

Crowding Out Effect of Public Borrowing:

The Case of Egypt

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Abstract:

The relationship between government borrowing and private credit is usually thought of as a negative one in the policy discussions and financial media. However, at least on a theoretical level, the relationship is ambiguous. In light of the recent excessive public borrowing from domestic sources in Egypt, a cointegration approach is used to investigate the relationship between public borrowing and private credit. The paper sheds light on the "quantity channel" of crowding out of private investment in Egypt by focusing on the volume of private credit. It concludes that government borrowing from the domestic banks leads to a more than one to one crowding out of private credit. This result implies that government borrowing from banks is not the sole reason behind crowding out private credit. The increase in banks' holdings of securities and treasury bills also reflects banks' preference to invest excess liquidity in a low risk high return investment. This is a case where the banking sector is populated by "lazy banks".

Keywords: Government Borrowing, Private Credit, Domestic Banking Sector, Crowding Out, Private Investment, Lazy Banks.

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1. Introduction

Government borrowing from domestic banks has increased dramatically in developing countries starting from late 1990s. Thus the effects of such phenomena on private credit have become especially important for policy analysis in the last couple of decades. In the classical view, public borrowing authority accumulates resources for its own use leaving private sector with lesser part. The phenomenon is popularly termed as crowding out of private investment (Majumder, 2007). The literature on crowding out in the context of developed countries focuses on the effects of government debt on the equilibrium interest rate (Ardagna et al. (2007), Blanchard (2007), Gale and Orszag (2004), Faini (2006), Friedman (2005), Evans (1987, 1985), Bradley (1986)). This approach yields informative results when the banking sector is liberalized and the interest rates are determined as the outcome of market equilibrium. The available evidence, however, shows that the link between government borrowing and equilibrium interest rate is very weak. This relation is expected to be even weaker in developing countries. The financial sector, especially the banking system, in most of the developing countries has historically been subject to extensive government interventions and the interest rates were often set administratively by the central bank. If the interest rates are not determined by the market clearing, then the "availability of credit" will be more important in understanding the effects of government borrowing on private investment. Although financial liberalization policies have been implemented in most of the developing countries in recent years, government interventions still remain significant in many countries. Even if the banking sector is fully liberalized, the effects of government borrowing on the private investment in the developing countries might still be mediated primarily through the credit availability, given that the credit markets are less developed and credit rationing might be more important (Ghosh et al. (2000), Ray (1998)). Besides, the importance of credit constraint for private investment in developing countries is well-recognized in the literature (Haramillo et al. (1996), Banerjee (2004), Banerjee and Duflo (2004), Emran et al. (2007), Shafik (1992), Rama (1993)).

The relationship between government borrowing and private credit is usually thought of as a negative one in the policy discussions and financial media. However, at least on a theoretical level, the relationship is ambiguous. The popular discussion on crowding out is based on bank's balance sheet; if the government borrows one dollar more from the banking sector, the banks are left with one dollar less for the private sector. The banks, however, respond to a higher government borrowing by adjusting their loan portfolio optimally given the risk-return characteristics of different assets and liabilities. The "Ricardian Equivalence" theorem, where private sector response offsets precisely the government actions may not hold, especially in the context of developing countries (Fielding (2007), Khalid (1996)). But one can argue that a higher government borrowing from banking sector may not have any significant effect on private credit or even crowd in private credit. For example, a common argument is that when the banks have excess liquidity, a higher lending to the government may not result in any significant reduction of credit to the private sector. It has also been argued that government borrowing might actually induce the banks to undertake relatively more risky private lending, because the safe government assets in a bank's portfolio allow it to bear more risk (Kumhof and Tanner (2005)). Such endogenous response by banks will tend to crowd in private credit or at least partially offset the traditional crowding out effect. This would in general result in a smaller than one crowding out coefficient in absolute value, and may even result in a

positive coefficient on government borrowing if the risk diversification effect is strong enough. An alternative possibility is that access to safe government assets discourages the banks from lending to risky private sector or stifles their incentives to seek out new profitable lending opportunities in the private sector. If the banking sector is populated by such "lazy banks," then a one dollar government borrowing may result in more than one dollar crowding out of private credit. Abdel-Kader (2006) conducted a detailed survey of 19 state owned and private banks and 351 firms from various sectors in Egypt. This study aimed to investigate the extent of credit decline to the private sector in Egypt and whether it is due to supply factors (credit crunch), demand factors (credit slowdown), or other factors (e.g., crowding out). He found that noninterest lending criteria have been tightened and that interest rates are no longer the decisive factor in lending decisions. In addition, due to the problem of non-performing loans, banks were becoming more risk-averse as reflected by the reduction in private credit and investment in more liquid and less risky assets, such as treasury bills and government bonds. Consequently, Egypt was experiencing a credit crunch.

