for increasing industrial efficiency and growth. It has an extremely high inflationary potential. It is also likely to worsen income distribution. budget services in its allocation for rural employment programme and other plan items.
MEASURES, STABILIZATION, CENTRAL BANKS, POLICIES, MONETARY

90. Tobin, James. Central bank and government budget-II; policy mix & information on employment. ET, Jan 15, 85; 5: 2.

Tight central bank monetary policy raises interdependence, mobile funds, appreciates the home currency and lowers the domestic prices of internationally traded goods.

FISCAL

91. Tobin, James. Central banks and government budgets-1: Choice of fiscal and monetary policy mix. ET, Jan 14, 85; 5: 3.

Mix of fiscal and monetary policy presupposes that governments and central banks jointly enjoys some freedom of choices. They can set fiscal and monetary policy instruments interdependently.

FISCAL AND MONETARY, INFLATION

92. Pandit. V. Controlling inflation: some analytical and empirical laws. EPW. 27: 1 & 2, Jan 2-9, 93; 39-42.
Finance minister has placed excessive emphasis on the demand pull factor, overlooking the strong cash push phenomena that have characterized the Indian economy in recent gears. Broad contrationary fiscal and monetary policy, even if effectively implemented, is not a good substitute for efficient resource utilization. It may hurt the economy and turn out to be stagnationist in the short run.

INFLATION


Sheds light on the two ordinances which are promulgated as the measure to contain inflation 1. the additional emoluments (compulsory approach) ordinance 1974, and 2. the companies (Temporary Restrictions on Dividends) ordinance 1974. Discusses these two ordinances as the measure to check inflation.

POLICIES, FISCAL, INFLATION

Gives the theories of inflation and discusses its many causes. Gives some measures to control it. Criticises the fiscal policies of the government regarding inflation.

INFLATION


Paper has two aims: to formulate a general explanation with some emphasis on the structure of developing economies and to present an empirical analysis of the variables incorporated in this explanation by using the time series data from India and Philippines.


Discuss the role of congress government in making the policy to control inflation and comes to the conclusion that the congress government could not control it.

Consumer movement is an essential measure, especially in a developing economy to protect the consumer against the evils of unscrupulous profiteering. It can be an effective instrument at the time when prices of essential goods tend to rocket skyhigh. The movement is useful in normal times as well.

In fact this is a must to realise a socialist society based on Gandhian concept of social order.


Explain the controversy which has been raging between the "monetarist" and the "structuralist" groups in the inflation ridden latin America. The author analysis the controversy in Indian context and has come to the conclusion that structural theory may not be sufficient explanation of inflationary price rise in this country. Monetary policies upto some extent can achieve stability only at the cost of reduced output and employment.

Discusses the causes of inflation in India. Draws some results of the Indian inflation and its impact on the people and the capital of the country.


Indian inflation caused particularly by persistent heavy deficit financing, monetary expansion, mounting government expenditure and stagnation in production, adoption of unconventional technique of indexing and inflation account means a gamble with the economy.


Simple queuing mechanism is incorporated into a model of repressed inflation to reflect the experience by Soviet type of economic compositive static are examined with particular attention to the effects of a higher money price level of wage
rates are all the same though thresholds may be heterogeneous in other respect all household game from a higher money price.


Article is a summary of the economic situation of the various countries in the context of inflation. Makes it clear that it is only the problem of the under developed countries but also of the developed countries discusses the causes of inflation and suggests some measures to contain it.


Paper considers a model of a monopolistically competitive industry with a large number of firms producing imperfect substitutes. There is an exogenous inflation rate, and each firm must pay a fixed cost every time it adjusts its nominal price. The same frequency of price adjustment is compatible with a full range of inflation rates.
Fourth plan aims at acceleration of the development in the condition of stability. In regard to financing of the plan, emphasis is being placed on additional mobilization in internal sources in manner which will not give rise to inflationary pressures. The plan outlays are proposed to be closely related to the possibility of raising the resources in a non-inflationary way.

Problem of inflation is still exercising the mind of the common man. Gives historical account of inflation in India discusses the various causes of the problem and suggests some measures.

Money supply and agricultural production are the two basic factors which can affect inflation. In this regard, discusses the causes of the present inflation in India which is called a growing
Inflation in this country is a complex phenomenon. However, basically it stems from the following factors. One of them is a very rapid increase in money supply, secondly there has been stagnation in both industrial and agricultural production, thirdly hoarding, fourthly, the inflationary tendencies in work market have accelerated the inflationary pressures. Finally, the oil crises. If this inflationary spiral, which is showing no sign of abating is not checked in economy will collapse and our social and political structure will disintegrate.


