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artha

सर्वज्ञता लोकज्ञता

THE ANNUAL ECONOMICS JOURNAL

SHRI RAM COLLEGE OF COMMERCE

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PRINCIPAL'S *Note*

Shri Ram College of Commerce has achieved several milestones in academic eminence and extracurricular performances. Through the academic and extracurricular pursuits of the institution, we encourage students to harness their creative skills and emerge as future thought leaders. The Economics Society has been committed to providing the students of the college with an intellectually challenging environment and capacitating them to become profound thinkers. Artha is a platform for the curious and well-known minds of the country who wish to exhibit their talents and engage in public discourse on a wide array of issues. The magazine aims to not only enrich the reader's knowledge but also stimulate unique perspectives and ideas to raise the bar for intellectual discourse. I thank all the contributors for their articles and wish the team all the best for their future endeavors.

Prof. Simrit Kaur

FACULTY ADVISOR'S *Note*

Across a spectrum of activities, the Economics Society has become a symbol of student initiative and effort. Going beyond the confines of the classroom, the Economics Society has organized lectures by scholars with varied ideological leanings, widened student horizons through collaborations in short relevant courses and held paper writing competitions to structure thought and ignite imagination. Their magazine 'Artha' epitomizes the spirit of stretching boundaries. On behalf of the Economics department of the Shri Ram College, I would like to applaud their efforts to co-opt both students and teachers over the course of the year.

Rajiv Jha

PRESIDENT'S *Note*

Arnab Dutta

The fact that Economics is ubiquitous in the world is conveyed to us the moment we sketch our first demand and supply graph. This belief is further reinforced over subsequent years through teaching and experience. And yet, this widespread pervasion is lacking in both structure and substance. Students akin to us who have access to quality teaching, fail to recognise our intrinsic responsibility to promote the unfettered growth of ideas and robust institutions. Being students of the foremost institution of its kind, we are cognisant of the the ramifications arising out of a nonchalant attitude towards the development of the society. Hence, through the myriad ventures of the society including this magazine, we have attempted to place SRCC as a formidable stakeholder in the global network of discourse and dialogue, aligned with the institution's vision of emerging as a 'College of Global Choice'.

EDITOR'S *Note*

Tushar Singh

As a child, I would often be left wondering whenever my mother would remind me of the universal truth: 'No one person can know everything about the world'. This lesson gained a lot of prominence as, growing up, I saw people (from journalists to politicians, from teachers to college seniors) claiming to know the truth. It is indeed in this context that our theme, *Knowledge of the World is Knowledge of All,* becomes relevant.

This in no way means that I, or our magazine, claim to know it all. Rather, the opposite. We recognize the existence of a Universal truth, and our inability (just like everyone else's) to know it. It is in this quest, rather thirst, for knowledge that we present to you Artha 2019.

GUEST CONTRIBUTORS

- **Mr. Jonathan Hongsha**
  Chevening Scholar;
  Developmental Professional
- **Diwakar Acharya**
  Managing Director
  Uranium Corporation of India Ltd.
- **Prof. Patrick Mendis**
  Distinguished Professor
  Perking University, China
- **Abhijeet Sinha**
  National Program Director
  Ease Of Doing Business, India
- **N Sriparna Pathak**
  University Lecturer
  Gauhati University
- **Mr Rajendra Shende**
  Chairman
  TERRE Policy Centre
- **Ms. Aruna Sankaranarayanan**
  Founder & Director
  PRAYATNA
- **Kalilur Rehman**
  Global Head
  Novartis
- **Professor Annavajhula J.C. Bose**
  Associate Professor, Shri Ram
  College of Commerce
- **Prof. Aasheerwad Dwivedi**
  Assistant Professor, Shri Ram
  College of Commerce
- **Arpita Mukherjee**
  Professor at Indian Council for
  Research on International
  Economic Relations
- **Dev Kar**
  Senior Economist, Retd.
  International Monetary Fund

THE FIRING LINE

Should Developing Countries Host the Olympics?

LEFT

Let us deal with the 'Miraitowa' in the room first. Developing countries tend to host the Olympics believing in the phenomenon of 'trickle-down economics', failing to understand that the existence of a sound infrastructural base is a prerequisite. Therefore, the governments of developing countries should act rationally and build basic infrastructure first for multipliers to function and for liquidity to be soaked. Moreover, it is alarming to know that when these countries should focus on developing rural areas by spending on microfinance, commerce and public education, they go about building stadiums, hotels and velodromes in better-off urban areas in order to meet the economically draining 'Olympic' standards. Also, just for the sake of hosting the Olympics, it is nonsensical for developing countries to add to their mounting debt burden and trade-off a long term debt position for short term tourism growth. Only if years of meticulous planning and lavish spending would have gone towards 'actual' development, the developing countries would have been 'developed' enough to host the Olympics. But till that happens, let developed countries take the lead.

CENTRE

We must acknowledge the differences that exist within the broad spectrum of middle-income countries today. Though upper middle-income countries like Mexico and China still grope with low standards of living, they have industrialized aggressively, housing major trade hubs. However, lower-middle-income countries like Indonesia and Nigeria are unable to host international sporting events like the Olympics. In conditions of strict trade-offs, it is a challenge to reap the benefits that organizing these events provide which include a growth in tourism, public investment in developing infrastructure and international repute. Quoting instances cannot help anyone's case, as 1992 Olympics led to huge economic benefits, bringing glory to Spain while the 2004 Olympics crippled Greece's economy, leading it to doom. Historic trends thus reveal that the benefits of hosting large sporting events accrue only to upper-middle-income countries with stronger financial backing. Lower-middle-income countries end up economically worse off. Keeping this in mind, lower-middle-income nations could consider hosting smaller events like the Commonwealth Games whilst still being able to save sufficient funds to improve citizen welfare.

RIGHT

Hosting a mega event like the Olympics brings lateral benefits to the country and its economy. Not only is the spread of the Olympics to developing countries an indicator of shifting scales, but it has also been established to significantly contribute to economic growth. With the right policy direction, the Olympics can catalyse long-term growth just like it did in Barcelona (Spain) after 1992. With 20,000 permanent jobs, a long construction boom and ever-expanding tourism, Barcelona grew exponentially. With the upcoming 2022 FIFA World Cup, Qatar has been looking to increase its international recognition, external trade and domestic demand. With a significant contribution from the International Olympic Committee, the infrastructural investments for the upcoming world cup in Qatar infuse liquidity into the economy and provide a base for the multipliers to function. 'Trickle-down economics' not only increases buoyancy in the economy but also impacts the economic growth by creating permanent infrastructure - physical and financial, for the country to develop on. For developing nations to develop, they have to be tried and tested in the same manner as developed nations.

Income Support: A Solution to India's Poverty?

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The idea of Direct Income Transfer seems to be an effective option as it would eliminate leakages in the Indian welfare system which is currently victimised by poorly designed, inaccurately targeted and inefficiently delivered schemes. Moreover, with bank accounts becoming ubiquitous and the JAM trinity, it would be easy to implement. Pilot projects conducted in countries like Canada, Kenya and India showed that at high levels of impoverishment, income transfers led to enhanced nutrient intake, school enrollments, and lower indebtedness. Currently, India has more than 950 central welfare policies in addition to specific state-run schemes, with expenditure on them accounting for more than 5% as a proportion of GDP. If the government shifts funds from redundant schemes and uses it for income transfers, it can instantly lift a major proportion of India's population out of absolute poverty while simultaneously reducing urban migration. Additionally, it would also raise the GDP of the country by adding to the aggregate demand. In a country with widespread poverty, where benefits of welfare schemes rarely accrue to the poor due to leakages, income support would pave the way for an inclusive society.

CENTRE

Perhaps the most pressing of India's problems is income inequality and since Independence, welfare schemes have been initiated to supplement people at the bottom of the economic pyramid. However, basic income support should be restricted to a targeted group of people. If we begin removing targeted schemes in favour of income support, growth would be severely hampered. For example, if the Ujjwala scheme - which gives LPG connections to BPL women - is replaced by income support, the beneficiary may just choose to use primitive methods for cooking instead of 'wasting' money on an expensive alternative. However, a number of welfare policies are inaccurately targeted and have low success rates due to structural problems. In such a scenario, direct income transfer is an effective option and gives people the choice to use it for their best interest, since it is impossible to have one scheme that would custom-solve everyone's problems. Any government that decides to implement it must ensure that the most disadvantaged are benefitted, and that essential schemes are kept in place so that the economy remains on a trajectory of growth.

RIGHT

Income support, the new political rhetoric, is seen as a means to reduce income inequality and benefit those at the bottom of the pyramid. Even with Jan Dhan Yojana's inclusion agenda, the actual percolation of income support is a different game altogether. Huge funds are needed to finance these schemes, which is the prime reason for the scheme to not be successful in countries like Finland, Canada and Scotland. Perhaps, the worst fear is that it would make the workforce in India inefficient and lethargic. There is no way to assure that the money given under the scheme would be spent as desired on productive activities. Though Telangana and Odisha have implemented income support for the farm sector, it is not certain whether the money would be used to undertake any activity to supplement farm income. To address the root cause of poverty, we do not need a simplistic solution like income support but the strengthening of institutions which deliver basic health and education, generate employment and increase agricultural productivity.

Is the Bretton Woods System Coming to an End?

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Besides the infrastructural and financial needs that the Bretton Woods system salvaged, its emergence also witnessed a parallel dominance of capitalist economic systems. To address the need for credit, mostly in the third-world countries, IMF and IBRD were established. The problem with these institutions was their thrust at re-structuring an economy's ideological orientation for credit support. Led by China and India, Asia is now part of an emerging world order. With over trillions of dollars in reserves, emerging economies hold a very strong influence over Western markets and are capable enough to completely cripple the same. Hence, the entire premise of Western dominance has eroded with the growth of the Asia's economic systems. Besides the New Development Bank by BRICS, AIIB and ADB were established at China's and Japan's initiative respectively, and boast of many members of the 'Western bloc' as its signatories. The very emergence of parallel Bretton Woods institutions in the East signals a downward trajectory for the Bretton Woods institutions, as their hegemony in the credit space has now been challenged and shall steadily be replaced.

CENTRE

Bretton Woods symbolises the beginning of the West's dominance over the world's financial and economic markets. By having a major share in institutions such as the World Bank and the IMF, the West has exerted its supremacy over all economic and financial functions of the world. Under the garb of globalization, the US integrated world economies with its own to ensure that it can dictate the trade and growth of these economies. In fact, these institutions worked as a tool for the West during the Cold War. In exchange for political support, financial support was promised to nations. The organisational framework of these institutions has always been skewed in support of the more 'prosperous' nations and fails to realise the idea of egalitarian world order. Since 1945, Western dominance has been replaced with an emerging world order led by the East, making it imperative to alter the organisational matrix. This importance stems out of the need to give every economy stakes in these institutions, and for new perspectives to guide the outlook of their credit growth.

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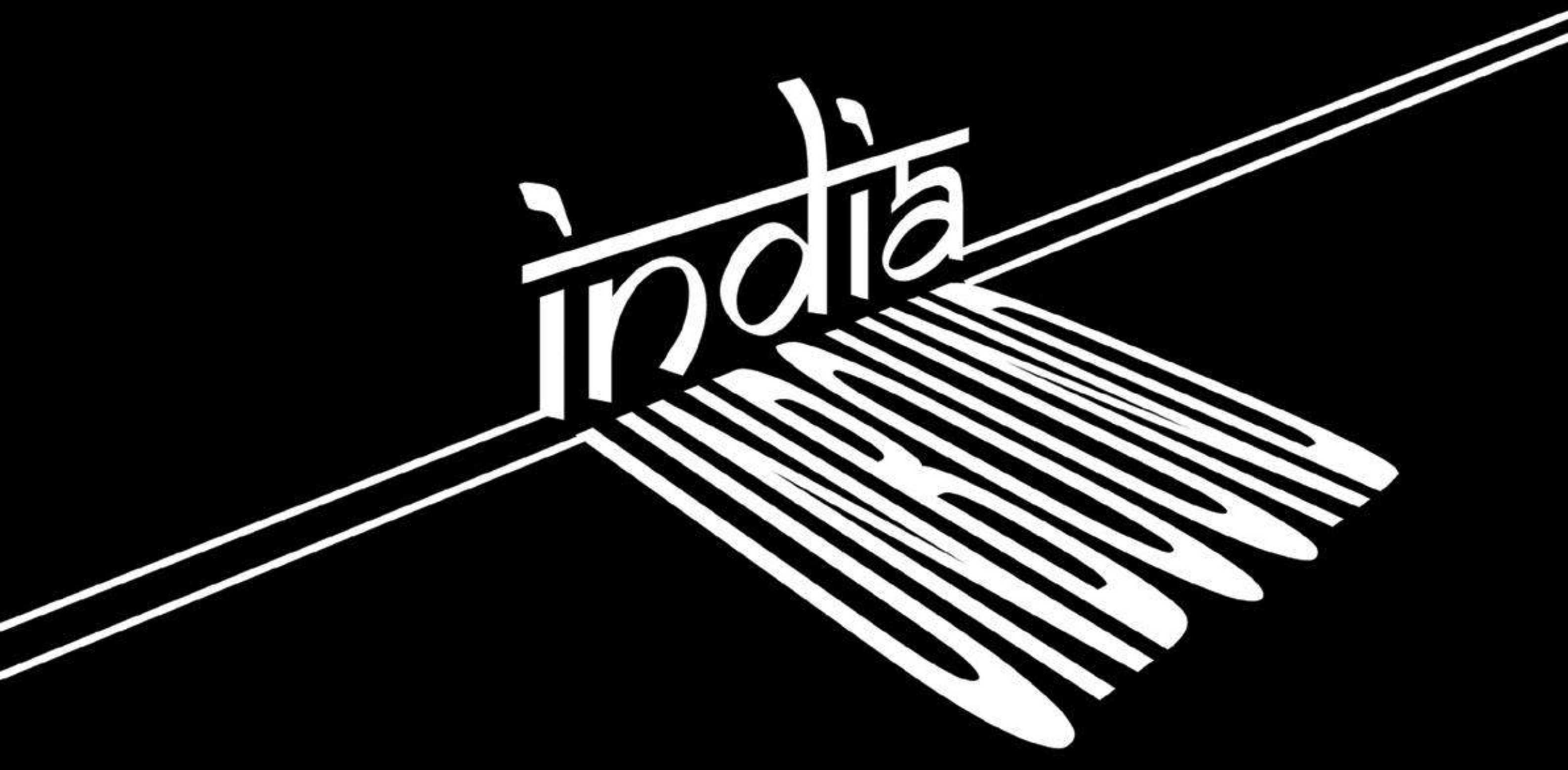
With the backdrop of widespread devastation due to World War II, the Bretton Woods system emerged to reasonably address the chaos that world economies had fallen into and cater to their infrastructural needs. Since then, the World Bank and IMF's credit outlook has, over time, changed towards people-oriented development and growth projects. But for such institutions, the obligation of efficient use of their credit lies with the state. Imposing necessary rules and regulations ensures that governments realise their obligation and ensures that significant returns accrue out of their investments. Bretton Woods did achieve the goal of a stable post-war world order and marked the resurgence of European economies. Hence, US leadership has given more to the world than it has itself benefited out of the Bretton Woods system. The emergence of the Bretton Woods system was based on the acceptance of the US Dollar as a standard currency globally, streamlining value propositions of currencies across the spectrum. The US Dollar, accounting for 63% of global reserves, is here to stay due to the size and strength of the US economy and so are its economic structures.


india

Minimum Income Guarantee: India's Checkmate to Poverty?

*A solution to poverty has always been in the works. Read on as **Jonathan Hongsha** analyses one which has brought politicians and economists on the same page.*

The vision of building a 'new India' through eradication of poverty and hunger by the opposition party, the Indian National Congress, has been the election manifesto for the 2019 general elections in India. Criticism is not lacking from the ruling government on the source of funding for such an ambitious program called the Minimum Income Guarantee (MIG), but love is not lost among utopians who see characteristic streaks of universal basic income (UBI) in it. While bewilderment shrouds political parties and public masses, economists are grinning, waiting to have either the last laugh or a great appraisal for pulling off such a seemingly utopian social protection scheme.

What has been interesting is that French economist Thomas Piketty, author of the much-acclaimed book 'Capital in the Twenty-First Century' and MIT (Massachusetts Institute of Technology) professor Abhijeet Banerjee, have been roped in to help the Congress in formulating the MIG. Piketty defends the move stating, "India's poor have been treated badly by the country's elitists". It is a promise to the nation of a new India by the Congress party backed by some economic rationale, if they come to power. We explore this rationale as we move along this article and critically reflect upon the possibility of a new India under this MIG scheme.

India has been reducing extreme poverty (below US$ 1.90 a day) at a breakneck pace; reducing from 37.7 percent to around 29.9 percent between 2004-2010. As per a Brookings report generated by World Poverty Clock (May 2018), Nigeria has replaced India as home to the world's largest poor population. Around 87 million people are below the poverty line in Nigeria, while India has around 70.6 million poor people. These poverty figures show some improvement. However, World Bank in 2017 released a new poverty line for low-middle income countries like India, setting it at US $3.2 a day; thus, by this standard, making almost a third of the country's population to be poor.

Much has not been declared about the design and details of this social protection scheme, but certain aspects can be understood when we look at it from the lens of UBI.

Understanding MIG through the lens of UBI

MIG is a cash transfer benefit program where the target beneficiaries receive a certain minimum amount from the government to maintain consumption for basic well-being and for tackling extreme poverty. Minimum Income Guarantee must not be 'entirely' understood as Universal Basic Income and this distinction comes in the way that MIG is pro-poor and targeted towards low income households, while UBI is universal and the cash transfer benefit is for the entire populace. The threshold of how much income constitutes a low-income household is yet to be decided for MIG. This dilemma raises the question of what really defines a minimum consumption level for maintaining a basic well-being. The best reference is the country's estimated

poverty line by keeping in mind the international poverty line of US $1.90 a day. In 2005, the Tendulkar committee formulated a poverty line of Rs. 27 and Rs. 33 per day for rural and urban areas respectively, but shortly another committee named the Rangarajan committee was set up which raised it to Rs. 32 and Rs 47 per day for rural and urban areas. In present times, these benchmarks are incoherent and quite low with the rising economic costs of maintaining a well-being above the poverty line.

MIG is conditional while UBI is inherently unconditional, meaning there is no criteria for availing this scheme and every citizen of the nation is entitled to a minimum basic income. It is also not specific to any socio-economic class or demograph. The biggest critique of UBI is that it is expensive. Considering a country like India where vertical inequality stands high along with horizontal inequality, making the country's elitists richer is the last thing the poor might want.

Although there are distinctions in implementation, MIG inherits the redistributive lens of UBI that offers economic protection to the bottom economic percentile of the population through redistribution of capital. Since consumption has been understood as the best variable to measure household economic capacity and derive income poverty lines, MIG ensures that the poor have a certain income for consumption which in theory is presumed to tackle chronic poverty. So, if the government provides a minimum income of US $1.9 a day, it is understood that chronic poverty is eradicated in theory. It acts as an instrument of economic buffer for the poor to maintain their wellbeing. MIG can be seen as a manifestation of UBI on a smaller scale of its intended target beneficiaries. MIG can ensure a cushion for economic loss among the poor, primarily due to technological advancements and automation. This is quite concerning since the poor find it quite difficult to acquire the right quality and minimum level of human capital required to enter technologically advancing labor markets.

The greater question for implementation lies on how such a scheme can be funded. Thomas Piketty's basic theory in his book proposes wealth tax, although he welcomes an income tax of 75% or more on the rich. Wealth is described as the combined value of inheritance and income, where income can come from labor or rent from owning capital (such as rent from assets, interest from savings, bonds, stocks). He derives the rationale of how wealth accumulates, and inequality grows when the rate of return on capital is greater than the rate of economic growth. This leads to an increase in the capital-income ratio, leading to significant exponential wealth accumulation among the country's elites since a greater portion of their wealth comes from inheritance. Piketty asserts that developing countries have a better opportunity of reducing inequality since they can still transform their political institutions. Can taxation of wealth efficiently be instrumental in redistributing income and inheritance is something we need to assess by understanding the economic landscape of our societies. Although it seems to discourage saving and investments and how it may affect overall economic growth, study of wealth taxes in Europe has found that the effect of wealth taxes on economic growth is tiny.

Whether the main opposition party is envisioning such an economic strategy for MIG is still in doubt until it is implemented; which is only if they come to power. This also draws us to reckon if this is the rationale behind Piketty's involvement in formulating MIG for India.

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Reflections

Since MIG is built on certain principles of UBI, it is still utopian considering how expensive it would be. It can be seen in implementation if other public schemes are discontinued. It was estimated through a survey during Suresh Tendulkar's poverty line formulation that UBI can cost 4.9 percent of India's GDP while 950 central and centrally sub sponsored schemes cost 5.2 percent of the GDP. If MIG has to be implemented, all other social schemes will head towards being discarded.

The origin of UBI has been a western concept intended to be implemented in the global south, and the form of such a scheme that low-income countries can provide is quite inadequate in itself. This draws criticism for its different economic contexts and how local realities are dynamic and different.

It is also argued that such a scheme can reduce the incentive to work. Evidence suggests that in low and middle-income countries, the poor benefiting from such cash transfers are not motivated to work or spend the cash on essential consumption items. But the incentive to work for the poor will continue to exist only if the cash transfer benefit is still inadequate in many aspects of human development. Since minimum income is to be based on the poverty line, greater doubts arise if the poverty line relates to the current consumption patterns of the poor population. Whether the minimum income provided can cover the continuously changing costs of basic consumption and also, can such an income be coherent across rural and urban poor contexts, is something the government will need to reflect upon before implementing MIG.

Access to markets in rural areas is also a concern, as some studies have revealed that in-kind transfers have worked better and are preferred by people in rural areas. Such a move will definitely reduce the chronic poverty count drastically but what needs to be argued is if this is just a step of statistical arrangement to reduce poverty numbers. The role of technology and the recent position of the AADHAR identification system in implementing such a scheme also needs to be looked at through a critical lens since many of the poor suffer from lack of knowledge in acquiring such benefits through technology interventions.

Conclusion

MIG can be instrumental in the construction of a new India if it is implemented through strong political institutions, political will, and adequate economic costs. Unless the delivery is efficient and well structured, this can lead to a drain of huge monetary resources, driving the country into huge debts and eventually worsening of poverty. All the factors discussed as above must be considered and taken into account if we need to critically reflect upon building our new India and this starts from we the people, on which our democracy stands intact.

The Dharavi Paradox

***Karthik Subbiah** highlights the uniqueness of Mumbai's Dharavi slum and the need to break preconceived notions. He emphasizes the urgent need for a shift in the government's current approach.*

Most people see the Dharavi slum, spread across 525 acres of prime real estate at the centre of Mumbai, as an unsanitary void of waste and extreme poverty. However, it is, in fact, an informal "city within a city," since it combines commercial, residential and social elements within a single area. I use the term "Dharavi Paradox" because somehow a 1-billion-dollar economy, low crime rate, strong sense of entrepreneurship, high rates of school attendance and strong social ties co-exist in a slum with one lavatory for every 1,500 people and a population density of 869,565 people per square mile. Dharavi recycles almost 80% of Mumbai's solid waste. Despite massive spending on waste management programs, developed countries like the US and UK manage to recycle only about 20% of their waste.

Local politicians know that without Dharavi, Mumbai would be swimming in mountains of its own waste, which is why they are reluctant to completely redevelop the slum. They use Dharavi as a vote-bank before elections and make plenty of promises, but when they take office, Dharavi is forgotten. Exasperated residents have taken matters into their own hands and created a form of self-regulation in the slum, emerging from a strong sense of community. Crime rates in Dharavi are actually lower than the rest of Mumbai. A quote from The Guardian possibly reflects Dharavi's essence most aptly - "Dharavi's design is not an accident, it responds to the social ties and economic needs of the community." This is the primary issue that government redevelopment schemes cannot address effectively. Essentially, the problem is a combination of politicians' unwillingness to redevelop the slum, unsanitary conditions, high population density, and absence of infrastructure and service delivery. The real solution lies in preserving and enhancing Dharavi's current layout, not in destroying and redeveloping it. The policy outlined below aims to enhance this design, improve living conditions and simultaneously enhance Dharavi's commercial capacity.

New redevelopment schemes are proposed every time a new government takes office. The current policy model, headed by the Slum Redevelopment Authority (SRA), is centred around redeveloping slums through a free market model. Licenses to redevelop a certain area of the slum are sold to the highest bidder, who then demolishes existing structures and builds high-rise towers in their place. Families with adequate documentation are relocated to the apartment building, and the remaining apartment buildings can be sold by the builder to cover costs. Most of the families whose homes were demolished are either unable or unwilling to move into the apartment. As is evident from the results, this model is highly problematic. In fact, a

Essentially, Dharavi's entire structure is built around a sense of community, something that is lost when people are relocated to apartments.

community called the Kolis has chosen to remove itself from the Dharavi redevelopment project. They inhabit Dharavi's Western edge, which is its most prosperous area, and live in houses that are twice the size of those being offered under the redevelopment scheme. Essentially, Dharavi's entire structure is built around a sense of community, something that is lost when people are relocated to apartments. This is why residents have refused to relocate to apartments in the past. The sense of anonymity and alienation that residents feel when they are rehabilitated to high-rise towers inevitably has impacts on productivity, and by extension, Dharavi's economy.

Despite terrible conditions, school enrolment in Dharavi is very high, which displays the inhabitants' ability to make investments in the future. By extension, it can be reasonably assumed they would manage credit well if they had access to it. However, they have been left out of India's financial system since private-sector banks are unwilling to expose themselves to high-risk and public-sector banks are primarily structured around providing credit to farmers. To empower Dharavi's residents, they must be included in the financial system through financial institutions like the Community Development Funds (CDF). CDF provides funding for projects and initiatives that provide long-term, sustainable economic and social benefits to the community. In CDF, funds are allocated to selected members of a community who would then be able to provide credit directly to owners of Small and Medium Enterprises (SME's). It serves as an appropriate tool for bringing about improvements to the living standard in a participatory manner. This is a model that has worked in Lima, Peru. In Lima, CDFs gradually grew in size and influence and were eventually able to play a role similar to that of a trade union. This allowed them to exert influence over relevant government policy.

There are more than 5,000 businesses and 15,000 single-room factories in Dharavi, and access to credit would enable firms to scale their businesses and expand capacity. As for the funding for this scheme, the Maharashtra Government recently announced a redevelopment plan for Dharavi that is expected to cost Rs. 22,000 crores. If even 10% of these funds were allocated to CDFs in each of Dharavi's 12 sectors, each SME could receive substantial funding, enabling them to buy machinery, pay for electricity and gradually scale their business. The first step that must be taken to include residents in the financial system is providing basic property rights to all the inhabitants. As part of a recent redevelopment program, houses were demolished and replaced by high-rise towers in which each family was given an apartment. There was one catch - households had to provide documents that proved that they had been living in the slum since before 2000. Most of the residents did not have this documentation. Incidentally, similar documentation is required to get a loan from a bank, so inhabitants are not eligible for loans since they don't have official property rights. Providing inhabitants with documentation would empower residents and enable them to access the credit they need to grow their businesses.

Once the requisite credit structures are in place, the true process of development can start. Instead of directly supplying infrastructure like toilets and ensuring water supply, the government could act as a facilitator by providing subsidies which would enable communities to pay for infrastructure. While credit to individuals would improve conditions at the household level, a systemic change would occur through the CDF's. CDF's would act as a hybrid of a municipal body and a trade union and have their own funds in the long-term due to interest generated from the loans. It could use these funds along with its own influence over the government to pay for infrastructure and ensure better living conditions.

In essence, this policy would facilitate sustainable economic growth without disrupting Dharavi's current social structures. By 2017, approximately 104 million people lived in slums, and that number will continue to increase due to widespread urbanisation if rapid action is not taken. Merely providing infrastructure such as toilets, hospitals and schools would create logistical problems for the government and a sense of alienation and anonymity in the residents. A shift from a top-down, supply-driven policy to a bottom-up, demand-led approach would be better for three main reasons. First, it would empower residents, the people with the most comprehensive understanding of Dharavi, by giving them access to credit. Second, it will be much more cost-effective and will also ensure that the returns on investment are higher than the current norm. Finally, it would achieve the goal of creating a sustainable and prosperous community with good sanitation, healthcare and education. Dharavi is already a model for sustainability and waste management. Implementing these policies could transform it into a model for slums all over India and the world.

Incredible India 2.0?

We take pride in our amazing diversity of traditions and heritage. But have we really tapped into its potential? Read on as ***Nakul Gupta*** *makes a case for the world stage.*

With the clichéd Indian phrase 'Atithi Devo Bhava' as its byline, a campaign was launched to successfully market much of India's natural and cultural heritage on the world stage more than a decade earlier. The 'Incredible India' campaign, with its resonating tunes, was defined as a landmark success in shifting the focus back to India, at a time when its aviation sector was in shambles, and the East-Asian countries had been receding from the tourist map. With a strong marketing strategy, India's inherent diversity of landscapes, wildlife, and traditions was sold on a global stage. Changing India's perception from a land of 'snake-charmers' to its tourist attractions, helped the 'Incredible India' campaign to bring India's Travel & Tourism (T&T) industry to a level-playing field.

India's International Tourist Arrivals did grow from a meagre 2.65 million visitors in 2000 to a little over 8 million visitors by 2015, which is a sizeable increase in absolute terms. But, as we put things in perspective, India is far behind France with the world's highest International Tourist Arrivals of about 84.45 million visitors, and many of its Asian contemporaries. How is it that India, whose civilization continuity is only next

'Incredible India' campaign did a good job in communicating India's potential to the world market, but shouldn't the 'Incredible India' 2.0 be about ensuring the journey to the spot is equally enriching?

to Greece, hosts less than half the tourist arrivals in Greece? Why is a country with some of the 'choicest gifts', as described by Mueller, not able to utilize them? Why has the land of the mighty Himalayas, home to the asiatic lion and the one-horned rhinoceros, and the background to countless historical tales, not made a mark on the world map?

The answer partly lies in 'The Travel & Tourism Competitiveness Report 2017', compiled by the 'World Economic Forum' (WEF). Notably, India had made the biggest leap from the 52nd to the 40th position in this very index. Analyzing the parameters of evaluation, India ranked highest in 'Price Competitiveness', 'Cultural Resources and Business Travel' and 'Natural Resources'. This is recognition of the core-assets that India possesses, the 'product' in any marketing strategy. Meanwhile, India ranked lowest in the 'Environmental Sustainability', 'Safety and Security' and 'Tourist Service Infrastructure' parameters. These bring about the fault in India's tourism strategy. The inability to preserve our rich heritage, to provide a safe-environment to international tourists and to provide them basic amenities near sites of tourism, has only posed impediments to the supply of the 'product' to its consumers. A basic example is the lack of a fully-functional airport in Agra, the city of the Taj. The 'Incredible India' campaign did a good job in communicating India's potential to the world market, but shouldn't the 'Incredible India' 2.0 be about ensuring the journey to the spot is equally enriching?

Technically, 'Incredible India 2.0' has already rolled out with 'Adopt a Heritage' Scheme, which opens up the prospect of a PPP model in the maintenance of heritage sites such as Red Fort, (which was also the focus of the controversy around this scheme). But, more components have to be added to this campaign to make it resonate widely. Not to forget, 'Incredible India' campaign was more about synthesizing the world and members of the domestic market to the idea of travelling in India. Earlier, for the resident Indians, the stress had been on communicating the ideals of hospitality enshrined in 'Atithi Devo Bhava' with advertisements geared towards making women-safety a priority. In the revamped scheme, the stress has to be on developing recreational or experiential activities surrounding the tourist spots and developing the basic infrastructure, in line with the 'Internet of Things', to enhance consumer experience in these spots. The marvel that is the 'Rann Utsav' in Gujarat, or the 'Maharaja's Express' criss-crossing the lands, are some of the high-end experiences India offers. While India ranks among the top few in 'Price Competitiveness' and tourists are generally inclined to spend more in India, providing affordable tourism facilities is still a necessity to ensure parity across income groups that seek to cherish weeks in India.

The Hollywood-movie 'Troy' single-handedly increased tourist arrivals in Turkey by 73%. Set in Turkey, this box-office success encouraged people to enjoy the on-screen beauty in person. The component of the revamped campaign that focuses on the world-market needs to stress on the need for such movies (that attract people to India) or popular conferences that become a hallmark of a particular city/place. For instance, the city of 'Jaipur' symbolises India to many in the world not only because of the 'Forts of Rajasthan', but because of an annual literary fest - the 'Jaipur Literature Fest', which is organised not just in Jaipur, but in different locations around the world such as Adelaide, Houston, New York, Boulder and British Library under the banner - 'JLF International'.

The present government has an ambitious target of increasing the foreign tourist arrivals from a little over 8 million in 2015 to 20 million in 2020, that is, more than double in a span of 5 years. In a 'white paper' published by WEF, it is estimated that such an increase in international arrivals will lead to a $19.9 billion upsurge in incremental tourist receipts and create approximately 1 million jobs. Tourism, and its auxiliary aviation, has suffered due to its perception as a 'luxury' sector. Imposition of 28% GST on hospitality (hotel rooms with tariffs above Rs.7500) is an example of the negative impact of such perception. While UDAN & dilution of the '5/20' formula to '0/20' for airlines have boosted the aviation sector in the country, the fragmented tourism industry still requires such a policy shift. Viewing tourism as a sector with immense employment opportunities can be a good way to start with. Recent development of structures such as the 'Statue of Unity' has advanced this aspect of India's tourism potential, by providing a sustained source of employment to workers in thousands.

Another major intervention that the government needs to make is towards better 'law and order' and 'security' situation of the country. Regular protests, ethnic conflicts, insurgencies and terror-strikes, haven't entirely favored India's position as a 'tourist' nation. India has been placed among nations 'unsafe' for women. Government intervention on this front, will not just alleviate the 'tourism' sector but also help in improving the financial investments in the country.

India has made a huge success in 'Medical Tourism' and 'Spiritual Tourism', by its affordable healthcare systems and the branding of *Yoga* amongst other spiritual inclinations. But, an idea that's been frequently discussed in the tourism industry to make the sector grow by leap is 'Experiential Tourism' (About 81% of tourists preferred it in a survey). India is a 'long-hauled' tourist destination, and tourists tend to spend 18-21 days in India. 'Brick-and-Mortar' tourism of visiting monuments/structures cannot suffice one's quest for India. We need to create experiences for tourists, besides great heritage sites. Moreover, these experiences have to be unique, representative of

It's time that the 'sleeping elephant' of the tourism industry roars like a lion.

India's culture and traditions, while also keeping the ecology of a place intact. The 'Homestay'-tourism of Kerala needs to be widely reciprocated, and so have to be events like 'Rann Utsav' which create a rich experience for the visitors. An often-cited example is of the village of Sumda Chenmo in Ladakh, which is a classic case-study of the benefits that come along with tourists. This is a sector in which potential for development is huge, as all it requires is enterprising and creative skills to feed on the natural beauty of this country. Some widely-cited examples have been developing a whole tour around Ganga from its origin till the river delta, where river-rafting and Gangetic Dolphins could be some components. Similarly, India has a widely assimilated tribal class, so what if some tour operator combines the beauty of North-East with an experience with the tribals?

While countries such as Singapore have evolved as favored destinations on the back-bone of an artificial infrastructure, India hasn't been able to utilise it's rich core-assets by aiding them with an auxiliary infrastructure and supplying them to the world market. Even, Kashmir - the 'Paradise on Earth'- is no longer in access to domestic/international tourists, due to its deteriorating conditions owing to insurgency. The Travel & Tourism industry has yet been about 'missed opportunities' and 'lackadaisical approach', and the inability to sell the 'Idea of India' on our own terms.

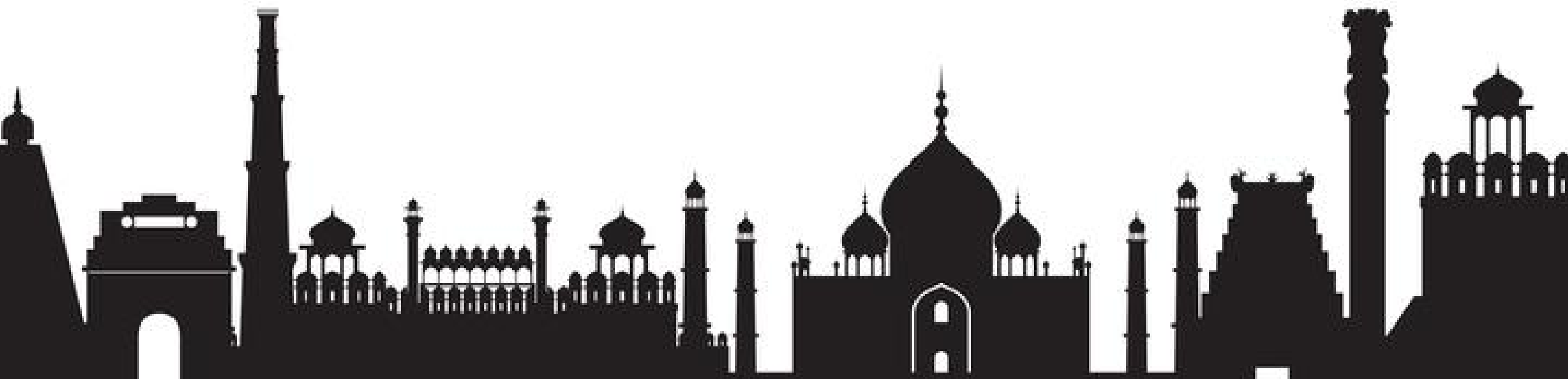
When we talk about 'missed opportunities' in tourism, the case of 'Buddhist Tourism' is rather strange. Even as Buddhism refined India's philosophy for a long time, shifting it towards a non-violent outlook, we never focused on our rich Buddhist heritage as a potential tourism-strategy. Buddhism originated from India, Siddhartha's life as 'Buddha' was spent in India, the basic Buddhist places of worship are in India, and even then, East-Asian countries attract greater Buddhist tourists.

As a study observes, to the world, Buddhism is mostly associated with the Dalai Lama. But, what nation does the world associated Dalai Lama with? Even as India provided refuge to Dalai Lama about 50 years back, Tibet (the place where his followers were persecuted) has profited through his image as an important place of Buddhist Tourism. Sarnath, Bodh Gaya, Dharamshala and Kushinagar are just four places of importance even in contemporary Buddhism, located in India (Dharamshala, as it is the seat of Dalai Lama).

Our bigotry with respect to religion, and refusal to accept the potential of Buddhism as a widespread religion, impedes our ability to develop historical sites associated with Buddha as attractive tourist destinations. Sikkim, with India's best monasteries and a refreshing natural hue, has huge potential to cater to 'Buddhist Tourism' and recreational tourism in general. But, it got an operational airport as late as mid-2018. (Airport Density, was a sub-parameter in which India was ranked the lowest in the TTCR 2017)

The scope for development of the tourism sector in India is huge. Even at present, 'T&T' industry contributes 2% of the total GDP in India. As we cultivate the industry to its full potential, its contribution to GDP will also gain prominence. Likewise, Tourism is not just a major job-creator but also acts as a multiplier as we saw in the case of 'Sumda Chenmo'. Moving forward, tourism plays a key role in building a perception about a country, and in turn, it's economy, which then attracts foreign investors.

It's time that the 'sleeping elephant' of the tourism industry, roars like a lion.



Can Mining Bring People to its Side?

Mining suffers from a poor public perception and it is time that we understand proper exploration in this sector is indeed the answer to the growing needs of the Indian middle class, writes ***Diwakar Acharya***

Nature has been particularly generous with India. Of its total land mass of 3.3 million km square, Geological Survey of India has identified 0.571 million km square as having "Obvious Geological Potential" (OGP). The treasures of these areas could have a wide diversity. India is already world's 2nd largest producer of barytes, 3rd largest of coal, 3rd largest of chromite, 5th largest of manganese, 6th largest of iron ore and 8th largest of bauxite. Only 2% of India has been covered by detailed gravity and magnetic analysis, leaving vast areas to be explored in detail potentially increasing the mineral reserves. The production of minerals in India is valued at $20 billion per year (excluding fuel and atomic minerals). India's mining industry contributes around 2.5% to the GDP (all inclusive).

There is an abundance of minerals required for steel such as iron ore, coal, manganese and chromite etc. in India. An expertise in the science & technology of steelmaking and a booming steel consumption in the economy are estimated to propel India to the position of second largest steel producer in the world by 2025.
India is witnessing sustained growth in the energy sector giving a positive outlook for coal and uranium mining. There are some other fields where Indian mining has the potential to grow.

An Oxford University study has concluded that India has successfully pulled 270 million Indians out of poverty in the 10-year period, between 2005-06 and 2015-16. Further, McKinsey projects the growth of the middle class from the current 5% rate to over 40% in the next two decades. These are pointers to our future metal and energy needs.

It is estimated that the Indian mining sector has to reach five times its present size in the next 15 years to be able to support India's growth rate and at the same time contribute 7-8% to the GDP in the process.

The reality is sobering. Mining contributed only 2.4% to the GDP in the year 2014-15. Mining has been stagnating at 2-2.5% of the GDP for decades. The industry faces many constraints. Scanty exploration and low funding for exploration activities have led to limited expansion activities in the sector. India lags behind in baseline geophysical and geochemical data generation as only 2% area is covered for detailed investigation by gravity and magnetic analysis, only 4% for sediment data and very little for seismic data.

A significant portion of the industry consists of small mines where technology levels are low as these mines operate on borderline viability and are unable to transit to a higher technological environment. The industry is saddled with complex regulations for grant of permissions from different authorities, pushing the gestation periods beyond 6-7 years. This has rendered mining unattractive for many investors. However, significant steps have been taken to streamline the regulatory framework in recent years. Additionally, lack of sufficient transportation and logistical facilities restrain the development of mining areas, especially in remote locations.

Corruption, land displacement of tribals, environmental concerns and unflattering safety records have resulted in a poor public perception of the mining industry. Poor perception has scared away large professional companies and in turn, worsened the situation on these very fronts! Inadequate communication from the industry, too, has contributed to this general impression.

Award of lease has improved with the introduction of open bidding and processing of applications on predetermined parameters. Rolling out of the new system is still in progress. While a few disruptions are not unexpected, it is hoped that the stigma of corruption associated with leases will disappear.
'Trust' is a big issue facing the mining industry. This

lack of trust makes getting 'social consent' for a new mine difficult to obtain. Even when it is obtained, the process takes many years – extending the timelines and pushing up the construction costs. Many mine construction projects are abandoned due to loss of viability in the period. It is necessary to understand the way this trust deficit manifests itself, jeopardising large investment plans in a sector already facing a dearth of investor enthusiasm.

Many proposed mining projects lie in the tribal populated areas of Odisha, Chhattisgarh and Jharkhand which fall under Schedule V of Constitution. It gives additional protection to tribals against the alienation of their land and resources. Public consent process is more elaborate in these areas.

It has been widely observed during public consultation process that people have the following apprehensions:

- Fear of being alienated in their own land,
- An influx of people impacting demography and culture,
- Doubts about whether the economic benefits will actually reach the community, and
- Health hazards due to mining & allied activities.

Additionally, acquisition of common use land (for grazing and access to water bodies), transparency in computation of compensation for land and its timely disbursal, conservation of cultural & religious landmarks and sincerity of the company in providing promised employment opportunities are also causes of concern.

The mined out ore after recovery of minerals are impounded in the 'Tailing Pond.' These are of significant concern regarding structural stability, flooding of downstream areas and pollution of water table. The collapse of Vale's Brumadinho iron ore tailings dam in Brazil is a fresh and stark reminder of the potential risks.

Bharti Institute of Public Policy, Indian School of Business document (November, 2016) has found that as many as 21 of 80 high-value projects of different types studied by them were stalled due to "land-related conflicts". The study estimated that Rs 1,92,620 crores worth of investment was at risk. Further, a Hindustan Times report (29th October, 2017) stated that investment of Rs 41,000 crores is stalled in mining projects in the state of Rajasthan alone. These indicate the magnitude of the problem posed by land disputes in the Indian economy in general with the mining industry being particularly vulnerable due to its large land requirement often in the forest and tribal areas.