In Egypt, the economic performance has been poor since the revolution began in January 2011. Accordingly, the transitional government is inflating the budget to appease the demands of the protesters. However, spending in excess of revenue requires the state to borrow from either domestic or foreign sources. Until recently, the government has been borrowing from the domestic market. Domestic debt in 2011 registered an increase of 19.6 percent over 2010 in absolute figures and 1.7 percent relative to GDP. Borrowing from the domestic market at a higher rate than that in the international market places an additional burden on the budget and creates the potential for the private sector to be squeezed out from receiving available funds. Extending domestic borrowing would probably have serious long-term implications. For during this critical time of transition, high lending rates, combined with other numerous restrictions, are expected to tighten liquidity and hinder investment.

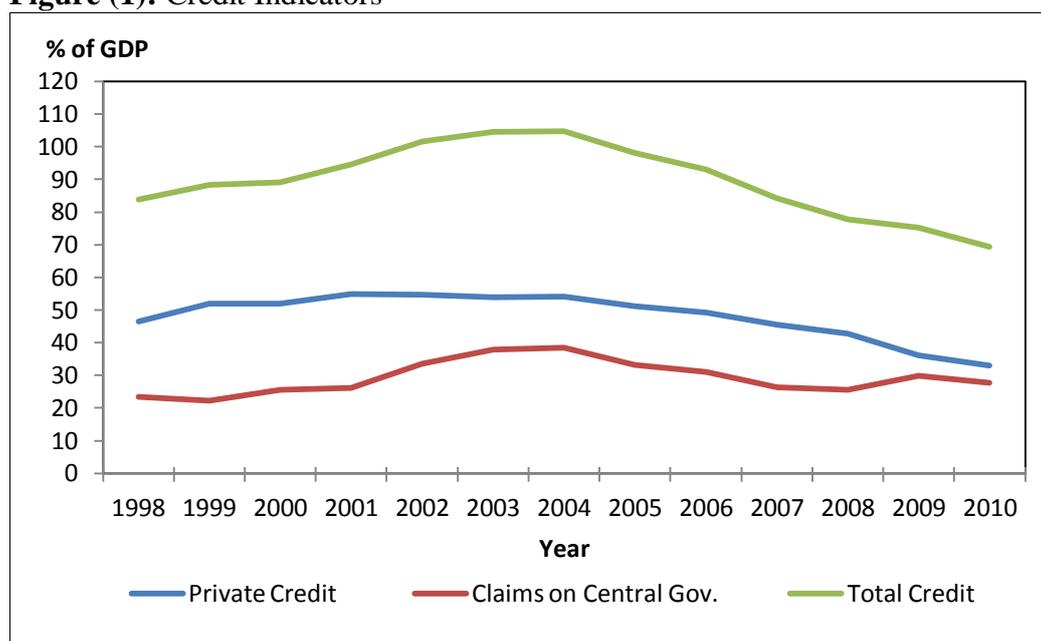
Given the Egyptian government's goal of achieving a sustainable annual GDP growth rate of 2.5% during 2011/12 and the importance of the private sector in leading the economy toward such a goal, much needs to be done in order to facilitate access to credit and hence boost economic growth. However, the public sector has recently been indulging in excessive borrowing from domestic sources and thus stifling growth. Accordingly, the current study empirically analyzes the crowding out effect of public borrowing on private investment. By focusing on the volume of private credit, this paper sheds light on the "quantity channel" of crowding out of private investment in Egypt. This is in an attempt to present some policy proposals to the monetary authorities, the banking sector, the private investors, as well as the government to facilitate access to credit and hence boost economic growth.

The rest of the paper is structured as follows. The second section provides a brief discussion of the recent trend in the Egyptian government borrowing, as well as the developments in the credit availability to the private sector. Section 3 is devoted to a discussion of the econometric issues in estimating the crowding out effect. Section 4 reports the results of empirical analysis. The paper concludes with a summary of the empirical findings and their implications for the Egyptian economy.

