Eco-Insight

ISSUE 03|2018

An Annual Student E-Magazine
Department of Economics
Jamia Millia Islamia

MESSAGE FROM THE HEAD

It gives me immense pleasure to present our third issue of **Eco-Insight 2018**, Annual E-magazine of the Department of Economics, Jamia Millia Islamia, New Delhi. Our students continue to unearth important insights into the national and the global economy. This issue of the magazine makes a gracious attempt at imparting knowledge and resources to learn and make the readers well versed with current economic developments. I hope the magazine will be a forum for discussion, debate, diversity and creativity. It will encourage both talent and opinion, and will create a vibrant public space for students and faculty alike.

I hereby congratulate the Editorial Advisor, Editors as well as the Students and the Alumni of the Department for this exemplary endeavour, and wish them all the very best.

PROF. SHAHID AHMED
Head, Department of Economics
Jamia Millia Islamia, New Delhi

MESSAGE FROM THE EDITORIAL ADVISOR

Dear Readers,

Here we are with the third issue of Eco-Insight , the annual student e-magazine, department of Economics, JMI. This magazine was conceptualised by the students of the department two years ago under the guidance of the HOD, Prof. Shahid Ahmed. My journey with students since conception of the magazine has been spectacular. Each year we constitute a new team of student editors who review the articles submitted by our students and alumni of the department.

The present issue includes articles and commentaries which provide deep insights on various economic issues of India as well as across the globe. It also gives a peek of economic facts that we should know as a student of economics.

This year the student editors has been selected through interview giving due consideration to their potential, capability and commitment to the assignment. I congratulate the editorial team for their marvellous work in formalizing this issue. I also appreciate the efforts of the students who volunteered to illustrate the articles with pictures, photos and drawings. I hope that the magazine will continue to provide the "ECO-INSIGHTS" every year with new fervour and zeal.

It's a pleasure to be associated with ECO-INSIGHT.

DR. SABA ISMAIL
(Editorial Advisor & Assistant Professor)
Department of Economics
Jamia Millia Islamia

MESSAGE FROM THE EDITORIAL GROUP

In a world, constantly changing and evolving as ours, the issues surrounding economies and finance assume paramount importance. 2017 was the year of cryptocurrencies, with Bitcoins leading the charge. The world of finance is as unpredictable as Mr. Trump's statements(or weather); nobody knows what may sprout up. As far as the Indian economy is concerned, there are a range of issues, such as, rising health expenditure, FDI in Airlines, Oil prices, the confusion surrounding the Rs.10 coin, that has become a matter of significance for the common man. Economics is like a warm blanket that engulfs one and all. It needs to be realized that for every problem the economy throws towards us, Economics provides a solution to rectify it.

It is with such an optimistic attitude that, we welcome you aboard to the third issue of Eco-Insight, an annual student magazine of our department. This issue promises to take the reader on a ride full of exciting and interesting articles, put forward by fellow students and esteemed Alumni of the department. Our intent is to present our readers with a simple understanding of complex economic issues and leave with a food for thought.

This magazine would not have been possible without the utmost support of our Head of the Department, Prof. Shahid Ahmed and our Editorial Advisor, Dr. Saba Ismail, under whose guidance and tutelage we embarked upon this journey.

We wish you a happy reading!

Chief Editors
Vasundhara Thakur
Mani Juneja

Editors
Ritwika Patgiri
Priyal Gehlot
Syed Mohd. Hammad
Ishan Kacker

IN THIS ISSUE

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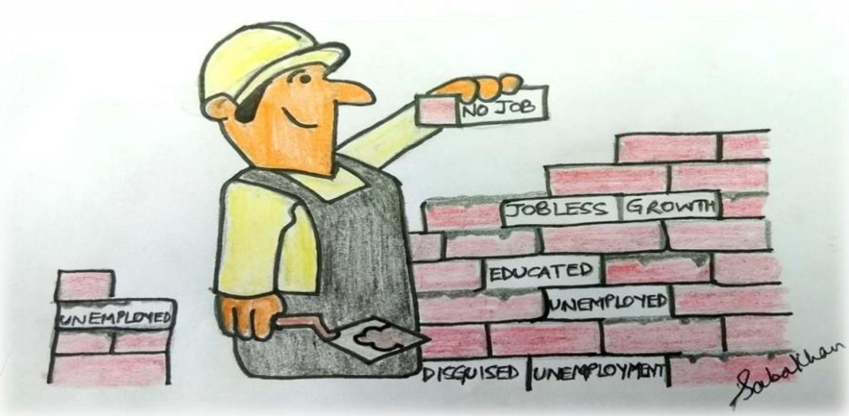


Is India Going Through an Era of Jobless growth

By Subuhi Karim
Alumni (2014-16 Batch)

As Narendra Modi completes three years as prime minister, he must seriously worry about his government's inability to meet the single biggest promise he had made in his election speeches in 2014 – providing jobs to new entrants in India's labour market. "I can't do much about those in their fifties but I want to transform the lives of those in their twenties who are seeking new employment," Modi had said.

Providing gainful employment opportunities is essential for enabling people to improve their standard of living. For a country like India, which has surplus labour and a strong affinity for new technologies, employment generation in the 21st century poses a new challenge. More recently, the sluggish growth of various sectors of the economy, especially post demonetization, has made this challenge more severe.

According to the labour ministry's 27th Quarterly Employment Survey of eight employment intensive industries – textile, leather, metals, automobile, gems, Transport, IT and handloom & power loom, there are 43000 job losses in the first quarter of FY 2015-16.The second quarter was somewhat better, with 134,000 new jobs.

During the last decade (2001-11), the growth rate of the labour force (2.23 per cent) was significantly higher than the growth rate of employment (1.4 per cent), which itself was several-fold less than the growth rate of the economy. According to Census 2011, the average growth rate of the economy was 7.7 per cent per annum, when it was only 1.8 per cent for employment.

The trend of significant gap between the pace of GDP growth and that of employment growth has given rise to the phenomenon of "jobless growth" in India. The limited impact of booming growth on employment generation is captured in an indicator called employment elasticity or the rate of change of employment per Unit of Gross Domestic Product(GDP) growth. This has been secularly declining in the 2000s from 0.44 from 1999-2000 to 2004-05 to a near-zero level of 0.01 from 2004-05 to 2009-10.

The situation has worsened due to weak industrial growth, a struggling agriculture sector with widespread drought, cost rationalizations in several sectors and the knock-on effect of a global slowdown. Also, traditionally labour-intensive industries are beginning to increasingly mechanize their operations. While it makes them more productive and profitable, it also shrinks job opportunities. The economy has become less labour absorbent.