The long road to winning the trust of the society starts with the mining company willing to establish itself as a long term "ethical entity".

A Project Proponent prepares 'Land Use Plan, Environmental Assessment Report/ Environmental Management Plan, Mining Plan, Mine Closure Plan' and a host of other specialised technical documents. It also includes the compensation package to the 'Land Losers.' In spite of such extensive documentation and written guarantees (for example in Mine Closure Plan) the proponents often face a wall of opposition during 'Public Hearing'. The reason is not difficult to find. The communities around the proposed mine site have many questions but the underlying theme are:

- Lack of trust on the mining company, and
- Ambiguity about the benefit flowing into the local community.

The following example shows the trust deficit that exists between mining companies on one hand and society on the other.

Vedanta Resources proposed a 3.0MTPA capacity bauxite mine in Niyamgiri Hills, Kalahandi District of Odisha. The Ministry of Environment and Forest, GoI constituted the four-member Saxena Committee to investigate the proposal. The committee rejected the proposal as it found it inadequate on environmental considerations. What is really telling is that the committee says in its report "....we conclude that the Orissa government is not likely to implement the (Forest Rights) Act in a fair and impartial manner …….. The MoEF (Ministry of Environment and Forests) is advised not to believe the Orissa government's contentions without independent verification…..” This not only finds fault with what the State Government has done in this regard in the past but shows its lack of faith on what it may do in future! This, coming from a Government appointed committee for a State Government, exemplifies the trust deficit existing in the society for mining projects!

An important component in building bridges with the community is to ensure that the mine brings direct and visible economic benefits to the people living around it. In most cases, a new mine is the only significant economic activity in the whole area. Employment to local people, both direct and indirect, connects people to the industry and makes them stakeholders. This also ameliorates apprehensions of cultural alienation to a large extent, which is of special importance in tribal areas. However, the mining company needs to have a meticulously planned training programme to make the village youngsters industry ready.

However, as evidenced in the Saxena committee report, what lies at the root of mining industry's woes is lack of trust. It is time the industry realises that a high level of trust between mining companies and communities is a prerequisite to winning over people. Realization that this lack of trust is costing the mining companies dearly is the starting point in its search to find a solution.

The long road to winning the trust of the society starts with the mining company willing to establish itself as a long term “ethical entity”. The first level is sincere compliance of laws and the next level is accepting values currently held by society. Ethical behaviour holds the company to a higher standard beyond these. The solution will evolve from accepting that mining activities invariably have environmental and social footprints. Responsible mining refers to a manner in which mining is done to keep the above to the bare minimum. “Initiative for Responsible Mining Assurance” (IRMA) brought together all major stakeholders in Vancouver, Canada in June 2006 to seek consensus on responsible mining practices and its verification. It has laid down four overarching principles, Business Integrity, Social Responsibility, Environmental Responsibility, and Planning and Managing for Positive Legacies as the basis for verifiable responsible mining practices. It mandates mining companies to disclose potential risks and data on safety, environment and other aspects likely to be of interest to communities. A similar approach of disclosure, documentation and independent verification, preferably in an internationally standardised format is the need of the day for the domestic mining industry. It will have twin benefits of reassuring the communities as well as raising the confidence level of international investors.

It is time that the mining industry understands that building trust of the society will have a cost but not having the trust is far costlier.

Gurcharan Das

An author, commentator and former CEO of P&G India, Gurcharan Das studied Philosophy from Harvard University. Retiring early at 50 to pursue writing full-time, he is now a columnist for 5 Indian dailes, including The Times of India and contributes to publications like Wall Street Journal and the New York Times. His works include international bestseller, 'India Unbound', 'The Difficulty of Being Good' and 'India Grows at Night' among others.

INTERVIEWED BY **SANJANA CHANDALIYA, HEET TIKE AND MANYA MANUSHI**

Q1. At the end of 1994, after a 30-year career in six countries, you took early retirement to become a full-time writer. Having left your mark in the books of P&G, you left on yet another expedition - writing. What rationale did you have while retiring early, when everything was going uphill. Was it the urge to write, or ennui of the corporate world?

I retired at 50 after having worked for 30 years, already a CEO of Southeast Asia P&G at 37, *and at* the top. One day at work, after looking at the pile of files I had to go through, I called my wife and told her that I didn't want to do it anymore. To support this stance, I made a spreadsheet of our savings and how we would survive, assuring her that our standard of living wouldn't drop.

This decision was not accidental. I wrote award-winning plays in my early 20s, which built my confidence to become a writer. We owe ourselves to find a passion. We don't know at the age of three that we'll be a musical genius - we need to search for it. I got into Harvard with a full scholarship, and there I studied History, Philosophy, Science, Architecture. I used to grow fond of every other topic, changing my major every six months.

My advice to all the youngsters is to spend their free time reading books and discussing them with their friends. That was how I discovered my passion. We all have a duty to ourselves. We must all love the work we do and love the person we live with.

Q2. Serving in the corporate sector for a number of years and preaching the idea of 'dharma', how far do you feel that the corporate sector of the country tends to follow its own 'dharma'?

Firstly, the dharma of the market is to maximise market share - but we can't allow monopolies to develop. Competition is the oxygen of the market, helping it flourish. Secondly, if you are dishonest to the consumer, you'll only get a one-time purchase. If you give freedom to employees, they will flourish; if you control everything and don't give them enough training, they will leave you. The third is if you squeeze too hard for the lowest price, the supplier will have to cut corners. You'll compromise quality, and your product will fail.

The fact of the matter is that there is morality within the market. Why did Russia/Communism collapse? The reason is that they were far more immoral, and did not work for the state.
People have the wrong impression that reforms make the rich richer and the poor poorer. They think that being pro-market and pro-business is the same thing. Pro-market means that you stand for competition, which is actually against business – as no businessman wants competition.

A pro-business will dole out licences for bribes and is crony socialism. We had 40 years of licence-permit raj, with people using the one airline we had - Indian Airlines. I remember there were only three Delhi-Mumbai flights a day, now there are up to forty-two flights on a good day.

No businessman will behave on his own, so you need regulation. Some of the regulations introduced recently are good, giving a lot more power to audit committees. Unfortunately, it is still not a perfect system. But regulation should be light, that's the point.

Q3. In 2013, you proposed the idea of a liberal party at a time when there was no strong leader in the country. Since then we have seen the rise of Modi and AAP. Do any of these phenomena meet your expectations of a liberal party?

Unfortunately, AAP doesn't even believe in 1991 economic reforms, so we are really in trouble with Kejriwal. Regarding BJP, I will be very honest with you. I had a lot of expectations when Modi came to power. I bought into his dream and rhetoric. For the first time in India, we had aspirational rhetoric and I think that's what explains Modi's success.

My argument was that the country had a narrow window of opportunity, another 10-15 years under the tag of a "young country," before the youth begins to age. So I said that the key thing was jobs. If you can provide jobs, then you will get a demographic dividend. A demographic dividend gives you a 0.2 per cent advantage over your normal growth rate, and that's what happened with China, and with the Asian tigers. But I had warned that there is a downside to Modi - communalism. I said, "Look, I don't want you to ignore the stain of Gujarat 2002, be well aware of it. It's a calculated risk. Let's hope that the downside doesn't overpower the positives." Modi's entire rhetoric was vikas, and for every 500 times he uttered "vikas", he uttered "Hindutva" once.

He promised to reduce inflation and succeeded. Then comes corruption, which has certainly reduced but has not gone away. Our ranking has jumped 30 points on the Ease of Doing Business Scale because Modi is promoting the digital idea. But, the area where Modi has failed is jobs. If I were in his place, instead of running around the world, I would have single-mindedly focused on jobs. I think, in fact, you can argue that he has absolutely destroyed a few jobs because of Demonetisation.

Demonetisation and GST both caused destruction in the lives of common people. Demonetisation was badly implemented, and whoever gave the idea to Modi deserves a slap on his face. It's not only an economic failure but also a moral failure. Vidhura says in the Mahabharata that the Raj Dharma is about helping the people. To harm the people is Adharma. 85% of the transactions in our country are in cash. How can you just remove the cash? We all make mistakes, but when the leader makes a mistake, the whole country pays for it.

Q4. You have said that prosperity will spread in India and China. So it is not a question of if but when India becomes a middle-income country. What are the factors which can stop us from becoming one?

What we need to do is grow at a minimum of 8% which we did between 2003 and 2011. It was the cumulative effect of reforms during Vajpayee, Narasimha Rao and Deve Gowda, and the dream budget of Chidambaram; all those were important factors. We have to keep reforming and need labour reforms and land reforms.

I would still say that we should follow the model of the East-Asian Tigers which was based on the labour-intensive manufacture of low-tech items. People say everything is being mechanized, and jobs are getting lost. To some extent this is true, but trade in goods in the world is worth 16 trillion dollars, and India's share is 1.7 per cent. If you could take that to 2.2 per cent, acche din will arrive. Why is Modi worried about the elections today? He wouldn't have been worried if he had created jobs.There are several ways to create jobs. For example, Modi has introduced a 'Housing for All' programme. We still do housing in the old-fashioned way, making it very labour-intensive. This scheme will not only enable everyone people to have a house but also create millions of jobs.
Textiles is also labour-intensive. A lot of those textile companies left China, but are going to Vietnam, Indonesia, or Bangladesh because they are more capable of exports. Modi said Make in India, but it should have been Make in India for the World. With these economic reforms, we'll keep growing 8-10% per year, and will be doubling our per capita income every 8-10 years.

Q5. Once we achieve a middle-income status, do you think India has the political will to become a superpower?

I think we'll get stuck in the middle-income trap. Both China and India want to reach a per capita income equal to the US, but neither can get there unless China fixes its politics and India fixes its governance. China needs the rule of law, democracy, freedom; India needs governance and law and order.

Firstly, why should it take us fifteen years to get justice in the Courts? Secondly, if you want a high performing bureaucracy, you need reforms, especially in the promotion system. Thirdly, why should we as citizens be scared to go to a police station? Why should the police be the handmaiden of the Chief Minister? Lastly, why should we always be in election mode? We could easily have general elections once in five years, and devote two to three months to state elections, where they all happen together. Rest of the time is for the executive to govern, and not for politics.

These are the things that I think will ultimately make India a developed country. I reckon that we are on our way to becoming the third largest economy in the next 7-8 years. But if we don't, it's not because of economic issues, but because of governance problems. That's why I wrote a book which stated that "India grows at night." I didn't complete the sentence which was "India grows at night when the government sleeps." We have risen despite the state, not because of the state.

Q6. In your books you have emphasized upon the ideas of life - namely Artha, Dharma and Kama. In the current generation, do you think that Artha is dominating at the expense of Dharma? What advice would you give to the current generation to attain Moksha which is the ultimatum of one's life?

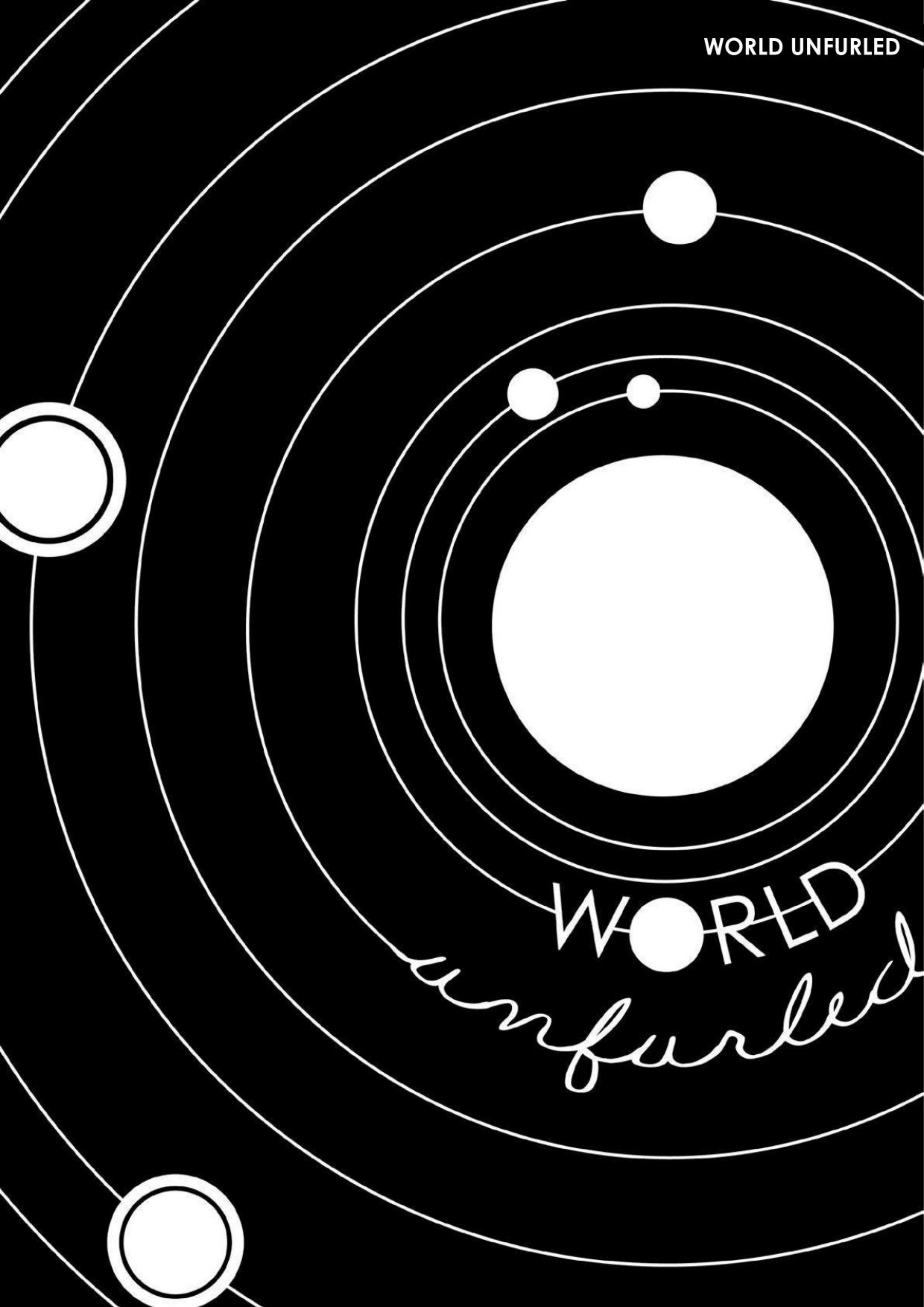
Well, I think the idea is to have a happy life. The way I put it in one sentence is "love the work you do, and love the person you live with." As per the classical tradition of India, you have multiple goals in life based on our multiple capabilities.

Dharma means moral well-being and Artha means material well-being. For moral well-being, you better not break the law, you better pay your taxes, and basically be a good human. That's really it. The third goal is Kama, and I think India is the only culture in the world which elevated emotional well-being or sexual well-being to a goal of life. It also means pleasure, so a fully lived life is a life of pleasure. Basically, the idea is that people shouldn't turn into yogis, where the only goal would be Moksha.

Therefore, the idea is to have a balanced life and Moksha. We all want to have meaning in our lives and the nice thing about our ancient tradition is that we can actually be good Hindus and be atheists, we call them nastiks. I'm not a believer of God, but I believe in Moksha because it means liberation from human bondage. Even without believing in God, after-life or re-birth, we can achieve Moksha, which means liberation from our ego, excess greed, excess pride - all these things that come in the way of happiness.

THE CURIOUS TASK
OF ECONOMICS
IS TO
DEMONSTRATE TO MEN
HOW LITTLE
THEY REALLY KNOW
ABOUT WHAT THEY IMAGINE
THEY CAN DESIGN

Friedrich Hayek


WORLD
unfurled

'Abbu, Why do they fight?'

*A riveting tale of a question asked across generations that defines the grim lives of Muslims in the Middle East. A question that every father has to answer. Read on as **Sushant Sohey and Prakhar Bang** reveal, why they ask this question.*

I fondly remember the newspaper sessions that I used to have with my abbu in the verandah of our house sipping hot cups of tea with succulent kebabs made by my ammi, discussing various events happening around the world. In one such session back in 1982, dismayed by a headline in Bahra that read "127 killed in Shia-Sunni Violence: When will the Islamic civil war end?" I remember getting struck by these numbers. They hit my conscience and values prompting me to ask "Abbu, Why do they fight?" With his eyes fixated on the sports page, in a low tone he answered, "Ask your ammi, *Huzzzu*!"

Next, I remember running to ammi while she was hurriedly packing our belongings in a cloth bag. Apparently, people in the locality had been instructed to empty their homes because of the bombing in the neighbouring locality.

Fast forward to when I was 18, the civil war continued to stir. My parents had their own hospital in Mosul and managed to earn a fair amount of income - enough to afford my education in the US. While bidding farewell to my ammi-abbu, all we wished for was peace in our lives and a promise to meet again. Ammi had wrapped some kebabs for me in a newspaper hoping that I'd eat them in the waiting lounge. Iraq to New York is a twelve hour long flight, and I was fortunate enough to get a seat with my Abbu's friend Ahmed, a famous Iraqi historian. While I was opening the packet of kebabs, I saw the same headline on the oil-stained newspaper that I saw six years ago. Determined to get the answer to that question, as soon as we boarded the plane, I burst out and asked Ahmed the same question that I had asked my abbu back then- 'Why do they fight?'

Three decades have passed since that flight. However, the newspapers in my country are still swathed by stains of blood. While in one such session with my son Dennis, wherein we were discussing Rafael Nadal's record in French Open, he asked me the same question on encountering a somewhat similar headline somewhere hidden in the newspaper that I saw back in 1982 - 'Abbu, Why do they fight?' I had immediate flashbacks of that flight with Ahmed and of the ancient story which I began sharing with him.

Back in 632 AD, after the death of Prophet Muhammad, the Muslim community had a tough choice to make. The Prophet had died leaving no specific instructions about his successor. The search for the Caliph-Deputy of God began soon after his death. While a vast majority wanted Abu Bakr, his father-in-law, to be the Caliph in the absence of Prophet Muhammad, a certain section of people preferred someone in the family to take up the revered position. They saw Ali, Prophet Muhammad's cousin and the husband of Fatimah-Prophet's daughter as their political and spiritual leader.

The community which sided with Abu Bakr came to be known as 'Sunnis' while the other side was referred to as 'Shias'- partisans of Ali.

Sunnis succeeded and chose Abu Bakr to be their first Caliph. However, after his death, Ali eventually became the fourth Caliph, the 'Shia' ruler of the Islamic community. But his leadership was challenged by Mu'awiya, the Muslim governor of Damascus, who waged a war against Ali, in which Ali was eventually killed. Mu'awiya claimed the Caliphate and founded the 'Umayyad' dynasty, which was predominantly a Sunni dynasty. Their rule was characterized by severe oppression towards the Shia branches who posed a threat to the Sunni Caliphs.

The partisans of Ali, being discontented about their representation during this dynasty tried to reject the authority of the Umayyad dynasty. Ali's son Hussein was later called on to lead an uprising by the people of Iraq, who were suffering under the sixth caliph. He led his tiny army of 72 people to Karbala in Iraq, where he made a brave but hopeless efforts to defeat the 10,000 strong army of the caliph. The Battle of Karbala thus became one of the first major events leading to disintegration between the two communities. The massacre not only helped shape the Shia identity but also paved way for sectarian violence in years to come.

As centuries passed by, the Middle East witnessed a lot of turbulence in terms of who their leader would be and witnessed clashes with the Europeans, Mongols and Safavids.

Safavids arrived in Persia (modern day Iran) in 1500 and consequently established a shiite dynasty. And then, in 1639, arrived the Ottomans who controlled a major part of Arabia making it a sunni empire. The wide geography of the Islamic world took an interesting turn in later centuries when Persia was ruled by shiites while the Ottoman Empire in Arabia and Mughals in India spread Sunni ideas. The Ottoman Empire established a Sunni caliphate by gaining control over countries like Iraq and Turkey and eventually the Saudi kingdom. This dynamic prevailed till the 20th century with mild instances of conflict and turbulence."Ottoman empire! Our teacher was giving us a lecture about World War I at school today. She mentioned the Ottoman empire," Dennis exclaimed in excitement, having found a known

Shia-Sunni conflict was never as violent as catholic-protestants until the 20th century. Outside intervention and internal political tussle have left the Middle East in tatters.

empire after so many confusing caliphates. "Yes," I said and told him to calm down for the story ahead. In the early 20th century came World War I and the Ottomans had to part their ways, either with Germany or the United Kingdom and France. The Ottoman Empire took sides with the German. "But didn't the Germans lose the war?", Dennis asked. "Yes, they did," I said " and so did the rule of Ottoman Empire".

Since the Ottoman empire lost, the British and French who were the winning sides divided the provinces of the former Ottoman Empire under the secret Sykes-Picot agreement. As this empire came to an end, it paved the way for the formation of modern countries. In 1932, Saudi Arabia was formed. This was a brief history of the Middle East's 1400 years of sectarian divide. But contemporary tensions started in 1979 when differences against the political regime led to uprisings by the people in these countries.

Unlike the Saud monarchy, Iran witnessed widespread protests and hostility among the masses under Shah Mohammad Reza Pahlavi's regime in the 1970s. To successfully implement his idea of making Iran the 'Great Civilization', Shah took various politically incorrect and unconstitutional decisions, heaving a wave of resentment and uprising among the masses. His decision of abolishing the two party system, abruptly changing the official calendar, making it mandatory for people to join Rastakhiz party or else having to leave the country, his over-dependence on international politics over domestic politics coupled with the infamous 'police' military system all over the country led to the Iranian Revolution in 1979. As the revolution overthrew Shah's regime, Iran became an Islamic Republic.

The Iranian Revolution of 1979 acted as a catalyst in further deepening of Shia-Sunni tensions and polarizing both the sects while also changing the political and social landscape of the Middle East. Much of the character of the terrorism prevailing today can be associated with the 1979 Iranian Revolution.

"Why, Abbu? How can a revolution specific to one country affect the lives of Muslims around the world?" exclaimed Dennis curiously, hoping to decode the crisis all at once.

His periodic questions gave me some validation to continue, and I was glad that he didn't treat this as one of his bedtime stories. I saw my reflection in him. I had millions of thoughts running in my mind at that time. Dennis's impatient look somewhat forced me to shift back to the story.

Widespread protests forced the Shah to flee Iran and Khomeini emerged as the leader of the masses. The champion of people's uprising, the man behind the revolution, was the exiled Shia cleric Ayatollah Ruhollah Khomeini. Khomeini led Iran by setting up a new constitution based upon the Shiite principle of *velayat-e-faqih* (guardianship of the jurist) granting him religious authority and political leadership. On the other hand, Sunnis' preachings advocated separation of religious learning and political leadership. The leadership style of Khomeini irked Sunni Saud Monarchy, and it feared that the Iranian Revolution might also inspire their masses to revolt against them. They saw Khomeini as a threat to their existence.
Acting as a buffer between the two countries (read, communities) - Iran and Saudi Arabia, was a Shia-

majority Iraq ruled by a Sunni-dictator- Saddam Hussein. To tap the oil reserves in Iran and to stop the spread of the Iranian revolution, Iraq waged war against Iran in 1980 with the backing of Saudi Arabia and the USA, the latter responding in this manner due to the infamous diplomacy fallout after the Iranian Revolution. Lasting roughly for 8 years, the Iran-Iraq war witnessed the loss of more than a million lives and huge economic costs while producing a by-product: increased sectarian tensions. Instances of sectarian violence became a norm after the war. The bloodiest being the Shia insurgency after the Gulf War, which witnessed Saddam killing tens of thousands of Shia agitators in Iraq.

Khomeini also made conscientious efforts to spread the revolution and his ideas in other Islamic countries by supporting Shiite communities and militants. In order to avoid this spread, Sunni-majority Saudi Arabia initiated funding of Sunni groups and militants all over the Middle East, hence engaging in a proxy war with Iran. The war to become the legitimate Muslim state and proxy warfare evolved into sectarian violence in countries like Yemen, Syria, Lebanon, Afghanistan, and the entire Middle East in fact.

"Abbu, why do I feel that it's not the history but the current political scenario that is the main cause of the conflict?" asked Dennis, gazing just like his grandfather. I nodded affirmatively and slowly drifted to the story that defines Muslims worldwide.

As an aftermath of the 2001 attacks, the US toppled the Sunni-centric Taliban government in Afghanistan which led to widespread fear of a Shia revival in politics among the Gulf nations. The next blow came in 2003 after the invasion of Iraq by the US with the former becoming the battleground for proxy warfare between Saudi Arabia and Iran. Numerous radical Shia and Sunni militant groups emerged in Iraq backed by Iran and Saudi Arabia respectively, leading to widespread terrorism and innumerable casualties.

A classic example of this alleged 'proxy warfare' is the civil turmoil in Syria. The radical Al-Qaeda in Syria used social media to instigate people by targeting their religious sentiments and with time evolved into ISIS, aiming to establish a Sunni caliphate over Iraq and Syria. Both the Sunni and Shia militant groups continue to receive backing from Saudi Arabia and Iran respectively to establish the supremacy of their community in the Middle East region.

However, it is not just Iraq or Syria that is gripped in between this proxy warfare. The current Yemen crisis is also an outcome of the same and seems to have no end. In Yemen, the president before 2011, Saleh, wanted his son to become the army chief, much to the resistance of the then army chief of Yemen in 2011 named Ahmar. This led to a civil war between these two sides. Before they could realise it, the Houthi rebels, a group of Shia rebels, had started taking advantage of it and taking places under their control. This was when other countries intervened, much to the disadvantage of Yemen. While Iran started supporting Houthis, Saleh took the help of Saudi Arabia.

The tussle escalated with a series of events that unfolded in the proceeding years. Saleh stepped down as President, and the new President failed to stabilise the situation. While the northern part was dominated by Houthi rebels, Al-Qaeda spread in the south of Yemen. This is how Iran and Saudi Arabia were involved in a proxy warfare in Yemen too.

Sectarian violence continues to define the lives of millions of people in the Middle East region and Muslims worldwide, but I do fail to understand the need for it. Shia-Sunni conflict was never as violent as catholic-protestants until the 20th century. Outside intervention and internal political tussle have left the Middle East in tatters. In the centuries preceding World War I, the conflict between both the communities was never this violent. For instance, Iraqi Shias and Sunnis fought together in World War 1, the Khilafat Movement in India saw both the communities coming together for a common cause. This supposedly '1400 years old war' is the senseless propaganda spread by militant groups all over the Middle East just for the sake of political dominance and establishment of the legitimacy of a particular state. I'm flabbergasted by the evolution of the conflict which I believe is largely controlled by western forces that engineer bloodbath among masses. Endowed with massive oil reserves, Middle East had massive potential to become the next superpower, but alas, these western forces and some malicious internal politics at work have effectuated this never-ending terrorism, defeating that potential. All I can do is hope. Hope that Dennis would never have to read that headline again. That we all will live peacefully as brothers in 'our' world. That no son would ever have to ask his father- 'Abbu, Why do they fight?'

The African Tragedy

*In our fascination with the so-called "first world countries", we often tend to forget about the not so advanced ones. Read on as **Abhishek Sancheti** takes us through the economic history of Africa, and how the past tragedies made its position tenuous in contemporary world politics.*

We have been taught that an economy should grow in the long-run. While it may face recessions, they should be treated as a part of the trade cycles and dealt with accordingly. The economies should look at recessions as minor blips in their growth story and develop in the long run. While maximum countries in the world have followed this dictum, there have been a few exceptions.

The countries of Sub-Saharan Africa are one of those few infamous states which have failed to undertake any form of development. In 1975, the per capita GNP of this region stood at 17.6% of the world's per capita GNP. Twenty-four years later, in 1999, this number dropped to 10.9%. For 24 years, the region's real growth rate was negative. Clearly, it had failed to keep pace with other countries and was lagging behind, both in growth and development. The only things in which it was way ahead of the world were in lowest life expectancy (49 years), maximum population undernourished (34%), infant mortality rates (107 per 1000) and percentage of the population diagnosed with HIV/AIDS (9%). No doubt, it has been a tragedy.

To add to their woes, the stagflation caused due to the oil shocks of 1973, raised inflation as well as unemployment to all-time highs.

So, what were the reasons behind this disaster? On the bare minimum, the reason was External Debt. The region's external debt had increased to unsustainable levels which moved these economies to the verge of collapse. In 1986, the external debt of Sub-Saharan Africa stood at USD 200 Billion which was around 45% of their GDP and 293% of their export earnings. The annual debt service payments along with interest came to around USD 28 Billion which formed 48% of the region's export earnings and for some countries, more than 100% of their export earnings. With such massive funds diverted towards repayment of the loans, the governments were left with inadequate funds to undertake developmental expenditure in their countries. Coupled with ineffective governance and civil unrests, it was impossible to undertake projects aimed at growth and development of these economies.

As such, the following question arises - What was the reason behind this debt crisis?

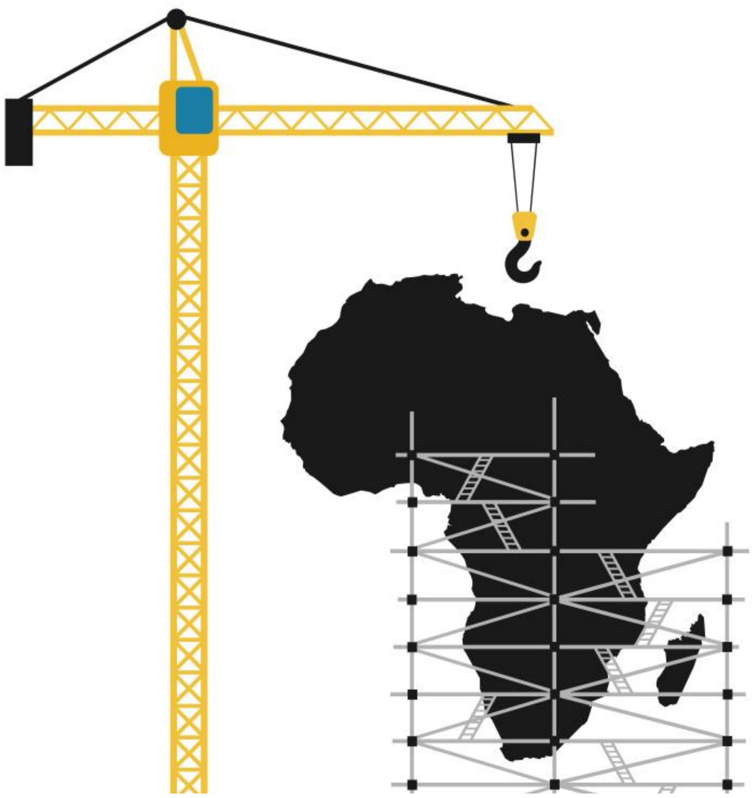
There were several external and internal factors which contributed to the rise of this gigantic external debt. Till 1972, the region was a beneficiary of grants and concessions from the IDA and IMF. But after the oil shock and stagflation of 1973, the IDA and IMF grants and concessions decreased as contribution of the members of these organizations decreased. This made these economies to look for loans from the international market. As the interest rates were very low and credit was easily available, these economies got easy loans. Soon, the principal amount of loans became too large to be managed. To add to their woes, the chairman of the Federal Reserve of US, Paul Volcker, suddenly spiked the US interest rates. This was done to attract investments and push output in the economy, to counter the recession which the US was facing at that point of time. This caused the interest on the loans which these economies took to increase drastically. Soon, the loans rose to unsustainable levels.

During this period, most of the developed countries in the world were understanding the importance of globalization and hence, opening up their economies for trade. Import duties were being reduced and trade deals were being signed. However, these African countries were somehow wary of this new idea called "globalization" and decided to stay away from it. As these countries had not signed many trade agreements, they were not able to take advantages of concessions and reduced import tariffs. This made the goods of these economies costlier in terms of other players in the market who were taking full advantage of their trade deals. This led to reduced exports which further decreased their income. They also missed out on benefits from the advanced technological know-how and better production techniques which developed economies possessed. They stuck to their primitive method of production which made the industries of these economies incompetent in the international market in the next few years.

Africa, at this time, was going through a number of civil unrests and political instability. Hence, the absence of a stable government in these economies was also one of the reasons why these economies could not develop. Due to political instability, governments of these economies could not come up with plans and projects for the welfare of their people. This further led to civil unrests as the governments were not doing anything for the benefit of the people. Huge civil unrests led to political instability once again. Therefore, these countries were somehow stuck in a vicious cycle. To add to their woes, the stagflation caused due to the oil shocks of 1973, raised inflation as well as unemployment to all-time highs. Therefore, people were dissatisfied as they were not getting any jobs and at the same time, prices of the commodities in the markets were very high.

Moreover, unstable governments meant lack of a proper external debt management capacity at the national level. They were not able to properly monitor the amount of external debt they took and what impact it could have on their economy. The governments of these economies were lethargic and excessively resorted to external borrowings for trade deficit financing. This kept on adding to the loans the economy had taken. This, in turn, added an additional burden on the government.
Finally, natural calamities like drought and environmental degradation played their part in reducing growth. Due to these natural calamities, food production and agricultural output of the economy decreased. This led to an increase in food import bills which had a negative effect on the balance of payments of the economy.

The consequences of the debt crisis have been severe for African economies. Growth rates, investment rates, and exports have all fallen sharply since 1980. Real per capita GNP declined steadily by about 1% each year during this period. Furthermore, this external debt has seriously restricted the scope of macroeconomic policy-making and has had damaging effects on economic and financial institutions. Even today, economic policymaking in many Sub-Saharan countries has been reduced to external debt management, with longer-term strategies being shelved in order to meet the day-to-day needs of foreign exchange, to make debt-service payments and acquire necessary imports for production and consumption. The existing debt burden is proving to be a significant obstacle to development efforts of governments in Africa. Therefore, a debt-free environment, stable and working government along with a participative workforce is required if these economies want to truly grow and develop their economies in order to integrate with other developed economies of the world.



One Country, Two Systems

Famous as a prime financial centre, Hong Kong is today entrenched in a long-standing dispute with the mainland. Read as ***Prakhar Bang*** *analyses China's growing dominance and Hong Kong's passive resistance to the same.*

Hong Kong has held a long-standing reputation for being one of the top financial centres in the world, and many cite its liberal capitalist economic policies as a reason for the same. But how can Hong Kong operate as a free capitalist economy when it is a part of the People's Republic of China, which is essentially a communist economy? Or rather, how can Hong Kong have a multi-party system and a complete democratic procedure of electing the government if it belongs to China, which has a completely different political structure?

Technically, Hong Kong is a part of China, but it doesn't quite act like it. Travelling from Hong Kong to mainland China would require you to get your passport checked and stamped because Hong Kong has its own immigration policy. And though it belongs to China, it considers Chinese citizens as immigrants. Within the same country, you would be penalised for driving on the left lane in China while the opposite happens in Hong Kong! Hong Kong even has its own Olympic team that competed in the 2008 Beijing Olympics. These two parts have their own flags, currency, postal system, separate police and what not. If these two regions are so distinct, why is Hong Kong perceived to be a part of China?

It is the result of 'One Country Two Systems', tailor-made for the Hong Kong economy.

The Opium War

It all began with the Opium War. China was a massive producer of tea back in the 18th century, and the British were enthralled by this herb. However, the Chinese emperor would only accept the 'pure silver bullion', which was an impediment for the British as their treasury eventually dried up. In response to this, the British came up with a brilliant, but at the same time an unethical, solution. The East India Company started illegally exporting opium from India to China and exchanged it for the silver bullion, which it further used to buy tea.

This arrangement went on throughout the 18th century. Trade grew dramatically in the 1820s and consequently caused economic and social upheaval because of the ubiquitous opium addiction that had taken over the people of China. It's absurd how a fixation to something can entirely change the fate of two places for years to come! In an effort to cease this harmful trade, the Chinese government confiscated around 1,400 tons of the drug warehoused by British merchants. This led to a series of hostilities between the Chinese and British, with Britain invading China to discipline it for its interference in Britain's affairs.

One of Britain's first acts of war was to occupy Hong Kong which, unlike now, was a sparsely inhabited island off the coast of southeast China. Britain's campaign was successful against the inferior Chinese Qing dynasty's forces, and in 1841, China ceded the island to the British. The following year, the Treaty of Nanking was signed, formally ending the First Opium War. By 1898, China and Britain entered into a treaty in which Hong Kong was leased to Britain for a period of 99 years.

As the years rolled by, there were apprehensions as to what would happen when this period of lease terminated. In September 1984, after years of negotiations, the British and the Chinese signed a formal agreement called the Sino-British Joint Declaration, approving the 1997 handover of Hong Kong to China in return to a Chinese pledge to preserve Hong Kong's capitalist system. The agreement also said that Hong Kong would be allowed significant autonomy to function as an independent territory for at least the next 50 years. This is how One Country Two Systems came into existence.

So, how does this system work?

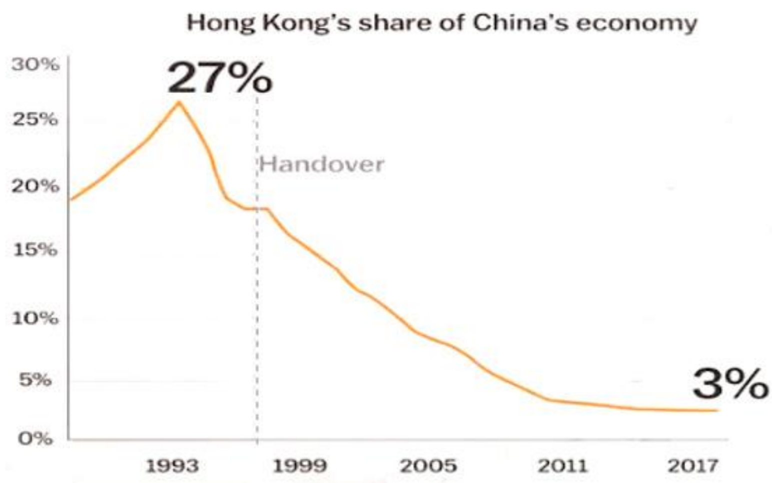
Hong Kong has a Basic Law, which serves as a mini-constitution, and was drafted under the Sino-British Joint Declaration. Although it states that Hong Kong is an "inalienable" part of the People's Republic, the Chinese parliament gives it full authority to operate as an autonomous territory. The Hong Kong Special Administrative Region (SAR) enjoys political, executive and judicial power, including the final adjudication. It formulates its own social welfare schemes, education policy as well as matters ranging from culture to sports. Freedom of speech, media, and religion are all defended by the law. Finances are also managed independently by the SAR itself, which also has the liberty to form its own tax laws. The communist government of the mainland has no official presence, and is banned from interfering in the SAR's affairs.

There are two major areas where Hong Kong differs from the mainland - defence and diplomacy. Hong Kong may manage its internal security, but military defence is controlled by the mainland as it comes under the ambit of external affairs. This is the primary reason why India has a consulate instead of an embassy in Hong Kong, because China doesn't allow so. And it works the other way around too! Though we have a PRC Embassy in India, Hong Kong has a Trade and Cultural Office. This is also one of the reasons why Hong Kong is not identified as a separate participant country in the United Nations.

And it's not just Hong Kong. China has similar arrangements with Macau too. However, in this case, it was the Portuguese instead of the British, and the lease terms expired in 1999. Doesn't this make it 'one country, three systems'?

The Growing Chinese Hegemony

In recent years, China seems to be less committed to this formulation, and is gradually escalating its assertion in the Hong Kong administration. When Hong Kong was officially handed back to China in 1997, its contribution towards the total GDP was 20 percent. It doesn't take much to understand how important Hong Kong's economic contribution was to the Chinese development. But gradually, as mainland China has adopted many stringent measures, Chinese economic growth has boomed. Eventually, Hong Kong's share dropped from 20 percent to nearly 3 percent. As such, China began to dominate and deter from the agreement in bits and pieces, even with more than three decades left for its official termination. This has grown to such an extent that the Chinese Foreign Ministry at one time exclaimed the Joint Declaration to be "practically insignificant." Many Hong Kongers feel that their freedom is gradually being abrogated by the Beijing government.



In 2003, China and Hong Kong entered into the Closer Economic Partnership Agreement (CEPA), under which qualifying products, companies and residents of Hong Kong get preferential access to the mainland, and vice versa. On similar lines, the Individual Visits Scheme was passed, which simplifies the procedure for the mainland population to visit the SAR. However, if this is only an international agreement of the sort that is entered into by many, countries, why is it worrying the residents of Hong Kong? It is argued that China

Apparently, Britain does not want to hamper its relations with China in a post-Brexit era, where more trade deals with the world outside the European Union are crucial for prospering of its economic interests.

is fostering economic integration of its economy with Hong Kong's, so that over time they become dependent upon China's rising consumption power. Dependence, needless to say, spawns compliance. That is what China wants.

The Umbrella Movement

It is said that detaching people from their native language can be used as a weapon to threaten their freedom. Control the language and you control the masses. China has been trying to do the same. A lot of news channels in Hong Kong are now telecasted in Mandarin, the native language of China, and not in Cantonese which is widely spoken among Hong Kongers. Similarly, a lot of textbooks in Hong Kong propagate the Chinese political system and exclaim how flawed the United States' multi-party system is.

The highest standing individual in Hong Kong is the Chief Executive. In 2007, China agreed that this individual shall be selected by universal suffrage from the 2017 elections. However, in 2014, the Standing Committee of the National People's Congress (NPCSC) in China prescribed a selective pre-screening of candidates by an electoral committee consisting of oligarchs and pro-Beijing figures. This would mean that China will have the power to fiddle in the election process by eliminating pro-democracy candidates and at the same time shortlisting those who are more supportive of China.

Dissatisfied with the Chinese government rule, protests began to form, comprising mostly Hong Kong's youth who feared that the Chinese government would take away their freedom. Moreover, it was not just out of anger and frustration that the youth took to the streets. The movement also reflected some serious and legitimate concerns of the Hong Kongers who felt that their local identity is gradually getting eroded due to Chinese domination. The name Umbrella Movement emerged from the idea that the umbrella was symbolic of the passive protests by the Hong Kongers who used it as a shield when attacked by tear gas and pepper spray by the Chinese military.

The Umbrella Movement and the protests by the people sends a signal to not only places like Taiwan and Macau but also to East Asia's democracies, that Hong Kong has been as ready for democracy as any other East Asian country. However, the public's reaction towards the movement was different among different generations. The young and well-educated generation of Hong Kongers, who are well versed with the western ideas of freedom and sovereignty, want it to become fully independent. The older generation of people was against any such uprising, as it would antagonize China. They were afraid of the Chinese government clamping down on the revolution in a similar manner as it did in the infamous Tiananmen Massacre in 1989, where nearly 10,000 pro-democracy protesters were killed at Tiananmen Square by the Beijing government.

Doesn't the UK have a stance?

Though the British government has a responsibility and commitment towards the Joint Declaration, it hasn't yet taken a stance in favour of Hong Kong while Beijing openly breaches the agreement. Here comes quite a logical explanation to it. Apparently, Britain does not want to hamper its relations with China in a post-Brexit era, where more trade deals with the world outside the European Union are crucial for prospering of its economic interests.

It is quite evident that China is slowly and systematically tightening its grip over Hong Kong to the extent that the local media is facing censorship and outspoken voices are threatened and sometimes attacked as well. The key demand of the Hong Kongers in the Umbrella Revolution was for the Chinese government to revise its plan for future elections. Quite evidently, they lost. The leaders of the revolution were found guilty two years later of charges related to the Umbrella Revolution.

The United States believes that Hong Kongers deserve and are ready for their freedom. Time and again it has been reiterating its support for their autonomy. On the other hand, whether it is the 'String of Pearls', Belt and Road Initiative, increased investments in the African Countries or the 'One China Policy,' Xi Jinping, under his Presidency has been increasing his country's political dominance all over the world, an obvious threat to the U.S.