Purpose of this study is to examine the marginal effective tax rates for different asset classes and changes in users cost with inflation. Such calculation enabled a study of the effect of
inflation and other allowances like depreciation, investment allowance etc. on incentive to invest. Effective tax rates increase with inflation but at a decreasing rate.


Pointing out that inflation since the last few years has become world phenomenon and there is not no country that has been affected by it. India has been one of the worst sufferers and the price-wage spiral, accompanied by chronic shortages of wages goods has gravely affected our economy. Discusses the government policies to contain it.


According to the economic survey for 1977-78 "the most important feature in 1976-77 was the reemergence of inflation." Generally an economy which would be free from an inflationary bias of investment is financed by real savings. This would imply that aggregate demand should be matched by aggregate supply. Budget, deficit
financing, monetary policies are the main causes of current inflation. Another factor is the shortfall of production.


Stark reality of disproportionate money supply, extravagant non-development expenditure by the government, existence of parallel economy through black money, creation of artificial scarcities, lack of an effective distribution and above all the hitherto misplaced priorities in industrial production have been the real cause of the price spiral that the country witnessed today. Government should implement a better policy to contain it.


Paper studies the changes in distribution of national income and in conception expenditure by different section of the population in an inflationary context. Inflation in India, the author concludes, has hurt mainly the poor and among the poor, the unorganised sectors of the
labour, both in rural and urban areas have been the worst effected.


Deals with the causes of inflation in India such as the hoarding. Black marketings inefficient distributing system, deficit financing, credit, policy, shortfall of the agricultural production and the inefficient polices of the government in relation to the money supply and taxation etc. Discusses some measures as well.


1930s have gone down in economic history as a period of world wide depression and the 1970s, will perhaps do as a period of world-wide inflation, Author gives the rise of consumer crises by percentage points in the various countries of the world including India pointing out so many causes of world wide inflation but gives special emphasis on the soaring prices of
food articles and discusses it as a basic cause of
the problem.

115. Nag, A.K. and Samanta, G.P. Inflation in India
during the 80s: an analytical review. *EPW*, 29: 8,
Feb 19, 94 431-9.

Structural constraints play a major role in
the movement of the general price level in
developing countries like India. Thus the
inflationary dynamics in these countries can not
be explained purely as monetary phenomena. This
study attempts a disaggregative analysis by
considering the structural variable first and
then analysing the influence of monetary
aggregates on sectoral prices.

116. Narijundrya, B. Inflation reasons and remedies,
*Yojana*. 18: 19, Nov 1, 74, 30-31.

Explains inflation which is by all accounts
is the number one problem facing the country.
Institute of financial management and research,
Madras organised the seminar on subject in which
the various causes of inflation were discussed and
some policies were outlined.


Deficit financing, existence of the black-money, shortfall of the agriculture and industrial production, and inadequate distribution system are some of the important causes of inflation in India. The remedial measures include a credit squeeze, expansion of food distribution agencies, strong measures to check hoarding etc.


Current inflation is only the result of the inefficient policies of the government being made under the political pressure. Author criticises
the steps taken by the government, discusses the measures in details and gives his own suggestions.


Rapid and continuing rise in prices witnessed during the last 28 months indicates the presence of a real inflation in the economy, and one that threatens to get out of hand if immediate measure are not taken. The problem of inflation needs to be tackled from the turn angle of reducing aggregate money demand and increasing aggregate real supplies.


Discusses the various causes of inflation and suggests some measures to contain inflation in India. Also discusses the government's policy to contain inflation through the annual plan, and gives the steps taken so far to curb inflation.
BUDGET

122. Thakur, Shrinivas Y. Union budget spurring growth or inflation? ET. May 7, 90, 7: 3.

Budget may stimulate the forces of growth only if inflationary pressures are kept under strict control.

DECENTRALITION


Observes that decentralization cannot be expected to fight inflation unless it has enough teeth to have a sizable impact on the existing system and lay the foundation of a counter system. Inflation is after all a part of the process of exploitation by which purchasing power is covertly transferred from the pockets of the majority of the people into those of minority.