In 2015, the government expanded the scope of the organised industry from just eight manufacturing sectors to include some key services industries such as education and health. This was clearly done to bump up the employment growth figures because the manufacturing sector was showing a very poor growth trend – around 1.5% annually – whereas the service sector was doing much better and growing at 7-8%. Adding service sectors to the organised sector employment data has helped the government show a slight improvement in new jobs growth in 2016.

Prima facie, it is difficult to believe that industries were hiring when the economy was paralyzed by *notebandi* for about four months. The bulk of the organised industry was busy managing the new situation caused by demonetization with a fall in the sales of manufactured items nearly across the board.

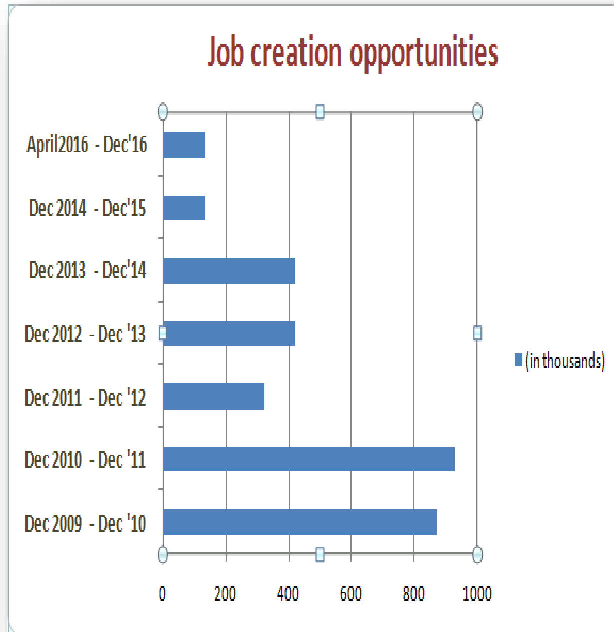
Large manufacturers are trimming operations, throwing many jobs into jeopardy. Nokia, locked in a tax dispute with Indian authorities, shut down its factory in Chennai in November 2014, rendering 8,000 workers jobless. Zomato, a food tech company, laid off 300 employees, or 10 per cent of its workforce, last year as the business went through a squeeze

Currently, the manufacturing sector has an overall employment share of 12-13 per cent. While this share has been growing, the manufacturing sector has been losing people to the services sector, which is seen as more glamorous, better paid and gain international exposure.

Yet, there are some areas that still stand out when it comes to job creation, notably the financial services and the financial technology sectors. Ever since the RBI granted licenses to around 21 banks in 2015, employment opportunities have been growing. The banks have been opening new branches and hiring personnel to augment their services. Similarly the entry of outfits such as PayTM which combine technology with financial services is also giving a new impetus to job creation. There is a need to understand that there will always be a trade-off between technology and the workforce previously performing that task. Jobless growth will only ensure that the demographic dividend becomes a demographic curse

There are several the government would need to take to bring the country out of this jobless growth

trap. One of them is the reform of labour regulations. Labour law reform that encourages greater flexibility while providing a safety net for the unemployed is equally necessary. Rajasthan has set an example through a recent state-level amendment where it raised employment threshold for enforcement of some of the restrictive provisions of the Factories Act and also raised the minimum membership for the registration of a labor union from 15 to 30 percent of the firm's employment.
Encouraging states to make their own amendments is a step in the right direction. Additionally, the Centre has rightly set up a web portal for the self-filing of compliance reports pertaining to various Central Labour Act. India also needs to enable its workforce to adapt to the changing skills requirements accompanying technological progress.
Regulation of enterprises is a major factor that affects job creation. Simplification coupled with "smarter regulations" is the way to go. Encouraging people's entrepreneurial instincts will generate sustainable outcomes. The government could incentivize job creation by giving infrastructure a push.



The credibility of employment-unemployment data needs to be established. At present, the source used for estimating the employment/unemployment rate in India is NSSO data. However, this data is not available annually. Since 12 million people enter the labour force annually, frequent periodic assessment of the labour market is essential.

•Japan has given legal recognition to Bitcoin and other digital currencies.
• Ethiopia follows a calendar that is seven years behind the rest of the world.

LET'S GET OUR FACTS RIGHT...

ALANG
The Story of World's Largest Ship-Breaking Industry in Gujarat

By Yusra Zainab
M.A. Economics (Final Year)

Situated at the shores of Gujarat about 50 km from the city of Bhavnagar, stands the world's largest ship–breaking industry in Alang. A graveyard for around 450 ships annually who find their way to its shores after being deemed unfit for any future use, Alang startles the world with its capacity to not only host the bustle at such a large scale but also with the pleasing worth it has generated in the process. The yard, since it became operational in 1983 has been growing every year and is estimated to generate a good Rs.6,000 crores. Started as an initiative by the state government for generating employment to a large number of unskilled work-force, it now employs not only the local population but has attracted over the years cheap labor from around the country; majorly from Orissa, Uttar Pradesh, West Bengal, Bihar and Jharkhand.

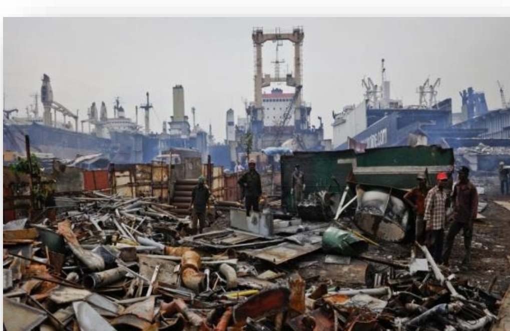
Ship-breaking is a process that involves breaking down and dismantling the discarded vessel by removing all gears and equipments, cutting down vessel into small parts and then recycling it. This activity, prior to 1983, was hosted by the select shipyards of Taiwan, Mexico, Spain, Brazil and Great Britain. Owing to the high cost of labor in developed countries coupled with their stringent environmental norms and human rights issues, these countries have found it profitable to get their hands off the waste at a highly inexpensive price by disposing their discarded vessels at the shores of Alang.

India as a result became the cream

of the crop in ship-breaking industries globally, for its minimal paper norms and their meagre implementation. It is followed by Bangladesh and Pakistan who stay behind solely as a result of their small size.

Alang holds around 173 plots to carry out the recycling and dismantling activity, providing employment to around 30,000 unorganised jobs directly in Alang and indirectly in various allied industries.

Nonetheless, the city pays a heavy price for its good fortune. The structural complexity of the ships together with the safety concerns, environmental and health concerns make the industry an eyebrow raiser. The exposure of workers to harmful chemicals and disposal of substances like mercury, asbestos, lead and chlorofluorocarbons in the environment makes the industry a dangerous for work. In addition, regular cases of oil spilling into the water have led to contaminating the marine ecology in its surrounding areas. The workers have to struggle to even get access to the basic facilities such as water, toilet, shelter, sanitation, electricity, proper drainage system etc. The migrant workers are restricted from benefits of several government schemes implemented for the local village population in.