What would happen to a politically marginalised and economically squeezed Hong Kong is unpredictable. How will Xi Jinping go about the issue of 'One Country, Two Systems'? Would it respect the agreement for its registered period or would it increase its meddling in between the affairs of Hong Kong?

ONLY CHINA KNOWS, AND CHINA DOES NOT SAY SO.

The Sino-American Heritage in Trump's Era

Let not all the noise around you be a hindrance in appreciating the beauty of the past, and what it means for the present, contemplates ***Patrick Mendis*** *in his article on the cultural relations between China and the US.*

The iconic statue of the first American Postmaster general Dr. Benjamin Franklin greets visitors to the Old Post Office building in the heart of the United States' capital: Washington in the District of Columbia. The building is now home to the luxurious and controversial Trump International Hotel on Pennsylvania Avenue at the midpoint between the Capitol and the White House.

The hotel webpage invites guests to "share tea" in the Benjamin Bar to discuss "social and economic affairs" as it was the "established custom" in colonial America. It further states that "we agree with Franklin" and delight to "serve tea from China." The page indicates that Franklin had stated "at least a million Americans drink tea twice a day." Yet, he was "unable to find any American tea as palatable or agreeable as real tea from China."

The Founding Chinoiseries

Dr. Franklin was one of many among the founding generation that not only enjoyed tea but also idolized China's literary culture and commercial intercourse. Similar to today, the Middle Kingdom's influence was so powerful that American colonial life was saturated with Chinese teas, silks, porcelains, wallpapers, Chinese Chippendale furniture, and other products.

Like Franklin, President George Washington also had an affinity for Chinese tea as well as porcelain, importing several collections of the latter. Washington—a farmer in his pastime—kept detailed records of flowers from "Chinese seeds" at his Mount Vernon estate. Similarly, Thomas Jefferson studied Chinese gardening and architectural design for use at his Monticello home in Virginia. To overcome commercial dependence on British imports, Dr. Benjamin Rush attempted to set up "a china manufactory" for "the service of America" in Philadelphia.

Acting like a Confucius's disciple, Franklin promoted Confucian ethics and Chinese moral philosophy in his weekly newspaper, Pennsylvania Gazette. The colonial sage explained to readers how Confucian principles could provide the framework for a "happy and flourishing empire" in America. Franklin also commented that the "Chinese are regarded as an ancient and highly civilized nation" from which Americans might learn to form their own civilization. By linking Confucius to Jesus in The Age of Reason (1794), Thomas Paine—a revolutionary pamphleteer—also maintained that the Chinese were "a people of mild manners and of good morals."

Secretary Charles Thomson of the American Philosophical Society (later the Secretary of the Continental Congress) compared the two countries, saying that Philadelphia "lies in the 40th degree of north latitude of very same as Pekin [Beijing] in China," and that the comparable "soil and climate" would help the city to "thrive in a degree equal to our warmest expectations." Thomson went on to say, "This country may be improved beyond" what "might have been expected" if we could be "so fortunate as to introduce the industry of the Chinese, their arts of living and improvements in husbandry, as well as their native plants, America might in time become as populous as China, which is [sic] allow to contain more inhabitants than any other country, of the same extent, in the world." At that time, the Chinese population was approximately 300 million, while the American colonies had only slightly over two million. Franklin, the founder of the Society, concluded that China was a role model and hoped that "America would in time come to possess much likeness in the wealth of its industries to China."

Commercial Intercourse

Like the monks and merchants in ancient China, the Pilgrims and colonists in America presented a similar evolution in search of spiritual happiness and material wealth. Jefferson and other founding fathers established the "Republic" with trade and commerce in mind for its prosperity, unity, and "the Pursuit of Happiness."

Inspired by the experience of the Pilgrims and colonists, the Constitution was designed to unite the diverse nation with its "Commerce Clause" enshrined in the sacred document. The clause gives Congress the power "to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes."

Establishing a commercial relationship with China was an institutional vision of the republic as the founding generation sought to free themselves from the yoke of British and other colonial powers. Nevertheless, the Virginia charter of the colonists—which sought "a shortcut to China" by giving instructions to navigate through the James River "toward the North-West" Pacific Territory—remained an intriguing text.

As the third US president, Jefferson dispatched the Lewis and Clark Expedition to search for the navigational waterway to China. The instructions for the Expedition clearly stated that finding a direct channel to the Pacific coast—through the newly-acquired Louisiana Purchase and the Pacific Northwest Territory—was for "the purpose of commerce."

History In Future

With this backdrop, the more than 240 years of evolving cultural exchange and commercial intercourse between China and the United States will likely continue for the greater benefit of both—with or without President Trump's "trade war" rhetoric.

Establishing a commercial relationship with China was an institutional vision of the republic as the founding generation sought to free themselves from the yoke of British and other colonial powers.

For example, there are already more than 100 Confucius Institutes across America while Chinese state-owned enterprises have invested in Kansas, Ohio, Virginia, and other states. Governors and congressional leaders have recognized the win-win nature for their states and districts that is generally better than the tariff on Chinese imports with potentially negative consequences.

Moreover, Trump's loans are from the Bank of China and the Trump Tower in New York City houses the Industrial and Commercial Bank of China. Understanding the inherent DNA of the Sino-American relationship, President Trump's family and inner circle of advisors and his cabinet of like-minded tycoons and financiers seemed to have reverted to history to see the future. As he adopts the "America First" policy, Trump intends to chart a new bilateral approach to China as he withdrew from President Obama's 12-nation Trans-Pacific Partnership.

Representing Trump at the World Economic Forum in Davos, American financier Anthony Scaramucci, then the White House director for communication, described the United States as the apostle of "free trade." He said that President Trump wanted an "excellent relationship with the Chinese" that would eventually "create symmetry" within a broader framework of other contested issues of Taiwan, North Korea, the South China Sea, among others. This seems to indicate that as the campaign "headlines" fade away after the election, the historic "trendlines" have quietly been revived.

Scaramucci's hopeful sentiments might now become as "palatable or agreeable as real tea from China" on Trump's menu at the Benjamin Bar than the boxes of Chinese tea that led to the Boston Tea Party and the Revolutionary War against the British.

The Lankan Lions Forge Ahead

*Democracy doesn't mean spreading terror. It means spreading awareness about what's virtuous for the well-being of a nation. Read on as **Mridul Razdan** and **Riya Bhalla** take you through the journey of a rejuvenating Sri Lankan Democracy.*

Once seen as an emerging South Asian powerhouse, Sri Lanka squandered its opportunity for international recognition when it descended into a spiral of ethnic grievances. Sri Lanka had fuelled growth with plenty of sound policies even during the Civil War, and seven years after the guns were silenced, most Sri Lankans were finally able to attain a sense of freedom. 'The Land of Serendipity' went on to show the world that it has the power to outshine everyone.

Just as the Sri Lankan growth-story had gained speed with the Civil war disputes getting settled somewhere down the line and the newly formulated Wickremesinghe-Sirisena combination was treading on the path of nation-building, nobody could have anticipated the upcoming roadblock. After withdrawing consent from the already running government, President Maithripala Sirisena announced the appointment of Mahinda Rajapaksa as Prime Minister. The unreasoned decision to remove the incumbent Prime Minister Ranil Wickremesinghe and appointing Rajapaksa pushed Sri Lanka into an unprecedented constitutional crisis. The recent crisis was unanticipated given the ground realities of the nation's polity and the ruins of the Civil War, which is still fresh in the minds. Yet the events that followed conveyed the message that strong democratic ideals are the basic foundation for any nation to prosper. Thus, it becomes crucial for us to analyse the pre-crisis circumstances that later developed into the constitutional crisis, and how it has altered the polity.
Pre Crisis Circumstances:The Belt and Road Initiative (BRI) pioneered by the Chinese Government has been a comprehensive development strategy wherein China has invested in countries with the basic purpose of infrastructural development. This has instead resulted in doom and despair to many such underdeveloped economies across the globe. According to a report by the National Public Radio, of the 68 countries that have been identified as potential borrowers in the BRI — 23 are already at a "quite high" risk of debt distress.

Countries like Djibouti, Laos, Pakistan and Nigeria are a few examples of countries which are facing political, social and economic unrest due to high indebtedness, and Sri Lanka is a potent example of the fallout due to the indebtedness under the BRI. Former President Rajapaksa during his decade-long presidential regime from 2005 to 2015 had borrowed more than an estimated $8 billion from China to bring about a change in the infrastructure patterns of Sri Lanka. Such infrastructural ventures were among Mr. Rajapaksa's central accomplishments. Chinese expansionist designs in Sri Lanka lost their charm, when Mr. Rajapaksa was voted out of office, and the newly-elected government pledged to inquire into these dealings. The succeeding Sri Lankan government, led by Ranil Wickremesinghe and Maithripala Sirisena has exercised more caution with respect to ensuring a neutral external position and kept matters at bay, since giving away the Magampura Mahinda Rajapaksa Port, famously known as the Hambantota Port, on a 99-year lease to Beijing in 2017 as a form of payment to acknowledge the debt taken in past . As a consequence of the constitutional crisis, the path would have paved the way for Rajapaksa to take the pole position in the government. Given his history, an administration led by Rajapaksha would have been severely inclined towards China.

The Crisis

The formal withdrawal of the United People's Freedom Alliance from the national unity government forced the South Asian nation into a political crisis with the President and the then Prime Minister taking pole positions. Immediately after this, Maithripala Sirisena's decision to appoint Mahinda Rajapaksa as the new Prime Minister surprised the world at large. As a consequence of this political slugfest, the judiciary, the legislature and the executive were consumed in chaos.

But, after all speculations, the Sirisena-Rajapaksa partnership came to an end as the parliament raised a no-confidence motion twice, leading Rajapaksa to resign and Ranil Wickremesinghe being reinstated as the prime minister. Just after the crisis ended, the Supreme Court stated that the actions taken by President Sirisena were unlawful, and that his actions could have left a wrong impression on the minds of his fellow citizens. It's a testament to the Sri Lankan democracy, ravaged and in turn, strengthened by decades of crisis, that an amicable solution to the crisis was reached peacefully.

Rebuilding the Country

The Ranil Wickremesinghe government had always focused on following the ideals of a good democracy by keeping equitable relations with their neighbours and exercising considerable sovereignty. With this in mind, Sri Lanka expanded its operations with India and sought to benefit from its global partners. Drifting away from its reliance over China, Sri Lanka entered a joint venture with India wherein the latter received the rights to operate Mattala Rajapaksa International Airport in Hambantota.

Sri Lanka has been the shining star when it comes to South Asia. According to a United Nations Development Programme(UNDP) report, Sri Lanka has been listed first on the Human Development Index, in comparison to the other South Asian Association for Regional Cooperation(SAARC) nations, including India. It surely justifies how a democracy can change lives and bring the best out of a nation. It is not the abolition of a crisis that ends the problems for a country; rather, it is the end of ethnic hatred between the legislature and the citizens of the nation. With the loss of 200,000+ lives due to the civil war that left Sri Lanka stranded and desolated, they have finally leaped onto the right path to development. A nation cannot rebuild itself without the support of its citizens, the government and the judiciary and Sri Lanka has proven this, time and again. Even after witnessing a 25% fall in the foreign reserves of the nation due to the constitutional crisis, Sri Lanka looks focused on its mission to alleviate poverty with just 4% people below the poverty line. Fiscal indicators have improved continuously since the end of the Civil war which is a good sign for the Sri Lankan economy in the coming years.Although Sri Lanka has recorded poor domestic financing conditions that have hampered economic growth, the economic reconstruction of this crisis-hit democracy has already begun with an expectation for the nation to rise again in the upcoming years.A report made by the government of Sri Lanka shows that the macroeconomic fundamentals presently are much stronger than ever recorded. Even after all that Sri Lanka has suffered, the faith that people have continued to repose in their government is absolutely incredible. As a matter of fact, the concept of democracy vests the power in the hands of citizens of Sri Lanka and as trends suggest, mistakes made in the past can't withstand the positive prospects this nation shows for the future.

With the loss of 200,000+ lives due to the civil war that left Sri Lanka stranded and desolated, they have finally leaped onto the right path to development.

A Lesson to Learn

We've seen numerous examples in the past century wherein the nations hit by crisis and wars have revived their economy and brought the best out of what is left with them. But, this is only possible with a stable decision-making government taking charge of the leadership, like one presently in Sri Lanka which ensures better policy formulation for its worthy citizens. Perhaps, Sri Lanka has turned out to be a praiseworthy example for all those democracies who've been looking for hope and optimism.With the wounds of the earlier ethnic crisis still grave, a revival of ethnic conflict is the last thing that Sri Lanka desires. There was a deep-seated fear that communities within the country would have taken opposite sides, had the present crisis been prolonged. Yet, the constant conviction in the minds of the people and the legislature with an ignited hope that the nation has a better tomorrow eventually prevented the nation from setting its own citizens on fire. Even with many facts remaining unknown and several reasons to worry about, something significant and positive has been noticed. The fundamental trends across the country's north and east are conducive to lasting peace. Many brave and reflective Sri Lankans from all walks of life are looking into the matters of this proud nation, and this belongingness will surely bring remarkable transformation to the Land of Lions. Perhaps, this is the right time to return to normalcy!

China, Bangladesh and the BRI: A Win-Win Outcome?

The Middle Kingdom is playing the benevolent rule in the region. ***Sriparna Pathak*** *tells us how China is shaping infrastructure in Bangladesh, and its possible repercussions.*

The fact that there are no permanent friends or foes in international relations is elucidated by Bangladesh-China relations. Despite China firmly supporting Pakistan during Bangladesh's war of independence, and for several years thereafter it remaining, along with Pakistan, hostile to the new state, Bangladesh and China currently have close ties as economics outweighs politics for the bilateral relationship. With Bangladesh joining China's Belt and Road Project (BRI), the relationship is set to get deeper. However, what needs closer analysis, given the fact that several countries are now wary of falling into China's debt trap the way Sri Lanka fell prey to it and had to hand over the Hambantota Port, is how China is set to gain from the BRI in Bangladesh and whether it really is a win-win scenario for both as it is made out to be.
Bangladesh officially joined OBOR in 2016 after a visit by Xi Jinping, when the two countries signed several deals worth USD 21.5 billion. Bangladesh is a part of the proposed Bangladesh-China-India-Myanmar economic corridor (BCIM) as well - one of the six corridors of the BRI. China is also building the Chittagong port, and the two sides have signed an agreement for joint economic and trade development. Beyond this, China is also keen on developing a deep sea-port in Bangladesh under the 21st century maritime Silk Road initiative.

Construction and infrastructure work on the China-backed Karnaphuli Multi-Channel Tunnel Project in southern Bangladesh is underway, and the tunnel is actually a key component in several projects under the ambit of the BRI. Once completed, the tunnel will connect the port city of Chittagong, to the far side of the Karnaphuli river, which is the site of a new Chinese special economic zone (SEZ). Due for completion in 2020, the tunnel will reduce the travel time between Chittagong and Cox's Bazar, one of Bangladesh's tourist destinations, and will ease the heavy congestion on the existing two bridges across the river, while also connecting-up with the Korean Export Processing Zone and Shah Amanat International Airport. It will also feed into two other projects that are currently underway – the Asian Highway and the Dhaka-Chittagong-Cox's Bazar Highway. With a total length of 9 km, of which 3.4 km will run below the river, it will be the first tunnel in Bangladesh to facilitate simultaneous road and rail transit. The genesis of the tunnel construction began on June 9, 2014, during PM Sheikh Hasina's visit to China. However, China's Exim Bank, with which the loan deal was signed, did not release the fund, which became the cause for the delay at the start of the construction. Finally, USD 1.02 billion of initial backing was secured from the China Exim Bank, with a further USD 663 million facility, repayable over 20 years at an interest rate of two per cent, was subsequently confirmed. The outstanding balance was then provided by the Bangladesh government.

Besides the tunnel, worthy of reiteration is the Chinese SEZ, formally known as the Anwara 2 Economic Zone, which was officially established in June 2017. The SEZ will cover 783 acres of land in Chittagong's Anwara and is expected to attract USD 42 billion in investment along with the creation of 2 lakh jobs in the zone.

China is also helping Bangladesh in building the Padma Bridge which aims at increasing connectivity. In addition to this, the Dhaka Stock Exchange has received a huge investment from China and through this; it will supposedly transfer technology and knowledge to boost the capital market in the country. Another important project in Bangladesh is that of the Payra Coal Plant which is expected to be operational by April 2019. The Dhaka-Jessore Rail line is also a project that is worthy of mention. The rail link once completed will connect the capital Dhaka to Jessore, a distance of 168.6 kilometres, with the train designed to run at a top speed of 120 km/h. Along with drastically cutting down distance and travel time, the rail line is expected to bring about a radical change in communications between the capital and the southwestern districts. However, the loan-related delay for nearly two years has left the rail link project far behind schedule though the Bangladeshi government continued the project work on a limited scale with local resources. Therefore, as is clear from the kind and scale of investments China is undertaking under the ambit of the BRI in Bangladesh, Dhaka is important for Chinese calculations. With conditions of new normal operating for the Chinese economy, which sees slower growth rates in the country with problems of oversupply ailing the economy along with rising labour costs, it is pertinent for Chinese labour industries, such as those of garments industries, to relocate. While China aims to become a service-oriented economy and pushes to become a service-oriented manufacturing economy, it will continue to move away from labour-intensive industries to high tech manufacturing industries such as telecommunications and aerospace. A move away from low-tech industries and upgrading to services-oriented manufacturing is part of its Made in China 2025 programme, which seeks to improve overall production, efficiency and quality of Chinese manufacturing.

In such a scenario, the labour-intensive industries in China will seek to relocate to places with cheap labour. Bangladesh becomes the perfect candidate in this context. Bangladesh is the world's second-largest garments producer and exporter after China, and labour costs are still cheap. Therefore, if China could leverage this to its advantage, a beneficial situation would emerge for its economy. Given this, the creation of the Chinese SEZ in Anwara is understandable. Additionally, the Karnaphuli Multi-Channel Tunnel will make the selling of end products easier as it will ease connectivity between Chittagong and Cox's Bazar. It will also connect to the Korean Export Processing Zone - making the procession of garments easier, and then finally connect to the Amanat International Airport, which will facilitate the export of finished products. Therefore, economically, BRI investments in Bangladesh make perfect sense for China. For Bangladesh, the BRI, therefore, is an opportunity to attract foreign direct investment (FDI). In addition to this, Bangladesh will serve as an important bridge for China to access markets in South and Southeast Asia. Keeping this in perspective, it is not difficult to understand why the 2016 visit by Xi Jinping, the first in more than three decades, saw Bangladesh-China relations elevated to 'Strategic Partnership of Cooperation' from 'Comprehensive Partnership'.

A reduction in export revenues will not be welcome for Bangladesh in exchange for a coal plant.

While Bangladesh could benefit from the BRI, what it needs to guard against is falling into China's debt trap the way Sri Lanka has fallen. As stated by Rubaiyat Saimum in an editorial in the Dhaka Tribune in 2017, China is seeking to convert a part of its soft loans pledged to Bangladesh into commercial credits. If disbursed as commercial credits instead of a government-to-government basis, the loans could be very expensive for Dhaka and could cause a long-term debt crisis. Additionally, Dhaka needs to safeguard against its territory being used against a neighbour like India. In February 2016, Dhaka cancelled a plan for China to build and operate a deep-sea port at Sonadia, after pressure from New Delhi, which was worried about Chinese interference in the Andaman and Nicobar Islands, about 1,000 km to the south. While this has been a welcome step, there could be such instances in the future as well, against which Bangladesh needs to have its independent stance. Additionally, Bangladesh needs to watch out against China exporting its surplus steel, cement and iron ore to Dhaka.

Additionally, as stated by analysts, the Payra coal plant will affect the environment and affect the two Ilish sanctuaries in the region. The Ilish is a national treasure for Bangladesh, and according to the Fisheries Statistical Report of Bangladesh 2015-16, Bangladesh annually produces 395,000 tonnes of Ilish which bring in a substantial amount of foreign currency through export. A reduction in export revenues will not be welcome for Bangladesh in exchange for a coal plant.
In any case, China has begun trying to bend rules to suit its own interests in Bangladesh. An example of this is the blacklisting of China Harbor Engineering Co.Ltd, which was supposed to build the Dhaka Sylhet highway but was instead caught attempting to bribe Bangladesh's government officials for the purpose of diverting project funds. When Xi Jinping visited Dhaka in 2016, he lent USD 21.5 billion for 26 projects. However, at the time of negotiating specific projects, Chinese companies tried to change the amount of investment that the original government agreed upon. Therefore, while the promises of the BRI projects in China espouse hopes of economic development, it becomes pertinent for Dhaka to be careful that what it finally gains is economic development and not insurmountable debt or damage to its ecosystems or economic drain at the hands of China.

"Debt comes when you least expect it"

Is the implication of the quantum of US debt being underplayed to avoid an inconvenient truth, asks ***Ashima Makhija***

Howard Schultz, the former CEO of Starbucks, recently expressed his interest in joining the presidential race in 2020, as an independent candidate. The impetus for this rather surprising move, revealed in an interview with CBS, was quite simple. It stems from the frustration with both Republicans and Democrats, in dealing with the country's finances. He feels that the debt levels in the nation indicate towards a looming economic crisis and that both parties have failed miserably in fulfilling their "constitutional responsibility", simply to keep their electoral and political motives intact.

Debt in the United States has grown to over 21 trillion dollars. The federal government is expected to run a deficit of $1 trillion this year, and the CBO (Congressional Budget Office) forecasts that debt as a share of the economy will top 90% of growth by 2029, up from its current level of 78%. Even though the media and the opposition have conveniently taken up arms against the tax cuts and reckless spending of the Trump administration, the US debt crisis has a long and complex history, riddled with booms, recessions and most importantly, elections.

How did the US accumulate such debt?

The most immediate cause for the swelling American debt is obviously the financial crisis of 2008. But the story actually starts with overcoming the Great Depression of 1929 and facing the Second World War. In order to stimulate demand in the economy and to ramp up production and growth, Franklin Roosevelt responded with a stimulus package of 236 billion USD and raised American debt by 1,048%.

Next came President Ronald Reagan with his tax cuts in the 1980s. This was another time when efficiency and productivity in the American economy was faltering. He expanded Medicare and defence spending. Deficit increased by 186 times during his reign. President Bush charged the Treasury with the Global War on Terror, responding vigorously to 9/11, and significantly raising American expenditure on defence. He also added the Economic Growth and Tax Relief Reconciliation Act and the Jobs Growth and Tax Relief Reconciliation Act tax cuts to end the 2001 recession. The deficit raised by this administration was 54 times greater than the previous administration.

Finally, President Obama's fiscal response to the financial crisis changed the scenario for U.S. borrowing. He added the American Recovery and Reinvestment Act stimulus package, the Obama tax cuts, and $800 billion a year in military spending.

Thus, one can safely conclude that financial crises have been traditionally followed by higher borrowing by the government and widening deficits. Yet, the debt crisis reflects some atypical features this time around. Firstly, the economic slowdown, which encourages the government to borrow more, is followed by a boom in the economy. This was true for the 2008 crisis as the economy turned around to better growth numbers. However, once this growth is attained, the debt tends to fall. Instead, debt in the American economy has been on an upward trajectory for a long while and is expected to continue showing this trend.

Secondly, governments don't usually go on a spending spree when the economy is exhibiting phenomenal growth. It is common for companies and firms to increase borrowing to respond to sunny skies over the economy, but governments usually save for a rainy day. This perspective surfaced when Schultz stressed, "if America were a company, at $21.5 trillion of debt, adding $1 trillion a year, we would be facing insolvency." Economists are concerned that given the high debt levels and the US's evident incompetency to clear these loans, the government won't be able to borrow its way to stimulate the economy when the next recession darkens the sky.

What's the USA doing wrong now?

According to the International Monetary Fund, the US is the only major developed economy whose debt to GDP ratio is forecasted to rise between 2018 and 2023. This is because of ineffective policy. To fulfil electoral promises, Donald Trump delivered on major tax cuts at the end of 2017. This lowered revenue for the government. At the same time, America's changing demographic is coming into play. As the baby boomers settle into their cosy retirement homes, the government has to fund pension schemes, a strong social security system and healthcare. Though well-known, the scale of this transformation is still startling. In 1969, defence represented 45% of federal outlays while social security and health benefits were 19%. For 2019, defence's share is 15%, and the health care/social security share is 49%. By 2029, the defence share is projected at 11% while the health care/retiree share at 56%.

"If America were a company, at $21.5 trillion of debt, adding $1 trillion a year, we would be facing insolvency."

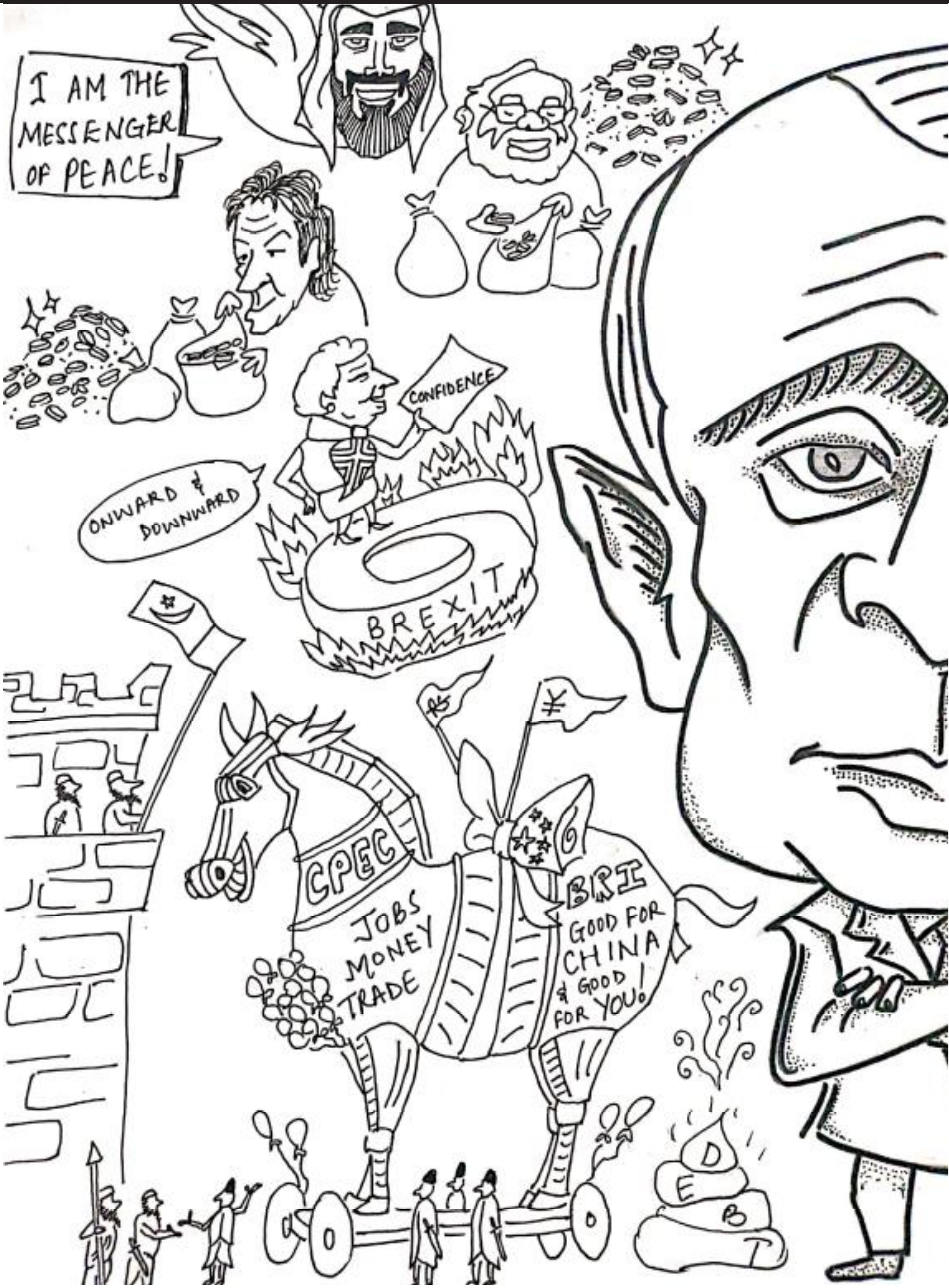
An ageing population is bound to create high costs for the government. This issue is now coupled with the chronic need for greater investment in healthcare, education and plummeting revenues for the government due to tax cuts. Thus, with rising expenditure and falling revenue, the US is slowly sliding into a debt crisis.

Consequences

The US funds its overspending primarily through selling of securities and bonds. Of the 21 trillion USD in deficit, 15 trillion is split between US investors, foreign investors, local governments and Federal Reserve. Foreign investors, which mainly include China, Japan, Brazil and Russia, own 39% of US bonds. The three biggest holders of US sovereign debt are China with $1.138 trillion, Japan with $1.036 trillion and Brazil with $311 billion.

Essentially, such enormous borrowing habits have created a lot of debtors for the US government. And these debtors can potentially influence the sovereignty of the US. With the US picking up trade wars with China and implementing sanctions against Russia, it must increasingly become aware of the precarious position its debt has put it in. China is not likely to fund the collapse of its own economy, as Trump clearly desires. These debtors hold immense power over the current government, since they can, even if just hypothetically, dump the all-powerful U.S. bonds in large quantities. Even though some feel that since domestic investors own a larger share of the debt, and the foreign threat doesn't look too large, others believe that financial shackles of foreign debt can translate into political shackles as well.

Although the chances of the US actually defaulting on its payments, with its credit ratings glittering with an exceptional AA+, is practically nil, it is high time for the US to acknowledge its ever-expanding fiscal deficit. The mounting debt is now placing monetary pressures on the Federal Reserve, in terms of the implementation of a ceiling on interest rates. It is raising doubts over America's capacity to repay its loans later, when it couldn't do so during an economic boom. Most importantly, it is raising doubts about how America will deal with another slow down when its economy is still thriving off on seemingly unlimited stimulus packages?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ONWARD & DOWNWARD
BREXIT
CPEC
JOBS MONEY TRADE
BRI
GOOD FOR CHINA & GOOD FOR YOU!
D E B T


IT WILL LEARN TO BREATHE AIR WITHIN 50 DAYS.
INDIAN ECONOMY
CASH TRANSACTIONS
PRODUCTIVITY
SOCIAL MEDIA JOKES
DEMONETISATION CASH CRISIS CHAOS
I TOLD YOU, PEOPLE ARE HAPPY!
INDIA IS FASTEST GROWING ECONOMY!
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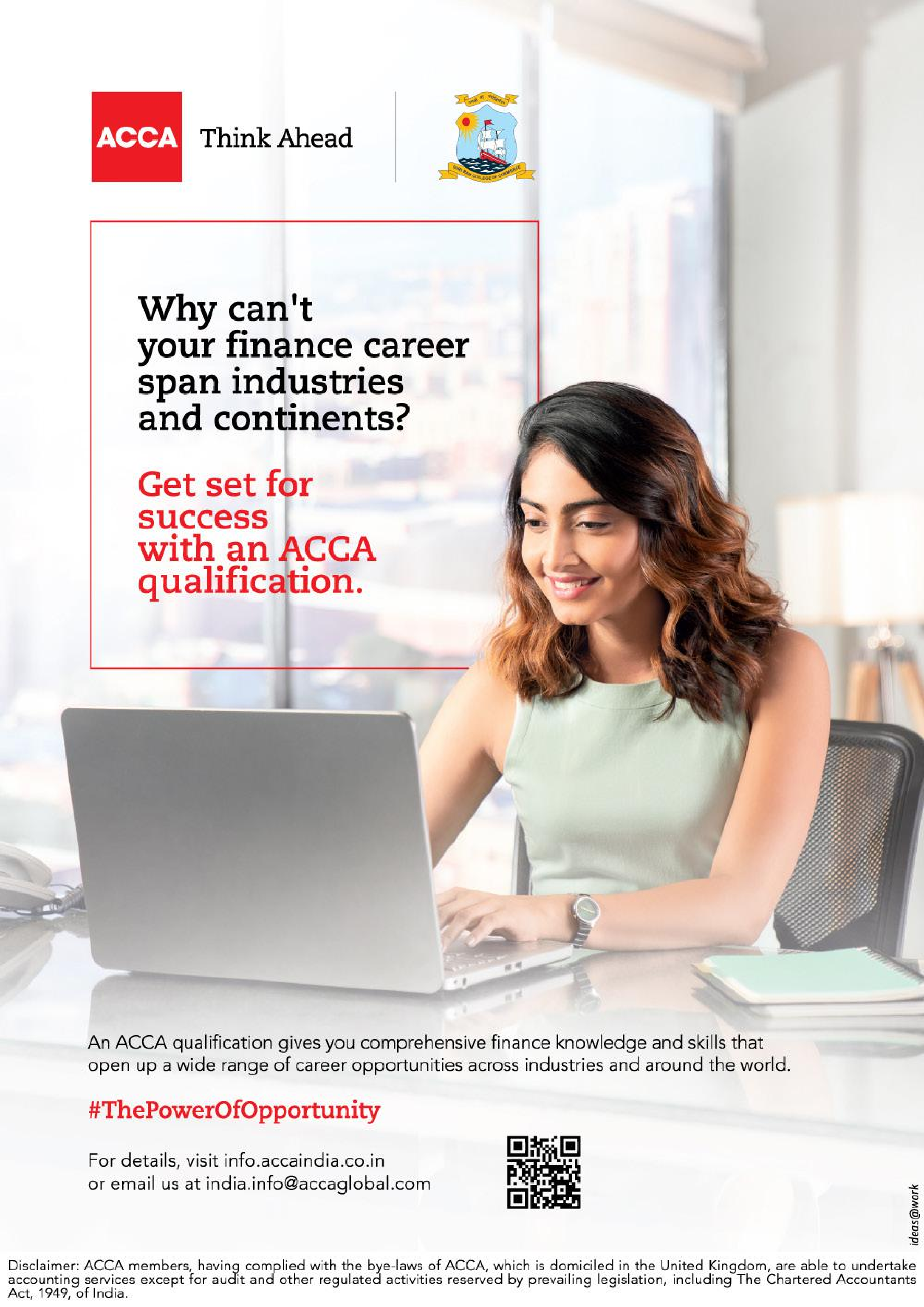
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COMMENTARY

What's in a Gender?

To tackle the binaries of gender, to initiate an imperative discourse, ***Muskaan and Nakul*** *comment on the current idea of gender.*

From moving past a taboo to being delisted as a 'mental illness', the turn of the 21st century witnessed a new perspective on gender take root and find a voice. In recent years, we have not only seen widespread socio-political awareness about the issue, but also an active effort to bring the issues of 'sexual orientation' to the forefront.

Our conception of 'social order' begins with the origination of the human species, or in biblical terms, with the 'First Man and Woman', that is, Adam and Eve. The whole premise around gender roles has evolved as per the story of God's creation, and anything contrary to the same has not only been viewed as anti-religion but by extension considered sinful too. In North America, the first recorded death sentence for a homosexual activity dates way back to 1556. Even in popular fiction shows set in historical background, public execution of homosexual individuals has been common.

The sexual orientation of a person refers to who that person wants to be with, who she/he is drawn to romantically, sexually or emotionally. For example- men being drawn to women or women being drawn to women. The former call themselves heterosexual and the latter homosexual. Gender identity, on the other hand, is about who a person is and how they express their gender by way of clothing, behaviour or personal experiences. For instance, the Hijra community in our country are people whose assigned sex is male but they prefer to identify themselves as females by dressing in sarees or wearing bangles.

The difference between these two concepts is important for one to better understand the two kinds of movements prevalent in our society, namely the Gender Equality movement and the Gay Rights movement. While the former aims at countering the hierarchical oppression on the basis of gender identity, the latter is about being able to get themselves recognized as people with different sexual orientations. And hence, we have Sonam Kapoor seeking acceptance from the society and her parents in her portrayal as a lesbian in the recent movie 'Ek Ladki Ko Dekha Toh Aisa Laga'.

And hence, we have Sonam Kapoor seeking acceptance from the society and her parents in her portrayal as a lesbian in the recent movie 'Ek Ladki Ko Dekha Toh Aisa Laga'.

The sad reality of the world is that the discourse about these movements in the public domain is more than often limited to a few isolated examples. It would be a rarity for one to see the crusade of gay rights movement being joined by a bisexual or an asexual person and the gender equality movement witnessing participation by a trans or a gender fluid person. It is ironical how a movement aiming to fight societal stereotypes can itself become stereotypical.

The avowed objective for any movement is to become as inclusive as possible. If a movement is brought about to counter the preconceived notions prevalent in the society and help different types of individuals to have a comfortable life, it can't restrict itself to its own notions and at the same time, it cannot afford to exclude individuals. The most effective change is the one which is brought from within. It is only when the participating members of the movement realise the importance of the diversity they are missing that the propensity for some tangible change increases.

What goes Left must come back Right

As the elections come closer, an aware voter is the need of the hour. Read on as ***Manit Sahu*** *explores the realm of optics and narratives that shape our political discourse, and why common myths must be dispelled to make conscious choices.*

The title of the article is inspired by the saying, "what goes up must come down", which is itself inspired by Newton's third law of motion. The saying is a gross generalization of Newton's law and the title itself seems to hold no truth at all. In fact, it defies the understanding of two fundamental political divisions.

The political usage of the terms 'left' and 'right' began during the French Revolution when members of the National Assembly 'who were loyal to religion and the King took up positions to the right of the [President's] chair' (as explained by Baron de Gauville) and supporters of the Republican revolution occupied the left. By the 1940s, those on the left were identified as Republicans and the ones on the right as Conservatives. It is safe to say that two innocent words that once stood for simple directions have come a long way.

The social left argues for change and liberalism though the two may not always overlap. The social right, on the other hand, wants to stick to traditions and religion - for example, the right in the USA argues against abortion. If this is the basis for separation, shouldn't the right-wing UK Independence Party actually be considered leftist after it challenged UK's nearly three-decade-old membership in the European Union?

Additionally, these terms have attached themselves to various economic schools of thought. The economic left argues for more government intervention and social welfare, while the economic right favours a freer market, often moving towards a neoliberal construct. Technically, BJP members who support social welfare schemes can be considered leftists. But no! The BJP is a traditionalist Sanghi-rightist party and the Congress is a leftist sickular party.

We thereby arrive at the conclusion that there is a difference between the economic and social left/right. However, are we all aware of this? Quite often, socialism (economic left) is coupled with progressivism (social left). Forming one's opinion on social stances comes more naturally to us, implying that it can be done from an early age. The problem occurs when a person inclined towards social progressivism favours socialism just because it's a part of the overarching left.

Delving deeper into this, apart from the left versus right, is everything that is progressive, liberal? No. Progressivism seeks to change social norms while liberalism is a school of thought that stresses individual liberty. Surely, there are overlaps, but most fail to differentiate between the two. The fact that transgenders were more socially included in ancient and medieval India than they are today shows us that traditions can also be liberal without the need for progressive intervention.

One could argue that grouping of labels leads to ignorance and the loss of critical thinking. Not only that, but the Biblical narrative created by each of these labels and the sheepish notion to religiously abide by them depletes individualism. When we forget that people make up our society and not the other way around, it sets the stage for polarization and dirty politics. It is high time we realise that both the left and right ruling classes are two sides of the same coin. It is okay for a person to be fiscally conservative, largely socially liberal with minor sympathies for certain traditional norms…blah blah blah. At this point why even use labels to define our views? You and I are practically one in billions and so are our thoughts, for mathematically, the permutations attached with the social sciences and the complexities of the human mind make it so.

The Economics of Football

__Manan Surana__ establishes a common ground between economics and football by showing what goes on, knowingly or unknowingly, on and off the field to dominate the new modernised form of the greatest sport on earth.

Football is watched by billions across the world. It has a huge fanbase ardently attached to the game, making victory or defeat a matter of life and death, of pride and shame. This hysteria has attracted the interests of leading analysts to study the economics of this marvellous game.

The economics of football can be studied by two notions. The first is the micro-level concept of players, wherein they are paid wages by their respective countries and clubs for the showcase of their talents on the pitch. Some players also earn outside the pitch via brand endorsements. For instance, Lionel Messi earns $80m annually. He has a lifelong deal with Adidas and has signed other deals with Gatorade, Pepsi, Huawei and Hawkers.

As easy as it seems to make money, the money slips from the clutch of these clubs like sand.

The second viewpoint is of football clubs. Being the real 'players' in the market, the clubs fill their pockets via broadcasting rights, sponsorships, matchday revenue and merchandising, and player-selling. A major chunk of their revenue comes from broadcasting rights given by a league of a country to a television company or a radio network. The revenue is then received by the host club as per its performance in the league. Revenue is also generated via sponsors. Increased global viewership has attracted various big companies like Etihad, Emirates, etc. towards football, making it the perfect avenue for marketing. Then comes the matchday revenue, in the form of viewership tickets, to the clubs who own the stadiums.

As easy as it seems to make money, the money slips from the clutches of these clubs like sand. Clubs incur heavy expenditure on paying salaries and benefits to players. Other running costs include salaries to coaches and managers, equipment and minimum labour, etc. The growing concern is the continuous rise in wages to turnover ratio over the years due to higher wages demanded by quality players year after year. The flow of money, however, has not elevated by a substantial extent. Manchester United, the biggest and the highest grossing football club in the world, had a residual profit of merely £63m on the revenue of over £600m. The club spent 45% of its revenue on paying salaries to its players.

Clubs often use their revenues to lure better players by offering them higher salaries and other perks. This is done in the 'transfer market.' Negotiations related to wages, bonus, positions, etc. are held between the club and the player it intends to buy. If the terms and conditions are agreed upon, the existing contract between the player and his existing club is repudiated, and a new contract between the player and the new club is signed. The new club compensates the old club in the form of 'transfer fee' for obtaining the services of players from the latter. Remember the £222m transfer fee that Paris Saint Germain paid to FC Barcelona for Neymar's transfer?

Football is an economy on its own. Nations dominating football, in terms of their performance, have started using football as soft power, so as to increase their brand proposition. Companies like Amazon, Google and Facebook have begun looking to acquire viewership rights to football leagues seeing the potential in the market. All eyes have turned to football as it has something to offer for everyone. To sum up, it has carved a new way to perceive and understand economics.

Rise of Existentialism, Social Media and the Want to Half Belong

*The millenial flurry of the internet, social media and competitiveness defines the world the youth try to thrive in today. Read on as **Heet Tike** briefly discusses the rise of a philosophical theory to prevalence, and why it is a cause for concern.*

Philosophy has always housed multiple themes; some being in vogue while others are not. Amongst today's generation, Existentialism, or the philosophy that questions the purpose of human existence, seems to have caught on. This idea doesn't believe in the existence of God, and its long-standing intellectual inaccessibility seems to have been broken by social media in the recent past. Today, "existentialism" and "existential crisis" are words that are thrown around often at the very least to sound philosophical and cool.

There are primarily two reasons why social media has played an important role in promoting the idea of existentialism itself. The first is the curated portrayal of one's life, where one (quite understandably) only wants to project his achievements instead of his downfalls. The adverse effect of this can be seen on both the producer and the consumer. For the producer, the loss of genuineness makes it hard for him to break away from the zone of a dual personality beyond a point. However, the irony is that almost everyone is aware of this but still gets severely affected by the smallest of social media updates. This has led to what we call FOMO (Fear of Missing Out).

Celebrities and famous personalities have acknowledged this and post about their fears, insecurities and hardships. However, as a young teenager, you imagine your future to be entirely different from your present, not realising that your present is a stepping stone towards your future. When your idol or someone you look up to posts self-deprecating things about their own life, it often makes you question that if they couldn't make it, how will you?

The second way in which social media exacerbates existentialism is through the excessive flow of information. The range of information available is overwhelming - including news, events, advertisements and what not. However, the drawback of this is that the majority are just opinions or speculations, and have a tendency to be incorrect and superfluous. It's hard to not fall into the trap of agreeing with the crowd's favoured opinion and to not let the process of developing one's own perspective be hampered. Similarly, the outlay of pessimism and negativity has started to kill innocence at a younger age, breaking a kid's idea of a fair and equal world and pushing them closer to existentialism.

