

VISHLESHAN



Core Committee, Vishleshan

It is imperative for economics students to know about all the macroeconomic issues that occur around the world, that directly or indirectly affect our lives. As our syllabus does not cover such contemporary issues due to time crunch, it was suggested within the student fraternity that this idea of holding regular lecture sessions by eminent personalities, will cover such issues and diffuse the knowledge not only among economic students but also those of others streams.

This discussion forum, where discourses are given by academically brilliant person is named “*Vishleshan*”. Its vision is to infuse to knowledge with analytical insights in students so that in future these students may have the power of knowledge and effective tools to bring amends and avoid any economic catastrophe.

First Session: Whatever happened to the rupee

In the inaugural session of Vishleshan on Wednesday, 25th September, 2013, we had amongst us Mr. Rohit Azad, Assistant Professor, Centre for Economic Studies and Planning, JNU to discuss with us one of the then pertinent topics “Whatever Happened to the Rupee?” Given below is the synopsis of the same:

Is it falling primarily because of international pressure?

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

Then why is it falling? An Alternative Explanation

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

Exchange rate and Sensex: Why are they moving together?

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

Second Session: India at the crossroads and the way ahead

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

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