A 2014 study commissioned by the National Human Rights Commission found that there have been 470 'reported' deaths between 1983 and 2013. In December last year, another worker died as a result of the fire that broke out in tankers that were being dismantled in the yard.

It would be pertinent to mention here the disturbing reality of the industry that the Final Report of the Supreme Court-appointed Technical Experts Committee contains that:

"[T]he average annual incidence of fatal accidents in the ship breaking industry is 2.0 per 1,000 workers while the all India incidence of fatal accidents during the same period in the mining industry, which is considered to be the most accident-prone industry, is 0.34 per 1,000 workers."

These facts give us the very first official confirmation of Alang's long-standing notoriety as a hazardous and highly unsafe industry violating human rights. India has often overlooked the environmental norms so as to expand its economic participations. These lax norms and their improper implication coupled with bureaucratic delays, corruption and unethical practices have together woven the sad story of Alang.

Looking into the journey of the ship named 'Blue-Lady' to the ports of Alang (2006) provides useful insight for such concerns that have come into conflict with economic objectives and how strongly India stands as a watchdog for social and environmental concerns.

A year ago, the same ship was denied entry into Bangladesh because of the hazardous waste it contained. It faced a similar order by the Supreme Court of India when it first attempted entry into Indian waters but was allowed later to be ported on humanitarian grounds with the onset of monsoon. Within the first 20 days of it being anchored, the vessel was beached at Alang. During this period it was sold to a ship breaking industry based in Alang so as to avoid the necessity of getting it decontaminated responsibility of which lies upon the owners of the ship before sending any ship for scrapping. This was entirely against the orders of the Supreme Court of India.

Had the owners of the ship decontaminated the vessel prior to dismantling in Germany itself as per the Basel Convention, it would have caused them an enormous sum of about 30 million Euros. In an attempt to override this cost, the ship was sold to Bridgend Shipping for an obscene amount of $ 10 with of course, the real price being paid off the record. It is estimated that the controversial ship contained about 1,700 tonnes of asbestos, which comprises of radioactive material. If the same is digested or even inhaled, it can remain in the body for years posing a potential threat of diseases like cancer to the exposed person.

The great danger to human life at Alang, now an official storage facility for radioactive elements and toxic wastes, is going unnoticed by the world under the so called tall claims of development. For a country looking for its rightful place in the 21st century, Alang's notoriety is certainly not affordable. It is a sour reminder of India's difficult past and present realities obscuring the smooth march towards economic progress.

The Ship-Breaking activity flourishes in India because of the country's lax environmental laws and abundance of cheap labor. Viewing this as an opportunity of progress and economic gains would be short sighted and harmful in the long-run. To frame economic policies without considering the general welfare of public would be futile and not in line with the objectives of sustainable development. Painting the story of Alang and such other anti-environmental activities with the brush of economic progress is injustice to hard realities of India. If India has to march on the path of economic growth and compete with the developed world it must have to value the human life and work for safe environment, stringent laws for labour and polluting industries so that Alang should not be remembered as a dumping ground of world waste.

Indian Economic Policy: Challenges and Road Ahead

By Amit Thakur
M.A. Economics(Final Year)

Indian policy makers off late are scratching their head to discuss ways to pull the Indian economy from its current phase of low growth. Recently the Economic Advisory Council to the Prime Minister concluded a meeting in which they discussed ways to put the Indian economy again on a high growth trajectory. This sudden rush for action is of importance because it comes at a time when the already slowing economy has been further slowed down by a policy move like demonetization and implementation of GST, both of which can have severe political repercussions. In early September, the Central Statistical Office (CSO) released its estimates for GDP for the first quarter of 2017-2018.It reported that in Q1 of 2017-2018 GDP grew by 5.7% and GVA at basic prices grew by 5.6%. This was the sixth consecutive fall in quarterly GDP, which implies there is a more structural reason to the falling GDP. It would be incorrect on one's part to blame just demonetization and introduction of GST for falling growth. While demonetization hampered consumer spending which is one of important pillars of the Indian economy, it also hampered manufacturing which got captured in falling Index for Industrial Production (IIP), it slowed to 3.1% in June. On the other hand introduction of GST caused compliance nightmares for small traders and issues regarding categorization of goods kept policy makers on their toes which lead to several changes since its introduction. So to tackle this falling GDP it is important to identify the underling structural issues and not to resort to some short term fixes which can cause serious repercussions.

Performance of the Indian economy is dependent on the performance of four key macroeconomic indicators i.e. private consumption, exports, private investments, government investment. If we observe the data it is clear that the export sector and private investment are not performing at all. Growth sector, which is essential as it helps in creating employment opportunities has seen negative growth in the past few years, but has recently turned positive. When the Indian economy was hitting high growth rates during the period of 2004 to 2008, the average export growth rate was 20%. The poor exports performance might be attributed to declining external demand as Euro zone and other markets are not growing as desired and there is an increasing competition from countries like Bangladesh and Vietnam in sectors like textile and services. Private investment, which accounts for three quarters of Gross fixed capital formation (GFCF), is not performing despite all of the government efforts. Due to this the GFCF is falling on year to year basis. It was 29.3% in 2015-16, and fell further to 27.1% in 2016-17. The GFCF was at it its peak during 2004-08 which resulted in the highest growth Indian economy has ever seen, averaging at 34% during this period.

It must be noted that private investment in new ventures is really important to create more new jobs. Private investments continuously face impediments due to various reasons like infrastructure bottlenecks, low profitability, and bad availability of credit, rise in corporate bad loans, excess capacity and other policy challenges. There is also an issue of low absorption of capacity and low consumption, which is leading to under utilization of the capacity. Unless these issues are not tackled new investments will be hard to come, hence continuous policy reforms are needed.

Government investment has been steady over the years but it depends on the economy of the country, it will keep on increasing in sync with the GDP growth. Government investment stands at 7.5% for several years.

Now private consumption is one of the strengths of our economy as India is primarily driven by private consumption. Also private consumption helps in running the informal sector which provides employment to roughly around 90% of the work force according to some estimates; this sector runs mainly on the availability of liquidity. People involved in the informal sector form the base for consumption, so a hit to this sector is definitely going to affect the overall consumption. Demonetization eventually sucked out 86% cash in circulation which dried up liquidity and hence the life line of this sector which definitely must have put a drag on economic growth. Also there was a disruption in the production chain which not only affected small and medium enterprises but also large manufacturers as one serve as input to the other. It is expected that as the issue of liquidity gets normalized. Things will improve in the informal sector.