This philosophy, that emphasizes individual existence and freedom of choice, when coupled with the crushing of hopes on social media, has led to the rise of another phenomenon - to "half belong." When an individual loses hopes in the future, he starts to feel detached from his routine work, in turn hampering the ability to work hard for a better future. This detachment and reduced commitment are what is called to "half belong." Nowadays, this situation is prevalent in teenagers who are constantly trying to illustrate fancy portraits of their lives, rather than working towards achieving their self-realising goals.

Nowadays, this situation is prevalent in teenagers who are constantly trying to illustrate fancy portraits of their lives, rather than working towards achieving their self-realisation goals.

Although the world has always been a difficult place, it's now becoming worse. Achieving anything worthwhile is a struggle, and peer pressure to be socially active makes it all the more difficult. So, distance yourself from the dirt. Distractions do exist, and in such times, fill yourself with motivation, self-esteem and self-respect. In a world full of social media stories, make your own story!

What can possibly be more important than your Pizza? Earth.

*Stepping into the 4th Industrial Revolution, **Abhijit Sinha** presents how a major infrastructural project will be representative of the 'New India' we are building*

With the innovation age in its prime, the next big thing that the insatiable homo sapiens want is "Pizza and food delivery in 40 minutes". But 'why' and 'how'?

"Why" is because of the priority of 'Comfort at the cost of Climate,' the precedent for which we humans have set since Adam and Eve. It's just a hereditary thing now.

"How" is by putting more fuel based two-wheelers on the road in an already overcrowded city, which is getting listed in the 'world's most polluted cities' category of every climate report. However, gene modification (innovation age, remember?) has now shifted the paradigm to E-mobility, green transport and eco-friendly highways. Because our earth is more important than your pizza, ain't it?

India is going to be back in the news, but not for pizza delivery this time. Instead, for some reasons that I am revealing here for the first time.

It is the infrastructural shift to electric vehicles and for the National Highway for Electric Vehicles that will make the news. Along with this, the "delivery" of a backup within 30 minutes to all electric vehicle users in case of a highway break-down or EV shutdown in the first 500 km corridor between Jaipur-Delhi-Agra.

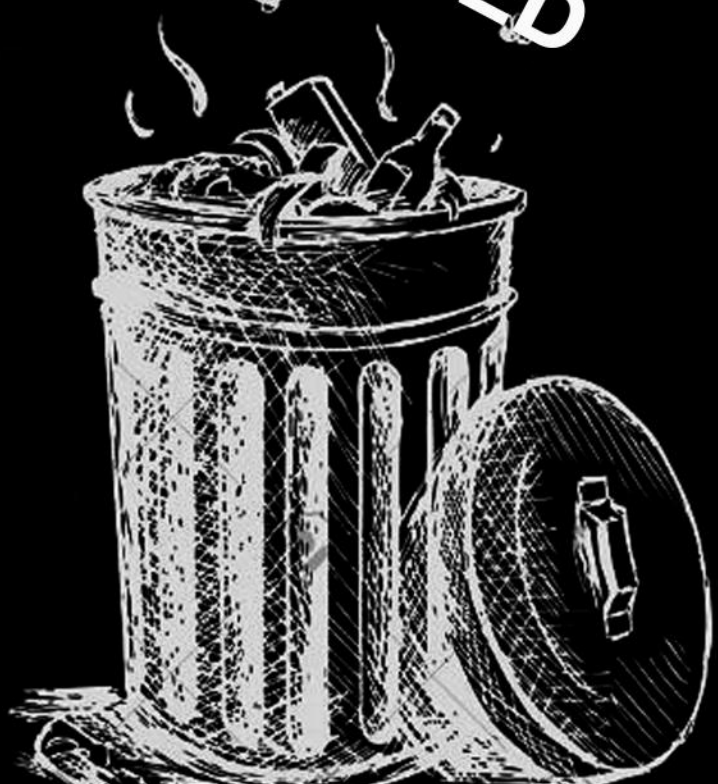
India is going to be back in the news, but not for pizza delivery this time. Instead, for some reasons that I am revealing here for the first time.

The National Highway for Electric Vehicles by 2020 is a NITI Aayog and multi-ministerial program to convert national highways into Electric Vehicle Corridors by setting up charging stations at both sides. This is being done with the aim of bringing electric vehicles on the buying list of every fuel-based vehicle buyer.

To deal with users' "range anxiety", charging stations shall be present on either side of the road every 50 km. Each charging station will be equipped with 50 km geofencing and emergency SOS services for vehicles under its circle. The ECU/BMS of EVs would be connected to the nearest station for real-time updates. As soon as the battery level would drop below 20% in an EV, the nearest station would prepare a standby breakdown backup vehicle and dispatch it to the EV breakup location if it stops before reaching the respective charging station. This technical deployment of breakdown services covers the 500 km stretch of NHEV from Jaipur to Delhi up to Agra and plays an important role in providing 100% assurance of on-road service to EV users against their "Range Anxiety."

Currently, EVs are registered like other vehicles at the Regional Transport Offices (RTO). The only difference is that the colour of the issued number plates is green. Now, during Electric Vehicle Registration, registering offices will share EV registration data with the Anti Theft System for digitization. Similarly, when an EV would be reported stolen in any police station, the FIR would be forwarded to the nearest Cyber Crime Cell which would, in turn, forward it to the centrally located Anti Theft System. This system would be connected with both the Charging Grids and the Charging Stations through Network Service Providers. The next step would be flagging the stolen vehicle with BMS (Battery Management System) digital registration identity, which would restrict access to any charging stations, Web /App Or digital payment interfaces. The proposed Anti Theft System would meanwhile find the stolen vehicle faster than the time in which your pizza would be delivered.

JARGON MINIMIZED



Sovereign GDP-Linked Bonds: Is this the Right Time?

There is a need to discuss ideas, and especially ideas which matter. Here is one for your liking, by ***Aasheerwad Dwivedi***

Public debt has increased across the world post the economic crisis of 2008. In advanced countries, for example, gross debt levels have increased from 24% to 89% of Gross Domestic Product (GDP) in Ireland and from 68% to 128% of GDP in Portugal from 2007 to 2016. However, this increase is relatively modest in emerging economies i.e. from 36% to 47%. The upward trend is largely because of the weak recovery after the global financial crisis and counter-cyclical policies followed by governments, which increased the debt to GDP ratio. There have been cases of sovereign default as well, like in the case of Greece. In the case of such defaults, investors definitely loose, but the biggest loser is the country itself. The focus of the world to reform international financial architecture has been to work towards the restructuring of sovereign debt by measures like Sovereign Debt Restructuring Framework (SDRF), however, the desirable policy direction should be to make the design of sovereign debt less prone to default. GDP is the single most important economic variable in today's world. Since its inception, it has evolved a lot. It has become so crucial that most of the important economic variables are measured in terms of GDP. Though there have always been questions on the measurement of GDP, in recent times, the international coordination and information technology has improved and broadly symmetrised the methodology across countries. GDP linked debt will be a right step towards this management.

The core of GDP based bonds is simple and has been in practice in the corporate world for decades. Governments issues these sovereign bonds to raise capital in the same way corporations issue shares. Corporations' ability to issue shares depends on their market value; similarly, governments can issue bonds in proportion to their resources, which can be measured by the GDP of the country. In this case, the price/GDP ratio of these bonds will be similar to the price/earnings ratio of corporation shares. In the words of Robert Shiller, the best thing about these bonds is their gigantic size. The total value of the world's GDP is many times that of the world's equity market. More importantly, it provides breathing space for countries in times of crisis. GDP linked bonds tie the value of borrowing to the evolution of GDP, thus keeping it more aligned to the overall health of the economy.

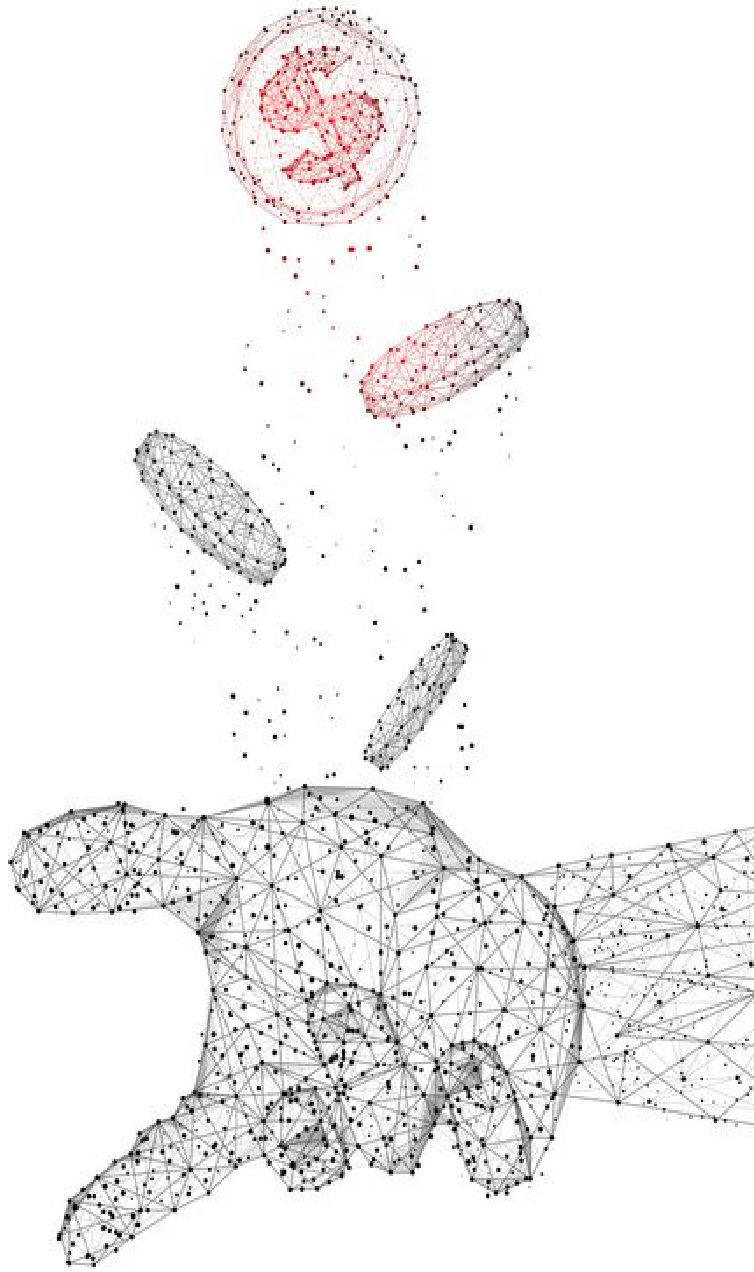
It is a well-accepted fact that there will always be uncertainty regarding future GDP growth; hence there should be some management for this uncertainty as well.

GDP linked bonds tie the value of borrowing to the evolution of GDP, thus keeping it more aligned to the overall health of the economy.

Let's try to understand the pros and cons of this instrument. Starting with the positive attributes, firstly, at the most fundamental level, any financial instrument which can be measured and priced can be traded in the market, and these bonds fulfil this criterion. GDP linked bonds will be very similar to inflation-indexed bonds, where the coupons and principal will be linked to GDP, hence, its pricing must not be more difficult than inflation-linked ones. Secondly, these bonds can help create a much needed fiscal space for governments. Since government debt payments are mostly fixed in currency terms, this creates problems for them in times of crisis. During the time of slump, they become overleveraged and taxpayers are forced to participate in the rescue operation. With debt linked to GDP, willing investors rather than taxpayers will share both benefit and losses of the trade cycle. These securities are also very useful assets for pension funds, which need to match their liabilities, which in most cases are directly or indirectly linked to GDP growth. It is especially helpful in managing the valorisation of pensions. Valorisation is the growth factor which is applied to a worker's base earning for the calculation of pension amounts. Valorisation formulas in countries like Italy and Turkey are directly related to GDP, so for pension funds in these countries, there should be a higher demand for these instruments.

On the other hand, there are concerns as well. First, the biggest apprehension is the uncertainty related to GDP numbers, which are revised regularly. Also, in some cases, investors could doubt the reliability of the number as well, which adds to overall uncertainty. One way to take care of this problem is to reward additional risk with extra returns. For example, in Argentina, the statistics were very unreliable, so it's GDP linked warrants carried an extra premium for that. However, if the borrowings of the government are linked to GDP, they don't have an incentive to overestimate or underestimate as both have their own repercussions. Second, many experts believe that major problems for such kinds of assets are not related to the market but are political. Politicians work in a small time horizon and would not like the medium and long run insurance provided by this instrument if the short run cost is very high. Also, the instrument most definitely will be misunderstood if analysed in the short run, as the cost and benefits will become clearer only in the long run. Thirdly, another intriguing question is "If these products are such good ideas, why aren't they already in use?" This is mostly because financial innovation is not accepted very easily. There is a general tendency toward conservatism, which slows the pace of acceptance. History is full of such examples, like how governments used to link currency with precious metals, the problems of which are well known now. The Gold standard was set so strong that at one point of time it was not possible to think of the global financial system without it, but it finally fell. Some amount of trust in governments is necessary for the good functioning of promissory notes and other financial institutions and GDP linked bonds will not need more.

Even after having a clear analytical framework for GDP linked borrowing, it would not be wrong to say that past attempts were failures. In the past, GDP linked borrowing has always been in the context of debt restructuring. From the Brady bond exchange, which began in 1989, to the recent cases of Greece and Ukraine are all debt restructuring operations in a way. However, valuable lessons can be learnt from the past. The Centre for Economic Policy Research has recently published a book on the same topic, which explains the rationale and design for such instruments in great detail. In the same book, the following are important lessons from history. Firstly, the payout structure of the instrument must reflect the state of the economy and should be free from complexities and delays. Secondly, the drafting of the security documentation should be done in a clearer way, taking care of contingencies as well. For example, the documentation should clearly mention what will be done in case of revision of GDP figures and changes in the methodology of calculations. Financial crises of various sorts have become a frequent phenomenon, and the East Asian crisis, Subprime crisis and Eurozone crisis are evidence for the same. The severity of the crisis in Greece and Ireland would not have been of the same degree, had their debt been linked to economic performance. This will remain true forever for any sovereign debt crisis in the future as well. Given the diversification benefits and gains from investing in the whole economy rather than a part of it, investors may be incentivised to take the risk associated with it as well.



Kitty Parties: Where Community meets Economics

*Having grown up in a house full of powerful women, **Shreya Roy** explores the world of Kitty Parties through a feminist lens. With a deep passion for Economics, she draws fascinating comparisons between kitty parties, chit funds and blockchain technology.*

Kitty parties have for years been associated with bored housewives, frivolous gossip and low stake games of tambola. The stereotype of a loud and obnoxious group of aunties getting together to moan about their husbands (and bad mouth other aunties) is now more than ever a soap opera trope.

A kitty party, in theory, is a gathering of women that serves the dual purpose of providing its members with emotional and psychological support, by creating a safe and therapeutic space where women can share their anxieties, vulnerabilities and discomforts, while at the same time functioning as an effective economic outlet that provides women with a sense of security.

Each kitty has a unique way of functioning that is agreeable to all its members. In some groups, the women take turns to organize the gathering and each member then gives the host a designated sum of money. For example, if there are 11 women in a kitty and the collectively decided upon amount is Rs. 3,000, then in any given month the host of the party will be given Rs. 30,000. Since the women take turns organizing, it is ensured that the net effect is nil while also providing the women with sufficient money to either run the household or indulge themselves however they like.

According to the Reserve Bank of India, only 536 Indian women out of every 1000 had bank accounts in 2015 and the ones that do have bank accounts rarely possess either the information or the freedom to manage them. For years Indian women, unbeknownst to their husbands, have had to syphon cash from the household fund allocated to them. Financially dependent on first their fathers and then their husbands, these women found refuge in the relaxed chit-chat and laughter of the kitty party.

Widows, domestic abuse victims, single mothers, working mothers, or women just looking to have some fun are all embraced under the umbrella of the kitty. In a society where the behaviour of all women, except a lucky few, is decreed by the men around them, kitty parties provide an escape where a woman is allowed to laugh loudly, vent passionately and be opinionated. In her graphic novel titled "Embroideries", Marjane Satrapi beautifully encapsulates the nuances of this exclusive club where women are funny, free-thinking and sexy, at least when the men aren't looking.

Social benefits aside, the economic utility of kitty parties is striking but largely ignored. At the same time as large banks are crumbling under the pressure of their NPAs, the kitty system remains relatively default free. This is because the social pressure of being ostracised from the group ensures that all women pay their dues timely. The formal lending system, in contrast, would deem an elderly housewife lacking collateral or a steady income/pension unfit for a loan and hence, exclude her from the banking orbit while also doling out millions in loans to already wealthy industrialists. The success of Grameen banks in Bangladesh makes a strong case for the importance of microcredit in a patriarchal and developing society. The kitty system is based on the Grameen Bank's model of "social collateral" which is a combination of peer pressure and solidarity. However, unlike self-help groups and other institutions that provide microcredit, kitties play a greater role in easing the burden and instilling a sense of sisterhood rather than encouraging entrepreneurship or income generating activities amongst women.

In addition to rejecting the traditional need for collateral, these unconventional loans entail no interest. Going back to the example on how kitties function, it is safe to say that the pool of funds given to the host of the kitty is actually a loan repayable in monthly instalments at 0% interest. Though seemingly quite informal this system heeds to all three C's of credit - character, capacity and capital. Character refers to the reliability and credit history of the borrower. Those women who have a reputation for not paying their dues are usually not invited to such gatherings. No member would like to tarnish their reputation by inviting someone who doesn't clear their debt obligations. Capacity and Capital contribute to determining how much debt a borrower can comfortably handle by analysing their income streams and currently available assets. Since these women belong mostly to the same economic stratum, they choose an amount that takes into account everyone's capacity to pay.

We can observe a similar apparatus in the investing realm as well. What modern-day chit funds are to small investors, kitty parties are to Indian housewives. A chit fund is a financial grouping and borrowing scheme in which the members, known as subscribers, contribute a predetermined sum of money per month to a chit manager. To make the calculation simple the number of subscribers is usually equal to the number of months for which the chit goes on. The pot collected during the month is then auctioned off to the subscribers in a manner that allows each member to win the pot only once. The investor willing to forego the most is given the amount equal to his bid. The remaining amount is then distributed equally as dividend amongst the entire group. The flexibility that chit funds provide is the biggest impetus for their rising popularity. In essence, chit funds are basically kitties minus the party games and lavish spread of food.

Kitty parties provide an escape where a woman is allowed to laugh loudly, vent passionately and be opinionated.

Surprisingly enough blockchain technology is more similar to the kitty system than you can imagine. Probably one of the most hyped buzzwords of the recent past, blockchain is a ledger of digital events verified by various parties. The ledger can only be updated with the consensus of the majority and information once updated cannot be undone. Blockchain, the technology behind all major cryptocurrencies such as Bitcoin and Etherium relies on the concept of trust. There exists no authority such as a bank or the government to validate the transaction, rather everyone trusts the system with the knowledge that a corrupt majority is highly unlikely. This is the concept of distributed trust and it is this concept that lays down the groundwork for the kitty system as well. Each woman trusts the group as there is no focal point of trust that can be compromised.

Not to be confused as an activity reserved for middle-class women, kitty parties are extremely popular amongst India's elite. If you ever have the honour of witnessing such parties in action then you will realise that they serve as a showcase of wealth, power and status. Needless to say, the business opportunities here are endless. Kitty parties are always a welcome group at restaurants and in 2009 Radio City relied on the popularity of kitty parties to promote its mid-morning show "Ladies First". The show catered to a specific kitty party audience and the campaign termed "City Ki Kitty" drew the attention of numerous brands who wanted to hop onto the bandwagon.

Despite their many advantages, kitties have not been immune to the occasional sneer, more often than not from women themselves. The perception amongst the new generation is that kitties are antique affairs not meant for the progressive working woman. Their popularity has since decreased drastically and many kitties now comprise solely of elderly or middle-aged women. Quite frankly, there really is no reason to frown upon kitties as long as their chit fund culture isn't influenced by the Saradha Group. The general idea that kitties are a place for mindless gossip instead of healthy and intellectual conversations is eating away at a time tested mechanism for informal saving and micro-credit. The simple and professedly unrefined nature of kitty parties has led most of us to write them off as occasions for hollow conversation. To have developed a well oiled saving and credit mechanism without proper support or resources leads me to believe that the empowerment of these uncredited women is the final push that India might need on its journey to become a superpower. Therefore, before seeking the expertise of foreign academics and hotshot investors, remember that you might just learn some of the biggest lessons in economics, finance and psychology from your neighbourhood aunty.

The Consumption Tax: A Better Way to Tax People?

Governments around the globe progressively tax the income of people. But, is it really the ideal case? Read on as ***Sanjana Chandaliya*** *explores how taxing consumption expenditure might be the better alternative to maximise welfare.*

'Don't tax my income, tax my consumption. Inequality of consumption is more of an injustice than a number in a book is!'. Bill Gates, one of the most successful businessmen of all time, happens to be a strong proponent of the consumption tax, considering it to be a superior alternative to the current tax regime. This concept has come into the limelight in the recent past, with more and more number of economists proposing to scrap the current progressive income tax that is levied on the personal income of individuals and replacing it with a consumption tax on households. What will be the repercussions of such a step on the economy of a country and its GDP? How will it affect the government and the people ?

Income tax is a form of direct tax levied on the income earned by individuals and businesses in the form of salary and wages, interest and dividend, capital gains, rent and royalty, etc. Consumption tax, the proposed alternative to the current system of taxation, would be levied on the consumption expenditure of households. In essence, it is a tax imposed on the money spent by an individual on the purchase of goods and services, not on the money earned by him/her. This tax is imposable on households, not on sole proprietorships, partnership firms, and corporate bodies. These enterprises will continue to pay tax on profit even after the implementation of consumption tax. Several economists in favour of consumption tax propose that it should be a "flat tax", wherein all consumers pay the same tax rate, regardless of the volume of their expenditure. This means that the tax rate would neither increase or decrease with a change in the level of consumption expenditure. However, this flatness makes consumption tax regressive in nature. With everyone paying the same tax percentage, those with lower incomes would be hit harder by the tax as they would spend a larger proportion of their overall income on consumption. With regressivity of this approach acting as a major obstruction, a more just and equitable approach of consumption tax is needed to promote equality of income and wealth in the economy.

To make the consumption tax fairer for the poor and to ensure equality of consumption in the economy, economists have suggested making the tax progressive in nature i.e. to charge different tax rate for different levels of consumption expenditure. Under the progressive consumption tax model, taxpayers would have to report their annual income and savings to the tax authorities. Savings would constitute investments by households in the form of demand and time deposits in banks, gold, government bonds, stock market, etc. The difference between income and savings would then give us the annual consumption expenditure of an individual. Drawing some positives from the current slabs in income tax model, the consumption tax model would not be levied on expenditure less than or equal to the minimum level of expenditure required to maintain a basic standard of living, which will be different in different countries depending on the price level and inflation in that country. Any expenditure above that will be categorized into tax slabs, with increasing tax rates as we move to a higher tax slab. Rates would start low and then rise much more steeply unlike the current income tax model. Let us delve a little deeper. Suppose a person has an annual income of $100,000 and an annual savings of $40,000. On subtracting savings from income, the annual consumption expenditure amounts to $60,000. After deducting "basic necessities" level of expenditure, say $10,000, we get the taxable expenditure of $50,000. Assuming consumption tax to be 5% for annual expenditure upto $50,000, he will pay $2500 to the government as tax.

Its direct consequence will be an increase in the disposable income of consumer because savings will not be taxed under the new regime. Under the current income tax model, his disposable income would be $95,000 ($100,000 - $5000) if the same tax rate of 5% is charged. However, in the case of consumption tax, the income available for consumption and savings will be $100,000. Thus, the purchasing power of the consumer will increase by $5000. Even after deducting the consumption tax of $2500 levied on the annual taxable expenditure of $50,000, he will be left with a surplus of $2500. Thus, the consumption tax model will be highly advantageous for all consumers.

People often confuse Goods and Services Tax to be a form of progressive consumption tax. This is because GST too is progressive in nature. For instance, there are five tax rates of GST in India i.e. 0%, 5%, 12%, 18%, and 28%, depending on whether the good or service is a necessity, comfort or luxury. However, the major difference between the two is that progressivity of GST is based on the nature of goods and services consumed, whereas consumption tax is purely dependent on the level of household expenditure. Furthermore, GST is directly included in the price of the product and it is the duty of the seller to pay it to the government. However, in case of consumption tax, prices of goods and services are exclusive of tax, and it would be the duty of the consumer to report his annual income and savings, which would be used to indirectly calculate annual consumption expenditure to be taxed by the government. Thus, the proposition of consumption tax implies an end to GST. The fundamental reason for the introduction of consumption tax is to ensure equality of expenditure in the economy. It acts as a “Sin Tax” which is a tax levied on goods and services considered harmful for the society such as alcohol, drugs, gambling, soft drinks, fast food, and the like. Consumption tax was proposed with the same purpose of decreasing expenditure on expensive and lavish goods and services by levying exorbitantly high tax rates at a high level of consumption expenditure. For instance, if a person wants to purchase a mansion worth $2,000,000, then a tax rate as high as 50% might be levied, which will increase the cost of the mansion to a whopping $3,000,000. This will encourage that person to invest his funds in more productive avenues as compared to buying the mansion, which will then result in greater equality in living standards of upper, middle and lower classes.

However, opponents of the consumption tax model often argue that the tax will reduce the overall demand for goods and services in the economy. As investment is induced by demand, producers will either decrease the production or leave the market completely. This will create a negative domino effect on the economy, by way of fall in output, unemployment and ultimately decrease in Gross Domestic Product. Thus, the government must ensure that the consumption tax rates are not very high that they result in the contraction of demand in the economy. Also, the rates must not be extremely low that they defeat the purpose of its introduction i.e. to achieve equality of consumption as well as of the standard of living in the economy.

Another major benefit of the introduction of consumption tax will be an end of the parallel economy and corruption. It will also result in digitalisation and formalisation of primary, secondary, and tertiary sectors in the economy. This is because the government will have a record of income, savings, and consumption of an individual, either directly or indirectly. There will be no scope for an individual to evade tax as the economy will become highly inter-linked. Data collected through consumption expenditure of one individual will be used to verify the income of another. The tax will also cover people who are engaged in illegal activities like drug dealing and human trafficking, as they too incur expenditure to fulfill their basic needs.

So, what should we do? Should we scrap the income tax and go forward with the consumption tax or should we continue with a combination of both the systems? The governments of various countries like USA and India are reconsidering their long-drawn notions about the taxation system. Debates and discussions are constantly being held among governments and economists on the pros and cons as well as the feasibility of implementation of a consumption tax. In my opinion, the governments around the world should adopt the consumption tax model and do away with the current progressive income tax regime as inequality of consumption is a much bigger threat to the well-being of a community than inequality of income. After all, how an individual chooses to spend his income is far more significant than the quantum of his earnings!

Dilemma of Trilemma

*Developed as a classroom device, this theory has stood the test of time and still holds true in an ever integrating world economy. But why is this trade off inevitable? Read on as **Abhishek Sancheti** explains the reason behind this Dilemma of Trilemma.*

It is clear that humans cannot achieve everything they strive for in their life. At some point in time, they have to choose what they want according to their goals and objectives. They have to make choices between friends, individuals, careers and what not in order to succeed in life. The same happens with economies, as even they cannot achieve everything they want. They too are forced to make tough choices according to their goals and objectives. One such trade-off that economies face is the Dilemma of Trilemma.

So, what exactly is Trilemma?

The Policy Trilemma states that an economy has the ability to achieve only two out of the three policy objectives of financial integration, exchange rate stability and monetary autonomy. Never, at any point in time, can an economy achieve all three policy objectives simultaneously. It has to give up one of the objectives in order to achieve the remaining two. So, an economy can only achieve one of the following:

1. Financial integration and exchange rate stability, with no monetary autonomy.
2. Financial integration and monetary autonomy, with no exchange rate stability.
3. Exchange rate stability and monetary autonomy, with no financial integration.

At first glance, one may be a little apprehensive of this hypothesis. One may say that the economy should try and achieve all three of them simultaneously. But, no matter how hard it may try, it is impossible to achieve all of them at once. How? Let's see.

In an open economy, say, India, let us assume that the RBI wants to increase the money supply in the economy. It would do so by a number of measures, including reducing interest rates which would lead to the availability of cheap credit. This would increase the number of loans taken as well as the investment in the economy. Increased investment would, in turn, lead to an increase in income and expenditure. This would then lead to a rise in imports because in the short run, the production of the economy is fixed and it would need to import goods and services to account for the excess expenditure.

As the interest rate is reduced, foreign capital will flow out of the economy as markets would find it cheaper to raise capital in the form of debts instead of investment from international markets. Therefore, reduced interest rates in the economy would lead to net capital outflow.

Thus, an increase in imports and net capital outflow would lead to an increase in the supply of the domestic currency (rupees) and an increase in the demand for foreign exchange from the economy. Thus, if the economy wants to maintain the exchange rate and prevent it from steeply depreciating, it would have to sell its forex reserves and buy the excess supply of rupees in the market.

By buying the excess supply of domestic currency in the market, the central bank i.e. the RBI, is reducing the money supply in the economy. Therefore, there would be a shortage in the availability of cheap credit as the total money supplied in the economy has reduced. This would result in an increase in the interest rates and equilibrium would be achieved when the interest rates reach the same level as before. Moreover, a reduction in the total money supply in the economy would lead to a decrease in the amount of currency in the hands of the public. This would reduce the purchasing power of society and would lead to a fall in expenditure and income. Hence, equilibrium would once again be achieved when the expenditure and income fall back to their original levels.

If one looks at the balance sheet of the central bank or the RBI, one would notice that there is no effect. This is because, at the time of increasing the money supply in the economy, it had bought several government bonds in exchange for domestic currency (rupees). In the end, it bought back the excess supply of the domestic currency in the market, in exchange for forex. Thus, an increase in the number of government bonds is offset by the reduction in forex reserves.

In the economy, the increase in the money supply is equivalent to the value of the government bonds purchased by the RBI times the money multiplier (Increase in money supply = Value of Government Bonds * Money Multiplier). The decrease in the money supply in the economy would also be equal to the amount of foreign reserves sold by the RBI times the economy's money multiplier. Therefore, the increase in the money supply in the economy is offset by the reduction in the money supply.

Hence, exchange rate stability with full financial integration (free flow of capital) would lead to a loss of independent monetary policy.

If the economy wanted to make the monetary policy independent with exchange rate stability, it would have to give up on financial integration. That is, it would have to stop all flow of capital.

Continuing the previous example, if the RBI wanted to increase the money supply in the economy, it would have to stop all capital outflows. This is because if the RBI does not stop all capital outflows, then the increase in interest rates would lead to a flight of foreign capital from the economy. This would lead to RBI shelling out forex reserves to pay back these foreign investments. Therefore, the RBI's objective of increasing the money supply in the economy would be defeated as the increase in the money supply by buying government bonds would be offset by selling foreign exchange in the market. Therefore, it would have to stop all capital outflows if it wants to actually increase the money supply in the economy.

Hence, we can see that no matter what an economy does, or what policy or objectives it follows, under no circumstance can it escape the dilemma of trilemma.

One can argue that the RBI can stop all imports and allow capital outflows to maintain a fixed exchange rate and an independent monetary policy. However, one has to understand that the imports are a part of international trade relations and one cannot take the decision of stopping imports as it has to consider its trade and foreign relations with other economies first. However, in the case of foreign capital, the government can easily put restrictions, rules or policies in place which can restrict foreign capital flight. Therefore, to make the monetary policy effective and increase the money supply effectively, the RBI would have to stop all capital outflows.

Thus, exchange rate stability with independent monetary policy leads to a loss of financial integration (free flow of capital).

If the economy wants both independent monetary policy and financial integration, it would have to give up on exchange rate stability.

In the preceding example, if the economy wanted to make the monetary policy effective and continue the cross-border flow of capital, it would have to restrain itself from buying the excess supply of rupees in the forex market and not act on the increase in demand for foreign exchange. This is because if the RBI sells the forex reserves to curb the demand for foreign exchange, it would lead to the buying up of excess domestic currency in the market. This would bring the money supply of the economy back to where it was initially and the economy would not have an independent monetary policy.

The RBI cannot curb the demand for foreign exchange by limiting the supply of domestic currency in the forex market. This is because, in order to do that, it would have to stop foreign capital from leaving the economy. However, doing so would lead to a loss of financial integration.

Hence, to maintain independent monetary policy and financial integration, the RBI would have to restrain itself from venturing into the forex market. This would result in an increased demand for foreign exchange in the market due to increased imports and foreign capital flight. But as the RBI would have to restrain itself from increasing the supply, there would be excess demand in the market. This excess demand would raise the prices of the foreign currency in the economy (depreciation of the domestic currency) till equilibrium is restored in the market.

Therefore, an independent monetary policy and complete financial integration (free flow of capital) would lead to a loss of exchange rate stability.

Hence, we can see that no matter what an economy does, or what policy or objectives it follows, under no circumstance can it escape the dilemma of trilemma. It is forced to make a choice between exchange rate stability, financial integration and independent monetary policy as it knows that it cannot achieve all three of them simultaneously. The only question remains is: which two of the three policy objectives should an economy choose?

The Trolley Problem

*Is killing a person only to save someone else's life justified? A faceoff between the idea of 'greater good' and the doctrine of ethical behaviour, this article by **Rahul Prasad** and **Sailesh Buchasia** will make you consider choices which, we hope, you will never have to make.*

Imagine one fine day, as you make your way across the city, you see a runaway trolley with no driver, bolting down the tracks. Looking ahead you see five workers tied to the track, awaiting death from the train that can not be stopped. You manage to rush into a nearby control room in an attempt to stop the train in its tracks. To your dismay, you find that the room only has a switch. A switch that would divert the trolley on to a different track. Except, on looking ahead, you find that the alternative track has a person working on it and if you were to divert the trolley, having very little time to react, that worker would die. You suddenly have the immense responsibility of deciding which track the train goes on, and thereby deciding who lives and who dies. What would you do? Would you divert the trolley and follow the simple maths? Or choose the more 'ethical' option? This is THE TROLLEY PROBLEM.

The modern form of the problem was first introduced by Philippa Foot in 1967. It is considered to be one of the greatest thought experiments in the field of ethics. However, the problem doesn't end there. In an extension to the problem, suppose you are standing on a footbridge over the track, having an option to push a person standing next to you and stop the trolley thereby saving the lives of five workers but becoming the cause of death of one. To a utilitarian, the decision is exactly the same - lose one life to save five. But in this case our instincts come into play, don't they? The moment a personal 'touch' is added to the problem, people tend to change their decision, though in principle it's still the same problem. We find it unethical to cause someone else's death deliberately which is somehow different than allowing them to die as collateral damage. Research suggests that people are willing to tolerate greater harm depending on how the dilemma is presented to them. This junction between psychology and ethics which leads to a dilemma is what makes the trolley problem so fascinating yet thought-provoking.

A study conducted by Michael Stevens revealed that in the first case, 90% of the sample decided to pull the switch, causing the death of one and saving the five. The greater good, as one would call it. Yet, in the second case, only 10% of the sample decided to push the man to save the five on the track. Are you part of the 10% that is willing to get their hands dirty and have the guilt of killing an innocent soul, only to console yourself by believing that you saved five? Or are you a part of the 90% that would choose to not play god and change the existing state of events?

Using the Trolley Problem as a base, a plethora of other psychologically mind-boggling questions have come up, with no right or wrong answer. Take, for example, a surgeon having five patients, each in dire need of a different organ and each of whom will die if they don't get those organs. Sadly, this surgeon fails to find them because of their unavailability resulting in operating failure. Now, this surgeon happens to see a healthy man coming into the hospital for a regular checkup. He discovers that his organs are compatible with all the patients in need of them, and he could save the lives of five people by killing that one man. Once again we have the same question: Is it worse to kill one person or let five people die? Do you back the doctor to uphold his medical ethics and let five people die or do you value the greater good?

Think about a situation in which an unknown serial killer is on the loose, having already committed four murders. As tensions rise, a mob of angry civilians gives you, a famous detective, an ultimatum. Either reveal who the killer is by tomorrow or witness the mob take their frustration out by killing a bunch of innocent souls from your locality. As the detective, you have no leads and no chance of catching the culprit. You now face an important dilemma; do you turn over an innocent civilian claiming him to be guilty and imprisoning him for life in order to save the bloodshed from taking place? Or do you decide to come clean and tell the protesters that you don't know who the criminal is, knowing that many innocents will die at the cost of your integrity?

The Trolley Problem also somehow finds itself in pop culture, with a variation of the problem being exhibited in the movie "The Dark Knight". The Joker unknowingly conducts one of the most thought-provoking experiments in the movie, whereby he made two groups of people - civilians and prisoners, decide amongst themselves the answer to the same question. Who shall live and who shall die? Does one have the power to play god and decide the fate of others?

The Trolley Problem also somehow finds itself in pop culture, with a variation of the problem being exhibited in the movie "The Dark Knight".

But the trolley problem isn't just a question that assumes a make-believe world made to confuse and perplex you. The problem will soon have real-life implications, and the manner in which these problems will be solved is one that intrigues us. With the advent of technology, it's not long before we have self-driving cars. It becomes necessary for the brilliant minds that create these cars to then develop a line of code that makes life-changing decisions in split seconds. In a potential crash scenario, the car's software has to probably make a choice between saving the car's occupant or saving a larger number of pedestrians. Drawing a parallel to the Trolley Problem, scientists now have to program cars, choosing whether the software should value the life of the person who has paid money to acquire the car or should it value the greater good, saving more lives in the process.

In future autonomous drone strikes, army officials will have to make a choice between killing a high-value target but risking a large number of civilians in the process. It becomes important for programmers to then consult and collaborate with psychologists in deciding how to value human life if we want these actions to be ethical.

All this would require a process of programming ethics into machines. Who knew that an experiment conducted in the 1960s would have such implications on the future?

There is no specific solution to the trolley problem, and there never will be one. It is a clear face-off between the doctrines of the greater good and doing what one considers to be ethically or morally right. There will never be a consensus with regard to which solution is the best one, a reason which has kept the trolley problem alive amongst philosophers for over five decades now. So, where do we stand? Are we utilitarians that value the concept of "more the merrier"? Or, are we all social beings that value ethics and morality at a higher stand? What would you do if you were the person on the lever, if you were the surgeon, or if you were the detective? You don't know at all, do you? Ponder on, millennials, for this is an answer one does not arrive at easily.

GAFA

*The wrath of commons is slowly extending to corporates. Read on as **Aanandi Arjun** demystifies the GAFA tax implemented in France, it's history in and with Europe and how it sets precedence for other countries to follow.*

The Silicon Valley is the regional equivalent of the American dream - no matter the cards one is dealt with, his/her hard work in the land of liberty, justice and opportunity will ensure success and a position of respect in society. Many rags-to-riches stories have been written on American soil - none as glorified and enshrined in history as those of technological giants that have shaped the last few decades as we know it. Companies like Facebook, Hewlett Packard, Oracle, Microsoft, Intel, Google and Apple all find their roots in the States, but their branches extend to every nook and corner of the world, and our lives. While most countries - like India - pay a lot of attention to increasing their digital footprint, many countries in the European Union feel differently. Sure, these big corporations are a boon to our lives - but that does not excuse them from paying their due.

What Is GAFA?

GAFA is an acronym coined in France, referring to the four US giants Google, Apple, Facebook and Amazon. Economics editor of French newspaper Le Monde, Alexis Delcambre said to Quartz that the word made its first appearance in 2012. He said, "GAFA is not used very often, but when used, it is almost always on critical topics, including taxes or personal data." However, it is now commonly used across Europe and was brought into popular discourse by the media and lawmakers.

EU and GAFA

The European Union has taken various progressive steps for healthy, competitive markets and protection of the privacy of its citizens and prides itself in being able to provide to them arguably one of the finest environments for overall growth and development. All four GAFA companies have had their share of trouble with the EU. They have used member states for "legal" tax evasion or have had cases of gross abuse of authority filed against them. The woman who has brought these mammoths to heel is Margrethe Vestager, the European Commissioner for Competition since 2014. Here is how the GAFA companies invited the ire of the EU.

Google

Headquartered in Dublin, Ireland, it ruffled a lot of feathers over invading the privacy of users across its various platforms. EU even ordered them to introduce the "right to be forgotten" - which allows for an individual to be able to remove any information from the internet instead of being preserved for time immemorial. While this new right to netizens was praised as it allowed greater control over private information, certain disturbing requests revealed loopholes - such as a man convicted for child pornography asking for any records of the conviction on the internet to be erased and doctors asking for reviews by patients to be wiped off when found to be negative.

France and Germany will jointly implement the regulation independently of OECD if it fails to produce a global solution to the problem before the deadline.

Under Margrethe, The European Commission also fined Google 4.34 billion euros for breach of antitrust laws. It was found that since 2011, Google had imposed illegal restrictions on Android device manufacturers and various mobile network operators to give itself an undue advantage over its competitors - disrupting the scope for fair competition in markets which is one of the core tenets of the EU.

Apple

In 2016, the iOS designer was ordered to pay 13 billion euros (plus interest) to Ireland - which houses its European headquarters. EU concluded that Apple was on the receiving end of Irish grace in the form of undue tax benefits. In 2003, Apple paid an effective corporate tax rate of 1% on profits made in Europe in stark contrast to a rate of 0.005% in 2014. Although the fine was barely a dent in its overall earnings, it made a strong statement about how corporates could not get away with such fraud under EU's watchful eye anymore.

Facebook

With its head office in Ireland, Facebook came under a lot of pressure for its privacy laws worldwide. Its terms of service were "misleading" and huge data breaches - with information of about 50 million users worldwide being leaked - made European nations very uncomfortable. Currently, there is a mounting interest in investigating Facebook's compliance with antitrust laws - which aim to create healthy competition and protect consumers from predatory business practices. In light of the trouble that Zuckerberg's company is facing in home ground, this adds to their list of woes.

Amazon

Headquartered in Luxembourg, the company was ordered to pay 250 million euros to the Luxembourg government when the European Commission investigated and discovered in 2017 that it had been in a "sweetheart deal" with the government. Margrethe said that Luxembourg's "illegal tax advantages to Amazon" between the years 2006 and 2014 had let almost three-quarters of the company's profits to go untaxed, making local rivals pay four times more than Amazon.

The double exposé on these corporations and the role of accomplice countries like Ireland and Luxembourg created an urgency among the corridors of power to force their hand. There was a call for a system of checks and balances that prevented any circumvention on the part of either party.

Reigning In The Giants

Growing disgruntlement against individuals and corporations that used the EU as a tax haven, a want for higher, fair taxes and the need to show American companies that Europe cannot be exploited for profits has led to a new method of taxation being proposed for internet giants like GAFA in the EU as a temporary measure, spearheaded by the finance ministers of France, Germany, Italy and Spain.

EU advocates for a 3% tax on the turnover of large internet based companies that make money from digital advertisement and user data. The tax would apply to firms with an annual worldwide revenue of at least 750 million euros ($920 million) and an annual "taxable" revenue within the EU above 50 million euros. The proposal appeals to the EU executive to design an "equalisation tax" on turnover so that companies can pay tax to states where they make money as opposed to states where they are registered. For this law to be applicable across the EU, all member states need to pass it.

Primary Objectives Of The Tax

It targets the principle of economic justice by helping to balance the billions of dollars worth of US offshore earnings that have exacerbated under the Trump administration, in addition to helping EU tackle the trade restrictions the US has imposed. It satisfies the progressive left and feeds into the narrative of higher taxes for the rich on the basis of equity - a topic of much debate in Davos and the world. It ensures that there is no loss of income for the states where these internet companies operate, and that no member can get away with promotion of selfish interest against the principles of EU. It also helps users realise that these big companies are accountable to someone and that their usage of a particular service will not just benefit the owner of the company but will trickle down into the economy through a system of just taxation.