RBI


Discusses the inflation in the context of India. Gives the various causes of inflation in India and specially discusses the role of Reserve Bank in containing inflation.
International Monetary Policies


International policy interactions in a two country world characterized by the following rule. One country sets its down money supply but give up control of exchange rate, the other country sets the exchange rate independently but gives up control of domestic money stocks.


Monetary reform does not provides a well articulated IMS. Exchange rate instead of being the policy objectives EIMS is the monetary counterpart of the evolving international economic relations and especially evolving understanding about the world economic interdependence. It is an exploratory effort for a new haven for world money.
MONEY, INFLATION, 1950-51 TO 1977-78


Investigates the relationship between the variability of the rate of inflation and the demand for the real cash balances in India during 1951-52 to 1977-78. Variability of inflation rate has definite positive influence on the demand for real money balance in the given period.

PAYMENTS, BALANCE OF -

128. Goel, Ravinder. Balance of payments problems: selective measures hold the key. *EPW.* 27: 78, Feb 15, 92; 323-4

Import have to be kept within the limit set by the level of exports. It follows that there can be no avoiding purposive government intervention based on consideration of essentiality.
POLICIES, MONETARY


Paper examines optimal monetary policy under uncertainty in a context in which policy makers are able to make credible policy commitments. Optimal taxation problem of minimizing the social cost of financing a stochastic and exogenous level of government transfers. Optimal monetary policy is highly responsive to the state of nature.


Friedman has asserted that any monetary rule constantly followed will lead the economy to the natural rate of unemployment at which the rate of change of prices will be equal to the rate of change of the money supply net to the rate of change of real output times the income elasticity of real balances.
131. Shrimali, RD. Plea for an integrated approach to price policy: current inflation in India. 
Manishbream. 12: 42: Jan 15, 74; 6-7.

There are so many causes of inflation in India: faster money supply, draughts, wars with Pakistan and China, refugees from Bangladesh, deficit financing etc. Suggests some measures also.

BANK REGULATION


World monetary policy and bank regulations have welfare effects. General result was translated into results on the optimum rate of expansion of the supply of base money under different assumptions. It was shown that higher rate of financial innovations calls for a more rapid reduction of the stock of base money.

Unanticipated monetary expansion leads to real exchange rate depreciation, and because the harms of real depreciation are greater in more open economies, the benefits of unanticipated expansions are decreasing in the degree of openness. Models in which the absence of precommitment in monetary policy leads to excessive inflation therefore predict lower average inflation in more open economies.


Rate of inflation has shown a deceleration and touched a single digit level from the week ended Aug, 92. Monetary expansion has been very strong so far with an increase in the first half of 1992-93. Monetary policy responses have been framed considering the need to revive industrial and agricultural production, encourage exports and
keeping in mind also the objective of control of inflation.

LIQUIDITY, RBI


Rationale for monetary policy for the year 1989-90 was provided by the RBI in the following words "while additional credit would be required to support the expected level of economic liquidity during recent years, the sharp increase in non-food credits during 1988-89 and the conditioned pressure on prices suggested that the expansion of M3 during 1989-90 was contained to a level lower than the average for the last four years (16.7%)." Effectiveness of the monetary policy depends upon the aggregate liquidity. Objective of the monetary policy is to control the overall liquidity in the economy.

INTEREST RATES, RBI

RBI should pay attention to the behaviour of both interest rates and the money stock because of shifts in money demand reveal themselves as movements in interest rates and if the RBI desires to stabilize the economy, it must respond to such shifts in money demand.

RESERVES, ANNOUNCEMENT OF - 1979


Analysis is based on the term structure of interest rates to the weekly federal reserve announcement of bank reserves during the post Oct 1979 period. It is shown that unanticipated charges in the mix between borrowed and nonborrowed reserves cause expected real interest rates to change after the announcement because they provide information about a future change in the supply of money.

Monetary policy as an instrument of economic policy. Monetary policy acts through influencing the cost of availability of credit and money and its effectiveness in the first place. Demand function for money is an useful exercise to understand the interrelationship among money, output and prices.


Elementary economics tells us that prices increase in two situations 1. When the demand for commodities and services exceeds to the given supply of them 2. When the supply of commodities and services falls short of the given demand for them.

Problem of financing economic development by means of inflation has attracted the attention of many thinkers. According to classical theory, growth of capital is the main factor including the economic growth of the country. According to Keynes during the period of depression, deficit financing raises the money income of the people whose demand for consumer goods increases resulting in the rise in prices. Discuss so many other theories of inflation.