With several challenges at hand

the government is panicking because if things do not improve, the short term perception of a drowning economy can make things difficult for the 2019 elections. So there are short term fixes that are being suggested from some quarters. But it is important that government should act where it is required.

One of solutions being suggested is "Fiscal Stimulus" which is often used to arrest the quick downfall in the economy. Indian experience with fiscal stimulus is not great, as can be seen in 2008, when the finance minister at the time, Pranav Mukherjee gave a fiscal package to arrest the effect of the global crisis. It resulted in an overheated economy, high wage and inflations and consequently deficit widening to uncomfortable heights. After an initial growth, the macroeconomic indicators worsened. The current account deficit rose to a record high of 4.8% in 2012-13, economic growth fell down to below 5% in 2012, and fiscal deficit widened to 4.9% in 2012-13. So the option of fiscal stimulus to accelerate growth is out of the question as government has already exhausted 96% its fiscal deficit target and playing with fiscal deficit target can lead to credibility issues for foreign investors. Government is advised to continue its fiscal consolidation program even if there is pressure from private companies

So in the given circumstances, the best bet would be to attempt to revive the exports and private investments as there is a huge scope of improvement in these two sectors. India is losing its advantage in export in some sectors due to infrastructure bottlenecks as it makes it difficult for exporters to adhere to deadlines. When it comes to exports, logistic efficiency is the key to success in this sector. Government should finish the infrastructure projects at a rapid pace and should take up pending projects. Losing our comparative advantage is going to hurt our future growth aspects as well.

The issue of increasing private investments needs continuous efforts from the government, there has been efforts to improve business environments in the country but it hasn't shown results as of now. Some of the noteworthy efforts in the past few years are passing of bankruptcy code, GST legislation and modification in FDI rules.

However one of the main issue is availability of credit, there is the issue of twin balance sheet problem and because of it, monetary transmission mechanism is failing .Even after lowering of interest rates by RBI the banks have not passed it to consumers, as banks are suffering from bad loans and on the companies part, as their profitability is falling they are not able to pay back their loans. Due to the rise in the Non Performing Assets, there is an urgent need for recapitalization of banks. Cleaning up bank balance sheet would help in picking up credit growth and start of business cycle. Also a roadmap for SMEs is required, this sector faces a lot of issues like availability of credit, access to technology, energy availability, liquidity issues to pay day to day expenses etc. Information about SMEs financial flows is not available which makes it difficult for banks to lend but with the passage of GST it is expected that more information about these enterprises would be available which would eventually help in availability of credit.

One can conclude that at this moment economic growth is not favorable but with correct policy measures things can improve in the next few quarters. For growth it is imperative that investments and exports should pick up, only then the true growth potential can be achieved.

LET'S GET OUR FACTS RIGHT...

•India topped the Global Remittance receiving list of 2016, as per latest UN Report 'One Family at a Time.'

•Apple's cash and investments are now equal to the GDP of Hungary and more than those of Vietnam and Iraq.

•Luxembourg has the highest purchasing power, at 174% of the US. Zimbabwe has the lowest at 0.4%.

•Maldives holds the record for being the flattest country in the world.

•The Reserve Bank of India has announced to issue Rs. 10 denomination banknotes in The Mahatma Gandhi Series (New).The new denomination has the motif of Sun Temple, Konark on the reverse, depicting the country's cultural heritage.

•China's working age population is expected to shrink by more than 200 million between now and 2050. The US is expected to rise by 47 million.

•International Rating Agency, Moody upgraded India's sovereign bond rating to Baa2 from Baa3 with a stable outlook.

•China takes EuroZone as the world's biggest bank system.

सत्यमेव जयते
Finance Commission
Of India

Changing Role Of Finance Commission

By Priyal Gehlot
M.A. Economics(First Year)

In India, a Finance Commission is appointed every five years in order to make allocation of shared taxes and grants in aid under Article 275 and to undertake a fiscal review of inter governmental financial institutions. Finance Commission is the constitutional body for federal devolution of resources in India. It was seek to address the vertical imbalance between the taxation powers and expenditure and responsibilities of the federal government and the states and the horizontal imbalance or inequality between states that were at different stages of development.

The nature of the recommendations of the Finance Commission is not binding and the final decision lies with the President or the Parliament. Its recommendations would be considered except matter for strong reasons with unanimity.

The Commission is expected to play the role of a wise man, a judge between the conflicting claims of the states on the one hand, and the Centre on the other.

Structural Changes

A lot has changed since the first Commission was set up in November 1951 under the Chairmanship of KC Neogy, a former member of the Constituent Assembly and diwan of a princely state. The President has appointed 14 more Commissions since then. The Finance Commission Rules, 1951 lay down the criteria for being members of the constitutional body: those having special knowledge and experience in financial matters and in administration, or with special knowledge of economics, and those who have been qualified to be appointed as a judge of a High Court. In the years following the reforms of the 1990s, reputed economists and administrators have headed Commissions.

Since the Twelfth Finance Commission (2002), the government is following the convention of having a member of the (erstwhile) Planning Commission as a part-time member. The Planning Commission has been replaced with the NitiAayog, by dismantling the old structure. Rangarajan, who headed the Twelfth Commission, had suggested to the government that it could alternate between an economist and a political figure

such as a former state Finance Minister to be the Chairman.
central and state governments as a result of the recommendations
of the Twelfth Finance Commission, which reshaped lending by the federal government to states. Rather than the Centre borrowing and then lending to states, it recommended that states be allowed to borrow directly. Since then, the debt obligation of states to the Centre has come down significantly.The 13th Finance Commission buried the idea of one-size-fits-all and laid out individual fiscal consolidation roadmaps for states.

Finance Commissions and their Chairmen

First, 1951	K C Neogy, Politician
Second, 1956	K Santhanam, Politician
Third, 1960	A K Chanda, Administrator
Fourth, 1964	P V Rajamannar, Judge
Fifth, 1968	MahavirTyagi, Politician
Sixth, 1972	K Brahmananda Reddy, Politician
Seventh, 1977	J M Shelat, Judge
Eighth, 1983	Y B Chavan, Politician
Ninth, 1987	N K P Salve, Politician
Tenth, 1992	K C Pant, Politician
Eleventh, 1998	Prof A M Khusro, Economist
Twelfth, 2002	Dr C Rangrajan, Economist
Thirteenth, 2007	Vijay L Kelkar, Economist
Fourteenth, 2013	Dr Y V Reddy, Economist
Fifteenth, 2017	N K Singh, Bureaucrat

Recommendations of Fourteenth Commission

The 14th Finance Commission headed by former Reserve Bank of India governor, YV Reddy. The major recommendations made by the commission are-

1. The share of states in the net proceeds of the shareable Central taxes should be 42%. This is 10 percentage points higher than the recommendation of 13th Finance Commission.
2. Revenue deficit to be progressively reduced and eliminated.
3. Fiscal deficit to be reduced to 3% of the GDP by 2017–18.
4. A target of 62% of GDP for the combined debt of centre and states.
5. The Medium Term Fiscal Plan (MTFP) should be reformed and made the statement of commitment rather than a statement of intent.
6. FRBM Act need to be amended to mention the nature of shocks which shall require targets relaxation.
7. Both centre and states should conclude 'Grand Bargain' to implement the model Goods and Services Act(GST).
8. Initiatives to reduce the number of Central Sponsored Schemes (CSS) and to restore the predominance of formula based plan grants.
9. States need to address the problem of losses in the power sector in time bound manner.