Despite all these advantages, the practical demands of EU states that serve as tax havens to these companies overshadow the moral idealism of this principle of taxation. Countries like Ireland, Luxembourg - also known as the "Death Star of Financial Secrecy" in the words of the Tax Justice Network - Sweden and Netherlands oppose the proposal as they would lose the employment opportunities that these companies provide and might even further irke the States. They are afraid that if the law were to pass, companies would prefer to have their bases in bigger countries, and not them.
Amidst these concerns, the passing of the proposal is still in question in EU.

The Need For France To Act

"In our time none has the conception of what is great.

It is up to me to show them."
Napoleon Bonaparte

In a 2017 ruling, the Paris administrative court ruled that France could not ask Google to pay out 1,115 billion euros in taxes on the grounds that the giant had no "permanent establishment" in France for the activities of its AdWords service - its headquarters, and employees were both based in Ireland. The loss of this potential source of revenue was disliked by French lawmakers.

To add to the list of troubles, Emmanuel Macron announced 10 billion euros worth of measures to calm tensions caused by the Yellow Vest protests - which were caused due to hike in fuel prices and frustration over decreasing purchasing power especially for the lower middle class. Being a populist move, it was especially harmful in light of the huge deficit that France was already facing. On a more personal level, President Macron has repeatedly shown suspicion of technological giants, warning the world against Google and Facebook and asking bosses to commit to the greater good.

On account of all these domestic reasons and after talks and negotiations to reach a common consensus in the EU failed, the French finance minister Bruno Le Maire announced in mid-December that France would go ahead and implement a GAFA-like tax, inspired by but independent of the EU which would be effective from January 1, 2019. It is now applicable to all internet-based companies that have "a turnover higher than 750 million euros at the world level and 25 million euros in France", at a rate modulated according to the turnover of the company at a maximum cap of 5%. This move will help make France a fair playing field for internet giants and act as a hail-Mary for the budgetary woes caused by the Yellow vest measures mentioned before. An estimated 500 million euros [$570 million] in public funds is claimed to be gained from this policy, which may bring a much needed relief to France, which is facing one of the highest budgetary deficits anywhere in the world. It will obviously affect the GAFA first, but it extends to other companies in Europe and France as well.

Is All Well In Paradise?

While there is agreement over the potential good that can come out of the move, critics argue that France promised "stability and visibility" to companies over a five year period. A new tax does not give credibility to this - in fact, it might even tell investors that "France cannot help but tax and regulate." They believe that the collateral damage in terms of reaction from international corporations and states will be much higher than the money that is to be gained out of the tax.

Future And Outreach Of GAFA

EU's bid was picked up by the Organisation for Economic Co-operation and Development (OECD), a strong establishment of 36 member states with its headquarters in Paris. They are working on an interim tax reform report for a digital taxation policy for all member states to be applied globally and have plans to come up with it before 2021.
However, France and Germany will jointly implement the regulation independently of OECD if it fails to produce a global solution to the problem before the deadline. The United States has been constantly assured that the move does not aim to target American companies, but wants to ensure fair methods of corporate taxation.

Many countries like Austria and UK are treading on the same path, while Singapore and India are also working on formulating their own policies for the purpose of ensuring fair taxation. How this move will play out in France cannot be determined in the absence of a clear road map by the government, but the principle of the move stands for all the values that EU and the world at large seek to promote. It is understandable that corporations, big or small, are driven by profits. However, they cannot be left unregulated and should not be able to get away with a "legal" form of tax evasion. The countries who feel like they would lose out on a certain kind of marketing strategy should think of better ways to invite private enterprises, like improving their business environment and providing skilled, specialised labour.

As technology grows in leaps and bounds, there is a responsibility on companies to pay their due, and a responsibility on governments to make sure that their taxation policies are just and able to cater to the users, courtesy of whom these companies are able to thrive in the first place.

Parth Shah

Dr. Parth J Shah is founder president of the Centre for Civil Society. Parth's research and advocacy work focus on the themes of economic freedom, choice and competition in education (fund students, not schools), property rights approach for the environment, and good governance. He has published extensively in international and Indian journals, on various topics from currency regulation to education policy.

INTERVIEWED BY **PRAKHAR BANG, MRIDUL RAZDAN, MANAN SURANA**

Q1. To begin with, what made you conceive the idea of CCS during your professional stint at the University of Michigan?

When I was working in the US, I realized that there is not much difference between the US and India. The people of both countries are equally hard working. The biggest difference is in terms of the institutions and incentives that the system has created, which encourage most of the talented people around the world to work in the US than any other part of the world. For India to do well, we will have to understand how to set up better institutions and design an education system that is compatible with incentives. I thought that India could be as prosperous as any other country in the world and Indians would be able to live a meaningful life, which we feel is right as per our own cultural standards, not as per western standards. All of that will be possible if you have the right institutions and incentives, and the purpose behind CCS was exactly to work towards that, to build such institutions and incentives in today's system.

Q2. Considering the nature of think-tanks that are currently working in the United States and the United Kingdom, what do you think is the way in which think-tanks in India can solve the problem that our country is facing at this point of time?

The role of think-tanks in most of the countries, either the US or UK, is largely focused on policy ideas. One big job of think tanks is to generate policy ideas, test them if possible within the local environment and then re-validate them by global experience. So, generate ideas and look around the world to see where these ideas have already been implemented and if they are, then what has been the learning from them around the world? How can I customise and adapt that idea to the local Indian context? Actually, I wouldn't even say the Indian context because that itself is so diverse. You have to further narrow it to a state or a local level that you are to adapt the idea to. That is largely the idea of a think-tank, the research role. Secondly, when you have gathered these ideas and believe that it is a good idea for India, then you're going to have to advocate it to the larger public and particularly to the policymakers, and that is the advocacy role of a think-tank. So, research and advocacy are the two pillars on which a think-tank works, and that's exactly what is needed to be done in India.

Q3. From 1947 to 2019, what according to you has been the driving force that has put India onto the road of development? What factors do we need to keep in mind if we want to become a superpower by 2030-35?

My research proves to me that countries do well when the citizens of the country enjoy a larger sense of freedom. So, anything that the country achieves is not achieved by the 'country' because there is no such entity, it is achieved by the people living in that country, whether they are individuals, non-profit organisations, corporates or for-profit organisations. Ultimately, it is all driven by people who are living in that culture and in that society. So, more freedom should be provided to the people of the country. Additionally, the focus should be on making the system more incentive compatible. The presence of robust institutions like the judicial system, the policing system in terms of providing the basic safety and security, enforcement of contracts and all such other basic things need to be done to have a sort of cooperative society. This is all that I would suggest should be India's key focus.

Q4. In 2014, CCS in collaboration with two other organisations made a list of the laws that need to be repealed in India. Has the Modi government been able to improve these conditions in India given the fact that it has repealed nearly 1000 laws in its 5-year term, which is equal to the total number of laws that were repealed through 1947 to 2014?

For the repeal-law project, the idea was to make a list of first, the irrelevant and outdated laws, and second, the laws which have an impact today but are very anti-freedom and argue for their repeal. The current government over the last 5 years had a good track record in repealing such laws. However, I would say that most of the laws they have repealed are of the first category, i.e., ancient and outdated. There is no denying the fact that the Modi government from day one has been focussing on ease of doing business in India and has tried very hard to repeal laws. Some of the work done by us has also been received favourably by the government. Take for example the minimum capital requirement law under which you have to put some minimum capital before starting the business. In a poor country like ours, this would force a lot of people to have some minimum capital in hand even though the business they are starting is very small. So, we lobbied hard against this requirement, and the government repealed the law quite promptly. However, right now we don't have a survey that captures the real experience of business people around the country or even in Mumbai and Delhi. All we have is what that paper document looks like and how the requirements in law have changed. That's a good thing, you cannot deny that. But we really don't know how the changes in laws are impacting the life on the ground. That is where we essentially lack.

Q5. On similar lines, do you think that the existing stringent labour laws, and the power that the trade unions hold over the government in the country are more or less responsible for a lot of businesses being sceptical about whether to invest and expand in Indian economy?

I think when I came back to India, looking at the labour laws I had a very similar view. The laws were very outdated, stringent and quite anti-business. However, over the years, through my experience in many Western, particularly European countries, I can say that having a strong labour union is not necessarily an anti-business thing because labour has a self-interest in a successful business. Any leader would know he can't guarantee jobs to his members unless the company in which they're employed remains profitable. We have to figure out how can we educate the labour union leaders to understand the reality of the global market and not get stuck in the past Marxist nostrums. As you have very well understood in economics, it is all a joint effort. You need all the factors such as capital, labour, and entrepreneurship working together. Only then can you have a successful business, and thus job guarantees. Only then you can have rising wages. All of this is dependent on making the business function well. I think labour unions need to understand that as opposed to being antagonistic, fighting against each other, as what we have seen.

Q6. CCS runs the School Choice Campaign as well as the iPolicy workshop for school students. The former aims at providing wholesome education to the children while the latter aims at getting them acquainted with the basics of policy making. Do you think that school is the right age for them to learn policy making?

School Choice Campaign, as the title suggests, gives choices to parents and students in terms of choosing their school. In India, access to a basic necessity like education is limited by the resources you have or the family you are born into. That's a fundamental injustice. So, the school voucher was one of the many ways to help reduce this inequality. The idea was how do we change the current functioning and funding of the state-provided education in a way that even poor parents have the choice of sending their children to whichever school they wish to (even if they can't afford it). That was the fundamental goal behind the School Choice Campaign. The policy training that we do at the CCS academy is focused on educating the college as well as school students on how to use public policy as a lever for achieving larger social change. Even though most of India lives in its villages, it is not always important to go to the villages to do something for the country. We could live in our environment and still do something meaningful and worthwhile. Policy is one angle that I feel is a very important tool that young people can use to be able to do something bigger in life. Policy education has become one sort of a lever to help the youth of India to bring about larger social change. We have also recently started a one-year full-time training program in public policy which focuses on policy, design and management.

Q7. Though the GDP growth rate has been expanding continuously on one hand, unemployment rates, poverty rates and income inequalities are still persistent in India. In your view, what should public policies focus on to improve these situations?

So, my thesis has been that the higher the degree of freedom enjoyed by people, the better their lives are. By better I mean, in the material as well as spiritual or emotional sense. The question that we need to ask is : why do we have an unequal distribution of freedom, which in my mind, leads to unequal distribution of resources and income (wealth) ? To me, these two are quite interlinked. If you compare the sectors of the Indian economy that are doing well versus the sectors that aren't doing so well, I would argue that the sectors which have liberalized are doing well, for example, telecom, finance, banking and even airlines. We have seen dramatic liberalization and globalization that has forced businesses to compete globally. We've seen tremendous benefits for people working in these sectors in terms of salaries and benefits they have received as well as benefits to consumers in terms of getting much cheaper and better services. For instance, my banking experience is very different than what it used to be, say, even ten years ago. So, taking this new approach has made these sectors do well. Whereas, for the areas which haven't been doing so well, like the agriculture sector, the large informal sector in the urban areas and the tribal people, they are much better than they were 25 years ago but broadly, they are still the same, and not much has changed for them. The common factor among them is the lack of liberalization or reforms in these three sectors. In fact, agriculture has seen no reforms at all in the past 25 years. That's why I feel that the sectors which haven't seen liberalization - an increase in the degree of economic freedom - are the ones which are not doing so well.

Q8. While we talk about governance and growth in India, how important is it for democracy to be factored in?

If you look at it fundamentally, an open market economy and a well-functioning democracy rely on a very similar idea or foundation; both are about choices being given to the people. So, while democracy is about a choice given to the people to elect their representatives, in economics, people have the power to choose which company or product would succeed or fail. Now, in some cases we make the right choices while in others we don't. One can argue that people make a mistake by electing him/her as a representative in the past, but no one will argue that someone can take away the power to vote from the people. Similarly, people have certain preferences for some kinds of goods which may not be liked by others, but we cannot take away the right to choose. We'd rather educate them that their choices are adversely impacting the environment and the local economy. Unfortunately, in the economic arena, we are so used to passing laws, to stop things that we disagree with. As soon as the prices go up, we put market restrictions in the future markets, and the trading along with exporting is stopped. Just imagine, if we did something similar in the political arena, what will happen? If we disagree with the voters of Tamil Nadu, or Gujarat, for all the choices they have made, can we put restrictions on their choices? No, because that's the choice they have made. The same thing has to be true in the economic arena, and my idea is to educate people about how both of these things are similar, and that in both cases we have to respect people's choices.

ECONOMICS

MAXIMIZED

Economists Do What they Do, Climate Change Does What It Does.

***Rajendra Shende** believes leading economists, including Central Bank governors, are shying away from speaking on the urgency to tackle climate change through policymaking.*

Ask Central Bank governors what role they should play on environmental issues, and most will suggest you're talking to the wrong person stated Andrew Steer, CEO of the World Resource Institute and former Director, Climate Change of the World Bank.

Historically, chiefs of the Central Banks have overlooked the catastrophic risks to national and global economies due to climate change and focused mainly on their role as custodians of national monetary policies. Inspired by Keynesian economics, they feel inflation, interest rate, currency, trade balances, and fiscal consolidation are the key drivers of their actions. Hence, they overlook the economic impacts of environmental issues (like emissions of greenhouse gases and global warming), a subject which has recently taken the centre stage in the global economy.

One problem today is that people think protecting the environment will be so costly and so hard that they want to ignore the problem and pretend it doesn't exist.

On the other hand, astonishingly, the leaders in the governments, for whom the central bank governors work, broadcast almost without exception, that climate change is an existential threat to the life on our planet. Even Christine Lagarde, the IMF chief, stated in the World Economic Forum in January 2019 that even central banks need to take climate change into account. Gita Gopinath, her chief economic advisor, however, has never come emphatically on the subject, though she is also in charge of the research wing at IMF.

Central bankers seem to be working at cross-purposes as far as climate change is concerned. Former RBI governor Raghuram Rajan, a rock star of Economics, exemplifies this situation. Known for his excellent ability to explain the complex macroeconomic theories in witty and everyday analogies, he has made a significant impact on the educated youth of India. His dosa economics, for example, which explains the interconnection between interest rates and the purchasing power of investors and inflation, is well captured by youth and the media alike.

Rajan, however, in his speeches, even at the university events to address the youth, rarely raised climate change as an issue that needed express attention and did not convey the strong messages on how macroeconomics theories would waiver under the time-bombs of climate change. His influential personality that has thrived on his stellar career and performance would have surely catalyzed the Indian revolution in climate economics.

Lord Nicholas Stern, who is the first I.G. Patel Professor of Economics and Government in London School of Economics (LSE) and Economic Advisor to the UK, carried out seminal research and published its finding in 2007 on 'Economics of Climate Change'. Under this report, Lord Stern predicted the economic and monetary risks during the rest of the 21st century in a quantitative manner. His research warned the governments on the impacts of climate change, which included market failures in the short and long term. Interestingly, Lord Stern's study was released just before the beginning of the financial crisis of 2007, which was famously predicted by Raghuram Rajan.

Lord Stern, who also served as Chief Economist at World Bank, boldly stated in his study that the overall costs of climate change would be equivalent to losing at least 5% of global gross domestic product (GDP) each year, now and forever. That would be an economic catastrophe and life-threatening scenario for the world's poor. He went on to convince people that this situation could be bailed out by merely budgeting just one percent of the GDP to mitigate climate change.

There are other central bankers, like Mark Carney, the governor of the Bank of England, who have warned that climate change will lead to financial crises and falling living standards unless the world's leading countries do more to ensure that their companies come clean about their current and future carbon emissions. Significantly, Janet Yellen, USA's Chair of Board of Governors of the Federal Reserve System had lauded the Bank of England that warned the banks and insurers about the risks that climate change poses to their viability. Unfortunately, India missed the leadership in linking macroeconomics and climate change, despite the brilliant pool of economists she has.

On the brighter side, macroeconomics all over the globe is now transforming to bring in climate economics under its purview. The year 2018 has been a watershed year for climate change with many attempts made to include the aspect of climate change while talking about economic development. This trend is certain to continue and it is the responsibility of the Indian and other central bankers to see the signals and take clues.

More recently, one can also find that more economists are united in their unprecedented calls for action on climate change. 27 Nobel laureates in economics from all over the world and 4 central bankers (Feds) of the United States among others signed a statement in January 2019 urging the governments to look into "cost-effective mechanisms as a lever to reduce carbon emissions." Without such a lever, they considered that market failure would be imminent. Their statement displayed a broad agreement among economists and experienced policymakers that the most cost-effective, equitable and politically viable climate solution, including carbon dividend and a carbon tax among others, is needed.

The statement also recognized that global carbon dioxide emissions have been on the rise and the physical effects of climate change are increasingly visible. It is already affecting the economy of many countries. "The climate looks to be a considerably greater imperative than it did a few years ago," said Larry Summers, a former Treasury Secretary, who also signed the statement.

This unprecedented note came after two key reports had been released by the end of 2018. The first one was a UN report by the Intergovernmental Panel on Climate change (IPCC), a UN body of climate expert-from 40 countries. This report was called the 'Special Report on Global Warming of 1.5-degree Celcius'. This report was requested by 197 countries of the world, that have ratified the United Nations Framework Convention on Climate Change, to reinforce the Paris Climate Agreement of 2015.

The raison d'etre of the Paris Agreement is a dire need to keep a global average temperature rise this century well below 2 degrees C and to strive to limit the temperature increase even further to lower than 1.5 degrees C. The challenge of restricting the rise to 1.5 deg C came mainly from nearly 60 small island countries who in reality are facing their existential threat due to sea level rise driven by global warming.

IPCC 's special report gives an unequivocal message that the global average temperature rise has already reached 1 degree C. With the current speed of action, the additional rise of half a degree is just about 12 years away or, within the lifetime of most of humanity living today. There is a threat that beyond a rise of 1.5 degrees C, humanity would enter the era of irreversible change, irrespective of macroeconomic policies by Harvard and Oxford-trained economists. The report extensively quantifies the damages suffered when the rise in temperature would be 1.5 degrees C and compares it to when the rise is of 2 degrees C. It then hints at the possibility of human societies and natural ecosystems crossing certain thresholds to cause sudden and calamitous changes called the 'tipping point'.

The call for urgency has never been expressed so dramatically before. The near-impossible timelines like - the world needs to reduce CO_2 emissions by 45 per cent by 2030 from the 2010 levels, reach net-zero emissions by 2050 and virtually all of the coal plants and gasoline-burning vehicles on the planet need to be quickly replaced with zero-carbon alternatives in next two decades, are shattering. Adverse impacts on the ecosystems and human societies are estimated to be much greater than anticipated earlier and the rate of decarbonization of the world economy has been strongly suggested to be faster than what was recommended before.

The second key report of 2018 was prepared by 13 federal agencies of USA, the largest economy of the world, in November 2018, and presented the starkest warnings till date, of the consequences of climate change for the United States. It predicted that if signif-

icant steps are not taken to rein in global warming, the damage will knock as much as 10 percent off the size of the American economy by this century's end. The agencies included the State and Commerce department apart from NASA, NOAA, and EPA. Their direct message was simply- *Microeconomics and Climate Change are intrinsically linked and action is sine qua non.*

But the telling event of 2018, as mentioned above, was when Dr William Nordhaus of Yale University and Dr Paul Romer of New York University won the Nobel Prize for Economics. Nordhaus and Romer are the pioneers in adapting the western economic growth model to focus on climate change issues and sharing the benefits of technology to address environmental issues. It is the first time that economists have provided the practical and evidence-based trigger to take action on climate change. Dr Nordhaus was recognised for his pathbreaking assessment of the economic impact of climate change, and his advancement for the governments to tax the carbon emissions. Dr Romer is known for his work on the role of policy in encouraging technological innovation for environmental regeneration.

During their press conference, Dr Romer said, "One problem today is that people think protecting the environment will be so costly and so hard that they want to ignore the problem and pretend it doesn't exist." He went on to state the limitless capability of humans for the collective and coordinated growth in the world of globalisation, without harming the ecosystem. These messages from 2018 Nobel Laureates dare to address the complex challenge of keeping the temperature rise below 1.5 degrees C.

As for India, it is high time that action-inducing research be undertaken by the young Indian economists under the leadership of Raghuram Rajan and likes of Gita Gopinath to inspire accelerated action against climate change.

Less Can Be More

*Psychology and Behavioural Economics have been proving conventional assumptions about human beings wrong. On this note, **Aruna Sankarnarayanan** asks us if the freedom to choose is more enjoyable when the 'choices' are less.*

The big, fat Indian wedding has only gotten glitzier and more extravagant over the years. One themed wedding trying to outdo the other in terms of impeccably packaged invitations, dazzling décor, a glittering guest list, and a royal repast is becoming the norm. The multi-course, multi-cuisine banquets at some weddings can literally overwhelm its guests with umpteen choices. Chow mein or chaat? Pasta or pad thai? With white or tomato sauce, red curry or green? Biriyani, butter chicken or both? Rasogolla or red velvet cake? Ice-cream or mousse? Vanilla bean, dark chocolate or butterscotch? When it comes to wedding feasts, I, for one, prefer traditional South Indian meals served on banana leaves with a fixed and fairly predictable menu. When an item is served, I just have to make a binary decision each time. If I don't want it, I wave my palm over the leaf to indicate that I will pass. Am I too old-fashioned? Or, just an outlier?

Research in psychology and behavioural economics suggests that I may not be so outlandish after all. While human beings definitely prefer some amount of choice when it comes to decisions, too much choice can often be just as detrimental as no choice at all. Though we readily associate a lack of choice with a curtailment of freedom, which then leads to unhappiness, most of us don't realize the psychological costs of having too many options. On the contrary, many people believe that more choice improves the quality of our lives. Aren't ten brands of toothpaste better than just five? Aren't scores of television channels better than just a dozen? Aren't colleges that offer a plethora of courses with fewer mandatory requirements better for all students? Undoubtedly, choice enhances our well-being. Choice is integral to autonomy, which is one of the drivers of self-motivation, according to psychologist Edward Deci. Individuals feel more empowered when they feel that they are in the driver's seat of their lives. If people don't have discretion over every day and life-changing decisions, they can feel stifled and alienated. But as social psychologist Barry Schwartz argues that while "some choice is good," it doesn't imply that "more choices is better."

If we measure people's levels of satisfaction, studies suggest that more options are not always favourable. In a classic experiment by Sheena Iyengar and Mark Lepper, researchers set up a jam-tasting booth near the entrance of a gourmet grocery store. In the first condition of the experiment, six jam bottles of various flavours were laid out on a table for free sampling by the customers. The second condition had 24 flavours of jam. The researchers alternated between the two conditions every few hours.

Research assistants encouraged customers to try out the flavours. People tasted two flavours, on average, in both conditions. Customers who tried the jams were given a discount coupon for one dollar for the jam. Most people who used the coupons did so on the same day. While 30% of the people who sampled the small assortment bought the jam, only 3% did so when presented with the larger array, which apparently seemed to garner more attention.

Subsequent research by Iyengar and others indicate that this result is not an aberration. When people are presented with smaller arrays (usually around four to six items), they are more likely to select an item and be content with their decision than when given a larger assortment to choose from (20 to 30 items). According to Schwartz, more options can dissuade people from making a purchase because it "forces an increase in the effort that goes into making a decision." So, instead of toiling over the decision, people may prefer not to buy the product. Second, when they do buy a product from a larger assortment, they may experience less enjoyment from their purchase because they keep thinking of the other attractive options they decided to forego. As a result, their satisfaction with what they bought is diminished.

If customers prefer smaller over larger arrays, can't they just ignore the extraneous items that are hampering their decision? Apparently, this is easier said than done. In our consumer-driven society, we are bombarded with seductions constantly. Even as we try to ignore advertisements and new offers, they have a subliminal effect on us. Further, we have to make an increasing number of decisions nowadays. In the eighties, when I was growing up, we only had two Doordarshan television channels. Today, a cornucopia of cable TV channels and online offerings engulf us. Even something as banal as selecting a broadband connection for your home or office can be quite tedious. Not only do you have to compare various competing service providers for speed, price and data size, you also have to pick a plan from a panoply of confusing offerings. And, in the end, you are still unsure if you really got the best deal for your budget.

Likewise, a mundane chore like grocery shopping can turn into an arduous task if you survey all the options available for each item on your list. This is why many people stick to known brands. But even those of us who don't like buying groceries, sometimes feel stymied when we see a new brand of *atta*, with added multivitamins, advertised. Will this be healthier for my family? Should I buy organic? Iyengar also says that corporations often exaggerate the difference between brands to create an "illusion of variety," which can then frustrate a customer who tries to make a discerning choice.

As you mindlessly drop the usual laundry detergent into your trolley, a shop assistant accosts you, "Ma'am, there is a new liquid soap. Would you like to take home a free sample?" You shake your head and move on, but each of these decisions, though trivial, can have a "cumulative effect" according to Schwartz. When there aren't substantial qualitative differences between brands or varieties, we end up expending energy on trivialities. At the end of the day, the multiple small decisions can leave you enervated.

Schwartz also differentiates between two types of people. Those who "seek and accept only the best" are maximizers. A satisficer, on the other hand, is content if something is "good enough." This does not imply that satisficers necessarily have low standards, but once certain acceptance criteria are met, they don't have the need to pursue the very best. And, ironically, satisficers are more satisfied with their choices than maximizers. In addition, those with high maximization scores are also more pessimistic and depressed than those lower down on the scale. In other words, "being a maximizer is correlated with being unhappy."

Interestingly, Schwartz says that maximizers may end up with superior products or services when assessed by objective criteria. However, compared to satisficers, "they tend to do worse subjectively." Ultimately, as consumers of products or experiences, the subjective aspect is what matters to us. Further, our tendency to be a maximizer or satisficer tends to be "domain specific." You may not be that picky while selecting a pair of shoes but when buying a painting for your living room, you agonise over the decision.

According to Schwartz, if we feel "overwhelmed by choices," we need to rely more on our satisficing approach for a greater number of decisions in our lives. If we train ourselves to choose only when required, we will end up making better selections as we will have time and energy to invest in a few crucial decisions. Further, our overall well-being is also likely to increase as time spent making insignificant decisions can now be utilized more fruitfully, doing things we really want to.

So, if you set out to buy a pair of jeans and you don't really care about the brand or style, as long as they are comfortable and reasonably priced, tell yourself that you will not visit more than two shops for the purchase. Likewise, if you are dumbfounded by a five-page menu at a restaurant, tell yourself that you will stick to Chinese for today. Pre-deciding a category can help you curtail the number of choices you have to wade through.

Ultimately, we need to remind ourselves why we need choice in our lives in the first place. As Iyengar says, "When we speak of choice, what we mean is the ability to exercise control over ourselves and our environment." As long as we ensure that the control remains with us, we are fine. But when we feel controlled by the choices themselves, we need to review our situation. Schwartz aptly writes, the "choice of when to be a chooser may be the most important choice we have to make."

Animalia Economicus

*Do humans know it all? Are we the only rational species who have codified the world in economic principles? Or, is economic rationale ubiquitous? Perhaps, there's more to the animal kingdom than we know, writes **Kshitij Maheshwari**.*

"Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog," Adam Smith declared in his book, *The Wealth of Nations.* He further went on to say, "the ability to exchange one thing for another is common to all men and to be found in no other race of animals." Following Smith's high regard for humans, economists rechristened man as Homo Economicus which translates to 'The Economic Man' and implies that humans are the ultimate species - capable of making decisions with perfect rationality.

But what if we've got it all backwards? What if the most objective way to study economics is to study non-human species? What if economics is ubiquitous in nature and all we've really needed is a magnifying glass (literally and figuratively)?

Hailed as the father of modern economics, John Maynard Keynes attributed our irrational choices to 'animal spirits.' Unfortunately, the idols of the world of economics that we've worshipped for so long have been quite off the mark all this while. Animal spirits can actually be economical and rational - sometimes, even more than humans!

A study on wasps published in 2017 says that female paper wasps recruit 'helpers' to raise the young ones in the nest. It is a trade between the two, where one receives the comforts of living in a nest in exchange for providing childcare. These helpers can choose amongst different nests in a given area and the female wasps can kick them out in case they don't pull their weight. However, the most fascinating part was revealed when the researchers increased the number of nests in the given area - the female wasps were then ready to accept lower levels of contributions from these helpers. They reacted exactly like a rent-seeking landlord who would naturally reduce the rental price when the number of houses available for rent in the market increased. Not only this, the exact reverse happened when they reduced the number of nests in the area. The researchers concluded, "in order to predict the level of help provided by the helpers, it is necessary to take into account the number of nests and the number of helpers in the surroundings." With this, they confirmed the existence of biological markets in nature which were operated by the market forces, just like human economic markets do.

Before we move on to the next example, here comes a simple question: Which animal do you think is the closest to the human species?

Obviously, most of you would answer apes, monkeys or some other form of primate. Since we are talking about economics in the animal world, there surely must be research related to our evolutionary friends as well, right? How else would people propagate such a seemingly absurd theory? An experiment conducted by Ronald Noë, a behavioural ecologist and a primatologist, in 1981 puts this to rest.

What is amazing here is that these 'fish dentists' have more than 2,200 interactions with clients each day

While pursuing his post-doctorate degree in Kenya, he was analysing the mating patterns of baboons. Baboons live in hierarchical groups and only the strongest of the males get mating privileges. What sets his study apart is his observation of how and when two low-ranking males (betas) team up to challenge a more dominant male (alpha) in order to get mating time. If the betas were successful, they would get exclusive access to mate with that female for a certain period of time - this was called 'consortship.' The problem here was the fact that one can't split a female in two - so only one out of the two betas could get a chance to mate. How was this decision taken? At that time, there existed two major theories for such cooperation. The first was 'kin selection', which involved helping out a closely related individual to make it more likely for your own genes to pass on. However, this wasn't possible since the baboons in Noë's experiment were unrelated. The second was 'reciprocal altruism', which was based on the principle of 'you scratch my back, I'll scratch yours.' In this, the two betas would act as two big firms operating in an oligopoly who would collude in order to gain the edge over the alpha. After winning, they would take alternate turns to ensure fairness for both the parties involved in the trade.

Noë, on the other hand, observed a peculiar third option while studying a big baboon named Stu. No matter who Stu teamed up with, he was always getting more mating time than his partner. Surprisingly, even though they weren't sharing it equally, other males still formed coalitions with him. This was due to the simple fact that Stu was the strongest beta. So, if his partner came up and tried to say, "I want 50-50," he would simply go and work with a different baboon, one that would settle for less, say 30 per cent.

With this experiment, he established how animals were actually free to 'shop' for the best partners in their surroundings and how "partner choice is the main driving force in any market, whether human or animal."

Further down his life, he stumbled upon several other similar examples. Male scorpionflies offer their female counterparts with a 'nuptial gift' of prey before mating. Males in some species of birds allow another male to occupy a part of their territory in exchange for help in raising their offspring. Lycaenid butterfly caterpillars produce sweet nectar for the sole purpose of attracting ants, which in return save them from predators. In each of these examples, 'the exchange rate' is different but the essence of the demand-supply theory is consistent. The more male scorpionflies available in the "market," the greater is the nuptial gift the female flies demand. Birds often choose the most naive and least threatening tenant for their area. Caterpillars adjust the amount of nectar they produce according to the number of ants in the vicinity. The examples are countless, but perhaps the most fascinating of these is of Cleaner wrasses which was observed by a student of Noë, Redouan Bshary.

Cleaner wrasses are small, black striped fish which are found in the Indo-Pacific Oceans. They might not be the prettiest of the lot but are definitely the smartest! Each of these wrasses establishes a station which other big fish visit in order to get their mouths cleaned of parasites and dead skin. All wrasses eat unwanted elements but not everyone receives the same level of treatment. Typically, there are two types of clients : one who is able to travel longer distances and has its pick of a preferred cleaning station, and the other which has restricted travelling capacity and thus can only access the nearest station. For the former, if the 'client' didn't like the service of one wrasse it will simply swim away and avail that of another one. Based on this behaviour, Bshary named them 'visitors' while the others were called 'residents'.

What is amazing here is that these 'fish dentists' have more than 2,200 interactions with clients each day, and even then they manage to identify the type of client and actually tailor their service according to the prevailing competition. The wrasses are gentler and prompter while serving the visitors. However, when it comes to the residents, the wrasses often make them wait for longer and bite more on their healthy scales and mucus (which is tastier and more nutritious for the cleaner, but is hurtful to the client). Bshary believed that market forces can explain this behaviour. In the case of visitors, where competition is more, the wrasse acts like a firm in a competitive market but in the case of residents, it has more monopoly power and can thus extort the residents. Through this, the wrasses also demonstrate one more well-known fact in the economic world: "monopolists are often jerks."

As if the existence of all these biological markets wasn't enough, what's more embarrassing for the so-called Homo economicus is that some of these organisms are even more rational than us! For instance, underground fungi, along with the roots of plants, participate in the purest biological markets that exist in nature - the nutrient exchange markets. The fungi exchanges phosphorous for carbon with these plants and are actually able to adjust the number of phosphorus molecules they provide according to the number of carbon molecules they receive from these plants. Whatever we eat depends on these markets. They are the reason why plants survive, why we survive and why life sustains on our planet.

A fungus-to-plant market is obviously far from what we humans think of markets to be. There is no cognition in these organisms! Doesn't trade first require the intention to trade? However, it is this cognition - this power to think and analyse - which is the real culprit behind why humans seem to lag behind in this game called 'economics.' The engine powering the world's most rational markets isn't intelligence - it's natural selection. Through years of adaptation, these organisms have developed innate mechanisms to do things in a way that produces maximum efficiency.

Humans, on the other hand, are influenced by a plethora of psychological factors before they participate in trade. In an exchange paradigm involving even the world's best economists, it is observed that they are reluctant to trade a good given to them for another good of a similar value. This unwillingness occurs because people ascribe sentimental value to things solely on the basis of ownership, forgoing the rational, utility maximising alternative in exchange for the claim of ownership. This is known as the Endowment Effect. This behaviour is further caused by something known as loss aversion, which is the basic idea that once you have something, it feels more painful to give it up than it would have felt good to acquire the thing in the first place. Ironically, this implies that while making an exchange, the more we think, the more we are likely to make an irrational decision. Essentially for humans, the question, "to trade or not to trade?" is answered by how factors like these play a role in the decision making process.

Nevertheless, Adam Smith might be grateful to biologists like Noë and Bshary who have chipped away the distinction between the human and natural worlds. Economists have realised that Smith's famous idea of 'The Invisible Hand,' which may exist only in a utopian human market, has become a reality in biological ones. Had Keynes been alive today, he would have agreed that sometimes it is better to let our "animal spirits" take over.

Economics isn't just an activity restricted to humans - all one needs to do is strap on a bee suit, a safari jacket or a scuba mask and they will discover that the Animal

The Death, Rebirth and Evolution of Homo Economicus

*The concept of an economically rational man, or Homo Economicus, is a dominant and recurring symbol in economics. This essay by **Bilal Moin** explores the relevance and viability of this notion in the 21st century, and argues in favour of an evolved, behaviorally-realistic, economic man.*

Meet Homo Economicus. Defined by his ability to make rational decisions, he always strives to maximize utility as a consumer and economic profit as a producer. To the Homo Economicus, life is but a constant pursuit of self-interest, and it is on his predictable utilitarian actions that many underlying principles and models of classical economics are based. This premise that human behaviour is motivated solely out of utility and egomania lies at the core of the theory of consumer choice and acts as a bedrock for a majority of economic policy.

This confidence in man's ability to maximise self-pleasure is evident in Adam Smith's iconic declaration, "It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest."

However, aeons after the heyday of Smith's idealistic economic models and Jeremy Bentham's essays on utilitarianism, science and research are challenging the long-standing assumptions of consumer behaviour. Studies in the fields of cognitive psychology, neurology, anthropology and evolutionary biology eschew the traditional conception of rationality and reveal a man, the Homo Sapien, whose actions considerably contradict those of the Homo Economicus, the selfish creature who crowds early economic belief.

Bank of England's chief economist Andy Haldane writes, "Reality, is not only more complex than the maths-based economics imagines, but it is also not rational." One of the causes for this irrationality stems from the simple fact that man is a social animal. We identify with cliques, ethnicities, tribes, and nationalities, and turn to our social networks for information and approval. This often results in asymmetric information and severely limits choice, leading to unsound choices that may not maximise utility. Additionally, man may engage in mutually-beneficial reciprocity or make decisions out of altruism, that may not be self-serving.

Daniel L. McFadden's paper, "The New Science of Pleasure" reveals a profusion of studies of cognitive biases and psychology that offer newfound insights into consumers' behavioural patterns. Fadden indicates how hyperbolic discounting (the tendency of individuals to increasingly choose a smaller-sooner reward over a larger-later reward) and availability bias (when a person relies on immediate examples that come to their mind while evaluating a decision) spur irrational decisions and haul us further away from the idealised economic man.

Economics must expand its world-view and take a more progressive approach if it is to adapt to the ever-changing ideas, societies, firms and population of the twenty-first century

These discourses paint an image of man far-different from the selfish Homo Economicus. It portrays man as an altruistic, often-illogical and unpredictable being, proving he is a lot more than a simple cog in an economic machine. To many economists, long gone are the assumptions that consumers are solely driven by self-interest. Long drawn are the models built on these outdated assumptions. And, long dead is the traditionally-perceived, once-dominant, Homo

Economicus.

Does the death of the economic man change anything? The risks of basing chief economic principles on disputed age-old assumptions are manifold and menacing. Kingston University's Steve Keen accredits the disastrous 2008 financial crash, that cost the Americans an estimated $12.8 trillion, to flawed economic models. Considering the sheer number of key economic concepts centred around the false assumption that man is a self-serving, selfish and rational being, a re-evaluation of the economic man is long overdue. Bearing in mind the elemental nature of the issue, in conjunction with the high stakes, the notion of an extinct Homo Economicus is chilling.

While many economists choose to study Homo Economicus from a coroners perspective, others defend him as a datum for chief economic principles. One such proponent of the economic man is Milton Friedman. Although Friedman cedes that the orthodox theory's assumptions about human preferences and abilities are manifestly unrealistic, he argues that they allow us to develop generalised models. His theory claims that the value of the economic man lies not in its realism, but in providing an abstract understanding of human behaviour. The lack of an accurate and holistic understanding of consumer behaviour and psyche adds to this argument, thereby indicating that accepting existing assumptions is the easiest solution to a complex question. Nobel Laureate Amartya Sen explores this viewpoint in his paper, "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory." After highlighting copious flaws with the doctrinal model, he concludes in a poetic manner by stating: "If he (the economic man) shines at all, he shines in comparison - in contrast - with the dominant image of the rational fool."

Thus, we can't simply discount the Homo Economicus, for his behaviour and actions serve as a foundation for innumerable economic models, and offer basic explanations of economic issues. On the other hand, basing our economic system solely on market norms and assumptions of absolute rationality yield an incomplete and even invalid reality. So, where do we find the middle-ground?

The solution lies in the evolution of the economic man, from a simple hypothetical being into a true reflection of human behaviour, from a flawed surmise into a progressive conviction, and from the Homo Economics to the Homo Sapiens.

This search for an evolved economic man spills into the fascinating field of Behavioural Economics. A conflux of various disciplines, Behavioural Economics cross-breeds economics, cognitive psychology, evolutionary biology, sociology, anthropology and neurology to shape our perception of human interaction and rationality.

Certainly, completely deciphering human behaviour, in its mercurial and unpredictable form, is an arduous and near-impossible task. We may never be able to crack the complicated codes of human interactions in their entirety, but we've never been closer to calculating and predicting human behaviour than we are today. With the advent of technology, the advancements in Artificial Intelligence (AI) and breakthroughs in economic simulations, we find ourselves a step closer to developing heterodox models based on the everyday man instead of the hyper-rational myths of the yesteryears.

The advent of behavioural economics and technology gives rise to insightful studies like 'The Complexity Research Initiative for Systemic Instabilities (CRISIS) Project' at the Oxford University, that aims at remodelling the economy based on how "people actually behave." By adopting an interdisciplinary stance and mobilising simulations, their research drives us closer to a more-real, more-human Homo Economicus.

This need for the evolution of the Homo Economicus ties into a far larger narrative: economics must expand its world-view and take a more progressive approach if it is to adapt to the ever-changing ideas, societies, firms and population of the twenty-first century. Paul Romer summarises this belief when he states that we are "moving the focus of economics away from land, labour and capital towards people, ideas and things." While many paradigms of classical economics have survived the test of time, studying them critically and objectively is essential. If we are to progress, we must question these apparent 'fundamental truths' of the subject, and scrutinize them under a lens of modernity and realism.

Therefore, as the Homo Economicus evolves, economics must advance alongside it. This responsibility lies with nobody but us, the practitioners, pedagogues and postulants of this 'dismal science,' to respect, reinvigorate and reinvent the subject.

Illicit Financial Flows to and from India Through Trade Misinvoicing

*Former Senior Economist at IMF, **Dev Kar**, writes about the illegal flow of capital into and out of the country. He provides an in-depth analysis of what illicit flows constitue and the far reaching impacts they have on the economy.*

I. Introduction: The basics of illicit financial flows

Governments and international organizations around the world use the term "illicit financial flows" for what is widely known as black money in the Indian subcontinent. Global Financial Integrity (GFI), a leading think tank in Washington DC, was instrumental in defining illicit financial flows as funds which have been illegally earned, transferred, or utilized. The main difference between illicit flows and capital flight is that while the former involves the transfer of capital that has been earned illegally, the latter involves the transfer of both licit and illicit capital.

If laws are broken at any point, the capital involved becomes illicit. Thus, even the profits of a legitimate business become illicit if they are shifted abroad in contravention of applicable capital controls. Owners are far more interested in ring-fencing their illicit assets rather than maximizing their rates of return. The global shadow financial system, which includes international banks as well as tax havens, offers both secrecy and good returns. Such perverse incentives encourage the transfer of black money.

It stands to reason that illicit flows are directly linked to the state of governance of a country. Governance involves much more than the control of corruption. For example, if regulatory institutions are weak in their oversight and enforcement functions or law and order is in disarray, the corrupt find it far easier to earn, transfer, or utilize black money. Several case studies at GFI found significant links between illicit flows and the underground economy, which was used as a proxy for the state of governance.

There are two other important points regarding illicit flows. First, illicit flows cannot be treated in the same way as recorded capital flows through the balance of payments. The reason is that while the net of recorded flows such as foreign direct investment provides useful information on a country's position, a net of flows that are illicit in both directions would represent the proceeds of net crime, which is absurd. Both illicit outflows as well as illicit inflows represent a loss for the government and never a loss for private agents. Second, it is the private sector that earns, transfers, or utilizes black money—never the government. When government officials are involved, they act in their private capacity and do not represent the government.

In India's case, illicit inflows are larger than illicit outflows by a significant margin (see Section II). That does not mean India gains capital that can be used productively. For example, illicit inflows through import under-invoicing also involves a public loss through lower collection of customs revenues and GST on imports. The so-called inflows of illicit capital through trade misinvoicing provide no benefit to the government because what is not recorded, cannot be taxed or invested to increase productivity.

Measurable versus total illicit flows

Not all black money or illicit funds can be estimated. Economic methods of estimating black money relate only to the measurable portion of the totality of illicit funds (which includes drug and human trafficking, illegal arms trade, etc.). The measurable portion typically focus on two sources—leakages from a country's external accounts (that is, the balance of payments) and the deliberate misinvoicing of external trade. On average deliberate misinvoicing of external trade account for more than 85 percent of total measurable illicit outflows from developing countries.

However, even the measurable portion of illicit flows is understated for a number of reasons. First, not all fraudulent misinvoicings can be (or are) captured by Customs. For every transaction that is captured, typically thousands fly under the radar (see, Section IV). The portion that is interdicted typically represents the proverbial tip of the iceberg. Second, trade misinvoicing only relates to merchandise trade. Because trade data on services are not available on a bilateral basis, we cannot estimate illicit flows resulting from such misinvoicings. Finally, trade in services are growing and they are far easier to misinvoice than trade in goods. Each service trade is unique in its own way so that there exist no arms-length prices on services that are independently verifiable unlike the world price for a particular good.