Small note attempts to evaluate the important theories of inflation on the basis of India's experience since mid 60s. The first part of the note provides the important conceptual explanations of inflation in nutshell. The second part brings out the essential empirical features of Indian inflation. The third part seeks to evaluate the concept explained in the first part on the basis of the empirical details given in the second part of the note.
MONETARY, INFLATION


Discusses the causes of the inflation in India, criticizes the policy of the government in the context of recent budget which is not the solution of the problem because there is a great difference in between theory and practice.

MONETARY SYSTEM, INTEREST RATES


Paper reconsiders the effects of monetary shocks on the nominal interest rate in a standard microeconomic model. It is demonstrated that, when the policy objective is controlling the money stock, money supply shocks generate a situation of excess demand for money. Nominal interest rate decreases are possible only when fine-turning rules are adopted.
MONETARY AND EXCHANGE RATE POLICIES, UNEMPLOYMENT


Main aim is to analyze the behaviour of an open economy with unemployment, under the influence of rational expectations about future economic variables. Model has divided a number of results concerning the effects of changes in money supply and in exchange rates. When the current exchange rate is flexible, a future monetary expansion may well result in an appreciation of exchange rate.

CREDIT ORGANIZATION, DEBT REPAYMENT, DEVELOPING COUNTRIES


Monetary organizations make possible and facilitate payments for current transactions. Monetary and credit financial organization have different tasks but play an important role in financing economic development in developing countries and in the repayment of their debts.
International experience examined that fiscal deficit is not relevant for the price stability but budgetary relevant for the price stability. And for monitoring the financial liability for the central government in relation to its repaying capacity, fiscal deficit is relevant.

Economic theory offers two distinct approaches to the modeling of interest rates. At the microeconomic level, interest rates are modeled as an outcome of intertemporal optimization by investors. Interest rates have been viewed as being determined in an economy-wide equilibrium in which the money demand function plays a key part in determining short run behaviour.

Considers the dynamic effects of an unanticipated monetary shock of the exchange rate, the wage rate, the price level and the level of output in a small open economy. The fall in output created by the monetary expansion assumes that the exchange rate must depreciate below its long run equilibrium level. The higher stock of money and lower output both contribute to excess supply of money.

**FUND, INTERNATIONAL**


Conditions imposed by IMF on the government of India especially an upper tranche stand-by credit. The standard IMF prescriptions are devaluation of currency and deflation for the countries balance of payments difficulties.
MONETARY POLICIES


Analyses a Multi-period monetary targeting procedure as a possible resolution to the credibility problem in policy when the monetary authority has some private informations. By limiting the degree of flexibility permitted in policy, this procedure mitigates the credibility problem based on model situations, the analysis studies the determinants of the optimal targeting horizon that balances the benefits of flexibility and discipline in policy.

CREDIT CONDITIONS, INSTITUTIONS, CREDIT & LOANS

151. Kashyap, Anil K; Steir, Jereny C. and Wilcox, David W. Monetary policy and credit conditions: evidence from the composition of external finance. *AER*, 83: 1, March, 93; 78-98.

Use of relative movements in bank loans and commercial paper to provide evidence on the
existence of loan supply channel of Monetaary policy transmission. Tight-er Monetary policy leads to a shift in firms mix of external financing. It suggests that contractionary policy can indeed reduce loan supply. Shift in loan supply seems to affect investment, even controlling for interest rates and output.

DEMAND & TARGETING


Monetary targeting recommend demand management in tune with plan investment and planned growth and control over the volume of credit to the private sector.

MACRO ECONOMIC POLICIES, ECONOMIC REFORMS, INDIAN INDUSTRIAL CAPITAL


Re-emergence of conservative economic thinking in policy matters and international pressure faced by the government in 1991 led to a thorough going revision of macro economic policy. In this paper some of the compulsions driving state policy
are described. It says that the current state of policy reforms does indicate a growing strength of Indian industrial capital of the extent to free itself from the arena of state controls.

MONETARY POLICIES, LONG TERM, TAXATION


New fiscal policy is a welcome departure from the past. Long term fiscal policy suggested stability in taxation. There is a need for some reform to cope with the present needs and challenges of the society.

Role of -


Role of monetary policy as a potential stabilizer of economic activity is a controversial issue. The current debate is highly influenced by the new classical economics according to which any systematic monetary policy is neutral within a setting of instantaneous
market clearing, rational expectations and imperfect information.