Source:https://en.wikipedia.org/wiki/Finance_Commission

The coming of Fifteenth Commission

The 15th Finance Commission has been rolled out with N.K. Singh as the chairman. The commission has been asked to look into the impact of the goods and services tax (GST) on finances of both the Centre and states. It will also suggest measures needed to augment Consolidated Fund of State to supplement resources of Panchayats and Municipalities in State on basis of recommendations made by Finance Commission of State. It will also review current status of finance, debt levels, cash balances, deficit and fiscal discipline efforts of Centre and States and recommend fiscal consolidation roadmap for sound fiscal management.
Source:https://en.wikipedia.org/wiki/Finance_Commission

FINANCE

Islamic Finance

By Samiha Fatima
Alumni

Islamic finance refers to a financial structure which complies with the *Sharia* (Islamic rulings). The *Sharia* prohibits trade in money i.e. the trade should be commodity based where money just acts as a medium of exchange. The basic two tenets of Islamic banking (IB) involve the prohibition of:

financial transactions based on charging/paying/recording of interest.

investment in the industries involved, by any means (production, consumption, and lending), in pork, alcohol, gambling, pornography, weaponry, and tobacco.

Islamic banking (IB) differs from the conventional banking system in the sense that the former orders not to use money an asset.It doesn't let money earn money over it. The depositors in the latter earn through interest received on the money deposited in the bank. The interest paid by the bank to the depositors is less than the interest received by the bank on loans offered to the borrowers. Therefore, this difference constitutes the profit gained by the conventional commercial banks. This works a slight differently in IB.

Let us see how it exactly functions. The depositors provide funding to the banks, which is further utilized by the bank to acquire the asset (say, a house) and let it out to earn the rental income from the borrower. The borrower pays rent amount for the use of that house of the lifetime of loan plus an amount which repays the loan over its lifetime. The profit (rental income) received by the bank is then portioned out with its depositors. In IB, even if the borrower fails to repay sum of, the bank still owns the asset. In that manner, the burden of risk is addressed.

A broader description of its principles is given by the Islamic Research and Training Institute of the Islamic Development bank,

"The most important feature of Islamic banking is that it promotes risk sharing between the provider of funds (investor) on the one hand and both the financial intermediary (the bank) and the user of funds (the entrepreneur) on the other hand ... In conventional banking, all this risk is borne in principle by the entrepreneur."

There are various arrangements in the IB which facilitate finance in the economy. They are known as:

•*Mudarabah* (Profit sharing and loss bearing)
•*Musharakah* (Joint stock ownership)
•*Murabaha* (Cost plus)
•*Ijar* (Leasing)

The first effort was made in the year 1963, led by Ahmad Elnaggar, in the form of a savings bank based on profit-sharing in Egypt. By 1967, nine such banks were established in the country. The figure and the size of Islamic banks have been springing up rapidly since then due to Islamic revivalism. By 2009, globally there were over 300 banks and 250 mutual funds based on *Sharia*. Though the concentration remains in the gulf countries, IB has been growing faster than the banking assets as a whole, and in non-Muslim jurisprudence too.

The winning momentum of IB can be ascribed to its promising features like no poverty , no unemployment, no inflation, and no exploitation once it is fully implemented. Due to the absence of interest, the demand and supply conditions remain favourable, both for the producer and the consumer in the market, as there is no uncertainty of prices.

We can see the scenario in the gulf countries where prices remain stable in the absence of inflation which is an outcome interest rate fluctuation. A lot of economists have testified to the fact that the economy runs smoothly and at a better pace with lower interest rates.

We can see the scenario in the gulf countries where prices remain stable in the absence of inflation which is an outcome interest rate fluctuation. A lot of economists have testified to the fact that the economy runs smoothly and at a better pace with lower interest rates.

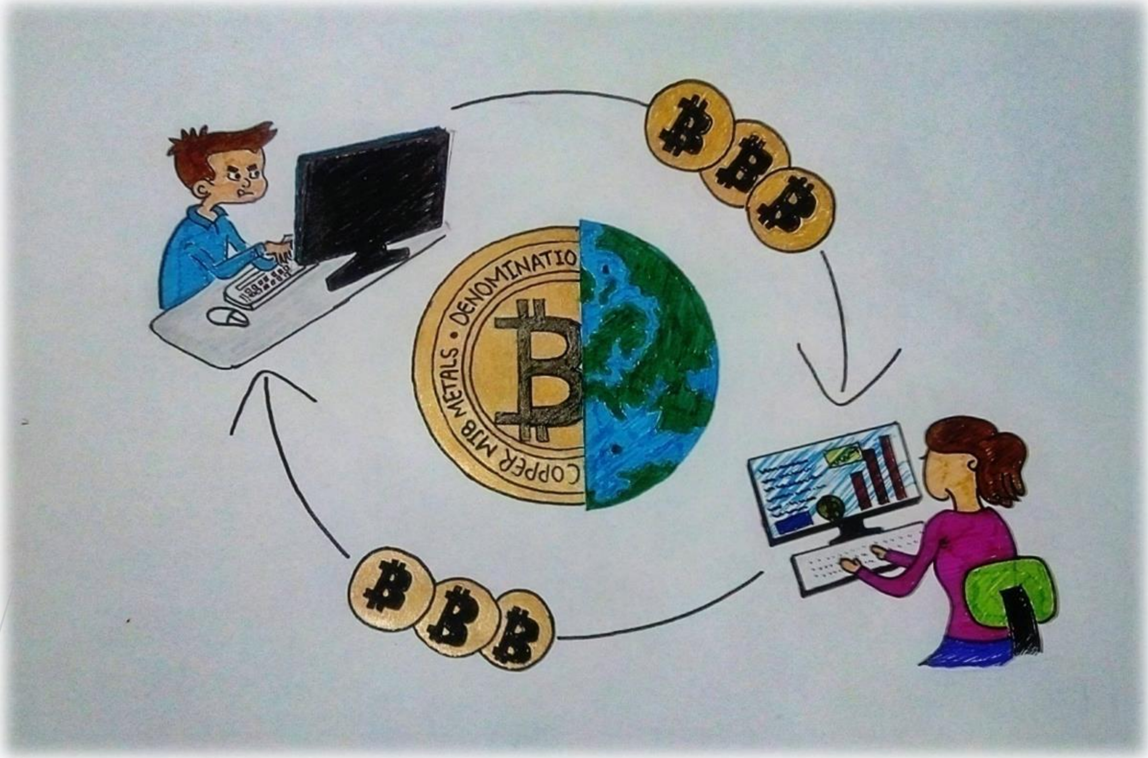
Another interesting and socially complying feature of IB is *Zakat*. *Zakat* is the amount (2.5% of total possessions) that people have to take out annually as charity for the poor. It is unlike an income tax, and is paid only when the income and wealth reach a certain level. It is beneficial to the market conditions as the money is redistributed from the richer section to the deprived one, which increases the demand. The increased demand compels the producer to supply more goods and services in the market. Therefore, the increased transactions foster the economy. The transfer of money from wealthy to the needy reduces the income disparity in the nation.