2. Private Credit Versus Government Borrowing Developments in Egypt

Egypt, like most governments in developing countries, faces significant constraints on raising revenue as the set of policy instruments available is limited given the structure of the economy and low level of income (Fielding (2007), Sah and Stiglitz (1992)). Facing such constraints, the government has strong incentives to finance its expenditure through domestic and international borrowing. However, the access to international credit market may sometimes be limited. Thus, the government, in recent years, resorted to borrowing more from the domestic sources. Figure 1 plots the time series of the net claims on government compared to the credit extended to the private sector both as a percentage of GDP.

Figure (1): Credit Indicators



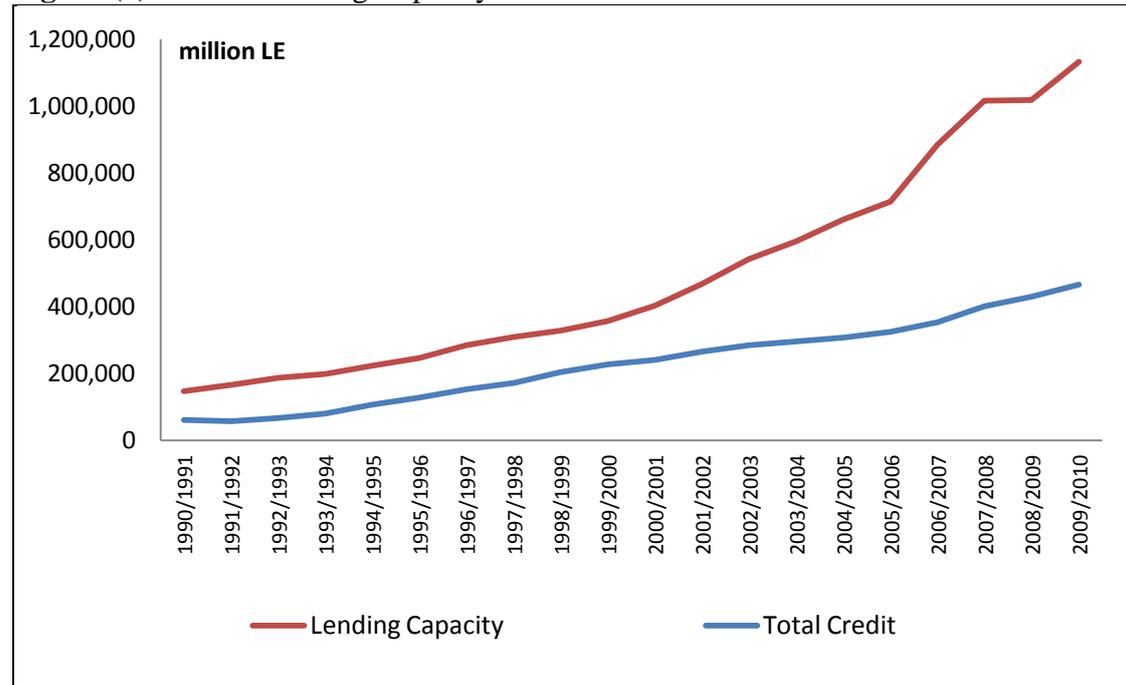
Source: World Development Indicators.

This simple time series plot seems to indicate that there is a positive correlation between government borrowing and private credit, that is they move together over time. This gives an impression of crowding in effect rather than crowding out. This relationship needs to be further investigated using an adequate econometric model. However, starting 2008, credit extended to the private sector slowed down crowded out by the relatively higher growth rate of credit extended to the government.

A point worth noting here is that the growth rate of banks' lending capacity² has continuously surpassed that of total loans acquired by all sectors including the government and private sector. This is clearly depicted in figure 2.

²It is defined as total liabilities less reserves, cash in vault, and capital.

Figure (2): Banks' Lending Capacity and Total Credit



Source: Author's calculations based on CBE reports.

The latter fact implies that government borrowing from banks is not the sole reason behind crowding out private credit. Bank credit demand stemming from the private sector could be slowing down challenged by cumbersome bureaucracy and scarcity of skilled labor. Also, the banks themselves could be cautious with regards to extending further loans to the private sector within the context of a drive to maintain their balance sheets as liquid as possible. So, the growth in banks' lending capacity and the increase in their holdings of securities and treasury bills may partly be attributed to banks' preference to engage in less risky sovereign lending.