Stabilization is a necessary accompaniment of structure reform that is crisis driven. But there is scope for choice as regards the content of a stabilization programme and the pace at which it is carried out. So the natural questions to ask with respect to stabilization are whether its content, pace and timing are appropriate from the viewpoint of supporting the reform process and achieving the fundamental objective of policy such as growth and poverty alleviation.

MONETARY SYSTEM, INTERNATIONAL, Proposals for


International monetary system must seek to eliminate effectively the fundamental problems of
confidence liquidity, equity and adjustment. International monetary system is tending to add to international liquidity by creating the SDR's at the IMF, reduce the importance of gold overtime and to modify the IMF rules and to facilitate a smooth and fairly continuous degree of balance of payments.

TRENDS, CURRENCY MARKETS, 1970's


Form of the international monetary system has been changing rather swiftly during the present century especially in the post war period and more particularly during the 70's. Key problem of IMS has been the maintenance of appropriate pattern of exchange rates. The quota system of the IMF needs to be restructured according to the liquidity needs of the country.

MONEY, FLUCTUATION, INFLATION

States that bank credit like another form of finance establishes a link between the supply and demand segments of commodity markets. Credit control is really an important measure to check inflation but the formation of a credit policy is a very difficult task in India.

160. Friedman, Benjamin M., and Ruther, Kenneth N. Money, income, prices and interest rates. AER, 82; 3 June, 92; 472-92.

Including data from the 1980's sharply weaken the postwar time series evidence indicating significant relationship between money and nominal income or between money and either real income or prices separately. Evidence indicating co-integration of real income and real money balances with due allowance for the effect of interest rates, also deteriorates when the sample extends through the 1980's. Commercial paper rate and the treasury bill rates consistently contain highly significant information about future movements in real income.
INFLATION, SUPPLY


So many causes of inflation in India but author specifically emphasises the basic cause which is the sharp increase in money supply.

PUBLIC FINANCE, DEFICIT, MONETARY & FISCAL


Economic forces behind the emerging scenario and the developments in the finance sector as its points of departure mainly because of the primary concern of the government remains reduction of the fiscal and monetary deficit. Budget shows that poor growth in agriculture and industry in Indian economy has been accompanied by a substantial increase in the supply of finance, slow growth in Bank advances, inflow of foreign funds, a jump of foreign exchange reserves and a booming stock market.
STOCK PRICES, FLUCTUATIONS, FINANCIAL MARKETS


Financial literature is the predictability of excess returns and the excess volatility of stock prices. Learning effect on stock price dynamics are an intuitive candidate to explain these empirical findings. Estimation uncertainty way increase volatility of stock prices and an estimate of the divided growth rate learning may help to explain excess volatility and predictability of stock returns.

PAYMENTS, BALANCE OF -


Money market disequilibrium plays a fundamental role in the determination of balance of payments. State of equilibrium and design librium in the Indian money market had a dominant influence on India's international reserves or in
other words the MOBP seems relevant in the Indian case.


Decade ending 1990-91 deserves special attention in the history of India's balance of payment in the sense that during 1980s the external sector experienced considerable stresses and strains for a prolonged period, which are still continuing. External payment position in India during the last one decade to sort out causes of perennial balance of payments deficit.

166. Anagol, Malati. India's external debt liquidity crisis: genesis and remedies. IEJ, 38: 3, Jan-Mar, 92; 88-102.

Vicious cycle of large fiscal deficit larger debts both external and internal, longer debt service payments, larger balance of payments deficits, increase in money supply, consequent inflation, continuous depreciation of rupee to
maintain competitiveness of exports in the face of internal inflation has become almost a built in future of the financial scenario in India.

**DEFICIT, TRADE, 1971-91**


India's external account over the period 1971-91, shows that India's export earnings, private foreign remittance, import cost etc. items of balance of trade and payments are stochastic processes with no tendency to return to any diaministic trend. There is no fundamental force inherent in the system that creates the problem of balance of trade and payments deficit. Furthermore, these series do not have any meaningful relationship with India's nominal and real exchange rate behaviour.

**EXPORT, FOREIGN EXCHANGE, Saving of**

Country faced with a persistent balance of payment deficit deemed exports are valuable to the extent that they result in earning or saving of foreign exchange.