The essence of IB lies in its inherent structure that it lets the participants share profits with reduced risk and no exploitation of the borrowers, especially when they happen to be poor and needy. In a conventional banking system, even low rates of interest yields significantly high burden on the borrower. Let us understand this with a simple example.

A loan of $1000 at 10% of interest rate per annum, for 5 years will burden the borrower with $1535 over the life of the loan. The extra amount is more than 50% of the loan. This happens to be a case with an interest rate as low as 10%. The real economy functions with much higher rates. Imagine the level of exploitation!

The situation becomes more detestable where the borrowers comprise of the marginalized sector of the society. According to a UNICEF Report, around 500,000 children under the age of 5 die each year as a result of debt-crisis.

Zero-interest based credits encourage borrowers to borrow money for their needs and productive activities, which are essential to run and develop an economy.



The World of Cryptocurrencies: Bitcoin

By Brahmleen Kaur Dua, Ritika Gupta, and Ishan Kacker
M.A Economics(Final Year),
M.A. Economics(First Year), and
B.A. Economics(Third Year)

Money has undergone a long process of historical evolution beginning from barter system in which all sorts of commodities where used as a medium of exchange. But inconvenience and drawbacks of barter system led to the evolution of metallic money (gold, silver); however, the issues of uniformity of weight and purity of precious metal led to public and private coinage. Altogether this prompted the development of paper currency or fiat money which alongside metal coins is presently being utilized all over the globe. Paper currency performs four important function of money i.e. medium of exchange, store of value, unit of account and a standard for deferred payment. Still the process of evolution continued with the banking system coming up to overcome the issues faced with paper currency.

The process of evolution of money

continues with the emergence digital money - CRYTOCURRENCY.
The global economy is inevitably moving towards a digital ecosystem; from investment to money transfer everything is going paperless. The newest and most promising addition to the digital sector is cryptocurrency. Bitcoin, essentially the first decentralised cryptocurrency introduced to the world has become the defacto standard for cryptocurrencies while there are others too that we aren't even aware of, like Litecoin, Zcash, Monero, Ripple e.t.c. Bitcoin was created in 2009 and released as an open source software following the ideas set out in a white paper, entitled 'Bitcoin: A Peer-to-Peer Electronic Cash System'
By Satoshi Nakamoto, , whose identity is yet to be verified.
The price of the currency has seen a surprising bubble since then. Bubble is an upward price movement over an extended range which later implodes in future. This Bitcoin bubble has been created due to excess demand in the market and rising prices. It has created frenzy across the world and has driven people obnoxiously greedy.
From being worth a couple of cents in 2009, Bitcoins witnessed an exponential growth, reaching its peak value of $20,000 in 2017. With its capitalization of $268 billion it has successfully displaced Coca Cola with capitalisation of $195 billion and Boeing with $175 billion. Such is the breaking news which results in hasty investments with half or sometimes no prior knowledge about the investment just because people have this unavoidable fear of missing out (FOMO) and they can't see themselves running behind their neighbours.
How do Bitcoins work?
Bitcoins, as one might be aware, are a form of digital currency, which means that they exist only electronically. Bitcoins don't work like most money; it isn't attached to any state or government. Basically put, there is no central issuing authority or regulatory body, responsible for taking decisions regarding number of bitcoins to be produced, keeping track of where they are, or, investigating fraud.
However the question that comes to mind is how do bitcoins actually work as a currency, or have any value at all. Bitcoins being a fully-digital currency can be exchanged between computers in a worldwide peer-to-peer network, with transactions occurring between users directly, without any intermediary. These transactions are recorded in a decentralised public ledger called Blockchain. This is similar to the ledger the bank has for one's credit card transactions, but in case of Bitcoin, the ledger is not held with a central authority, and instead, thousands of copies of the ledger are distributed all over the network. Each and every part of the network, i.e., a human acting through a computer, can verify the transaction, hence we use the term 'decentralised ledger'. Blockchain transaction due to some error, the transaction can still be verified
through other computers on the network. An additional advantage with blockchain technology is that

it lacks a central point of vulnerability; it does not have a single point of failure. When a transaction is verified by other people on the network, they actually verify the parties involved in the transaction, through an encrypted key. Every party, which is part of the transaction, has a unique key, which is generated by a different algorithm. Hence, when a transaction is verified, the true identity of the parties is never revealed.

All money is stored in a digital wallet. Each digital wallet has a wallet address, which is similar to a bank account number. Blockchain security measures use a unique encryption technology, termed as the so called, 'Public Key' and 'Private Key.' A public key is a long randomly generated string of numbers, which is a users'

number on the blockchain network. Bitcoins sent across a network gets recorded as belonging to that address. On the other hand, a private key is like a password or an ATM pin, which gives its owner an access to the Bitcoin, or other digital assets.

The process, through which new bitcoins are released into circulation, is referred to as Bitcoin mining. It involves solving mathematical algorithms to discover a new block, which are then added to the blockchain; and, receiving rewards in the form of new bitcoins. The difficulty of the mining process increases, as more and more bitcoins are created. The block reward was 50 new bitcoins in 2009; it fell to 12.5 bitcoins in 2017.

Caution: It's just a bubble

A certain section of economists and investors are suspicious of the Bitcoin as a legitimate store of value, referring to it as a kind of 'Ponzi scheme'. Famed investor Warren Buffett thinks that this currency is doomed and "what is going on will come to a bad ending". JP Morgan CEO Jamie Dimon has called it a "fraud". Even Robert Shiller, who won the Nobel Prize in 2013 for assessing asset prices, recently remarked that the value of bitcoin is "exceptionally ambiguous."