3. Data and Methodology

In an attempt to assess the relationship between government borrowing and private credit, the analysis focuses on two variables. The first is the private credit, defined as the claims on the private sector by deposit money banks and other financial institutions. The other is the borrowing by the government from the banking sector, defined as the claims on central government by the deposit money banks and other financial institutions. Both variables are measured as a percentage of industrial production. The use of industrial production as a proxy for GDP is due to data availability constraints.

The basic model specifying the private credit from the banking sector is expressed as follows:

$$C_t = \alpha_o + \beta_1 G_t + \beta_2 Y_t + \beta_3 F_{t-1} + \beta_4 I_t + \beta_5 R_t + \varepsilon_t \quad (1)$$

where C is private credit as a percentage of industrial production, G is government borrowing also as a percentage of industrial production, Y is the log of industrial production, F the level of financial intermediation, I the institutional quality, and R is the lending interest rate. The subscript t is for the time index. The above equation

forms the basis of our empirical analysis. It is motivated by the recent work of Djankov et al. (2007). The focus is on the parameter β_1 . Crowding out of private credit by government borrowing implies that $\beta_1 < 0$. If the risk diversification effect dominates then we expect that $|\beta_1| < 1$ when $\beta_1 < 0$; and in extreme case it can be positive, i.e., $\beta_1 > 0$. If the banks behavior is better characterized by the "lazy bank" view, then one expects that $|\beta_1| > 1$ with $\beta_1 < 0$. In exceptional case, it is possible that the risk diversification effect approximately cancels out the lazy bank effect in the aggregate and we have $\beta_1 \approx -1$.

Following Djankov et al. (2007), the set of control variables includes (i) log of industrial production, (ii) financial intermediation, and (iii) institutional quality. The log of industrial production captures the idea that only a large enough economy is able to incur the fixed costs involved in setting up credit market institutions. When the banking sector is more developed in a country, the household savings intermediated through the financial sector is also higher. The aggregate credit availability in an economy will thus be higher when the breadth and depth of the financial intermediation is higher. This might manifest itself as a spurious positive relationship between government borrowing and private credit (i.e., crowding in), both driven by the higher aggregate credit supply resulting from increasing financial deepening. To avoid such problems, we use a measure of total deposits (time+saving) held by the deposit money banks and other financial institutions which represent the supply of funds to the financial sector from the household sector in a country. One might worry that by using the available bank deposits as a control, we may be over-estimating the crowding out effects of government borrowing as it does not allow for any possible countervailing effect through a higher interest rate (and thus higher savings and deposits) resulting from government borrowing. To address this concern, we use one period lagged value of the financial sector deposits, thus allowing for a positive response of deposits to a higher interest rate in the current period (Emran et al., 2009). Moreover, according to the available evidence, the endogeneous response of bank deposits to government borrowing is not likely to be important. The endogeneous response depends on two elasticity parameters: (i) the response of equilibrium interest rate to government borrowing, and (ii) the response of savings and deposits to interest rate. As pointed out before, even for developed countries, the response of equilibrium interest rate to government borrowing is practically zero (Blanchard, 2007). The available evidence clearly shows that the second link is also very weak. The interest rate elasticity of savings in developing countries is close to zero (Bandiera et al., 2000). Thus, the endogeneous response of deposits is not likely to be an important concern for the results. We control for institutional quality in the regressions as the efficacy of the contract enforcement institutions, and, in general, rule of law can be an important determinant of private credit. The Regulatory Quality Indicator is used as an indicator of institutional quality in an economy. This indicator is reported by the World Bank in its Worldwide Governance Indicators (WGI). It reflects the perception of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

The study uses data spanning second quarter of 1998 to third quarter of 2010. The data is taken from several sources, namely the international financial statistics (IFS), the world development indicators (WDI,) the world governance indicators (WGI), the central agency for public mobilization and statistics (CAPMAS) and several issues of the CBE annual reports and monthly statistical bulletins.