Economists typically use "mirror statistics" to estimate illicit flows. For example, India's exports to the United States are compared against what the United States reports as having imported from India after accounting for the cost of freight and insurance. Similarly, India's imports from the United States are compared against what the United States reports as having exported to India after taking account of transportation costs.

II. The adverse implications of trade misinvoicing

At a meeting of the IMF's International Monetary and Financial Committee in 2014, Helen Clark, Administrator of the UNDP, noted that many forms of illicit financial flows drain scarce domestic resources from poor developing countries that they need for economic growth and poverty alleviation. She called upon the IMF and the World Bank to cooperate with the United Nations to "help developing countries fight illicit financial flows and enhance international co-operation on taxation."

A study at GFI found that illegal capital flight from poor developing countries turn them into net providers of capital to the rich developed countries. This represents a distortion of how capital is supposed to behave. Under normal circumstances, capital should flow from where it is plentiful to where it is scarce. The illicit funds basically end up being deposited in banks in developed countries or their subsidiaries in tax havens. The study also found that deposits in tax havens held by residents of developing countries are growing faster than deposits held by developed country residents although the latter hold about 90 percent of all such deposits.

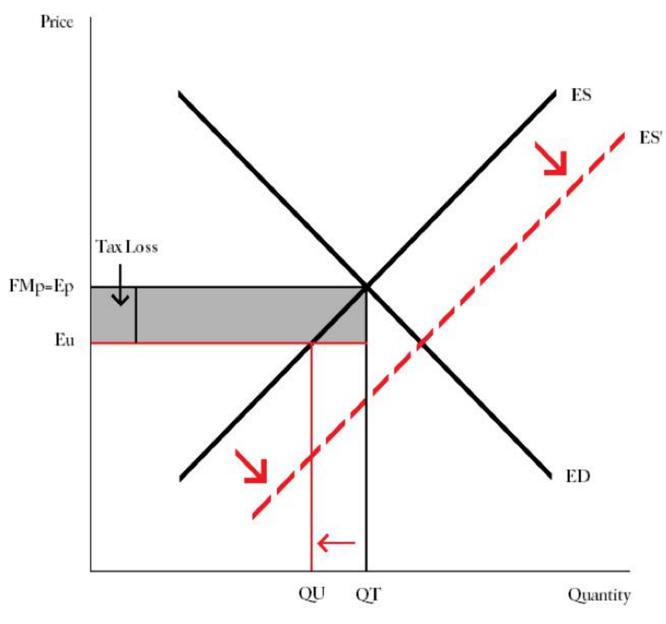
It is important to understand that a private gain is always offset by a public loss. As the private gain typically accrues to the upper income group and the public loss takes away from the government's ability to alleviate poverty, an adverse impact of illicit financial flows is to further worsen income inequality. In fact, research at GFI shows that greater income inequality (reflected in a larger number of high net worth individuals) enables the financing of illicit outflows on a larger scale.

The following analysis illustrates the public loss that arises due to profit shifting through export under-invoicing.

The chart shows how public loss, and its obverse private gain, arises due to export under-invoicing; the loss extends well beyond just a loss of government revenues. A simple mathematical exposition aided by the chart helps us to reach this conclusion. Consider the exports of high-quality first flush Darjeeling tea from India to the United States (represented by the export supply line ES) for which there is a demand (ED). Let us suppose that the tea is deliberately under-invoiced by the Indian exporter. While the lower price Eu pertains to a lesser quality tea, we assume that Customs officials are unable to distinguish the quality of teas merely through visual inspection.

As required on all customs invoices, the exporter needs to provide three key pieces of information related to each transaction—the volume, value, and price involved in the transaction. We assume that in under-invoicing the transaction, the exporter ensures consistency among the three by reporting a lower value rather than a higher quantity. The US importer pays the true price Ep which is equal to the free-market price (FMp) for that tea prevailing in world markets. The quantity of tea exported at that true price is QT. In order to reduce the price of the tea to Eu, he does not increase the quantity under the contract but reduces the value declared to Customs. The lower value corresponds to

Chart 1. Profit shifting a public loss through export under-invoicing



the area EU*QT (price EU multiplied by quantity QT). Whereas the correct total payment due to the tea exporter is Ep*QT, the exporter declares to Indian Customs that the payment he will receive is Eu*QT. Hence, the volume of illicit financial outflows due to export under-invoicing (IFFEU) is:

IFFEU = Ep*QT – Eu*QT
= QT *(Ep – Eu)

Thus, the shaded area in the chart equal to total export volume QT multiplied by the difference in price Ep – Eu represents the illicit outflows directly related to export under-invoicing. The Indian exporter asks the US importer to deposit the balance of the payment IFFEU in an offshore account in Switzerland.

Let β be the profit on every dollar of tea exported (the profit margin on tea exports). Then the actual and declared profits are:

Actual profits = β*(Ep*QT)
Declared profits = β*(Eu*QT)

The extent of profit shifting (PS) then is:

PS = β*(Ep*QT) – β*(Eu*QT)
= βQT *(Ep – Eu)

Therefore, this is a fraction of the shaded area shown—the larger the profit margin β, the larger is the profit shifted holding all else unchanged. But the direct loss to the government exchequer is a fraction of the profit shifted. The fraction depends on the tax rate τ on corporate profits. Tax loss (TL) equals:

TL = τ * [βQT *(Ep – Eu)]

In other words, the extent of public loss varies directly with (i) the rate of profit β—the larger the profit rate—the bigger the loss, (ii) quantity transacted QT—the larger the volume of trade subject to under-invoicing the more the loss, (iii) the tax rate on corporate profits—the higher the rate the more the loss, and (iv) the extent of under-invoicing—the larger the differential between actual and reported export price the larger is the public loss.

III. India: The Volume and Pattern of Trade Misinvoicing

In 2015, the latest year for which bilateral trade statistics were reported by member countries of the IMF for publication in its Direction of Trade Statistics, India lost a total of US$9.8 billion through illicit outflows and nearly three times as much through illicit inflows

India: Volume and Pattern of Trade Misinvoicing, 2015
(in billions of U.S. dollars or as percent of total trade)

Based on IMF Direction of Trade Statistics (DOTS)	Export Underinvoicing	Import Overinvoicing	Total Misinvoicing Outflows	Export Overinvoicing	Import Underinvoicing	Total Misinvoicing Inflows	Total Trade or Misinvoicing (%)
Billions of U.S. dollars	$4.4	$5.4	$9.8	$9.5	$20.0	$29.5	$256.4
Percent of Total Trade	1.7%	2.1%	3.8%	3.7%	7.8%	11.5%	15.3%

Source: *Illicit Financial Flows to and from 148 Developing Countries: 2006-2015*, January 28, 2019, Global Financial Integrity.

at US$29.5 billion. That year, outflows and inflows accounted for 3.8 percent and 11.5 percent of India's total trade at US$256.4 billion. Thus, slightly more than 15 percent of total trade was misinvoiced, which is a high proportion among developing countries.

It should be noted that both outflows and inflows are ways through which the government loses foreign exchange and tax revenues. A reasonable assumption is that traders always misinvoice to help themselves—never the government. Import overinvoicing at US$5.4 billion (2.1 percent of total trade) somewhat exceeded export underinvoicing at US$4.4 billion (1.7 percent of trade). These flows were dwarfed by inflows of US$20 billion through import underinvoicing (7.8% of trade)

Trade misinvoicing is very much alive and kicking in India. The recent scam by Nirav Modi involving the round-tripping of diamonds, plunged the Punjab National Bank and other public sector banks into a mountain of non-performing loans.

and US$9.5 billion through export overinvoicing.

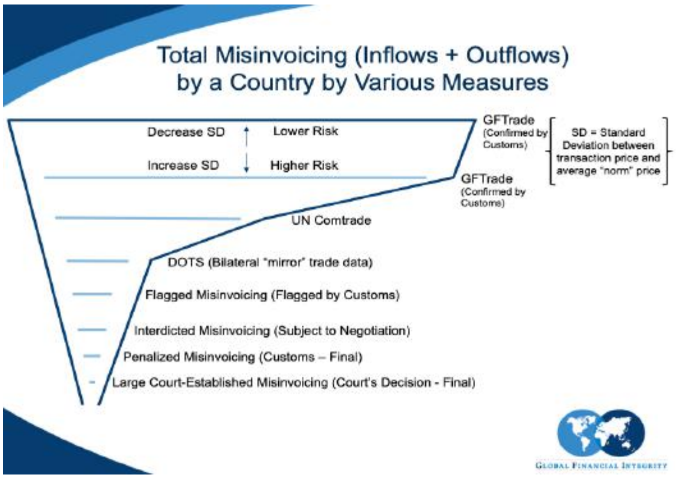
Given India's much larger imports relative to exports (as reflected in its persistent trade deficit), the significant underinvoicing of imports to evade import duties is not surprising. At the same time, export overinvoicing may act as a channel for bringing in illicit capital to finance hawala transactions or fund elections. Furthermore, now that GST on imports has been introduced, the overinvoicing of exports may reflect attempts by exporters to reclaim the GST paid on imports by inflating the import-content of the exported goods.

In fact, import underinvoicing and export overinvoicing are two of the predominant channels of trades misinvoicing in India. Total export overinvoicing was almost equal to illicit outflows through misinvoicing in 2015. This pattern of misinvoicing needs to be studied in more depth using a more detailed database such as the UN COMTRADE in order to get an idea of the commodities and countries involved. Finally, a transaction-by-transaction database such as GFTrade (discussed below) will be required to narrow down the fraudulent transactions involved.

IV. Academic misinvoicing and operational interdiction

Economists use various databases on bilateral trade statistics to study illicit flows and capital flight from developing countries. The IMF's Direction of Trade Statistics (DOTS) is the most comprehensive database on bilateral trade statistics with the largest coverage of countries accounting for almost all global trade.

The chart below shows that if all countries reported data for publication in the UN COMTRADE, the volume of gross illicit flows (outflows plus inflows) would be higher than the DOTS gross flows, largely because a commodity-by-commodity breakdown would capture more misinvoicing than total exports and imports. At the aggregate level, under- and over-invoicings may cancel out. Because a transaction-by-transaction database such as GFTrade is even more detailed than the UN COMTRADE, we could expect larger gross illicit flows by using such a database. Hence, the GFTrade line lies above both the UN COMTRADE and the DOTS lines.



Note that a transaction-by-transaction system like GFTrade will allow us to estimate misinvoicing by adjusting the extent to which the implicit price deviates from the world or arms-length price for the goods in question. The price-profiling system compares the implicit price of each export and import transaction of a developing country like India against the average benchmark price (or "arms-length" price) of the same commodity (at around the same time of the year) that prevailed in transactions between other countries. So, a lower standard deviation (SD) between the upper and lower bounds of what is considered the "arms-length" price band will mean a lower risk appetite for deliberate misinvoicing.

In other words, the lower the SD, the more the likelihood that the underlying price of a transaction will lie outside that band (i.e., it would qualify as being deliberately misinvoiced). Similarly, a higher SD in setting the arms-length prices will represent a higher risk appetite for misinvoicing so that a smaller number of such transactions will be flagged as such.

The first three databases are used by economists to study trade misinvoicing either as a whole or with regard to specific commodities or industries. Customs use their own transactions database to monitor misinvoicing because they are primarily interested in collecting applicable taxes under the law. While large misinvoicing estimates would attract the attention of Customs authorities, not all estimates would be officially flagged. Typically, the flagged transactions would be passed up the chain of command at Customs where a decision is made to interdict the most egregious ones. Even, at this level, the interdicted transactions are subject to negotiation with the exporter or importer. It is not as if traders would readily acquiesce to whatever charges the Customs brings against that trader. If the trader is unable to defend the price—and by implication, the value and/or volume of the transaction in question—the transaction is then subject to a penalty that is determined by Customs. Hence, the chart above shows that the volume of penalized misinvoicings are less than the volume of interdicted misinvoicings.

Now, the trader in question may simply pay the penalty and clear the goods. However, if the penalty is large or if the trader feels that the penalty is unfair and unlikely to stick in court, he may decide to challenge it. In that case, the transaction is not considered to be misinvoiced until and unless a judge renders a verdict to that effect. It is likely that the sum of all smaller penalties may well be larger than the few large penalties settled after a court decision. The important point to note is

that the Customs does not take every case of misinvoicing to court, the cost of which will be prohibitive. That is why most cases of deliberate misinvoicing are typically settled out of court in India. Customs takes the trader to court only on those cases where it deems that there is sufficient evidence pointing to deliberate misinvoicing in order to defraud the government.
Hence, there are good reasons why large gaps exist between the black money estimates of economists and the amount that are actually interdicted and penalized by a government. The volume of illicit funds actually penalized by a country is no more an indicator of this problem than, say, the number of drug traffickers caught on the U.S./Mexico border is an indicator of the extent of Mexico's drug problem.

V. Conclusion

Trade misinvoicing is very much alive and kicking in India. The recent scam by Nirav Modi involving the round-tripping of diamonds, plunged the Punjab National Bank and other public sector banks into a mountain of non-performing loans. These loans were extended to shell companies controlled by Nirav Modi based on the over-invoiced values of diamonds they imported. The scam involving extensive trade misinvoicing over a period of several years revealed entrenched weaknesses in the regulatory functions of the Customs, public sector banks, and the Reserve Bank of India.

Trade misinvoicing has serious adverse impact on developing countries, including India. Misinvoicing driving illicit inflows and outflows are harmful in both directions. They often lead to loss of Customs revenues and shortfalls in GST on imports. In that sense, certain types of misinvoicing like import under-invoicing, represent a fiscal termite gnawing at the nation's tax base.

The objective should be to curtail trade misinvoicing rather than eliminating the practice completely. This is because traders will always attempt to circumvent the tightest of controls and some will indeed escape detection. Nevertheless, efforts should be made to tighten controls and to increase the risk of significant penalties including jail time for repeat offenders.

Shadow Economy: Unveiled

*Not only has the 'black money' ecosystem been perpetuated as a consequence of the inefficiency of the state, it has also advanced benefits to the poor. Here is what **Yugam Bajaj** and **Nakul Gupta** have to say.*

Another normal day in Lagos, Nigeria. With an upcoming middle class and Africa's largest city-based economy, Lagos is home to skyscrapers and buildings that are rare across the continent. Adjacent to the city centre, in one of the many bylanes, sits Thelesia, an apparently poor trader, under an umbrella with a pile of clothes and other accessories scattered around her. Yondru, a Japanese, passed by the shop, considering it to be one of the many African deformities because after all, back home, everything is organised. "Rebecca, welcome back!" Thelesia soon called out to the lady who had just entered the lane. Rebecca, an intermediary with a clothing giant based on the outskirts of the city, paced up to Thelesia. The two exchanged usual greetings, and a minute's conversation yielded $500 to Thelesia, while Rebecca left the lane with half-a-dozen bags of clothes.

While Yondru might have been amused at the sight and found it to be some sort of charity, it was usual for Thelesia. An entrepreneur blessed with the amazing art of spinning, Thelesia might not have had the resources to set up a shop, but she benefitted, like many from her slum, as the MNC giants outsource preliminary production to the hutments.

From clamping down on the sources of black money to the illicit sale of commodities and the 'underworld', the common perception has been to recognise the informal or the unorganised sector as the root of all these evils.

Caught in the frenzy of government and regulations, while many shops in the lanes closed down, Thelesia's unregistered business survived.

Every policymaker's new fad as far as the economy and employment are concerned is the 'formalisation of the economy'. From clamping down on the sources of black money to the illicit sale of commodities and the 'underworld', the common perception has been to recognise the informal or the unorganised sector as the root of all these evils. In fact, the 'informal economy' is seen as a 'problem', while Rebecca's story, just like many others, shows that it can be a 'solution', a way-out for many woes in the economy.

An economic system which works in consonance with the formal economy but has to remain in the outlines due to the attributes highlighted above, is the shadow/ parallel economic system. Commonly referred to as the informal economy, its public perception has rested on a number of negative connotations. However, a simple analysis of the economy will help us gauge its wide-ranging contribution to development.

It has proved itself as the solution to the problems of unemployment, diminishing growth and many other issues that a developing country faces. Hence, it is essential for a developing country to give a boost to its parallel economy in order to become a developed nation. An analysis of the growth trajectory of the US, Western European nations, etc. shows the widespread relevance of a black-market economy, informal workspaces and illegal trade of goods, during the transitional phase.

Why is an informal economy crucial for employment generation? Let's consider a labourer with no qualifications and a demeaning personality. He cannot rally up through the corporate structures which have strict selection criteria. He would rather end up becoming a rickshaw driver or a worker at a construction site, and in essence, a member of this very informal sector. This is where the parallel economy comes into play by providing a means of living to the neglected ones in the society.

Statistically, the informal sector is also the largest provider of employment in absolute terms. About 81% of the employed in India work in the informal sector. While companies existing in the formal economy have to be in tandem with a slew of regulatory practices, informal economy provides free space to entrepreneurs who may not have the resources to develop under the regulatory framework. Similarly, menial occupations such as street vendors, hawkers, etc., deemed illegal in the formal sector, are recognised through the shadow economic structure.

Often, the shadow economy is blamed for the propagation of criminal activity in a country. However, as ironic as it may sound, the shadow economy only helps in restricting the same. Trade of narcos, the value of which runs into millions on a regular basis, is a major contributor to the shadow economy. Such narco trade helps maintain the supply of addictive narcotic drugs and keep its price at an optimum level through the mechanism of market equilibrium. Addictive population finds it easier to consume such drugs given the price. However, restricting such trade would limit the supply of these drugs, resulting in skyrocketing prices and thus inviting criminal activities by the addictive population to gather money for the same. You won't expect a goon who consumes drugs on a daily basis to go to a rehab centre in response to a rise in price. It is much more expected for him to rob or harass people to obtain money for his daily consumption. Thus, the shadow economy acts as a barrier to such physical and mental abuse by ensuring that there is a balance between demand and supply of drugs.

India is the largest producer of legal opium in the world. However, experts estimate that about 5-10% of this opium is converted into illegal heroin and an additional 8-10% of such heroin is consumed in high quantities as a concentrated liquid. Now, imagine the situation of such consumers and the common masses if production is restricted!

A major driver of the shadow economy is the 'black money' ecosystem. Normally in the formal economy, a major source of income for the government is tax revenue. The tax revenue, hence collected, is utilised for developmental expenditure which goes on to contribute to a nation's growth. Hence, the tirade against 'black money' is based on the said perspective of developmental needs. Tragically, such expenditure has been misutilised by means of corruption, inefficient governance and inequitable distribution, which snatches the benefit from the poor.

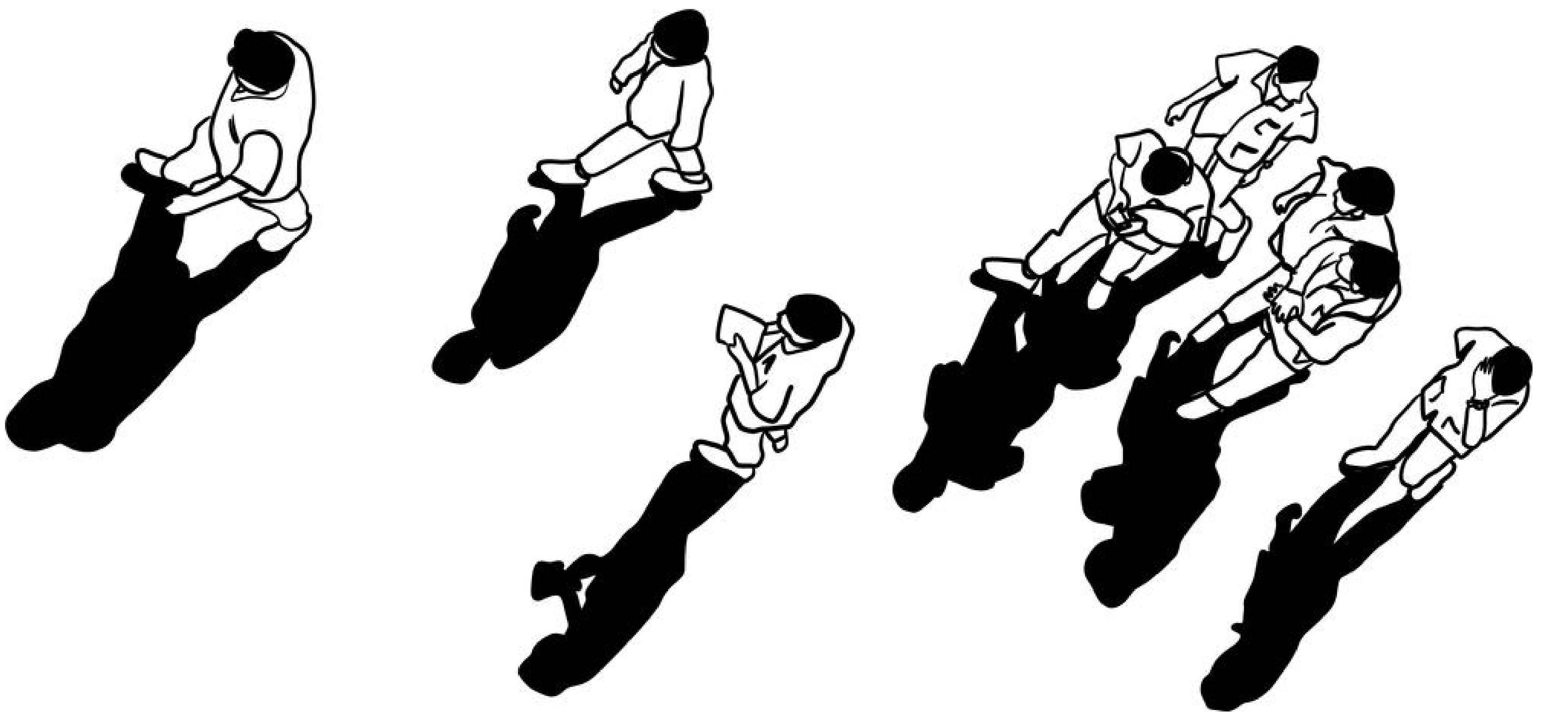
Not only has the 'black money' ecosystem perpetuated as a consequence of the inefficiency of the state, but it has also advanced benefits to the poor. The black money flow, devoid of tax restrictions, ensures the trickle-down effect. As a large proportion of the amount isn't given up for taxation purposes, larger capital reaches even the poorest sections of the society. Such a free flow of capital adds to the money supply in the economy. As the money supply in the economy increases, more money is routed through banks, which adds to the credit supply in the economy. The increased money supply and the application of the money multiplier as a result of the credit-creation process contribute significantly to the currency buoyancy in the economy. This aspect of the ecosystem has sustained the Indian economy in the face of sanctions and the global financial crisis.

Given the huge exports to the underworld, the supply of dollars to India is increasing which further contributes towards the appreciation of the Indian currency. But yet again, such currency is not accounted for in the formal sector, else it could severely strengthen the rupee-dollar exchange rate.

Black money isn't exclusive to the informal economy, but has been engulfed by the informal sector due to a series of illicit trade of goods. While proper records are not available with the Indian government, enormous quantities of narcotic drugs worth billions of USD, like heroin, are smuggled to South Africa every year. Also, an investigation into illegal mining revealed an illegal export of iron ore worth more than Rs 12,228 crore from Karnataka between 2006 and 2011. Furthermore, large quantities of spices, saffron, fruits and vegetables are illicitly exported from India every year. The quantum of trade taking place in the parallel economy, hidden from the government, is huge. If we remove the line of demarcation between the formal and the shadow economies, India's GDP may break annual targets. Even as India's formal GDP growth hovers above 7%, the potential of India's economic pie to expand with the subsuming of the informal sector is beyond the curve.

In fact, USD is the conventionally accepted currency of the underworld. Gangsters and mafia bosses are comfortable with dollars, whether it be in motels or hotels. From the Indian perspective, dollar prices have been surging in the formal markets. But again, there lies a huge difference between the formal and the informal economies. Given the huge exports to the underworld, the supply of dollars to India is increasing which further contributes towards the appreciation of the Indian currency. But yet again, such currency is not accounted for in the formal sector, else it could severely strengthen the rupee-dollar exchange rate.

With all its flaws, the shadow economic structure has grown into a self-sustaining ecosystem with a reach until the bottom of the economic pyramid. It has advanced benefits in instances wherein governmental regulations didn't provide a safe space to aspirations. An outcome of the mistrust of people with keeping a proportion of their capital with the government, the evolution of the shadow economy has been a reaction to government policies. Any attempt to ensure the 'formalisation' of the economy has to ensure that such policies which gave rise to the parallel structures in the first place are addressed. While policies such as 'demonetisation' had a single-minded focus of viewing the informal sector as the necessary 'evil', a long-term approach for assimilating the parallel structure into the formal economic structure calls for renewing the idea of the informal sector as the 'problem' and finding creative solutions to its specific problems.



Md Sajid Khan

Mohammed Sajid Khan is Head of International Development at ACCA. His current role builds on over a decade of experience working for ACCA, where he has gained considerable experience in projects that develop and sustain the accountancy profession, working with partners and other stakeholders to meet the demand for professional accountants across growing economies.

INTERVIEWED BY **NAKUL GUPTA AND MANYA MANUSHI**

Q1. Could you tell us briefly about ACCA?

Founded in 1904, ACCA (the Association of Chartered Certified Accountants) is a global professional accountancy body, incorporated by the Royal Charter in the UK. With 208549 members and 503262 students across 179 countries, our community of current and future professional accountants is one of the largest and most diverse in the world. These professionals are few of the world's best-qualified and most highly sought after accountants, and they work in every possible sector.

Q2. The past decade has seen the accounting profession undergoing tremendous change. How do you see the coming years and how is ACCA preparing its students for this change?

Today, the global economy is undergoing tectonic change i.e. redefining traditional business models. Many of these resulting changes are evolutionary rather than revolutionary, necessitating a strategic approach. In this fast-changing world, professional accountancy bodies need to ensure that its members have the right knowledge, skill sets and abilities to help organizations sustain economic growth and compete nationally and internationally.

The global need for the technical expertise of professional accountants will continue in the long term, however, some technical competencies will increase in value and others may diminish. Professional accountants must maintain both their technical excellence and supplement this with highly developed personal skills and professional qualities. In fact, professional accountants now need to be strategic leaders and not just number crunchers.

In this regard, ACCA Qualification is modern, rigorous and relevant. It sets the standard for the profession and keeps our members in demand among employers. Our Seven Professional Quotients deliver ground-breaking insight into what organisations need in the future, and this blend of quotients ensures that ACCA Qualification is best in class and leads the field.

Additionally, the ACCA research "Professional Accountants – the future: Drivers of change and future skills" identified the four key drivers as increased regulation, technology, globalization and society's expanding expectations of business, which will impact future accountants.

Q3. Recently you made changes to your curriculum. Can you tell us how this would help the next generation of students?

Well, as I mentioned earlier, professional accountants are now expected to be strategic leaders embracing an enlarged strategic and commercial role. We, at ACCA, work to ensure that the qualification comprehensively imparts these abilities and behavioural traits through its exams, practical experience requirement, and the ethics module. The recent changes and improvements to our exam model are designed to benefit our students and employers.

We have recently made major changes in our flagship qualification after undertaking extensive qualitative and quantitative global research in 2014 and 2015, covering more than 2,000 c-suite and finance leaders. Not only have we introduced new computer-based exams for Applied Skills level, but also replaced our professional level exams with Strategic professionals, incorporating 2 new papers : Strategic Business Leader and Strategic Business Reporting. Additionally, we have replaced the professional ethics module with the new ethics and professional skill module. All these changes are designed to produce professionals who are ready to start working and making an immediate impact beyond the classroom.

Throughout our 100+ year history, we've worked hard to innovate – from basing our qualification on IFRS back in 1996 to incorporating integrated reporting into our curriculum. We are always looking for ways to adapt and enhance our offer to meet the dynamic needs of the accountancy profession.

Q4. You did mention about Emerging technologies revolutionizing business globally. How do you see this digital upsurge changing the accounting profession?

This technological revolution which we are witnessing is already impacting the profession and will continue to change the working of accountancy.

In fact, I think it's a great time to be a finance professional, wherein not only will you be a catalyst of change but also a driver of change. In a recent study which we undertook in early 2018 along with CA ANZ, we conducted a survey of over 2700 senior finance professionals to seek their views on robotic process automation (RPA) and its implication on the finance function. Our research suggested that the benefits of adopting RPA in finance go way beyond cost reduction, bringing improved control, faster processing speed, better data quality, and happier finance team members freed up from mundane tasks for interesting and value-additive work. This growth of 'digital labour' will enable the future finance professionals to spend less time on repetitive work of recording and verifying the numbers, and devote more time in predictive analytics and driving the future growth strategy by applying the finance lens on decision making.

Indeed, tomorrow's finance professionals will need to be very adept in leveraging this technology to take business intelligence one step further.

Q5. So would it be right to say that this digital age will also require new skills set apart from technical skills?

In an increasingly technology-led future, finance professionals have to embark on a journey which encapsulates technical competency, ethics, and a range of personal skills and qualities. One such critical component is the emotional quotient (EQ) which is an integral part of becoming a trusted and able professional accountant – someone who can integrate the complexities of human behaviour into their core analytical approach.

This ability to comprehend the value embedded in emotions is particularly important as we transcend in a digital age. In this digital age, we will come across a situation wherein new skills and knowledge needs to be acquired on a continuous basis. Often the barrier is not analytical. It is an emotional barrier, linked to the fear of the unknown. This is where having the right emotional quotient enables the finance professional to adapt and excel.

Emotional quotient (EQ) along with other quotients of technical and ethical competencies (TEQ), experience (XQ), intelligence (IQ), creativity (CQ), vision (VQ), digital capabilities (DQ), form the part of ACCA professional quotients skills framework which remains a core requirement for the professional accountant of the future and has been adopted in our updated qualification.

SPECIAL TAKE

AGRICULTURE

Indian Agriculture: Quest for Finding Sustainable Solutions

*With plummeting prices, agrarian distress in India has compounded into huge proportions. **Premansh Sahni** tries to discuss in detail the ineffectiveness of farm loan waivers to deal with the dismal state of agriculture in India and examines other policy solutions.*

Ayodhya nahi, Karzi mafi chahiye (We don't need Ayodhya, we need a debt waiver) captures the sentiment of the agricultural community. With falling prices of their produce and heavy debt, an average kisan is trapped in a distressful situation. Their anguish found popular expression when they led a protest march to the Parliament in November 2018. Despite not announcing a blanket nationwide loan waiver, the pre-election interim budget did make it a point to address the agricultural situation of the country.

In 2008, India's Debt Waiver and Debt Relief Scheme for Small and Marginal Farmers were one of the largest household debt relief programs in history. The program waived off ₹715 billion of agricultural debt issued by commercial and cooperative banks between 1997 and 2007. Martin Kanz, an economist at the World Bank who studied the effect of this waiver on rural households, found that there was no substantial increase in investment because most households viewed the waiver as a short term solution that addressed their past distress. He found that most households worry about the reputational consequences of non-repayment of debt and future impediments to the flow of credit, leading to almost no change in investment expenditure.

Loan waivers intensify the problem of moral hazard. If Farmer A's loan is waived, Farmer B might be reluctant to pay back the loan in the next year expecting the government to provide a loan waiver even if he has the ability to pay back the loan. Former RBI Governor, Urjit Patel, also expressed his concerns about the impact of loan waivers on honest credit culture and the nation's balance sheet. Karur Vysya Bank's Chairman and CEO, P.T. Kuppuswamy had reported farmers' shifting of accounts to nationalised banks well before elections, expecting loan waivers. "We were wondering why they are shifting the accounts and then farmers came and told us it's an election year. Definitely, there will be a write-off. If it's a private sector bank then you might not get a waiver," he said. Majority of the small and marginal farmers do not even benefit from farm loan waivers as they only cater to formal loans. This increases the fiscal strain on the government's purse strings and a widening fiscal deficit crowds out private investment. Big and mid-size farmers (with more than two hectares of land) remain the biggest beneficiaries of farm loan waivers. Given these disadvantages of a farm loan waiver, it is imperative that the government explores policy alternatives to address the problems faced by agriculture in India.

The Pradhan Kisan Mantri Samman Nidhi (PM KISAN) scheme seeks to provide ₹6000 to small and marginal farmers with a landholding size of less than 2 hectares in three instalments. The idea that smaller the size of the landholdings, greater the need for income support has been recognized by the government. This programme was made effective from December 1 2018, and the first instalment for the period up to March 31 2019, would be paid in this year itself. The government has allocated ₹20,000 crore in the fiscal 2018-19 and an annual expenditure of ₹75,000 crore in the fiscal 2019-20. The government has also developed a portal to implement the scheme. The states have to upload the data of the beneficiaries on the portal. The Ministry of Agriculture and Farmers' Welfare will directly credit the benefit in the accounts of the beneficiaries and the amount will reach them within 48 hours of the release. The Pradhan Mantri Jan-Dhan Yojana (PMJDY), the government's flagship financial inclusion scheme, will contribute greatly to the success of PM KISAN, as the scheme provides direct benefit transfer into the accounts of the beneficiaries.

The reality is that most of the small and marginal farmers in the rain-fed areas do not even cultivate two crops.

According to the Press Information Bureau (PIB), under the PMJDY, 31.20 crore accounts were opened with aggregate deposit balances of ₹75,572.09 crore as of 28.2.2018.

Under the Centrally funded Digital India Land Records Modernisation Programme, states were required to carry out the digitisation of the land records. However, only 10 states have integrated the digitised records with the banks, according to data from the Ministry of Rural Development. This becomes a serious bottleneck in the successful implementation of the scheme. To ensure that there are no leakages, the state governments should update the land records and link them to the bank accounts of the beneficiaries.

According to the 2015-16 Agriculture Census, there are over 12.56 crore small and marginal land holdings in the country and their numbers have trebled in the last four years due to growing fragmentation among families. This has resulted in the average landholding size to fall by 50% from 2.28 hectares in 1970-71 to 1.08 hectares in 2015-16. The government's scheme could result in a further fall in the size of the average landholding as an attempt to avail the benefits of the scheme. Furthermore agricultural economists like Sukhpal Singh (Professor at IIM Ahmedabad) are calling the scheme a drop in the ocean and that the government has wrongly assumed that there are three cropping seasons in India and hence the three instalments. The reality is that most of the small and marginal farmers in the rain-fed areas do not even cultivate two crops. Targeted schemes such as PM KISAN, Rythu Bandhu etc. provide benefits to a group of identified beneficiaries unlike Universal Basic Income (UBI). Such targeted schemes are prone to a number of errors, such as errors of exclusion and errors of inclusion. Households that should be beneficiaries are not included, and those that should not be beneficiaries are listed in. In this case, tenants cultivate land but are excluded as they do not own the land. Agricultural labourers are left out because they neither own nor operate land. Nonetheless, PM KISAN is a step ahead with regards to UBI, an idea tabled in the 2016 – 17 Economic Survey.

Notwithstanding anything mentioned above, small and marginal farmers, the targeted group of the scheme, are indeed one of the most vulnerable sections of the society. This is evident by the fact that natural calamities can cause an income loss of approximately 12% to 15%, lack of marketing facilities reduces their income by 15% to 20% and a glut in the market can wipe out their entire profit. So, the farmer can use this additional income to purchase insurance, better quality inputs, children's education, to repay existing loans, to store the produce until market prices are favourable, etc. Another positive outcome that may result from the assured income support provided under the scheme could be the boost in productivity and the youth may be motivated to start their own enterprises or pursue higher education. This will move them away to non–farming sources of employment. This is a much-needed outcome given that there is a lot of disguised unemployment in agriculture. One criticism of the scheme has been that it will lead to increased consumption of alcohol, and to avoid this, a social engineering mechanism needs to be put in place.

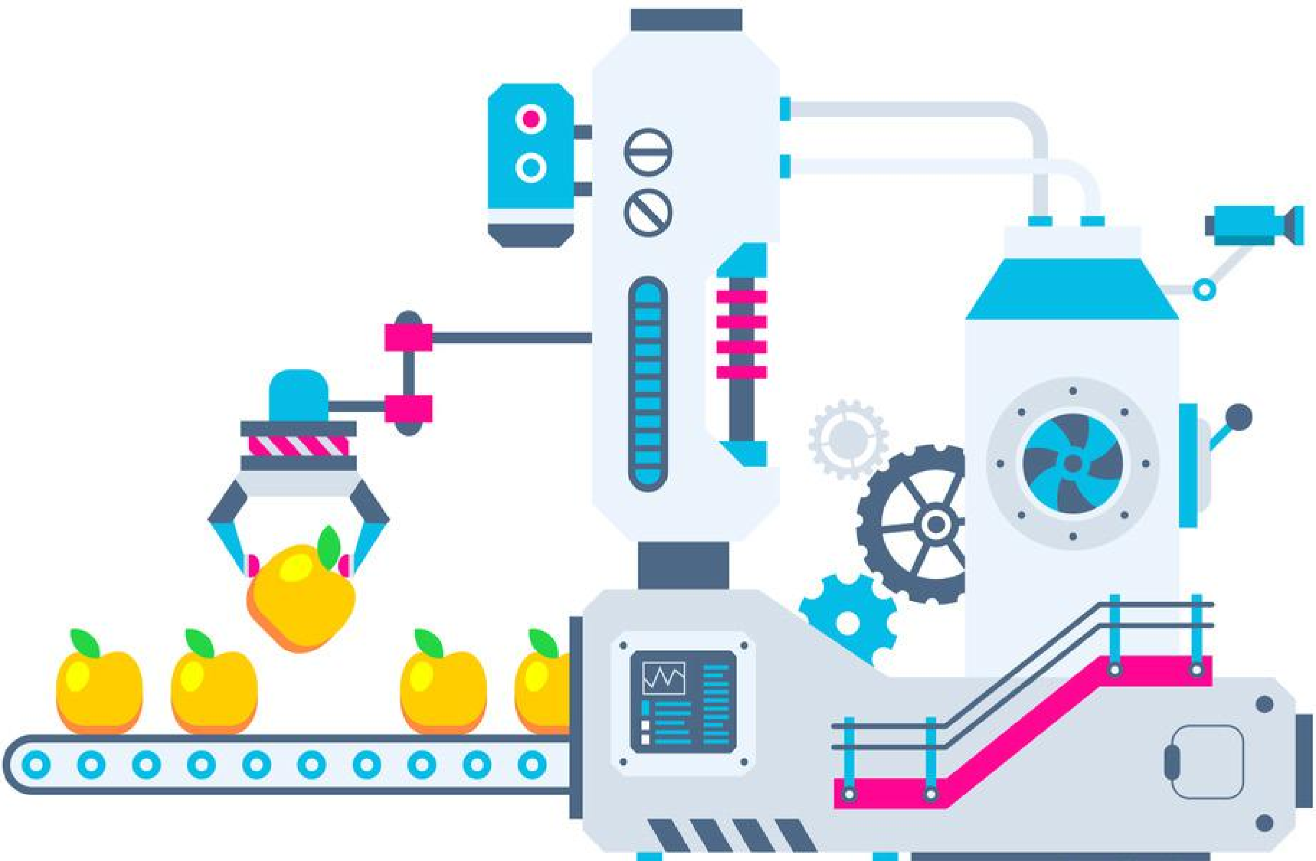
Odisha's recently notified KALIA (Krushak Assistance for Livelihood and Income Assistance) presents a model worth emulating. All farmers will be provided ₹10,000 per family as assistance for cultivation. Each family will get ₹5,000 separately in the Kharif and Rabi seasons, for five cropping seasons between 2018-19 and 2021-22. The scheme does not impose any restriction on the size of the landholding. Furthermore, the scheme does not leave out landless labourers. 10 lakh landless households, specifically the SC and ST families, will be supported with ₹12,500 for activities like goat rearing, mushroom cultivation, beekeeping, poultry farming and fishery.

Agrarian distress presents a serious policy dilemma which needs to be cracked. While the effect of Income Support programmes like the PM KISAN on the amelioration of rural distress remains to be seen, the need of the hour is to find sustainable solutions to the challenges faced by agriculture in India which eliminate the need for loan waivers and help increase the productivity of Indian agriculture. One of the possible solutions to deal with falling output prices can be to increase India's foreign trade in food grains. India has restricted the export of farm sector output to ensure food security and for keeping prices under check. Food grain production in India touched an all-time high of 280 million tonnes during 2017-2018 but this glut led to depressed prices. The inability of the government at procuring an average amount of food grain with positive amounts in periods of surplus and negative during a shortage, calls for better warehousing besides a liberal export-led trade policy.

Without mechanization, agriculture is a back-breaking activity and technology is required to increase the yield to feed our growing population. There is an urgent need to enhance rural infrastructure and irrigation facilities. Precision farming (PA) may provide a way to do it. PA is the application of precise and correct amount of inputs like water, fertiliser, pesticides, etc., at the correct time to the crop, to increase productivity and maximise yields. Together with the use of GPS and appropriate software, PA provides the farmer with the current status of the crop. Combined with drip irrigation and the use of biofuels, this method is ideal for small farm size. In countries like Japan, drones are being used to spray fertilizers. With the help of institutions like the IITs and NITs, such technology can be developed in India indigenously. This can provide a sustainable solution to agrarian distress. The lack of irrigation coverage leads to crop failure in years of bad rainfall. This can further be addressed by enhancing the spread of crop insurance. Insurance companies can increase awareness among the farmers about the latest research in agri-tech to improve crop protection. Financial literacy will allow them to take advantage of insurance as they will know about the various 'Bima' schemes.

Another problem that plagues agriculture is the presence of middlemen. Farmers are often not aware of the fair price for their produce and end up selling it for lower prices to the middlemen. The government floated the idea of e-mandi, a platform where farmers could sell their produce online without the interference of middlemen but small and marginal farmers often lack adequate storage facilities and are often not so technologically abled.

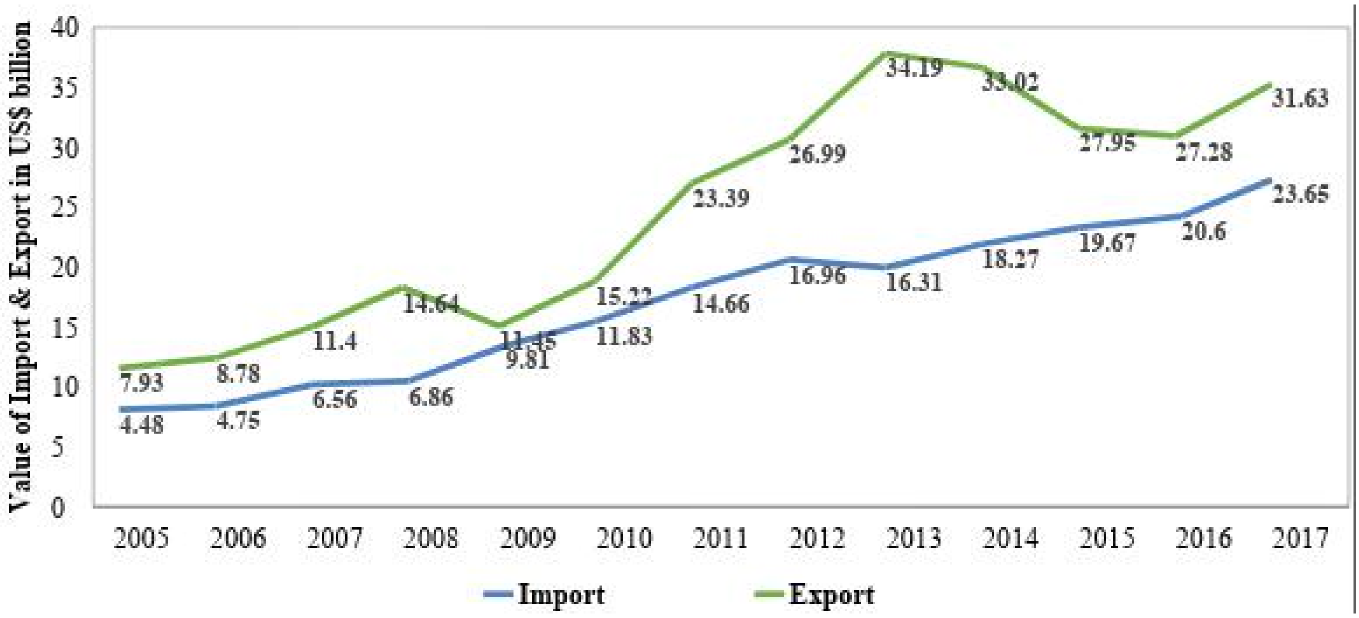
It is necessary that the policies framed are not detached from the ground realities and the focus should be on finding long-term solutions. While ideas such as PM-KISAN have the novel cause of addressing the rooted problems, the extent of their effectiveness by an inefficient bureaucracy is the case in point.