FISCAL SITUATIONS, EMPLOYMENT SCENARIO


Pre-budget economic survey 1989-90 focused on the three critical issues of which one relates to India's balance of payments and the other two to the fiscal situation and employment scenario. Balance of payment scenario presented in the economic survey.

RECENT POLICIES MEASURES, Impact of -

170. Trivedi, Pushpa L. The impact of recent policy measures on India's Balance of payments: an analytical exercise. IEJ, 39; 3, Jan-Mar, 92; 58-87.

Process of deterioration in India's external payments position had set in almost a decade back. The fact that India's BOP problem has assumed the nature of a crisis of an unmanageable proportion became well established. Government of India has
tried a combination of expenditure reduction and expenditure switching policy of the kind devised by the fund for curing the BOP problem.

POLICIES AND CREDIT


Credit policy which was announced in the busy season has been totally different and there is more pragmatism in measure relevant to the present credit scenario in the banking and financial sectors. Credit expansion or dissemination can take place if only every bank executive can take quick credit decision by exercising his delegated authority.


Credit policy marks a break from the past when monetary policy was used to reduce the inflationary impact of fiscal deficit. Now it is being used to curb inflation caused by excessive liquidity brought on by a surge in capital inflow.

Balance of payment position and controlling inflationary pressure have never been so damaging for the Reserve Bank of India. Liberalised credit policy should be reflected in a more pronounced expansion of credit.


Exim policy for 1990-93 has been announced. There have been some changes in the new exim policy as compared to the one pertaining to 1989-91. India export performance in the last 20 years has been worse than that of comparable countries.


Trade liberalisation initiated in the first three years April 1985-March 1988. Import and export policy followed to make Indian
export products more competitive in the international markets.

TARIFF, Changes in -


Discuss the economic implications of the major changes introduced in the new import and export policy of the government of India. The changes in the tariff in the union budget for 1985-86 are considered along with the import and export policy.

FINANCIAL, CORPORATE


Purpose of this paper is to provide an analysis of the complementary role of direct financial contracts markets and intermediated financial contract markets. In the modern theory of corporate finance, economic efficiency is enhanced. The financial structure of the economy consists of both direct and intermediate contracts markets.
POLICIES, FISCAL


Fiscal policy is contractionary when the infavourable price induced production effect via a smaller elasticity of the returns to scale out weighs the gains from the private appreciation of government spending with identical return to scale and zero appreciation of government spending, fiscal policy is ineffective.

PRODUCTS, EXPORTS


Identifying the optimal export product mix in the Indian economy. When one tries to minimise capital formation requirement in reaching a target of balanced trade in a situation of limited export potential and given domestic demand.

SAVINGS, MONETARY, PROMOTION OF -

Economic policy makers in India recently have attached disproportionate importance to the promotion and diversification of the financial sector to the neglect of the real economy. The stock market scam and the many layers of bank fraud are a reflection of the inevitable. When financial transaction start deviating from their real counterpart when speculation takes over from genuine productive activity.

**TAXES AND TAXATION, CAPITAL & FISCAL POLICIES, FEATURES**


Measures for stimulating investment by providing tax concession are an important feature of fiscal policy in India. Tax concession have been reviewed from time to time and modified or replaced with new incentives. Various tax incentives provided in India to lower the cost of capital have been examined in this note by using a rental cost of capital model.
DOUBLE TAXATION, AVOIDANCE, TREATIES

182. Romina, H.P. Double taxation avoidance treaties. ET, May 4, 90; 5: 3.

Several double taxation avoidance royalties and technical services fees are not in conformity with the provision of the income tax law in India. Some confusion has arisen as to whether the general law should be made applicable over the specific provision of the tax treaties.

INCOME TAX


Tax payers in India the relevance of advance rulings cannot be overstated in the face of the uncertainties.

DEDUCTION AT SOURCE


Objectives of simplification/avoiding fraud and malpractices in matters of deduction of tax at source are laudable. The finance ministry has
again failed to do its home work. It has come out with certain amendments which will create more confusion than hitherto.

INDIRECT AND TRADE LIBERALIZATION


Trade liberalization is examined when both tariff and excise tax are levied on a commodity. Tax revenue obtained from the tariff or excise tax enters the general fiscal budget and is used for government programmes that add to social welfare. Benefits of trade liberalization need not await the reduction of other distortions in the market.