Global Reaction to Cryptocurrencies

Gradually, cryptocurrencies are coming under the regulatory purview with Japan becoming the first country to regulate cryptocurrency; China banning the initial coin offering due to various ICO scams around the world; and, other countries like US, UK and Australia working on various formalities. India among others has cautioned its nationals against cryptocurrency calling it a Ponzi scheme. The central bank of Nigeria on similar lines issued a circular to banks and financial institutions requiring them to take assured actions concerning to digital currencies.

India's Take on Cryptocurrencies

is fault-tolerant, which means that if one of the computers that is part of the network, is not able to verify the

In spite of the fact that India plays a very small part in cryptocurrencies with just about 2% of the global cryptocurrency cap, the RBI is continuously warning investors about the potential legal, financial and security related risks involved with this currency. While cryptocurrency has not been declared illegal in India, it is not accepted by RBI or any other authority as a 'currency'. India's stance on cryptocurrencies was made even clearer during the presenting of the Annual Budget by the Finance Minister Arun Jaitley.

Kolonial, a vintage themed pizzeria in Mumbai became the first restaurant in the country to accept bitcoins back in 2013 followed by Suryawanshi restaurant in Bengaluru in 2016 to and this list is expected to witness a growth. However, the recent cautions given by the RBI has left people reluctant whether to accept this currency or not.

Amidst all this there are speculations that government of India might come up with its own cryptocurrency –'Laxmicoin'. Initially propelled in 2012 by Raj Dangi and Mits Daki, Laxmicoin got stuck in an entangling position. It is expected to have a total coin supply of 30 million that will utilize blockchain technology similar to that of bitcoin. While many bitcoin traders have resumed after the

2014 actions by RBI against bitcoin exchanges, owners of Laxmicoin are adamant on putting off their launch until they get an explicit approval and consent from the RBI. An Inter-Disciplinary committee was set up by the government in April 2017 to look into the prevailing structure of the cryptocurrencies in India as well as globally, however its recommendations are yet to be published.

In the event that Laxmicoin achieves the status of legal tender, it could facilitate drastic change in the way financial transactions are conducted in India. However, it is to be scrutinized that at a time when the cryptocurrency is being called a Ponzi scheme, is it a sensible move to introduce our own cryptocurrency? Furthermore, once Laxmicoin comes under the purview of RBI and regulations of government, it is uncertain whether this new digital currency would still be considered a cryptocurrency which is innately a 'regulation and control-free currency'.

Conclusion

With price of Bitcoins on a downward spiral in recent days it is expected that anytime soon, there could be a bubble burst in this market with investors losing out on their money. Moreover, there are risks that this currency could be used for money laundering and secondly, there is the issue of investor's security.

Every decade there are instances when financial markets and the public react brainlessly to fads. Investors go grazing from one place to other following a leader without looking for the grass themselves and the common public follows the trend. This translates the famous Chuck Norris Effect since the legacy of this cryptocurrency is exaggerated much beyond what it actually is, and, thus the people are blindly rushing behind it.


HEALTH

How The Rising Healthcare Expenditure And Outpatients Visits Can Be Reduced By Digital Health Coaching? – An Overview Of Five Best In Class Companies

By Asad Mujtaba
Alumni

Over the last few years, numerous big companies and startups have started providing coaching on health related issues using Apps and Online channels. The coaching is especially beneficial for the people suffering from chronic diseases like Diabetes, Asthma etc because they may need regular feedback, guidance and motivation. However, the other cases like Nutrition, Obesity, Hypertension etc. are also getting popularity. In the following article, I will picture the core issue that governments are facing today in healthcare and how it became an opportunity for m-health companies to enter the market. The use of technology is playing a crucial role in delivering healthcare services today.In the latter part, I am going to provide an overview of some of the popular names in the market which provide m-health Diabetes coaching and lifestyle coaching.

Why is m-health coaching getting popularity?

Core Problem

The healthcare expenditure increasing globally and the number of doctors are limited. In the US itself, the total healthcare expenditure as the percentage of GDP increased from 14.6% of GDP in 2006 to 17.2% of GDP in 2016, according to OECD. Governments in Europe like Germany and Sweden spend 11.3% of GDP and 11% of GDP respectively on healthcare in 2016, while Japan spends 10.9% of GDP in the same year.

Despite the high healthcare expenditure by the government, the number of doctors are limited in most countries. According to OECD, the number of doctors (per thousand inhabitants) in the US and Japan was 2.57 and 2.36 respectively in 2014. On the other hand, the number of visits to doctors are quite high. The number of doctor´s consultation was at least 10 visits per capita in Germany in 2015, while the number is as high as 12.7 visits in Japan in 2014. The higher number of doctors visits also directly affect the waiting period for the doctor´s appointment. According to a study reported by Forbes, the average waiting time to schedule an appointment with a doctor in the US was as high as 24 days. *Opportunity for m-health*

The growing number of doctors visits and average waiting time to consult doctors created an opportunity for several companies to address and the problem. Providing coaching especially for some chronic conditions like Diabetes using technology can substantially reduce the number of doctors visits and reduce the healthcare cost.

In addition, it will also help to monitor the patient´s condition in an efficient way. Most companies in Diabetes coaching business provide necessary tools in the beginning of the program (Like Blood Glucose (BG) meter, test strips, lancets and lancing machine) along with coach support with response time within 24 hours. The role of the coach is to answer patient´s queries as well as provide guidance (excluding medication) and motivate him/her to manage their Diabetes. Some companies (Like One Drop) also provide structured curriculum, while companies like Virta Health also involve regular interaction with their Physician.

On the other hand, the non-chronic cases like Nutrition, Obesity etc do not usually get 24/7 support. Most companies (Like OurPath, Noom, Omada, Lark etc.) provide structured programs, which could range from 6 weeks to 16 weeks. After the completion of core programs, the users can opt for sustain programs and utilize the tools and resources. The structured programs are sometimes also delivered via In-App chat groups (Like OurPath, Omada etc). The user may also get tools like activity tracker, weighing scale etc as a starter kit for the program. The groups consist of identical members ranging from 10-30 people including the coach. The group members interact with each other as well as with the coach. The coach set the goals for group members and they can see each other´s progress (Like % of weight loss, activity etc). The structured program includes daily/weekly educational content, goals, challenges etc.

The Business Model m-health companies

The business model can differ from company to company, but most of the companies target both B2B and B2C customers. The users have the option to directly enrolled in the program (or premium/Pro subscriptions) or enroll through his employer or healthcare provider. Once the user is enrolled in the program, he/she is contacted by the coaching team to get an overview of the program/subscription.