Promoting Agriculture Exports and Food Quality through Technology

*India's imports of food products are increasing faster than its exports. The answer: technology, believes **Arpita Mukherjee***

Agriculture is the backbone of the Indian economy and the country is amongst the world's leading producers of several agriculture crops. Globally, India is the largest producer of milk, pulses, ginger, bananas, guavas, mangoes and papayas and it is the second largest producer of rice, wheat and many fruits and vegetables. In addition to a vast farming area, diverse climate and cropping patterns, government incentives to promote agricultural exports on the supply side along with a growing population of 1.3 billion consumers with rising disposable incomes and changing food patterns have driven India to become a key supplier and one of the biggest consumer markets for food products.



India's Trade in Food Products

India is now one of the largest exporters of fresh and processed food products to a number of developed and developing countries including the United States (US), the European Union (EU), Vietnam and the Middle East countries. India imports from countries such as the US, Australia, Canada, Ukraine and Indonesia. India's top 10 exports include rice, fish, tea and meat of bovine animals and its imports includes palm oil, leguminous vegetables and sunflower seed oil. India's share in global agriculture exports has increased from 1 percent in 2009 to over 2 percent in 2017. As of 2017, India's food exports to and imports from the world were valued at US$31.63 billion and US$23.65 billion respectively (see graph). Overall, India has a positive trade balance in food products.

Concerns related to India's Export of Food Products

Despite a positive trade balance, there are two areas of concern. First, India has not been successful in ensuring value addition through domestic manufacturing of food and thus, primarily exports raw materials and imports processed food products. Second, of late, India's imports of food products are growing at a faster rate than the country's exports of food products. India's agricultural exports between 2013 and 2017 fell by 7.46 percent year-on-year and agricultural imports during the same time period grew by 45 percent year-on-year. Further, imports are accelerating despite high tariffs, sporadic imposition of quantitative restrictions, sanitary and phytosanitary (SPS) restrictions (such as several globally approved additives are not allowed in India) and technical barriers to trade (TBT) (such as complex labelling requirements).

India's agricultural exports are significantly lower than that of countries like Indonesia and Thailand and the country is losing its market share in exports of products such as rice, in key markets such as the EU to developing countries such as Vietnam and Cambodia.

Snapshot of the Agriculture Export Policy

To promote exports, the Department of Commerce (under the Ministry of Commerce and Industry) has come up with the Agriculture Export Policy, 2018. The policy aims to double agricultural exports, diversify India's export basket and enable farmers to get benefits of export opportunities in the overseas markets. To achieve this, the policy makes recommendations on having a stable trade regime, dedicated clusters for production of products such as coffee, turmeric, fruits and vegetables, an institutional mechanism to pursue market access and tackle SPS and TBT barriers and improve ease of doing business by pursuing farm-level digitisation of farmer land records. In addition to this, the policy also makes recommendations on the "establishment of a strong quality regimen". This is especially important because in recent years Indian agricultural exports are facing rejection in key markets on grounds of excessive use of chemicals and pesticides. Thus, unless care is taken to ensure food safety and standards, India's exports will not be able to grow.

Once the quality of domestic production improves, studies show that India will get more investment in manufacturing.

Moreover, if agreements such as the Regional Comprehensive Economic Partnership (RCEP) are signed, India will have to offer zero tariffs on several products to the ten Association of South East Asian Nations (ASEAN) member countries and China, Japan, Republic of Korea, Australia and New Zealand. Further, as a WTO member, India cannot impose higher standards for imports compared to the domestic market. Therefore, it is imperative to upgrade the quality of food products in India.

Using Digitisation to Establish a Quality Regimen

The Food Safety and Standards Authority of India (FSSAI), which is the nodal agency for food safety and standards, is aware of the above issue and has taken a series of measures including setting up of standards for different types of food products, promotion of food safety and hygiene, inspection of food premises, and aligning standards with those laid down by international organisations such as Codex Alimentarius, World Organisation for Animal Health, etc. In doing so, the FSSAI has also initiated information technology (IT) initiatives to streamline the food import process and reduce the compliance burden for food importers and domestic firms to enhance efficiency and productivity. Most of these initiatives are now focused on the sharing of information, online registration and licensing, and promotion of FSSAI initiatives online. However, now there is a need to use technology and automation in developing a robust risk management system, identification of risk through data analytics, ensuring food safety and hygiene standards and ensuring accountability through traceability.

The Agriculture Export Policy, 2018 refers to digitisation as a focus area for the government to improve the business environment, increase productivity and boost exports, and intensify the competitiveness of the food industry. In this regard, the government needs to rethink/remodel its risk management systems (RMS). The systems should be modelled to identify and mitigate risk by taking into account various functional and non-functional risk parameters. The system should identify and address parameters such as product risk, importers risk, country risk, and it should also create a profile of food business operators. This profile should be created based on their individual characteristics and parameters such as the hygiene rating of the food business premises. The RMS can be further refined to predict and analyse emerging risks such as risk related to climate change, and monitor anomalies in the trade flow. In this regard, India can learn from countries such as the United Kingdom (UK) where the country's food surveillance is done using data science and open data sharing platforms. As excessive use of chemicals, pesticides and supply chain contaminations are key reasons for India's food exports being rejected in the world, India needs to pro-actively engage in intelligent data analytics and identify the source of the problem to the farm using a blockchain based traceability system. This will help in tracking the source of the problem and solving it at the field in order to respond rapidly to alerts. Today, risks can be analysed using various global databases such as World Integrated Trade Solution (WITS), CountrySTAT, Food and Agriculture Organization Corporate Statistical Database (FAOSTAT), Global Information and Early Warning System (GIEWS) country briefs, EUROPHYT, Joint Meeting on Pesticide Residue (JMPR) database, Rapid Alert System for Food and Feed (RASFF), etc. There is a need to encourage research activities in universities using such databases. Further, giving students and academics access to Indian data will ensure better development of the country's risk analysis capabilities. Modern technologies such as artificial intelligence and blockchain can be used to map the journey of the food product from the field-to-the-fork and technologies can also be used to build various predictive models to better understand the food supply chain. For instance, blockchain can be integrated with supply chain modules to ensure traceability and compliance of the food businesses. The blockchain based traceability systems will be able to provide authorised users with immediate and easy access to essential information such as food supply chain data, a complete history and present location of any food product and accompanying information such as certifications, test data, temperature data, etc. Thus, IT can be leveraged in numerous ways to (a) ensure food safety and standards and (b) to establish a strong regimen for food quality. Once the quality of domestic production improves, studies show that India will get more investment in manufacturing.

Conclusion and Way Forward

To conclude, India has a positive trade balance in agricultural exports, however, India's imports of food products are increasing faster than its exports. To address this, the Government of India has come up with the Agriculture Export Policy, 2018. The policy makes several recommendations to increase exports but in addition to these recommendations, the government should put greater focus on upgrading the quality of the food being produced and eaten in India. In this regard, the government should use digitisation and technology to identify and mitigate risks and ensure end-to-end traceability of the food being consumed. This will identify anomalies in the food supply chain and allow the government to come up with targeted policies to resolve them. Apart from adopting the right set of technology practices and software frameworks, there is also a need for collaboration and data sharing across various government agencies involved in the food supply chain; and such data may be shared with academics for data analytics and research, as is done in countries such as the UK, US and Japan. As India is now on the brink of joining trade agreements such as RCEP, it will have to soon offer zero tariffs to rapidly growing agro-economies such as China, Thailand and Indonesia. Therefore, India should now actively take steps to improve the quality of food it is producing and use technology and data analytics to upgrade its food safety and standards.

BANKING

SPECIAL TAKE

Indian Banking Sector:
Challenges and Opportunities

In this article, the nuances of the Indian Banking sector are explored. ***Gurleen Kaur*** *takes us through a comprehensive structural analysis of our banks and the future opportunities which we can capitalise on.*

The Indian banking sector has seen the dawn of independence, the wave of socialism, the coming of 1991 LPG reforms and the 2008 financial crisis. All through it, the sector has had its fair share of success and failure, but it never ceased to contribute to the process of nation-building. It played a stellar role in funding the Five-Year Plans and expanded the economy to become the 6th largest in the world. Most significantly though, the banking sector impacted the lives of millions by teaching them the value of saving and by funding their growth.

This harbinger of the country's economic growth today faces a massive challenge in the form of the "twin balance sheet syndrome". In simple words, it refers to mounting net liabilities in corporate balance sheets and rising non-performing assets (NPA) in the banking sector. On one side of the spectrum is the inability of corporates to pay back loans to the banks due to stalled projects, lower earnings and capital inadequacy to start new projects. While on the other side are the NPA-laden stressed balance sheets of the banks. According to RBI, "a non-performing asset is a loan or advance whose interest and/or instalment of principal remain overdue for a period of more than 90 days in respect of a commercial term loan, and for 180 days in a consumer loan."

Indian banks reported an astonishing gross NPAs of 10.03 lakh crores on June 2018. This rise in NPAs over the past few years could be attributed to factors like indiscriminate lending to industries during the boom period (2004-2008) and poor underwriting of risk. Although, political intervention in the lending process and the evergreening of stressed accounts by circumventing banking laws are equally to be blamed. Another concerning matter at hand today is that a significant proportion of these NPAs is of wilful defaulters (1.12 lakh crores), recovery from which is a mammoth task.

The NPA problem is all set to rise with respect to the agricultural sector, given the climate change induced-crop failures and falling agricultural productivity in the rural areas. The populist promise of loan waivers by state governments will make matters even worse. The worst affected would be differential banks like Regional Rural Banks (RRBs), Local Area Banks and Small Finance Banks, along with Primary Agricultural Cooperatives (PACs) due to the restrictions imposed on their geographical location and on sectoral lending operations. The NPA problem would be further compounded due to issues with project completion

Unfortunately, the public sector banks and nationalised banks have been slow in welcoming this technological change for its core banking solutions.

in the Infrastructure and Construction Sector along with bottlenecks in the implementation of Goods and Services Tax (GST) and Real Estate [Regulation and Development] Act (RERA).

The obvious impact of deteriorating asset quality will be the restrictions in lending operations due to inadequacy of capital. This capital starved banking system will become a grave problem in the days to come. The focus of banking operations would shift from debt expansion to credit risk management instead. To maintain the capital adequacy ratio of 9 percent as set by the RBI, higher provisioning would be required for the stressed assets. Mergers and privatisation would become necessary to combat it. The recent example of the merger between five subsidiary banks, Bhartiya Mahila Bank and the State Bank of India is just the start. The privatisation of IDBI Bank through the selling of government stake to LIC is another example. The post-merger and post-privatisation leadership crisis and job woes are posing to be even bigger institutional challenges. The government plans to bail out public sector banks through Rs. 800 billion recapitalisation bonds, but this strategy too is being marred by fiscal discipline woes.

The IL&FS loan default episode has shown how volatility in the banking sector can transmit a stock market crisis. The NPA crisis has hurt the investors' confidence, leading to a slowdown in investment flow. If the Price-to-Earnings (P/E) ratio is to be considered, higher losses are to be expected in the future. This, coupled with higher interest rates in the economy, will lower the overall level of investment. Amidst this sea of problems, the advent of artificial intelligence (AI) promises to be a viable hope for the future. AI holds the key to revolutionise the Indian Banking space with cut-end services like Fraud detection, Customer support, Risk Management, Prevention of Security breaches, Automation of Back-office processing and Personalised wealth advisory for the masses. The technical advancement would improve sales and enhance the customer experience with lesser human intervention. Foreign sector banks and private banks have already started integrating technology in their operations in order to remain competitive and to provide better services to their Indian customers. Banks like Axis Bank have leveraged technology to retain women employees upon motherhood through work-from-home facilities. Unfortunately, the public sector banks and nationalised banks have been slow in welcoming this technological change for its core banking solutions. The change has been difficult, but it is surely coming. Realising the potential of blockchain and AI, the State Bank of India organised "Code for Bank" hackathon last year to encourage young developers to build solutions for the banking sector.

However, no advancement ever comes without its own set of challenges, and the introduction of AI too has various hindrances that need to be tackled. Firstly, banks need to invest in R&D to develop methods to collect, verify, standardise, correlate, store and distribute relevant data. Given the capital inadequacy in our banking sector, this would prove to be a big challenge. Secondly, the absence of a defined data protection law could create potential privacy issues which would further complicate the implementation of AI in the banking sector. Lastly, the scarcity of a trained human resource pool with knowledge of latest tools and applications is the biggest problem.
From the perspective of job-seekers in the banking sector, AI would eliminate many middle-skill jobs and make these employees redundant. The demand for data scientists and software engineers would rise. In the private sector and foreign banks, AI would cause mass layoffs, unless employees become proficient with working tools. Hence, the mass adoption of AI may cause a grave unemployment problem in the sector. Although in public sector banks, layoffs would be uncommon given the recruitment terms and conditions, this would make them incapable of utilising the economies of scale achieved through AI.

Cybercrime is yet another challenge related to technology that the banking sector faces. In the age of Digital India, large volumes of digital transactions become vulnerable to banking frauds. These may range from simple crimes such as phishing to highly audacious attacks. The recent data breach of 3.2 million debit and credit cards reported in 2016 provides testimony for the same. Incidents of ATM-related frauds have been on the rise which goes on to add insult to the injury. All this raises serious doubts on the security of the banking cyber-infrastructure.
The Punjab National Bank (PNB's) issuance of Letter of Undertaking (LOU's) in a wilful default case exposed the lack of data sharing between banks. This lack of cooperation where singular motives were weighed over the collective good has set a bad precedent. The absence of responsible and accountable corporate banking leadership too is an impending challenge.

Financial inclusion is always one of the top priorities for every egalitarian society. In this aspect, a lot of work has been done by the government and the RBI for improving the banking system. Government schemes such as Jan Dhan Yojana, Small Savings Schemes, Atal Pension Yojana, PM Suraksha Bima Yojana, PM Jeevan Jyoti Yojana have been started to provide banking and insurance facilities to low-income groups and women at minimal costs. Policy interventions- such as opening bank branches in unbanked villages, the revival of MSMEs and financial literacy initiatives such as the Kiosk project, have also been undertaken in the last decade by the RBI. These initiatives have undoubtedly improved the penetration of financial systems to rural areas.

However, a lot more needs to be done. The All India Rural Financial survey 2016-17 by NABARD offers useful insights into the matter. It was noted that penetration of savings has been low in Madhya Pradesh, Punjab, and Haryana, with only 20% or lesser reporting any institutional savings. About 65% of the surveyed households don't have access to insurance. Additionally, the penetration of pension has been abysmal with only 32 percent of the households benefiting from it. Self-Help Groups too lack institutional support in states like Meghalaya, Rajasthan and Uttar Pradesh. A sizeable 40% of the surveyed population depends on informal sources for borrowing. Their rationale behind the same is based on the ease of availability, no stringent timelines for repayment, no documentation formalities required, lower or no interest expected, and the faith of these surveyed on their families and friends. The data clearly highlights a stark demographic divide with regard to financial inclusion and steps that need to be taken to curb it at the state and micro-regional level.

Financial inclusion is inversely proportional to social vulnerability. Trimming financial services to cater to the socio-economic fabric thus becomes absolutely essential. Currently, tribal communities tend to have the least access to financial systems due to the absence of bank branches in their vicinity, linguistic barriers in financial education programmes and violence owing to left-wing extremism. Since the bank infrastructure is not disabled-friendly, senior citizens and the disabled are devoid of the benefits of financial inclusion. Talking from the aspect of religion, Muslims lag behind other minority communities in terms of access to and use of banking services. Introducing 'interest-free' Islamic Banking for wider inclusion while balancing the intricacies of banking and social equity will be yet another challenge in front of the RBI.

It is said - "What matters most are not the obstacles, but how we see them." The same applies to the banking sector. Given the strong macroeconomic position of the country wherein the GDP is poised to grow at 7.5 percent in FY18-19, the private final consumption will rise. This will lead to an increase in the transactional velocity of money, which will ultimately enhance the role of financial intermediaries. If tamed properly, AI and other technological advances could open new doors for the Indian banking sector. The recently inaugurated Indian Post Payments Bank (IPPB) has invested heavily in technology. It plans to utilise the physical infrastructure and personnel of the Postal department to offer technology-based doorstep banking to rural, urban and remote areas. A mindful implementation would definitely promote financial inclusion of the disabled, the senior citizens and the tribal communities.

The growth of entrepreneurship and MSMEs, as envisioned under Startup India Programme, is set to create great demand for loanable funds in the economy. The banking sector should seize this opportunity and not shy away from lending the same at reasonable rates. Credit demand would also be created following the Pradhan Mantri Awas Yojana (PMAY) for the Economically Weaker Sections.

With the International Solar Alliance, India has proved its commitment towards harnessing renewable energy sector. The growth of this sector lies mainly in the hands of the traditional banking sector, and lesser in that of NBFCs. Tapping the opportunities provided by this would be a win-win situation for both, the banking sector and the renewable energy sector.

In order to combat the problem of NPAs, significant steps need to be taken in a targeted fashion. The 4 Rs - Recognition, Recapitalisation, Resolution, and Reform, given by the Economic Survey, provide a structural approach to address the problem. Passage of the Insolvency and Bankruptcy Code (IBC), 2016 and Banking Regulation Act (Amendment), 2017 have provided the much-needed legal framework. In order to recapitalise public sector banks in accordance with the Basel III norms, Indradhanush 2.0 has been adopted at the executive level. These measures aimed at solving the NPA problem bring about optimism in the banking industry. The concept of Wholesale Banks, as propounded by the Nachiket Mor Committee, could also provide capital to the NPA-laden banking sector and large infrastructure projects. The focus on creating higher monitoring standards and accountability of public wealth should push forward a responsible and competitive governance structure for PSUs. Hence, restoring profitability of the banking operations has become the need of the hour. Tackling cyber crimes imply a need for creating an intelligence grid, powered by Big Data. RBI has been pushing for localisation of data in the payments industry to track online transactions involving wrongdoing of any kind. This creates an opportunity to forge strategic international partnerships in banking security with Japan, USA, and France. Exchange programmes of banking professionals and solutions developers should be undertaken to learn the best practices from IT giants around the world. The Indian banking industry is at an inflection point today. The manner in which it braved the 2008 financial crisis is a reminder of its competence. The need is to keep moving forward with the impressive macroeconomic record, strong regulatory standards, and executive-judiciary coordination.

Gurbachan Singh

Gurbachan Singh is an independent economist, an adjunct faculty member at the Indian Statistical Institute (ISI), Delhi Centre, and also a visiting professor at Ashoka University. His research lies at the juncture of Finance and Macroeconomics. He is a keen teacher and primarily teaches 'Finance and Volatility' at ISI Delhi Centre. Dr. Singh received his Ph.D. from ISI, Delhi Centre and M.A. from Delhi School of Economics (DSE).

INTERVIEWED BY **AANANDI ARJUN, ABHISHEK SANCHETI AND SUSHANT SOHEY**

Q1. What went wrong with the public sector banks of India that they are in such a crisis?

There is an issue of comparative advantage. So, the government has the comparative advantage in security, law and order, legal framework, etc. This is what the government should and must do. Banking is a business which has to be regulated, and the Central Bank and the government need to have a larger role. But that larger role need not extend to ownership of banks. If you own the banks, but you do not manage them well, it leads to dis-functioning of the banks which is seen from 1969 when public sector banks were nationalized.

Q2. Today, three years after the IBC, how serious is the problem in the banking sector?

The problem is severe and significant. In this sense, India is now in a banking crisis; however, the people do not realise it because the perception is that a banking crisis will resemble something like what happened in the US. The adverse implications - like the closing of Lehman Brothers in 2008 - have been avoided here primarily because there is confidence among the depositors. However, it is not enough for a depositor to just get the principal amount from an economist's perspective. The Government cannot be allowed to recapitalise the banks repeatedly since it hinders growth and efficiency.

In terms of reform, I think that our public banks need to privatise. This can happen in two ways. Either the bank is sold for some price and the government earns revenue, which is the standard notion of privatisation. The second way is one where their role and share keeps on decreasing over time, eventually becoming negligible or insignificant. The government here earns no revenue as the share of the business, and thus the profit, gradually shifts from the public to the private sector. We practically give it to the private banks on a platter! This is why companies like Bajaj Finance are able to do so well - the public share is shrinking. Therefore, privatisation is happening anyway, the government can choose to earn from it or not.

An example would be of an Indian public company called HMT watches. It was an important company and owning an HMT watch was a matter of pride. However, the company had to eventually shut down, not sold, because its market share came to a zero. Thus, the government earned nothing and the entire share shifted to private companies. It is happening in small steps like giving increased autonomy to public banks, but I do not think that is effective enough. A managerial and structural change is needed.

Q3. You have stated that the public sector banks should be privatized. On the flip side, public sector banks do provide loans to entrepreneurs and MSMEs. What would happen to them if these banks are privatized?

You are right that public sector banks do meet some social objectives but what we can do is make this social objective a requirement for all the banks. So, we can have these social objectives being imposed on private sector banks as well. There should be regulated privatization of public sector banks in two ways. One is prudential regulation which is more in the context of corporate banking, private finance, etc. The other can be social regulation which can be in the context of private sector lending. To meet social objectives, you need not have public banks.

Q4. Private banks in India are seen as exploiters, while public banks are counted on as safer bets. How will the public sentiment shape in reaction to such privatisation?

In the early 1990s, it was argued that reforms could not be undertaken because the public sentiment favoured otherwise. But when the reforms actually came, hardly any significant protests happened. Sometimes these things are only perceptions and limited to "ifs". Of course, we must always educate people on the need for the move, but it is doable. Another aspect of this is that private sector banks do various notorious things as you mention. This is partly because they can get away with doing it in the absence of competition. The same Indian banks operate in New York, Hong Kong, Paris but they don't do the same there - the competition doesn't allow it. Here, they barely face competition from public banks, and there are hardly any new banks coming up in India. Thus, we need to give more licenses to new banks and increase competition.

Q5. In the 2008 Great Recession, the American government let the banks fail. Do you think that India should also do so, if a public sector bank is doing very poorly?

In the US, this case was in private sector banking whereas, in India, it is in public sector banking. Now, there is a difference between a public sector bank being allowed to fail and a private sector bank being allowed to fail. There is an implicit guarantee in the context of a public sector bank; it would not be right for the public sector bank to fail. In the case of private sector banks, no private sector bank in India is in such a bad situation that the government has to think about allowing or not allowing them to fail.

Q6. You mentioned that the recapitalization of public sector banks through the medium of R-Bonds was not a good idea for the economy. Could you elaborate on that?

The first issue was whether the RBI should give the surplus to the government or not. The second issue was whether the government should spend the money on recapitalization of banks. As I have already said, there is a need to privatize banks; if there is a need to privatize banks, there is no need to recapitalize them. The other part is of the surplus going to the government of India, it is there where I feel that the surplus should be transferred slowly and eventually.

Q7. You have stated that the NPA problem is from the period of boom when the companies took so many loans for growth and development that they could not repay. Hence, a check is needed to ensure that the companies do not cross that line after which the loans they take become NPAs. How will the companies be able to form this line and how will they ensure that they do not overstep the same?

In the boom before 2008, there was a boom in the real estate sector as well as a boom in the financial sector. This meant that the stock prices went up considerably. Now when you have the market value of these corporations so high, lending to these firms goes up considerably. When lending goes up, these investments are not utilized fully well which later leads to NPAs. Much of the NPAs are not cases of frauds. Major NPA cases lie due to inefficient investments made during the period of boom when the market values of these firms go up. Hence, another policy paradigm is needed to keep the amount of investments in check as markets are not in perfect equilibrium due to asymmetric information, irrational expectations and so on. This can also be solved with the help of financial advisory where financial advice can be made compulsory but following them need not be mandatory.

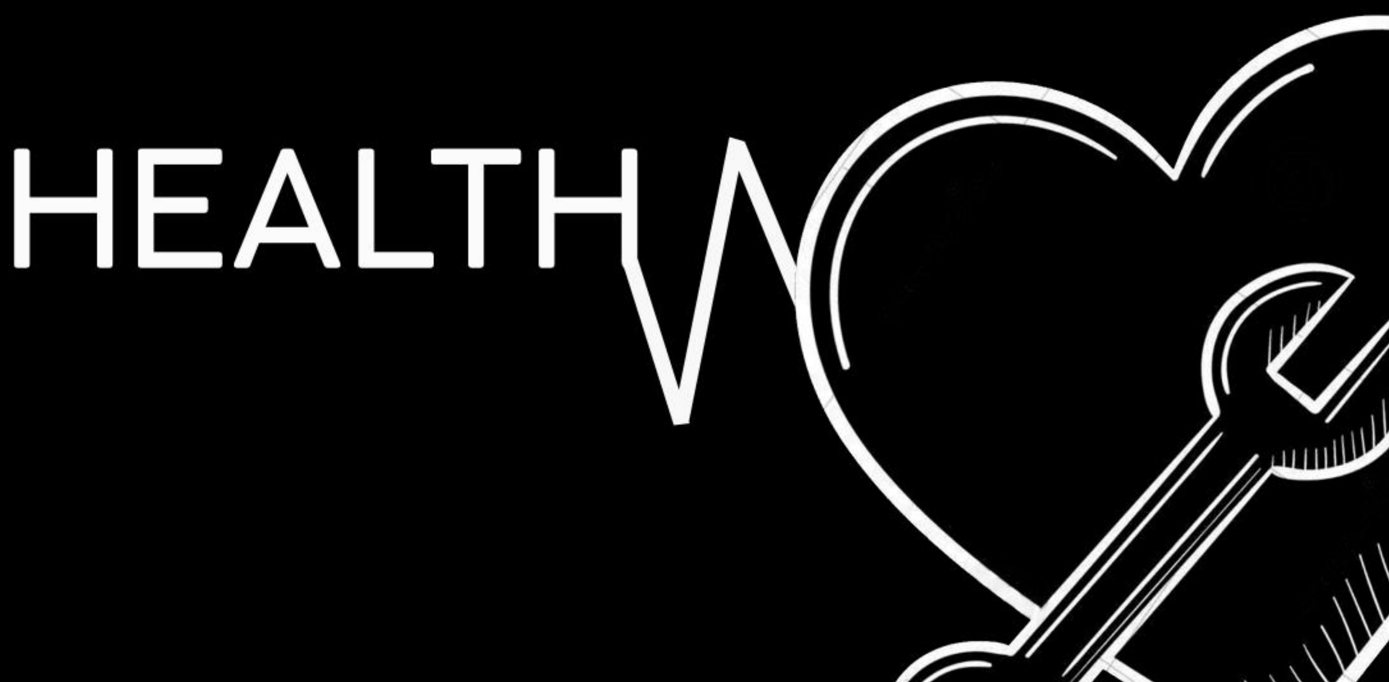
Q8. What about corruption which may take place in such mandatory financial advisory?

Mandatory financial advisory was made in the context of households. As in households need to take advice before investing in mutual funds, stocks, bonds or real estate. It is not meant for the corporates.

Q9. If financial consulting is non-binding, how will we de-stigmatize expert opinion in context of the kind of legitimacy that word-of-mouth advice enjoys in India?

There is a larger issue at hand in India - the reform must be at two levels. Financial advice must be mandated, but a prior requirement to it is that the quality of financial advice must improve. This includes training, education, licensing, certification, examinations - these must change substantially. An analogy would be Chartered Accountancy in India. The Institute and the degree are very respectable, but a counterpart in finance does not exist to give adequate credibility. If there is credibility, there will be much less reluctance to take advice. Right now, the household may not pay attention - possibly rightly so. But if training is given, then it'll be better.

SPECIAL TAKE



Technology Fuelled Healthcare Reforms

*Are we at the cusp of improved lifespan and productivity? **Kalilur Rahman** believes the great leap forward in Indian health sector has to be through innovation.*

As per popular quotes, "AI is the new electricity" and "Data is the new Oil." How can technology change the sphere of healthcare across the world – especially in a population dense country like India, where access to excellent healthcare and professionals is a challenge, even more so for people either from economically backward backgrounds or residing in rural areas with limited access?

Advances in technology such as wearables, virtual reality, messaging, mobile apps, computer vision, artificial intelligence, machine learning, robot-assisted surgery, augmented intelligence, nano-medicines and nano-devices help us venture into a world which reimagines medicine for a longer life span. As per a forecast, in the next 10-20 years, the population will reach 8-9 billion; and the ageing population will increase across the board. It is likely to be more challenging in places like Japan, where the average lifespan is higher than the rest of the world. How can healthcare be accessible, senior citizen friendly and affordable across the globe? Will technology enable a level playing field or would it increase the digital divide further?

Take the case of telemedicine and virtual consulting. India has a big challenge when it comes to access to primary and secondary healthcare in rural areas. How can technology with low-bandwidth apps use simple devices for performing scanning, video/voice-based interactions, pass key vitals using wearables or use simple saliva or blood-drop based rapid scans in turn based on DNA/Genetic tests? Take, for example, an AI start-up called NIRAMAI (widely acclaimed for its success and multiple rounds of investments) which has come up with a very simple mechanism – purely using thermal imaging and use of machine learning and AI to detect breast cancer.

With the use of available technology, telemedicine and access can be a huge success. Corporate hospitals such as Apollo and Max have started telemedicine initiatives and have sizeable data available that can be leveraged for improvising on services. Start-ups such as Practo have started providing virtual consultation for simple diagnostics, avoiding a visit to the doctor. With increasing data and knowledge, we could have a condition-predicting bot that can be far better than an average doctor. The job of healthcare professionals may become super specialization that can be augmented with the help of tools.

It is said that a specialist looks at normal X-rays for close to 90% of the time. How about using prediction models aided by machine learning and AI to free-up specialist time and leverage their expertise for super niche needs? If the time use of super specialists can be reduced by taking out the non-value adding tasks with the help of technology, specialists can focus more on needy patients and potentially for a longer time. It is said that the typical time spent per encounter is 5 minutes per patient. If these 5 minutes can be made as efficient as possible with all the relevant data in an analyzed manner, patients can get better treatment.

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In India, having a comprehensive health record is a challenge and healthcare professionals typically ask for records or reports from sources they trust or can earn from. How can technology help create a system of records that is secure and personalized, while having limited access? Can the India Stack extend to a healthcare-centric Aadhar? Is there a way to manage health records in a centralized manner with necessary regulations such as HIPAA and GDPR?

Take 3D printing. Can this be of use for India, where generics and combination drug therapy is a common phenomenon? Can it be used to print a poly-pill that can be personalized, based on the patient's condition? 3D printing is used currently to print artificial bones, personalized prosthetics, braces, tissues and tiny organs. While in nascent stages, all these technologies will be very useful for countries such as India where the demand for a large mass-market volume is feasible. The lightweight artificial prosthetic limbs became a reality, thanks to the guidance from Late Dr APJ Abdul Kalam. Currently, low-cost stents is a reality as well. With proper technology and concept development, the use of 3D printing in healthcare can be beneficial for India.

Take Robot-Assisted Surgery. One instance of this is the use of robotic surgery as the rapid cataract surgery model, pioneered by Aravind Eye hospital for critical surgery needs in areas lacking infrastructure like a metro city. These surgeries can be very useful with a specialist located remotely and the surgeries carried out by healthcare professionals situated locally, with the help of robots. The adoption of robot-assisted surgery is evolving as it gives minimal invasion, lesser scars, less pain and infection, and avoids human errors.

Another area where technology can play a key role is in the area of Virtual Reality. VR can help in training health care professionals with highly accurate 3D models and give high-quality training for diagnosis, prediction and identification of symptoms. VR is also used for the psychological benefit of patients by helping them to relax in times of pain and for motivating them.

Nanomedicine is another area of technological development that can help India in a big way. Given that South Asia is the prime zone for cardiovascular diseases, mainly due to lifestyle and genetic reasons, nanomedicine and nanomedical devices can be of huge help in treating cardiovascular diseases. What remains to be seen is the reduction in the cost of treatment for such niche and advanced technologies. A lot of research is happening in personalized medicine, targeted therapy and sustained releases like a surgical strike of bad cells and bad tissues while leaving good ones intact.

We have a successful case of HIV cure for at least two cases now. In China, a scientist/physician He Jiankui has carried out a controversial gene editing experiment using CRISPR technique that was applied to humans. The birth of a genetically edited twin baby and a woman carrying a gene-edited baby is what followed. While ethics and morality aspects will be a big debate in the global society, gene editing is likely to become a reality in some parts of the world, if not all. The same is applicable to animal-less meat technique being built to give a healthy option to get rid of non-vegetarianism and the ethical discussions surrounding the same.

While science, medicine and research are leaping in multi-fold, the challenges in India are unique. First is the economic divide. On one hand, we have heavily commercialised healthcare systems minting money from those who can afford it, by giving them instant access to care, treatment and medicines. On the other hand, we have another group that does not have access to key medical care or have limited primary and secondary health care, as they cannot afford treatment from commercial healthcare or live in remote locales where access to commercial or government resources is unavailable.

There has been a significant improvement in terms of healthcare options available in both government and commercial healthcare services. Central and State governments have been doing a decent job within constraints resulting in the average lifespan improving dramatically for Indians. However, this does not take away from the fact that there is a lot of scope for improvement. If you take the number of accident-related deaths that could've been avoided if they got treated in the "Golden Hour", the lack of civic sense to permit ambulances to move faster, lackadaisical response by private and government hospitals citing police and legal compliance aspects and lack of services, we will feel a bit annoyed as good samaritans.

Having a healthcare scheme and access to healthcare professionals and systems is key. I had a good experience in Canada and the UK with respect to primary and secondary care and access. It is very well organized and well run, albeit with some challenges and mistakes happening now and then. The wait time for tertiary care or immediate access to surgery is a challenge. In India, a lot more can be done to have a combined public and private partnership with tiered access to healthcare. Many system processes and mechanisms need to be put in place for the huge populace we have as they can be abused otherwise.

Given the growth in population and GDP, the government can establish a futuristic healthcare system that could be world-leading by implementing world-class medical institutions, healthcare services and partnering with commercial healthcare providers, pharmaceutical giants, research institutes, diagnostic services in providing better healthcare options to the majority of the people. Use of technology for virtual consulting, automated diagnosis, centralized health record, effective use of resources and professionals can go a long way. It will be the right thing to do as the productivity factor will play an important role in the improvement of the national economy. A healthy mind and a healthy body will help us create a healthy society and a healthy nation.

K Srinath Reddy

Padma Bhushan Srinath Reddy is the president of the Public Health Foundation of India and the World Heart Federation. He chaired the High-Level Expert Group on Universal Health Coverage. He also served as the President of the National Board of Examinations which deals with post-graduate medical education in India. Dr. Reddy is the first Bernard Lown Visiting Professor of Cardiovascular Health at the Harvard School of Public Health.

INTERVIEWED BY **NITISH VIRMANI, MANIT SAHU AND ARYAMAN ROONGTA**

Q1. Is there a need for universal public health in India as medical costs are already amongst the lowest in the world? Taking into consideration the financial constraints and the vast population of India, what are the challenges and opportunities faced in implementing Universal Health Coverage?

Even in 2014, healthcare expenditure pushed 7% of the population into poverty. Many others did not even attempt to access needed healthcare because of financial barriers. A major cause of farmers' suicides and rural indebtedness is health care expenditure. Healthcare costs in India are lower than in high-income countries, but they still impose a high burden on large segments of the population in a setting of wide income inequalities, large regional gaps in the availability and quality of health services and unchecked decay of public services. An unhealthy population, ranked 120th in health status league table of all countries, will also become the Achilles heel of India's development. Productivity losses and rising healthcare costs of neglected health conditions will act as a drag on economic growth. Universal Health Coverage, therefore, is a developmental imperative apart from upholding the right to health. It also symbolises social solidarity which is the hallmark of a civilised society and a caring community.

Q2. With programmes such as Ayushman Bharat, the present government has been trying to bring India to the global health forefront. However, there has been a lot of scepticism revolving around this programme, including criticism that the actual beneficiaries will be the insurance companies, etc. In one of your articles in The Indian Express, you even elucidated how Assurance is better than Insurance. What do you think of this grand National health mission?

In 2015, India committed to the Sustainable Development Goals target of achieving Universal Health Coverage by 2030. In 2017, India's National Health Policy reaffirmed that commitment. Ayushman Bharat is a move in that direction. It has two components: Health and Wellness Centres (HWCs) to provide a frontline thrust to primary healthcare and Pradhan Mantri Jan Arogya Yojana (PMJAY) which intends to provide financial coverage for hospitalised care to 40% of the population. The fact that the hospital cost coverage component is overshadowing the primary care component, in both media coverage and budgetary allocation, is worrisome. Unless primary health services are vastly improved, many health problems that can and should be handled at that level will spill into hospital care, escalating healthcare costs without improved population health outcomes. Also, there are serious challenges on the supply side of promised services. The number and needed skills of mid-level healthcare providers at HWCs have serious gaps that need urgent attention and more resources. The number of hospitals that can provide quality services under PMJAY is low in several parts of the country. Over-dependence on the private sector hospitals to deliver the entitlements under PMJAY, and the reliance on private insurance companies to manage it, may yield some short term results but is likely to make the programme unaffordable and inequitable as it expands coverage. The marginalisation of public hospitals in this rush, especially the neglect of district hospitals, will create a situation where the government will lose much of its negotiating power with the private sector over time. The administrative disconnect between the National Health Mission which manages primary care and the National Health Authority which manages PMJAY defeats the objective of seamlessly integrating the different levels of care with primary care as an efficient gatekeeper. These design flaws need to be corrected if Ayushman Bharat has to move smoothly ahead on the flight path of Universal Health Coverage.

Q3. There has been a lot of debate regarding the legality and feasibility of online pharmacies. Don't you think it is a step in the right direction as most of the other goods and services have become available online?

There is a great risk of misuse, unless strong regulatory and tracking systems are established. Even now, there is a great laxity in the direct sale of medicines in pharmacies. Verification of prescriptions is the major challenge for online sales. I am not ruling out online sales, once fool-proof systems are established to ensure that only genuine prescriptions by qualified doctors are honoured. We are not ready right now.

Q4. India faces a disaster when it comes to the nutritional health of a vast majority of young children. Should we not be handling the crisis on an emergency basis?

Yes, indeed! We need to exhibit far greater urgency and efficiency in our response to this shameful crisis. We need to ensure appropriate nutrition at affordable prices to all families. Women's health is especially important, from adolescence and preconception period to pregnancy and post-delivery lactation phase. For this, dietary diversity is needed, beginning with crop diversity and a public distribution system that delivers nutrition security rather than just calories. Exclusive breastfeeding up to six months, nutritious complementary feeding initiated then, and age-appropriate nutrient diets and enthusiastically encouraged physical activity during early childhood years are essential to avert the tragic consequences of childhood stunting. The health system, too, should be geared up to care for acute and sub-acute malnutrition. This calls for an all of society effort.

Q5. In one of your speaker sessions, you said that "The government has to play the role of both the carrot and a stick when it comes to incentivising and de-incentivising people in a health care system." Could you please elaborate on the same?

Let me give two examples - food and hospitals. The government can use fiscal instruments like differential taxation and subsidies to make unhealthy foods more expensive and healthy foods more affordable. A regulatory measure in food labelling can colour code foods differently based on their nutrient composition ('traffic lights'). Hospitals located in difficult-to-reach areas, to serve poor or tribal populations, can be provided tax concessions while those which have benefited from tax concessions in metros, but have not lived up to their commitments to provide promised free care to a mandated number of poor patients can have tax concessions withdrawn and penalties levied. In both cases, the policymaker can use a fiscal or regulatory measure as a carrot or a stick to nudge or push industries and healthcare providers to adopt health-friendly practices.

Q6. In one of your recent TEDx talks, you have mentioned that increasing taxes on tobacco products can reduce the consumption of tobacco amongst the youth and for people with low disposable incomes, leading to reduced health problems. However, since tobacco products like beedis are addictive, will this add to the problem of the increasing crime rate India is facing at the moment? Also, India's response to controlling tobacco has largely been based on advertisements. Is that enough?

Taxation is the most effective instrument to reduce tobacco consumption, as per evidence from many countries. Both the World Health Organisation and the World Bank strongly advocate this measure. There is no evidence that crime rates go up because of tobacco taxation. The response to poverty should lie in redistributive economic policies and equity promoting social policies, not in passive permissive acceptance of tobacco addiction which ravages the health of the poor and wrecks their homes through diversion of income from nutrition and children's education. Let us eliminate poverty, rather than letting tobacco steal health and money from the poor. Prohibition of advertising, promotion and sponsorship of tobacco products is needed because tobacco is an advertised addiction and a marketed malady. Ban on advertising, strong pictorial health warnings on tobacco product packs, ban on smoking in public and workplaces and support for tobacco cessation are important and effective measures for tobacco control, but taxation still remains the most powerful weapon against tobacco. We need to implement all of these measures in earnestness.

Q7. The government has provided wide-ranging subsidies on medicines but has also capped the prices of several types of equipment like heart stents to make them widely available. What do you think of the move? Should the government also take up manufacturing of such essential equipment?

It is necessary to cap the prices to make them affordable. If the stents are purchased through pooled public procurement by an authorised autonomous body, the mark-ups in the middle of the supply chain can be eliminated, and the manufacturer can profit from the volume of sale. The private hospitals, too, can obtain their supplies from the same agency. This system will also help track the indications for the use of stents and reduce inappropriate use. Presently, doctors and hospitals can do sweetheart deals with suppliers and over-use high priced stents. Indian manufactured stents are available and have been shown to be safe and effective. It is not necessary that the government should produce all medical equipment, but it must play its regulatory role with diligence. Domestic manufacture of frequently used medical devices must be encouraged.

Q8. The NITI Aayog has been pushing for a public-private partnership in healthcare, especially to diagnose and treat non-communicable diseases in district hospitals, and in some cases, handing over management of hospitals to private providers. What are your thoughts on this? And what are the checks and balances needed to ensure access to the most vulnerable?

District hospitals should be strengthened through public financing and should become a dependable source of healthcare services, even for NCDs. Inviting private sector to co-locate in these public assets, through long term contracts, is fraught with potential problems. What happens if the private partner has invested in building and equipment in the district hospital complex but fails to perform in public interest? Throwing that partner out will involve troublesome litigation. Even if the private partner is delivering services, how carefully will the government ensure that poor patients are well cared for and that paying private patients are not draining most of the shared resources like the blood bank? Over time, dependence on the private partner will progressively dilute the government's negotiating power. Even if the services of private partners are considered essential for gap filling, it is better that the private partner is an empanelled hospital which has been established independently. In such a case, a public asset is not encroached upon and termination of a contract, in case of poor delivery of contracted services, will be far easier.

Q9. On a lighter note, we realise that you have a political background. Your father was a Member of Parliament, and you are also a prominent figure in the field of public health. Any plans of joining politics soon?

My father was 37 years old when he was first elected to the Rajya Sabha (House of Elders!). I am now 67 years old, having spent long years in medicine and public health. I have tried to influence public policy in health but haven't strayed into the arena of political contest because I have enjoyed what I have been doing. The great 19th German century German pathologist and statesman Rudolf Virchow said, "Politics is Medicine on a grand scale", indicating that good political decisions can profoundly influence many determinants of health. For that to happen consistently, we need politics of commitment, not just commitment to politics. My ambitions are for the country, not personal. Perhaps young persons like you can move politics in the right direction as future parliamentarians, and I can support you from the sidelines. On a lighter note, have you started a political party and are you offering me a ticket?