Since most of the macroeconomic time series are non-stationary, then the regression results might suffer from a spurious regression problem. To avoid this problem, it has now become a standard practice to begin the analysis with prior determination of univariate properties of the time series. For our data, to test the stationary properties of the series, the standard Augmented Dickey-Fuller (ADF) test has been applied. Then, a cointegration test is performed to identify the existence of a long-run relationship. The procedure developed by Johansen (1988, 1991), Johansen and Juselius (1990) is used. The purpose of cointegration test is to determine whether a group of non-stationary series is cointegrated or not. The method is comprised of maximum likelihood procedure for the estimation and determination of the presence of cointegration. In addition, the vector error correction method (VECM) is applied to find out the speed of adjustment the variables follow towards the long-run equilibrium path in response to any divergence occurring in the short-run. Finally, some additional robustness checks are implemented, namely: (i) using M2 as an alternative indicator of financial deepening, and (iii) using alternative indicators of the WGI to control for institutional quality, for example, Political Stability or Rule of Law Indicators.

4. Estimation Results

4.1 The Basic Model

As a prerequisite for the cointegration test, stationary properties of the variables in the basic model have been verified by performing Augmented Dickey-Fuller (ADF) test. Results of ADF test are presented in table 1.

Table (1): Unit Roots Test Results

	Variables	ADF [No. of Lags]
<i>A. Series in levels</i>	C	-2.5[1]
	G	0.08[0]
	Y	-3.22[0]
	F _{t-1}	-2.13[0]
	I	-0.73[0]
	R	-1.09[0]
	<i>B. Series in first differences</i>	ΔC
ΔG		- 6.68 [#] [0]
ΔY		-10.11[0]
ΔF_{t-1}		-7.49[0]
ΔI		-6.855 [0]
ΔR		-5.8[0]

Notes: (1) A [#] indicates rejection of the null hypothesis of non – stationarity at the 5 per cent level of significance using Mackinnon (1991) critical values. (2) ADF [p] is the Augmented Dickey – Fuller test; it gives the t – statistics from a specification that includes a trend and intercept and p lagged changes in the dependent variable.

The previous results show that all the variables are non-stationary at levels and integrated of order 1. Thus, we can proceed with carrying out Johansen Maximum Likelihood cointegration test to investigate the presence of a long-run relationship among the variables. We start by running the unrestricted VAR in levels in order to specify the appropriate lag length. Using Schwartz criterion, the lag length was found to be 1. Statistical results of the Johansen test for cointegration are summarized in table (2).

Table (2): Johansen Cointegration Test Results

Hypothesized No. of CE(s)	Maximum Eigen Value Statistic	Eigen Value	0.05 Critical Value
None*	53.7	0.625	40.08
At most 1	31.32	0.441	33.88
At most 2	17.18	0.342	27.59
At most 3	11.45	0.192	21.13

Notes: Maximum Eigen value test indicates 1 cointegrating equation (s) at the 0.05 level.

* denotes rejection of the hypothesis at the 0.05 level.

The Maximum-Eigen value statistic indicates that there is one co-integrating equation at 5% significance level. This implies the existence of some equilibrium relation between private credit and government borrowing in the long run. The estimated long-run relationship is given as follows

$$C = 92.59 - 4.03G - 14.1Y + 0.00007F - 11.17I + 2.59R \quad (2)$$

(-4.84) (-3.82) (5.16) (-3.48) (4.1)

The numbers in parenthesis are the t-statistics. At 5% significance level, all coefficients are statistically significant.

Once the long-run relationship is established, we need to discuss the short-run dynamics of the basic model through an error correction model (ECM). Using the lag length specified in the unrestricted VAR, previously mentioned to be 1, the estimated results of the ECM are presented as follows:

$$\Delta C = -1.19\Delta C_{t-1} - 0.3\Delta G_{t-1} - 4.92\Delta Y_{t-1} + 0.000009\Delta F_{t-1} \quad (1.13)$$