INFLATION, DEFICIT FINANCIAL


What is the role of the taxation and deficit financing in a welfare state? More heat is generated on these questions then on any other economic topic. In this paper, the author discussed the limitation of these two models for raising resources but does not come out with any set of guidelines.
POLICIES, FISCAL


If government wants to have stable fiscal policy along with relatively simple tax system. It may be well worth its while to alter the tax brackets, nil tax income slab and deduction limits periodically. For reducing the complexity such indexation can be done every three or five years provided inflation remains moderate.

INTERNATIONAL TRANSFERS, AGGREGATE SAVINGS

188. Altig, David and Davis, Steven, J. The timing of international transfers, tax policy, and aggregate savings. AER. 82: 5, Dec. 92; 1199-1220.

Analyses an overlapping generation framework that accommodates two observations 1. Interest rate on consumption loans exceeds the rate of return to savings. 2. private intergenerational transfers primarily occur early in the life cycle. Tax treatment of household — interest payments has powerful effects on capital intensify and
aggregate savings in life cycle and especially alternative linkage models.

**NON-TAX, LEASE FINANCING**


Examine the reative merits of financial options for the purchase of capital equipment, self finance instalments, purchase and leasing. Besides the inherent benefits of lease financing it, focuses on the benefits introduced by India's tax and non tax policy for lease financing. Paper recommended the rectification of non tax measures and a tax policy that is natural towards financing options both in terms of investors choice and tax revenue from different countries.

**TARIFFS, RECOMMENDATION. WORLD BANK**

190. Kaushal, Neerays. World Bank for lower tariff, higher excise duties. *FE*, June 1, 90, 1: 3-5.

World bank recommended cut tariff rates, motive is to reduce anti-export bias of present system without any specific revenue. World bank refuted controversial argument that tax rate
should be bring equity for achieving social objectives.

SUBSIDIES


Trade policy in an integrated market in which two firmes are price competitors. If traiffs or export subsidies are in place there is an equilibirium in price strategies. The import tariffs and export subsidies give one firm a price advantage in one market.

TRADE AND TRADING, FOREIGN, GOODS, EXCHANGE OF - VIEWS, SMITH, ADAM


Foreign trade is directly beneficial to a nation since it allows its producers to dispose of some of the superfluous amounts of the products in exchange for goods produced abroad that are demanded domestically.

Implications for the pattern of international trade of differences among regions within countries. If factor of production are sufficiently unevenly distributed across the regions, then the pattern of trade of the country as a whole may depart from what it would have been had factors been evenly distributed thus lumpiness in the geographical distributions of factors can be a determinant of trade.


Trade is explained by the synergistic combination of factor endowments, technology differences and world demand. The usual empirical strategy of running regression of trade against factor, endowment is inadequate.

US administration's loosening of high technology export control if taken advantage of by our planners, can help more efficient import substitutions concentrating on products that contribute to our export earnings.


Theory of endogenous protection predicts that higher levels of import penetration will lead to greater protection. This paper finds that when trade protection is modeled endogenously, its restrictive impact on imports is large, 10 times the size obtained from treating protection exogenously.

Long term deceleration in world economic growth, efforts to expand the exports of developing countries, even to the extent that they are successful, are not likely to be adequate. Import without jeopardising production is an enormous task which will require a thorough reconsideration of these countries domestic economic policies both on the demand and the supply side.


Analysis is based on minimum set of restrictions on the profit functions and with an arbitrary number of domestic and foreign producers. The analysis makes clear how scale economics favour the case for an export subsidy, while product differentiation tends to support the
case for an export tax.

TRADE AND PAYMENTS, DEFICIT, DEVALUATION, DEPRECIATION


Effectiveness of the current policy of devaluation and depreciation under the LERM in solving India's trade and payment deficit. The growth in the trade deficit decelerated due to a deceleration on the growth of import.

WORD BANK, AID, UTILIZATION, STATES, 1993-94


World Bank asked the finance officials about state plan 1993-94 and the central assistance bank and IMF are upset over failure of Indian government to utilise and in pipelines.
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LIST OF ABBREVIATION USED

IMF : INTERNATIONAL MONETARY FUND

IMS : INTERNATIONAL MONETARY SYSTEM

SDRs : SPECIAL DRAWING RIGHTS

EIMS : EVOLVING INTERNATIONAL MONETARY SYSTEM

IDA : INTERNATIONAL DEVELOPMENT ASSOCIATION

RBI : RESERVE BANK OF INDIA

OPES : OPEN PUBLIC EXCHANGE COUNTRIES
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