Dr. C. Lahariya

Chandrakant Lahariya is an Indian medical doctor, writer and social innovator. He was trained as a physician at University of Delhi, followed by advanced trainings in Public Health and Policy. He has provided consultation to a number of national and international agencies including the Government of India, United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF) and the World Health Organization (WHO).

INTERVIEWED BY **SAILESH BUCHASIA, SNEHIL RELAN AND PADMINI PRASAD**

Q1. Mohalla clinics of Delhi are reportedly very popular and successful in the delivery of healthcare services in the urban area. If that is the case, why is this model yet to be replicated elsewhere in the country?

To say that the Mohalla Clinic (of Delhi) model has not been replicated would be a bit unkind and incorrect. Many Indian states have considered this initiative; though it is also true that they have not sufficiently followed through with the implementation stage. That is definitely a little disappointing. Yet, there are signs of hope and optimism. The Greater Hyderabad Municipal Corporation (GHMC) and the Government of Telangana state have implemented 'Basthi Dawakhana' since April 2018 and now, there are currently over a 100 such Dawakhanas in Telangana. Officials in Telangana and GHMC have openly acknowledged that those facilities are inspired by Delhi's clinics. The Pune Municipal Corporation had started similar clinics in August 2016. In the last week of February 2019, the Maharashtra Government announced the opening of nearly 60 'Apla Dawakhanas' for urban settings. A number of state governments have dispatched their senior officials and program managers to see and understand the design and role of Mohalla Clinics (so, the political leadership of states can take informed decision to replicate such facilities in their settings).

The idea of community clinics for urban settings is catching up. The health needs of the urban population are increasingly being recognized. I see this only as the beginning of something big, and replication is only a part of the success. States are interested in doing something for their urban population. Clearly, Mohalla Clinics are arguably one of the better initiatives taken by Indian states to strengthen urban primary healthcare (UPHC). I can tell you that these are innovative as well. A decade ago, urban primary health services were largely ignored and forgotten, though a few things started to change with the launch of the National Urban Health Mission in May 2013. These clinics in Delhi have placed urban health services at the centre of the health policy discourse, once and for all. However, we also need to be mindful of the fact that health is a state subject as per the Constitution of India, and is amongst the responsibilities of urban local bodies (ULBs) in urban settings. Now, both urban local bodies and state governments are giving some thought to strengthening urban primary healthcare - that is a good start. I am positive that it will improve further.

Q2. Considering the success of Mohalla Clinics in Delhi, and now Basti Dawakhana in Hyderabad, do you think that every state should start opening such clinics?

I have partly addressed this in my earlier response. States such as Telangana, Maharashtra, Punjab, Chhattisgarh and Rajasthan have shown explicit interest in setting up such facilities. For various reasons including political and contextual ones, the design and names are going to be slightly different. I had prepared a list just to realize that around 15 Indian states & ULBs want to start similar facilities in their settings. The Basti Dawakhana of

Telangana is an example of the advanced stage of successful replication and they are going to become another type of first: the first ULB led community clinics in India. The other states and ULBs are at different stages of preparation. However, the adoption of the concept has not been at the pace that all of us would like it to be.

On a broader note, what I envision is that in the years ahead, every Indian state would actually have to start such facilities. The need for primary healthcare in urban areas cannot be ignored for long. It is being felt and people are demanding it. The political leadership is recognizing this and that's why officials are studying the concept. There are many reasons to set up such clinics. A very elementary one is that one government medical doctor and facility for every 50,000 people is not enough. However, this is the current norm. Community clinics are proposed to serve a population of 5,000 - 10,000 people. Therefore, in the single step of setting up these clinics, the availability of doctors and health services will increase five to ten-fold, depending upon what norm one adopts. It is a no-brainer that this increases access to health services. Who benefits from this? There is ample evidence that the maximum benefit goes to the poor, vulnerable, children, women and migrants. That is what the health system should intend to achieve, addressing inequities and improving health outcomes.

Q3. Why have most central governments, historically speaking, failed to allocate enough funds for both education and healthcare? Is this a democracy tax which we have to live with, or do you foresee any change?

I would never say that it is a 'democracy tax' as the best healthcare systems are in democracies. Most countries which have good health outcomes, like Canada, the United Kingdom or Germany to list a few, are democracies. In fact, I can argue this with confidence since a new observational analysis conducted by Thomas J Bollyky & colleagues, published in the reputed journal The Lancet, has concluded that free and fair elections and democracies are good for public health. This analysis is from 170 countries and covers the period from 1980-2016. Probably as robust as it gets. However, more specifically for India, a democracy, the investment in health and education has been traditionally low, by both central and state government. The government spending on health in India is 1.18% of GDP. The rest comes from people's pockets at the time of delivery of services. Government spending on health as a proportion of the budget is around 4%, as against the global average of 10%. State governments in India spend around 4-5% of the state budget on health, which is far lower than the 8% of the state budget as proposed in the National Health Policy of 2017. Education is not any better. Nearly 50 years ago, in 1966, the Kothari Commission recommended allocating 6% of GDP by 1985-86. The government in India still spends only around 3%.

The way I understand it, a key issue is that health (and education) are continued to be seen as an expenditure by many policymakers, and not an investment with high return. What is not fully recognized is that a healthy population allows for a productive workforce and less absenteeism, which contribute to economic growth. Nobel Laureate Professor Amartya Sen and many development economists have long been saying that health and education are investments in human capital formation, which in turn contributes to the overall development of a nation. There is piling evidence to support this argument. Let's focus on health only. Every dollar or rupee invested in health gives a ten-fold return, and every one-year increase in life expectancy results in a 4% rise in gross domestic product. An estimated 10% of jobs and GDP of OECD countries come from the health sector. Health and education are two sectors where the proportionate engagement of women is higher than any other sector. The Ebola crisis in Africa resulted in a loss of nearly 12% of the GDP of three affected countries, which highlights the risks associated with low investment in health. A nation aspiring to accelerate and sustain economic growth needs to invest in making health systems stronger.

Thirty years ago, the Indian economy was at a different level. At that time, low government investment in health and education was partly understandable, but not justifiable. However, when India is proud to be amongst the fastest growing large economies, there is no justification for not investing enough in both of these sectors. One of the starting points could be sustained dialogue and engagement of ministers of health and education and finance ministers about the linkage between health and education in human capital formation and development. This area needs more advocacy and evidence from researchers and the academic community.

Q4. In India, what according to you has been the most important achievement in public healthcare in the past few decades?

I am an optimist. I think that despite challenges, India has achieved a lot in the health sector. In my list, the top achievement of India has been the polio elimination from the country. It is close to my heart as I was involved in these efforts. Moreover, for long, the global community believed that India might be the country from where the last case polio (of the world) would be reported, but India became polio-free in 2011, well before a few other countries in the world. In recent years, the maternal mortality ratio and the infant mortality rate have witnessed a rapid decline; Yaws disease has been eradicated and maternal and neonatal tetanus has been eliminated. There have been successes in areas of HIV/AIDS. Routine immunization programs are getting stronger and coverage with vaccines is increasing at an unprecedented rate. In short, India is doing well on many fronts.

However, in 2019, we shouldn't be complacent with what we have achieved and should be aware of the challenges ahead. There is a need for a broader strengthening of the health system in India now. The global community is talking about Universal Health Coverage and India has committed to it through the National Health Policy. There is a need for a rapid increase in government funding of health to 2.5% or 3.0% of GDP. A mechanism needs to be devised to reduce out-of-pocket expenditure (OOPE) from the existing 60%. There is a need for making a strong, public sector based primary healthcare system. This is very much possible. It is possible by building upon existing initiatives such as the National Health Mission (NHM) and Ayushman Bharat Program (ABP), and with state-specific leadership. All that is needed is developing an operational roadmap and giving it sustained attention. And finally, it needs Indian states to accept bigger roles and responsibilities for themselves, as health is a state subject.

Q5. Is reservation in medical education a good idea and does it affect the quality of doctors we have?

Reservation in India, at least in its current form, is largely caste-based with some economic dimensions to it. In my personal opinion, the caste-based reservation has largely served its purpose in India. However, India still needs continuing affirmative actions for the people and society. Having said that, it is important that the approach to delivering affirmative action should not be based upon the caste system only. There is an urgent need for devising a system which is deprivation based, more pliable and dynamic to changes and sensitive enough to benefit the most needy. This is real and possible.

On the second part, I don't have any reason to believe that the existing reservation system affects the quality of doctors and medical professionals, which require skill-based training. Rather, if healthcare professionals do not meet quality standards, then it is more of a failure of the institutes/medical colleges. Part of the fault is also with students as well, who are pressured by peers to become specialists and end up spending much of the ir graduate years in preparing for postgraduate entrance courses rather than learning skills. Clearly, to improve the quality of doctors, interventions need to be done at both ends. Let's keep this short, you probably need to interview me once again to discuss this in detail.

Q6. How entrenched is corruption in medical education and services? Why isn't there enough public discourse on it? And lastly, what's the way out?

The issue of corruption in medical education and healthcare cannot be fully detached from how prevalent and acceptable corruption is in society. The other approach is to look at whether corruption in medical education and health is more prevalent than in other sectors. The honest answer would be that we don't really know. An important aspect is that in the last decade or so, the issue of corruption in medical education has received a lot of public and policy attention. The Medical Council of India has been dissolved and replaced by the Board of Governors. The National Medical Commission Bill was drafted, with many proposed reforms. A recently published book "Healers or Predators: Healthcare corruption in India" can be considered the most comprehensive documentation of various forms of corruption in India. Training on ethics has been proposed to be included in the curriculum for doctors from the academic session 2019-20. As they say, the first step to solve a problem is to recognize it. It seems that the problem is being recognized and hopefully, it will lead to a solution.

Book Review

Author: Robyn Eversole
Book: Anthropology for Development: From Theory to Practice
Publisher: Routledge, London and New York. Pp.191 (INR 2353, Amazon India). Paperback. 2018.
By AJC Bose

William Davis, Reader in Political Economy at Goldsmiths had remarked thus: "… our economy has long tolerated empty sloganeering and meaningless jargon, making a small minority of gurus and consultants very rich, but leaving the vast majority of us with a sense of deep pointlessness." This is very true and holds good particularly well for mainstream economists who think very high of themselves, even as they bullshit. Economists are also dangerous as Lawrence Hoddad and colleagues from the Institute of Development Studies, Sussex, have observed that, "In the past six to eight years or so key assumptions of economics have been found to do violence to reality and hence, via poor policy choices, violence to human wellbeing!" The author of this book, an anthropologist, echoes this concern thus: "Economic models are simplified views of reality; they embed assumptions which may not hold true in practice. Further, economic analyses tend to look at economic variables apart from their social and environmental contexts. When policy follows economics, and economic models get reality wrong, there are real consequences for people's lives and livelihoods."

By contrast, anthropologists are the perfect antidote to the economists and their "hubris". They have revealed the gaps between economic analysis and on-the-ground socio-economic realities. Economic anthropology, in particular, has demonstrated the need to understand economic relationships within their social contexts. Anthropologists emphasize that all economic action takes place in social contexts. Therefore, it makes no sense to treat 'social development' and 'economic development' as separate domains or to deal with them in policy silos. Without looking at the social context of economic activity, we can never identify the roots of social as also economic disadvantage. This indeed is the first fundamental takeaway from this book. As the author repeats, attacking problems without paying attention to context amounts to attacking an abstraction, a conceptual mirage. One-size-fits-all solutions fail to fit many. Ivory tower or far-away decision makers often fail to understand the practicalities of local contexts, from physical terrain to social roles of actors and institutions. For anthropologists, development work is meaningless without grasping the local— local contexts, local knowledge, local institutions and local relationships. Anthropologists are great in seeing the contexts which are not easy to see. They do this up-close and from within, meticulously, by merging with people through ethnographic methodologies.

The second fundamental takeaway from the book is that people create change. Development is not a technical endeavor of defining problems and target groups, designing and implementing solutions. Instead, development is always about people, as a social and cultural process. The author's viewpoint is vivid thus: "Mainstream development practice still resolves around the roles of developers and their beneficiaries or target groups. This assumption of a developer-developee relationship, with the power relations it entails, is deeply embedded in the institutional apparatus of development work. Despite various efforts to implement more participatory approaches, this essential hierarchy of roles has remained intact. Developers tend to see themselves as the ones who are ultimately in charge of change. An anthropological approach questions this developer-centric view, by reminding us that change can come from anywhere. Formal development initiatives are never simply implemented; they are negotiated among people— who may resist, reinterpret, sidetrack or reinvent them. All development initiatives affect and are affected by people, who are diverse, savvy and situated in social contexts. Further, formal development initiatives are only one small part of the story. Social and economic change processes can be unplanned as well as planned. They can be intentional or unintentional. All development is instigated by people, championed by people, sidetracked or resisted by people. No one group of actors holds the riens of change alone…Wealthy and poor, developers and developees, …people in a range of roles instigate and navigate change. These people have differing amounts of resources and influence, different knowledges and logics about change, and they generally see things differently. Efforts to create positive change often reproduce the privileged ways of seeing and ways of working of more powerful actors. Yet the secrets to positive change are generally to be found elsewhere: in the invisible knowledges and experiences of less powerful actors. Because development is about people, it is ultimately about relationships. In relationships among development actors, who is heard and who is silenced? What poverty-producing or prosperity-producing actions happen? Whose ways of working are respected or ignored? And how might different relationships create different results? These are the questions at the heart of development practice."

The third fundamental takeaway from the book is that different ways of seeing create different solutions: "…reflexivity and reframing are processes that development professionals can use to do development differently. Reflexivity is the process of becoming consciously aware of our own and others' ways of seeing the world. It involves naming our own frameworks and assumptions, and being open to other people's logics and views. Reframing mobilises this awareness to move outside our habitual ways of seeing the world to take on board others' perspectives. Reframing development situations with attention to the knowledges, logics and ways of working of other development actors can open up unexpected ideas and solutions."

Thus, the author makes herself clear that anthropology's insights about development as a social and cultural process provide a unique set of insights to facilitate and inform more effective and innovative development practice in the twenty-first century. If we do not factor in anthropological insights, we will not grasp why efforts designed to create positive change ultimately do the opposite or ideas that look good on paper do not necessarily work well on ground. We will also not grasp why new development initiatives in the name of 'participatory development' or 'sustainable development' or 'rights-based development' have in reality not made any difference.

I have thoroughly enjoyed reading this book. The author deserves accolades beyond words for her lucidity in conveying anthropological theory and praxis and for demystifying why development, often talked about, does not concretely take off.

No doubt, anthropology offers a unique perspective that is currently missing as development professionals grapple with the challenges of poverty and disadvantage in a diverse and rapidly changing world. This is a must read for econ undergrads who have done an introductory course in mainstream development economics.

Saffron Saviour

*Read on as **Aanandi Arjun** and **Nakul Gupta** recite the tale of a saffron-clad who marched into limelight with the claim to solve the miseries of his kingdom's people. Did he, or did he not?*

Legends have passed
Since the mighty river criss-crossed
Civilisation took root
The land bore fruit
Back in the day,
When there was nothing to dismay
A culture thrived
People strived
For greatness -
The symphonies that still stay
The grandeur to which spirits pray
The texts that anchor us aweigh
-For peace that seeks stillness

The land was captured once
Independence, a cost paid for months
With valour, sacrifice won
The darkness finally shunned
Industry became the focus
Five years became its locus
But bliss did not last long
As time stood still, it couldn't be strong
At last the gates were opened
The bars earlier set, broken

As opportunities went by
Growth grinned so sly
To oil the rungs, needed to invest
That crooks did digest
When economy was to boom
Suitcases tumbled it to doom
World frowned upon CWG
Industry anguished over 2G - now?
Martyrs found an 'Adarsh' mole
Allocation became marauder's coal
The space grew for uprisings
Widespread were these musings
The Fast starved the Grand Ol'
State bailed first, opinion went cold
Optics won, people were ditched
The teapot boiled, the anger undithered
Clouds bellowed
The winds groaned
With the sight of day
The silhouette made its way
So massive, with his fervour
Entered the 56-inch Savior

Standing up to the dark
He quickly made a mark
A persona quite genteel
Won hearts as 'The Shield'
The Saviour promised
Money for everyone listed
Crackdown on whoever stole
"Black" - a thing of the old
Once on the coveted throne
He'd silence the farmer's moan
Trading made better
Venturing given shelter
With strength encore
Laws would be enforced
He promised in city after city
Sang tunes with such velocity
That all those behind him
Hoped,
Prayed,
Awaited,
Mercy from the grim

With the verdict not afar
Passions, all under radar
With dawn, came light
The tea-stall was a sight
Staring up the hill
Was a beginning so still
The storm couldn't last
As the might made it fast
Enter the scene,
Making the mood go green
The pallbearers afoot
And many to hoot
All clamoured
'All Hail, the Saffron Saviour!'

Firmly seated
Power no more awaited
He soldiered ahead
To meet challenge unsaid
The need to meet
Was millions of mouths to feed
The Saviour brought in wealth
Increased the nation's stealth
The world now saw one bright star
Slowly removing the old char
The Golden Age now comes to stage
He walked with a fashion
That proclaimed his passion
Accounts need be clear
For cheats must fear
A new day on the horizon
The aim? Verizon

Ideas were always grand
The Savior emerged as a brand
Suffix 'India' to his schemes
Problem now in his reins
Bank Account to your name
Hygiene not a strain
Solution to youth-
Skill
Digital
Start-Up
All covered unto south
Cylinder to all
Smoke no longer, a fall
Loans to enterprise
MSME- economy's biggest prize
For the river that stood might
Blessed with a cleaner sight
Investments were to multiply
'Namami Ganga' was to comply
Pushed till the end

But were there dividends?

The Saviour proclaimed
The people saved
From treachery of the past
Came relief, at last
Money came in hands
Building shelters on lands
Happiness and confidence
Growth through every lens
As time spun its tale
Not all was to hail
The picture so glorious
Had spots notorious
The closer we saw
It showed a whipsaw

Drought took a toll
Crept in holes
Tillers were in distress
Policy had its mistress
Cracks stared wide open
Nothing to creep in wide
Capital flowed to some
Others were up for ransom
Structures did line up
But did hearts catch up?
Intentions good, unconveyed
Schemes undone, dismayed
Left apart, the bread cease
No butter to grease
Hutments everywhere, loops
strucked
All give in, boots hanged
Big-Bang was the word
Reforms skewed, to the herd
Skeletons bundled up
Loans piled up
The jibe made a scar
Here to stay, 'Suit-Boot' Sarkar

An idea, novel, brewed
Its roots clued
The corrupt must repent
The Saviour was thus sent
On a November evening
Came a move so crippling
Weddings stopped
Vendors robbed
The ailing wept
In lines they kept
From dawn to dusk
Dreams turned to husk
New business faltered
Oh! Life forever altered
The garb used
Was thus abused
No result came out
Except destruction of the stout

A slim beacon shone
A law in talks worn
"It happens today
Now, no more play!"
Uniform tax was needed
Need of the economy heeded
The people still trembled
The Saviour reassembled
One tax for the country came
The idea appealed to the sane
But implementation - a shame
New rules every day
The layman astray
The future a bliss
The present a miss!

No one to spare
Up, all bare
No one to brave
Wounds turned grave
Autonomy is a game,
Get me all the fame
Data was a hoax
Was it to make you coax?
Legacy was an asset
Traditions were to bet
Tumbled down the stature
Of institutions that mature
Toe my line
Or be fined-
Follow this dictum
Don't act the victim
All heads are my man
There's no need to scan
Fulfill the deed
That's the only need

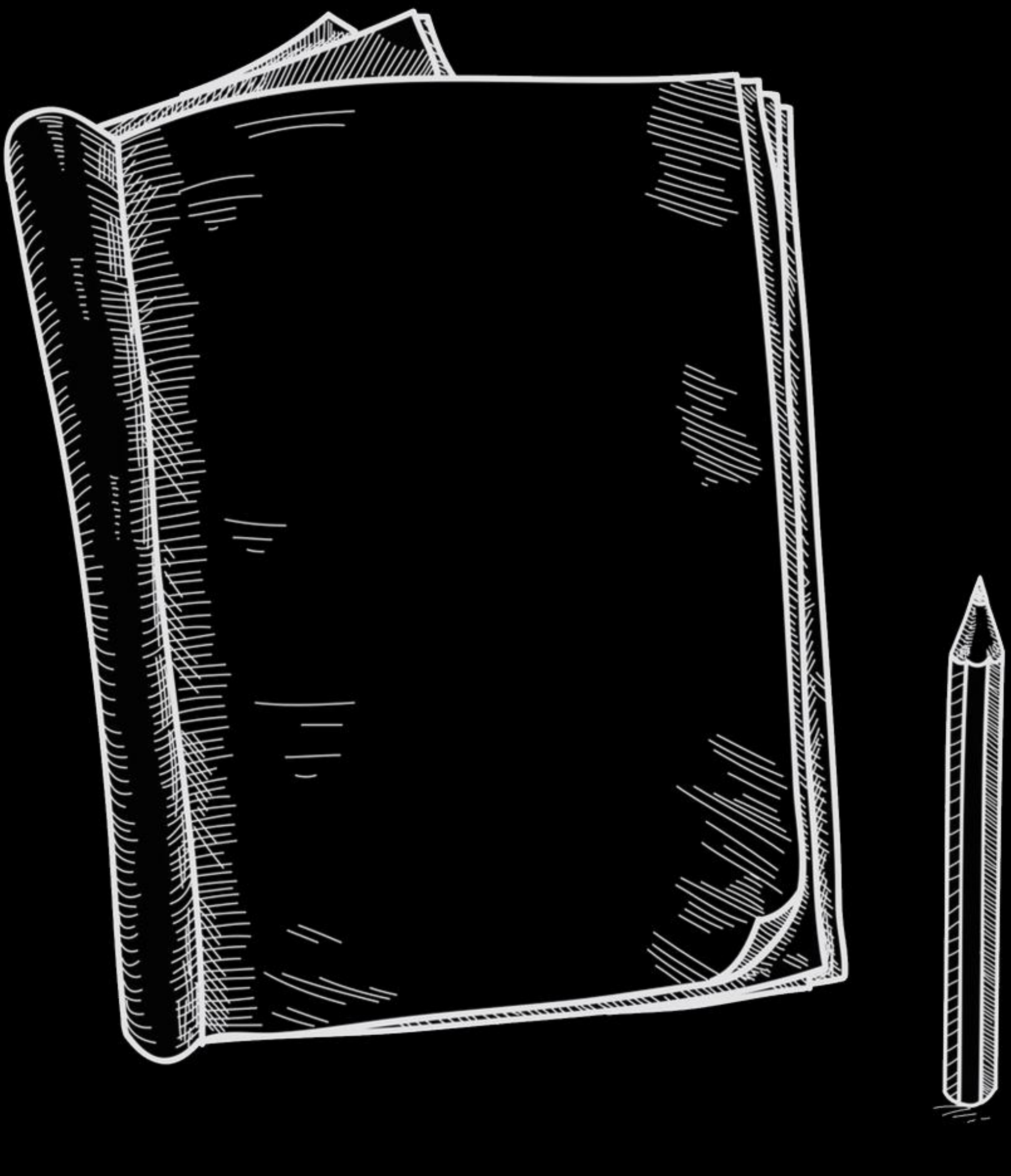
The fabric of the land
Slowly, slips out of hand
Radicals stand tall
"All Good Men must fall!"
Big men shown grace
Impotence, a disgrace
Enemies earlier declared
To flee, they dared
The Valley in the North
Promised growth henceforth
Suffered at the hands of the Saviour
-Such apathy,
Bystanders pity,
Children- violated, they scream,
The Protected still beam-
He continues to move in velour
All Support sidelined
Their potential declined
All that glittered
Now embittered
Just one reigns supreme
The Saffron Savior, now seen

A choice was made
In hopes, that fade
People must stand
Become saviours, all for the land
Once again
His enemies slain
But a voice still shouts
Percolates to all, doubts
As the time approaches
Subconscious, he encroaches
But be aware this time around
"Do not be swayed!", barks the hound
A power still lies
Your vote, he strives
Cautioned against the hollow
People, do not be shallow

Here's the tale of a man so strong
Of people so wronged
Oh you, naive and new
Learn from the past we make anew
The poet so wraps his sheets
Given to you, a story of needs
Keep in mind -
The Man, the People,
And
The Saffron Saviour.

PROJECT

जानकारी



PROJECT JAANKARI

An initiative by college students to propel knowledge-sharing and enable primary research in relatively neglected sectors.

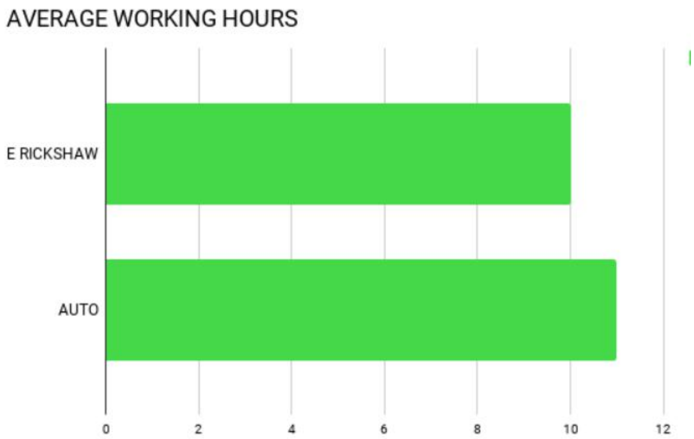
Objective
To understand the threat posed by e-rickshaw drivers to auto rickshaw drivers.

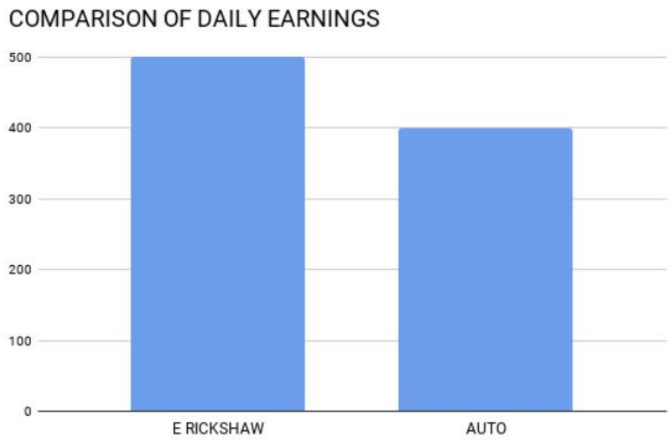
Methodology
We conducted a primary survey. Our sample size was 76. We developed the questionnaire through discussion among group members, and collected responses by self-administering it. The scope of our study was limited to the North campus area of Delhi University.

Profile of Respondents (n=76)	
Age (in years)	
18-30	17 (22%)
31-50	50 (66%)
51+	9 (12%)
Gender	
Male	76 (100%)
Female	Nil
Others	Nil
Ownership	
Yes	36 (47%)
No	40 (53%)

More than 66% of short distance service providers were aged between 30-50. All our respondents are males, and less than 50% are owners of the vehicles they drive.

Observations
1. Most of the drivers do not have any union. Even if the union exists, drivers do not want to be a part of it as there is internal politics involved.
2. It is a paradoxical situation where despite earning less than e-rickshaw drivers, auto drivers do not want to shift from/change the type of vehicle they drive.
3. Most of the drivers are clueless regarding any government scheme implemented for their betterment.
4. No one was willing to make efforts so as to shift their occupation in the short run.
5. Most of the vehicles have been insured either by the drivers themselves or by the owners.
6. Hafta (illegal extortion) is paid to the police by all the drivers except auto drivers.
7. With an average working time of around 8-10 hours, they earn approximately ₹400-700 on a





daily basis.
8. Due to the stiff competition prevalent in this sector, the drivers believe that the government should frame a law for the benefit of these service providers.
9. Despite working for more hours, the auto driver earns lesser than the e-rickshaw driver. On average, the latter works for 10 hours and earns around ₹500 in a day, while the former earns around ₹400 after working for 12 hours. This infographic clearly shows how e-rickshaw drivers are posing a threat to Auto drivers.

Analysis
Through the survey, we observed the various cost and income structures of different types of rickshaws as well as autos operating in the North Campus area. As expected, the cost, as well as income of peddle rickshaws, was lower than that of autos and e-rickshaws. We found that the income of peddle rickshaws dropped drastically post the introduction of e-rickshaws (e-ricks). While the 4 seater e-ricks chipped away at the peddle rickshaws' business due to their lower prices and faster pace, the 2 seater e-ricks are what bothered the rickshaw pullers most. This is because 2 seater e-ricks also take away their left-over customers that desire to be ferried in small lanes where 4 seater e-ricks can't fit.

"The essence of research goes beyond mechanical means, and includes establishing basis for social upliftment."

Additionally, the scope of the survey covered the existence and nature of unions amongst e-ricks. A formalized union structure did not really exist due to either lack of initiative or awareness. However, small unions amongst rickshaw drivers did exist. A unique observation amongst auto drivers was their lack of willingness to shift to 4 seater e-ricks despite them being a more lucrative opportunity. This is because they perceived autos to be a higher-status vehicle. However, this perception cannot be generalized across all auto drivers.
A plethora of issues was cited by our sample population. These issues are aggravated by the lack of alternate sources of income and awareness of government schemes.

Limitation
Due to time constraints and feasibility issues, the sample size was small and the area covered was limited.

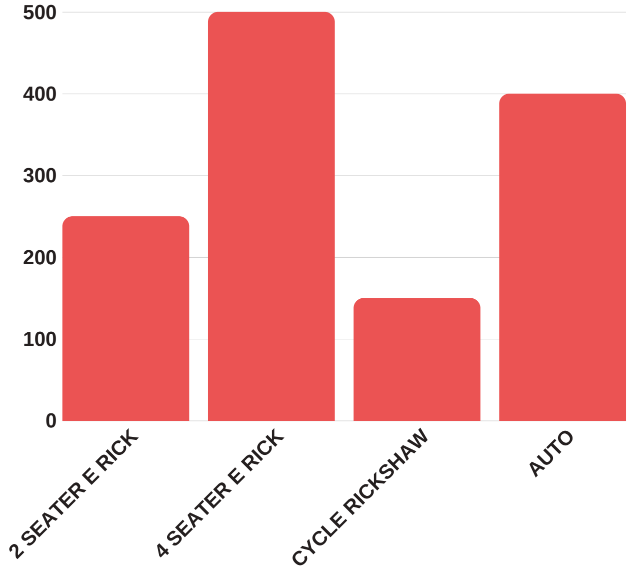
PROJECT JAANKARI

COMPREHENSIVE REPORT

AVERAGE INCOME OF AN E-RICKSHAW DRIVER

ITEMS	AMOUNT
DAILY REVENUE	1000
DAILY RENT	(400)
HAFTA	(100)
DAILY EARNINGS	**500**

DAILY EARNINGS OF DIFFERENT CATEGORIES



SOME SIGNIFICANT FIGURES

ONLY **47%** OWN THEIR VEHICLES

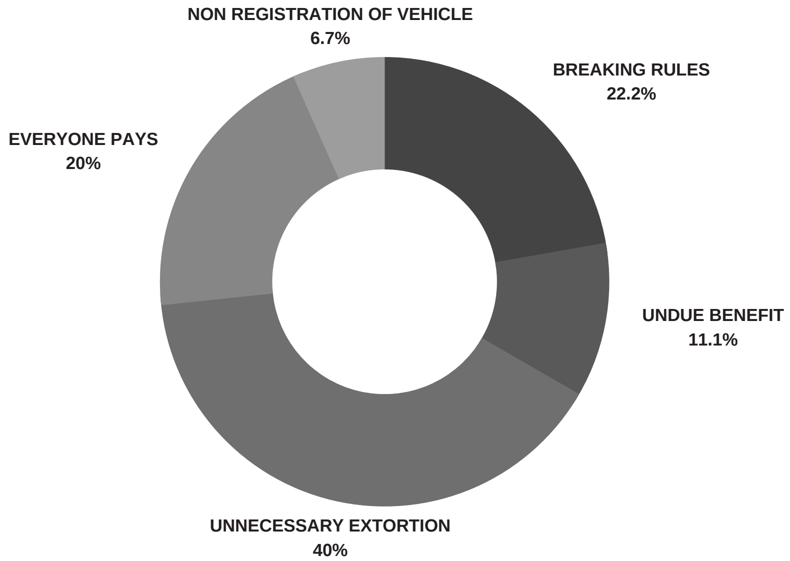
ONLY **49%** HAVE THEIR VEHICLES INSURED

ONLY **34%** HAVE AN ALTERNATIVE SOURCE OF INCOME

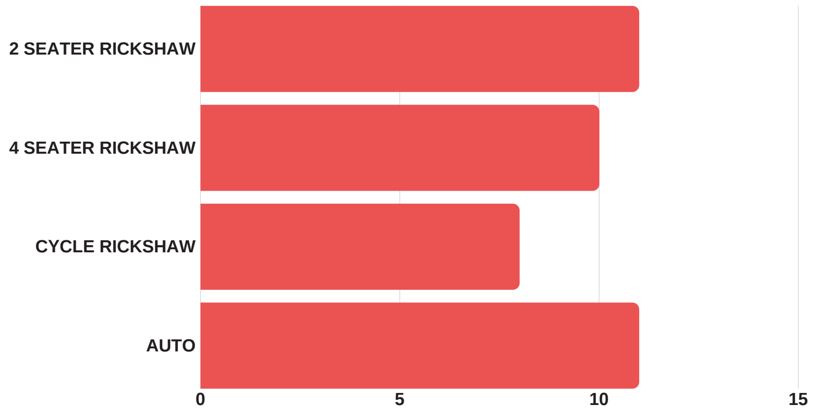
17% ARE A PART OF SOME UNION

JUST **30%** ARE AWARE OF GOVERNMENT SCHEMES

REASONS FOR PAYING HAFTA



AVERAGE WORKING HOURS OF DIFFERENT CATEGORIES



FOOTNOTES: THE SAMPLE SIZE OF THIS SURVEY WAS **76**, INCLUDING 21- TWO WHEELER E RICKS, 24- FOUR WHEELER E RICKS. 19- AUTOS, 12- PEDDLE RICKSHAWS.

SHRI RAM ECONOMICS SUMMIT 2019

SHRI RAM ECONOMICS SUMMIT

Organised between 18th and 20th January, 2019, the 'Shri Ram Economics Summit' 2019 was broadly divided among speaker sessions and competitions. The events witnessed 6300+ registrations from 20+ institutions that included IIM, IIT, DU and XAVIERS' among others, while the speaker sessions were attended by 3500+ members of the academia. The Summit was covered by NDTV and Business Standard on their online and offline mediums respectively.

SUBRAMANIAN SWAMY

An eminent Member of Parliament and an economist who has been at the helm of Indian polity and reforms, Dr. Swamy engaged in a conversation on whether India needed a new set of reforms akin to the reforms in 1991. Focusing on the necessity of achieving a growth rate of over 10% in order to become a global superpower, he stressed for reforms in agricultural sector and the provision of incentives in MSME sector. Among his recommendations, abolishing income tax and simplifying laws to become a strong export sector saw a major focus.

BIBEK DEBROY

The Chairman of the Economic Advisory Council to the Prime Minister, Mr Debroy directed the discussion towards the need for decentralization in India in various forms, including fiscal decentralization. He spoke of the dire need for improvement of infrastructure in rural areas, the unshackling of entrepreneurship and the improvement of data collection. He deemed the idea of a Universal Basic Income to be impractical and unfeasible in India's current situation. Ending his session, he cautioned students by saying, "Don't believe your teachers, your textbooks, or even me!"

YASHWANT SINHA AND SITARAM YECHURY

In an NDTV panel-discussion with two of India's foremost policy-makers, the emergence of a New India became the central point of the discussion and soon led to a debate over issues covering the waning globalization, decreasing oil prices, unreliable data and the state of education and homelessness amongst the youth and children. Both Mr Sinha and Mr Yechury provided interesting insights into the policies of the current government. These insights underlined the importance of tapping into MSMEs and the informal sector, and ensuring sustainable growth in the face of climatic concerns.

ABHIJIT SEN AND SWAMINATHAN AIYAR

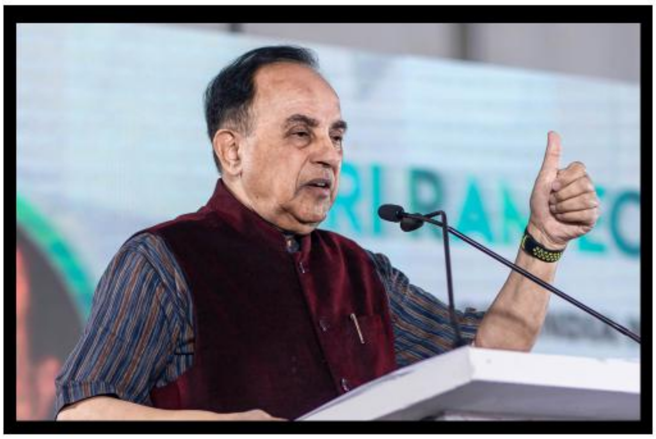
In an enlightening panel discussion with economists Abhijit Sen and Swaminathan Aiyar, students posed a barrage of questions that delved into the intricacies of agriculture and the rural sector in India. Dr Sen, a former member of the Planning Commission, discussed the controversial topic of farm loan waivers and recommended that the government focus on increasing yield per acre for impoverished farmers in order to empower them. Both experts emphasized the need for India to have a greater risk appetite, and for economic reforms to be able to balance long-term and short-term goals.

SAGARIKA GHOSE

One of India's most prominent journalists, Ms. Ghose interacted with the audience in an intimate setting. Speaking through the lens of her new book "Why I Am a Liberal", Ms. Ghose focused her discussion on the current state of Indian media. She supported the rise of independent and digital media as the backbone of unbiased journalism. Despite such efforts, the lack of freedom and protection for journalists was highlighted as an unresolved issue. With the gradual rise of strong central governments, Ms. Ghose stressed on the need to sustain civil liberties.

SHRI RAM ECONOMICS SUMMIT 2019

Speaker Sessions



1991 AGAIN : SWAMY BRIEFS ON ITS NEED AND NECESSITY

ABHIJIT SEN AND SWAMINATHAN AIYAR SPEAK ON AGRARIAN DISTRESS : THE CRISIS AND THE CLIMB

BUILDING BRANDS : BIGGER, BETTER AND BOLDER

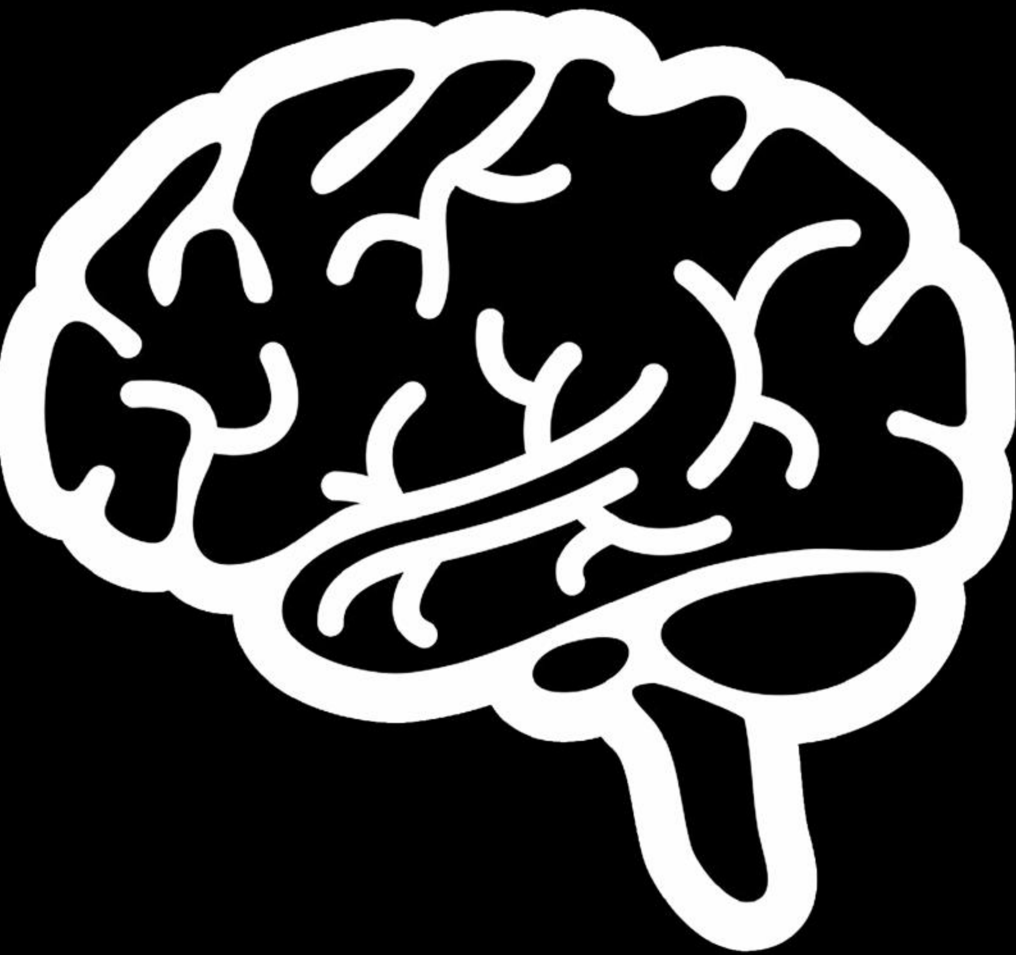
DISCUSSION WITH DEBROY ON MODINOMICS

NEW INDIA THROUGH THE EYES OF SINHA AND YECHURY

OPEN HOUSE DISCOURSE ON MEDIA AND MONEY BY SAGARIKA GHOSE

DISCOURSE

AN ARCHIVE OF IDEAS



DISCOURSE: AN ARCHIVE OF IDEAS

A lecture series curated by The Economics Society

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CENTRE FOR CIVIL SOCIETY

NEERJA CHOWDHURY
EMINENT POLITICAL JOURNALIST

great to get in
touch with my
alma mater

Thanks for this
interaction

Look forward to
more!

6/3/19 : ABHINAV GOEL.
Senior Director
India Ratings.

Abhinav Goel

Wishing every economics or
business student the courage
and integrity to be irreverent
of authority and active in
creating a better India!

Guy STANDING
SOAS University
of London
March
2019

Guy Standing

Wonderful to
talk to you!
Only one have
advice is to find
your passion
Remember, the
secret of happiness
is to love what
you do & love
the person you live
with! Gurcharan
Das

Gurcharan Das

The fact that you are taking the initiative
to go beyond what 99% of kids your age
do shows me you are different in a good
way. Taking initiative to do something
you believe in is the first step to build
a great life.
India needs more leaders like you to
guide her towards her golden future!

All the best! May you transform
the lives of people around you!

Abhishek Dalmia

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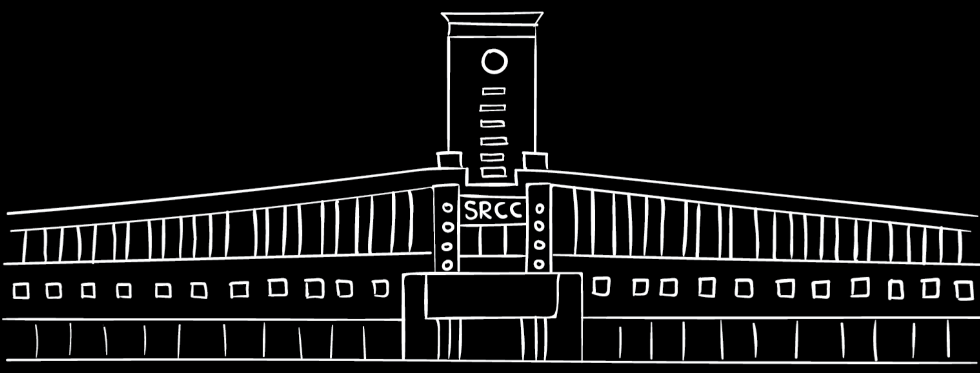

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