(-2.88) (-0.71) (-2.26)

$$- 0.27\Delta I_{t-1} + 0.29\Delta R_{t-1} - 0.075EC_{t-1} \quad (3)$$

(-0.23) (1.24) (-1.85)

where EC_{t-1} is the lagged residual from the long-run relationship between the variables. This term represents the error correction term. The coefficient of the error

correction term is statistically negatively significant, at 5% significance level. Thus, there is a tendency in the model to return to its long-run equilibrium path whenever it drifts away. That is, nearly 7.5% of the disequilibrium between private credit and the explanatory variables is compensated in the following period. However, the rest of the specified variables are found insignificant except for the industrial production. This means that there is no significant effect of government borrowing on private credit in the short term. However, in the long run, there is proof of the crowding out effect of government borrowing on private credit. The absolute value of the coefficient of government borrowing is more than one (-4.03). This reported coefficient is consistent with the lazy banks model of the endogenous response of banking sector to government borrowing. The estimate implies that a 1 pound increase in government borrowing from the domestic banking sector reduces private credit approximately by 4 pounds. As for the rest of the explanatory variables, the positive impact of financial deepening on the private credit is expected. However, the positive impact of lending interest rates on private credit could reflect the tight credit conditions for the private sector. Also, the negative impact of industrial production reflects the fact that the economy is not large enough to incur the fixed costs involved in setting up credit market institutions. This is in addition to inefficacy of contract enforcement institutions reflected in the negative impact of institutional quality on the amount of private credit.

4.2 Robustness Checks

In this section a number of robustness checks are performed to see if the central conclusions reached in the basic model hold up to additional scrutiny. Using M2 as an alternative indicator of financial deepening yielded the following cointegrating equation³:

$$C = -11.72 - 1.27G - 0.97Y + 0.000013M2 - 0.77I + 1.05R \quad (4)$$

(-3.45) (-0.82) (3.48) (-0.51) (2.83)

The crowding out effect was found significant in the long run. The absolute value of its coefficient was greater than one. The evidence is again in favor of a lazy bank model of bank response to a higher government borrowing. However, the estimated crowding out effect is numerically smaller (1.27) than the estimates in the basic model. The evidence in favor of a lazy bank model of bank response to a higher government borrowing is thus weaker according to this specification. The ECM revealed the absence of any significant variables affecting the private credit in the short run. Also, the error correction term was found insignificant.

Substituting the Regulatory Quality by Political Stability indicator (I*)⁴, in the basic model, resulted in the following cointegrating equation:

³ This is after testing stationarity of M2, which turned out to be integrated of order one. The VAR has the same lag structure as that of the basic model. Also, the Maximum-Eigen value statistic indicates that there is one cointegrating equation at 5% significance level. This is also the case for the Political Stability and Rule of Law indicators of institutional quality.

⁴ This indicator reflects perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

$$C = 34 - 2.04G - 6.51Y + 0.00003F - 2.33I^* + 1.76R \quad (5)$$

(-3.97) (-2.81) (4.45) (-2.73) (4.85)

Again, this specification gives the same results as the basic one. However, the estimated crowding out effect (-2.04) is smaller (in absolute value). Under this specification, the ECM revealed the insignificance of government borrowing in affecting private credit in the short run. Only the industrial production and the lending interest rate were found significant. Also, the error correction term was found significantly negative, revealing an 18% compensation of the disequilibrium between the variables in the following period.

One last robustness test was using the Rule of Law indicator (I^{**})⁵ instead resulted in the following cointegrating equation:

$$C = -16.11 - 0.77G - 0.96Y + 0.000016F + 0.0094I^{**} + 1.36R \quad (6)$$

(-2.72) (-0.81) (3.45) (0.0085) (4.35)

In the long run, there is proof of the crowding out effect of government borrowing on private credit. However, the absolute value of the coefficient of government borrowing is less than one (-0.77). This could be attributed to the endogenous response of banks to engage in relatively riskier credit when their portfolio includes enough low risk credit in the form of government securities. Thus, partially offsetting the crowding out effect. In this case, the government borrowing was also found insignificant in the short run.

5. Conclusion and Policy Implications

The possible crowding out of private credit by government borrowing from the domestic banking sector and its negative effects on private investment are widely discussed in the policy literature, especially in the context of developing countries. However, there is little evidence on the magnitude of such crowding out effects of government borrowing on private credit in developing countries⁶. It is important to understand the efficiency costs of financing government expenditure through domestic borrowing as part of designing an appropriate fiscal system. This paper provided estimates of the magnitude of the crowding out effect of government borrowing on private credit in Egypt. The central conclusions of the empirical analysis were that (i) there is a statistically significant negative effect of government borrowing on private credit, and (ii) the crowding out is more than one to one. These results go along with the lazy bank model of the endogenous response of banking sector to government borrowing.

⁵ This indicator reflects perceptions of the extent to which agents have confidence in and abide by the rules of the society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

⁶ A paper by Emran et al. (2009) provided estimates of the magnitude of the crowding out effect of government borrowing on private credit using a panel data set on 60 developing countries for 32 years. The evidence showed that there is a significant crowding out effect of government borrowing from the domestic banks on private credit. Averaging over the different point estimates from alternative specifications and estimators, they found that when government borrowing increases by one dollar, it reduces credit to the private sector by about one dollar and forty cents.

The conclusion that government borrowing from the domestic banks leads to a more than one to one crowding out of private credit is quite robust. It holds up to a battery of sensitivity checks including using M2 as an alternative indicator of financial deepening, as well as using Political Stability as an alternative indicator of the WGI to control for institutional quality.

This result implies that government borrowing from banks is not the sole reason behind crowding out private credit. Bank credit demand stemming from the private sector is indeed likely to slow down within decelerating economic activity. Also, banks themselves will remain cautious with regards to extending further loans to the private sector within the context of a drive to maintain their balance sheets as liquid as possible. In fact, the growth in banks' lending capacity and the increase in their holdings of securities and treasury bills, reflect banks' preference to invest excess liquidity in a low risk high return investment, and cannot be a single reason for the decline of credit to the private sector.

However, the evidence presented here is still important for understanding the effects of government borrowing on private investment. Private investment in developing countries critically depends on the availability of bank credit especially given that the capital market is not well developed. Thus crowding out of bank credit may have significant adverse effects on private investment and consequently on economic growth in developing countries. Accordingly, much needs to be done in order to facilitate access to credit and hence boost economic growth. In the short-term, the government can begin by regaining the confidence of the private sector and removing barriers for new entrepreneurs. Measures, such as production subsidies and limited export facilities, could also be implemented in order to boost production and create jobs. The banking sector could assume a more proactive role as well in terms of lending. Coordination by the central bank to avoid repercussions and moral hazard by targeting SMEs based on merit should be among the government's priorities.

As for the medium-term, shortcomings in the financial intermediation process should also be addressed to enhance the transmission mechanism of monetary policy and mobilize private credit growth, particularly in support of small and medium enterprises. More credit bureaus need to be established in order to enhance the availability and dissemination of credit information⁷. Also, it is quite important to provide guarantees to banks so that they will not be reluctant to provide credit to the private sector. One option may be establishing "credit guarantee schemes," particularly to small-scale enterprises and export oriented enterprises. Also, investment banks should be more widely established. They should play a more active role as an alternative mean of financing, especially with the growing role of the private sector in the development process. Also, financial instruments, particularly securities, such as corporate bonds, have to be explored. These instruments may be used by firms as a source of external long-term financing and by banks as an alternative investment.

Firms also need to diversify their sources of external financing by relying more on insurance companies and the stock market, instead of commercial banks. As

⁷ The first credit bureau, Egyptian Credit Bureau or "ESTAILAM," was established in September 2005 under CBE supervision.

a way to improve their efficiency, governance, and hence, creditworthiness, firms should undertake joint-venture projects with foreign firms. Improving firms' efficiency would certainly enhance their capabilities to access credit.

Finally, the government also has a role to play in improving the credit-related environment of doing business and, therefore, sending positive signals to banks and encouraging them to provide more credit to the private sector. It is crucial that the government keeps its promise to pay off debts owed by firms in the public sector. Benefiting from the experiences of other countries, the government should continue its initiatives to keep "serious" investors solvent. This initiative should be designed in line with internationally recognized rules, similar to the London Rules, whereby banks can initiate a program of debt-rescheduling for viable borrowers whose repayment problems are due to economic reasons rather than fraud. In addition, government efforts are clearly needed to enhance the credit market by reforming the legal and judicial systems. In a market economy, exit rules are as important as entry procedures in order to improve productivity, promote investment and credit flows, and protect the rights of various stakeholders. It is also important to introduce a more efficient bankruptcy system that is effectively enforced and provides appropriate incentives for debtors and creditors. Finally, in order to improve the investment climate in general and the credit market in particular, it is important to establish judicial procedures that allow for the timely settlement of economic disputes. One proposal involves activation of specialized economic courts to ensure that economic disputes are governed by a judicial system that guarantees speedy settlements by specialized judges who understand the subtlety and complexity of economic issues. Last, but not least, government borrowing from domestic sources should be rationalized.

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