Popular coaching companies

There are numerous companies across the globe providing M-Health coaching services. However, in the following section, I am going to provide an overview of some of the best in class examples for Diabetes and Lifestyle health coaching.

1.One Drop

Core focus area: Diabetes

Starter Kit: Bluetooth blood glucose meter, lancing device, carry case, test strips and lancets

Price:

Premium subscription $44.95/M (Unlimited strips + Coaching+ Starter Kit)

Structured programs: $39.95 - $49.95 (One time)

Coaching Overview:

One Drop is a US-based organization, provide both B2B and B2C options to the consumer. The company assiststhe patients to track and manage their Diabetes. There are multiple subscription options available to the user including 8-10 weeks structured programs. The structured programs namely, Overcoming Diabetes Burnout (10 weeks)

Expert on Track (9 weeks) and Advance

Carb Counting (8 weeks) primarily educate users to understand the fundamentals of carb counting and motivate them to set their own goals to overcome the serious chronic condition. The users can also opt for Expert on Call for ongoing coach support with a monthly subscription.
In addition, the company provides limited or unlimited test strips subscriptions (from 50 test strips/month to unlimited test strips/month).The premium bundle includes unlimited test strips and a starter kit along with coach support. The company claims to respond users queries within 24 hours. The user interacts with the Certified Diabetes Educators (CDE) mostly via in-app chat and regularly upload his/her BG levels and other activities using App.
Distinctive features:
8-10 weeks structured programs.
Multiple subscription options for users.
Outcome:
According to One Drop
The users were able to reduce their A1C levels by 1% within 2 months of using their App.
The average BG levels of users reduced from 185 mg/dL to 158 mg/dL within 4 weeks.

2. Livongo
Core focus area: Diabetes
Starter Kit: A Guide, Livongo Meter with charger, strips, and a lancing device with lancets and case.
Price: $65/M (Minimum 3 months commitment) for B2C. Customized pricing for B2B clients.
Coaching Overview:
Livongo primarily focuses on B2B clients (employers and healthcare providers) for Diabetes population. However, recently introduced ´Family Care Plan´ for targeting B2C customers. Once the user is enrolled with Livongo, he/she receive a starter kit which also includes an advanced BG meter. The Livongo BG meter is an advanced interactive touchscreen meter where the user can also get notifications and algorithm based recommendations. It also downloads the software and updates the latest features.
In case of any query, the user can connect to the coach or request for a coaching session. On the other hand, if the BG levels go beyond the critical levels, Livongo´s Diabetes Response Team connect to the user. The user has the option to set the critical limits and mode of communication (Email, phone etc) with the coach according to his convenience. In addition, the user can also opt to notify his/her family or friends if BG levels go beyond critical limits. Coaching and educational content delivered via Online, App, email, calls, chat, phone, videos, blogs, webinars. The coach to user ratio is approximately 1:5600.
Distinctive features:
Advance Livongo Meter
24/7 data monitoring and support by Livongo´s response team
Option to notify family and friends
Outcome:
Reduce medical spending by 5.3% in one year,
$83 savings per patient and reduction of around 7% Hba1C in 2 years

3. Virta Health
Core focus area: Type 2 Diabetes
Starter Kit: Guide, Biomarker tracking tool
Price: $400/M for B2C. Customized pricing for B2B clients.
Coaching Overview:
Recently started Virta Health mainly targets employers, health insurers or health groups to acquire new users. The users sometimes also referred .
by physicians. Virta health claims to reverse the T2 Diabetes by reducing medication and bringing down the BG levels (and A1c).
The coaching is delivered through App, phone, online and even video calling. The coaching team consists of Certified Diabetes Educators (CDE)

and a qualified physician. The role of the coach is to answer user´s queries as well as to motivate and encourage them for a healthy lifestyle. On the other hand, physician reviews the user´s progress and recommend medications accordingly. The Virta physician does not replace the primary healthcare providers of the patient but work with At least 87% of its users either reduced or eliminated the insulin.

More than 56% of the users has reduced their HBA1C levels below the Diabetic limits.

In 6 months, users lost at least 12% of weight.

4. OurPath

Core focus area: Type 2 Diabetes, Obesity, Nutrition, Activity and Wellbeing

Starter Kit: Wireless Scale, Activity Tracker, Guide

Price: £60/M for 6-weeks core program.£10/M for ongoing sustain program.

Coaching Overview:

OurPath is a UK based startup provide nutritional and lifestyle coaching through a 6-weeks structured program. Patients are referred by the doctors to the program by sharing basic contact details with OurPath team. OurPath team then reach out to the the prospective users for program enrollment. The program is delivered via in-app chat group of 10 people and a coach. The groups of identical users are assigned based on their dietary preferences, allergies etc. The coach set goals and challenges and provide regular feedback to the group members. The group members can also interact with each other, read daily articles and educational content and follow weekly goals. The data is uploaded automatically using 3G enabled wireless scale and activity tracker.

After the completion of the core 6-weeks program, the user has the option to continue with a less intensive sustain program. In sustain program, users have access to resources, they receive ongoing support, weekly lessons etc. The program participants are motivated to continue following healthy lifestyle learned in core program and set their own goals.

Distinctive features:

Short 6-weeksstructured program followed by an ongoing sustain program

Outcome:

OurPath claims:

Over the 6-weeks program, participants lose average 5.3 kg of weight and around 8.2% weight loss in 6 months

Risk of developing certain diseases reduced by 50% and activity levels increased by 22%

5. Lark

Core focus area: Diabetes, Obesity, Wellness, Hypertension *Starter Kit (Optional)*: Wireless Scale, Fitbit wristband, App, BG meter, Blood pressure meter

Price: €22/M for pro subscription for B2C

Coaching Overview:

Lark offer B2B and B2C coaching for weight loss, Diabetes management and Hypertension. The user interact with an Artificial Intelligence (AI) based coach using his/her App. There is absolutely no human point of interaction for coaching. The usual coaching session is similar to a WhatsApp chat where the user send and receive messages.

The Pro membership, user can be enrolled in a 16 week structured program. The data can be logged manually (Like meals, exercise, activities etc) or automatically tracked with the phone censors (Like Sleep, steps etc). The user get the customized recommendations based on their data inputs. Lark is a CDC Recognized National Diabetes Prevention Program Provider (DPP).

Since the coaching is delivered through AI coach, the program is very cost effective as well as capable of targeting larger audience. The user can open the Lark App anytime and start chatting with AI coach. At the critical times, Lark coach also them. The user gets educational content, interactive video guides, goals & challenges and the access to the peer community via App recommend the user to their clinical staff.

Distinctive features:

Artificial intelligence (AI) based chatting without human interaction.

Outcome:

Virta Health claims that

Distinctive features:

Artificial intelligence (AI) based chatting without human interaction.

Outcome:

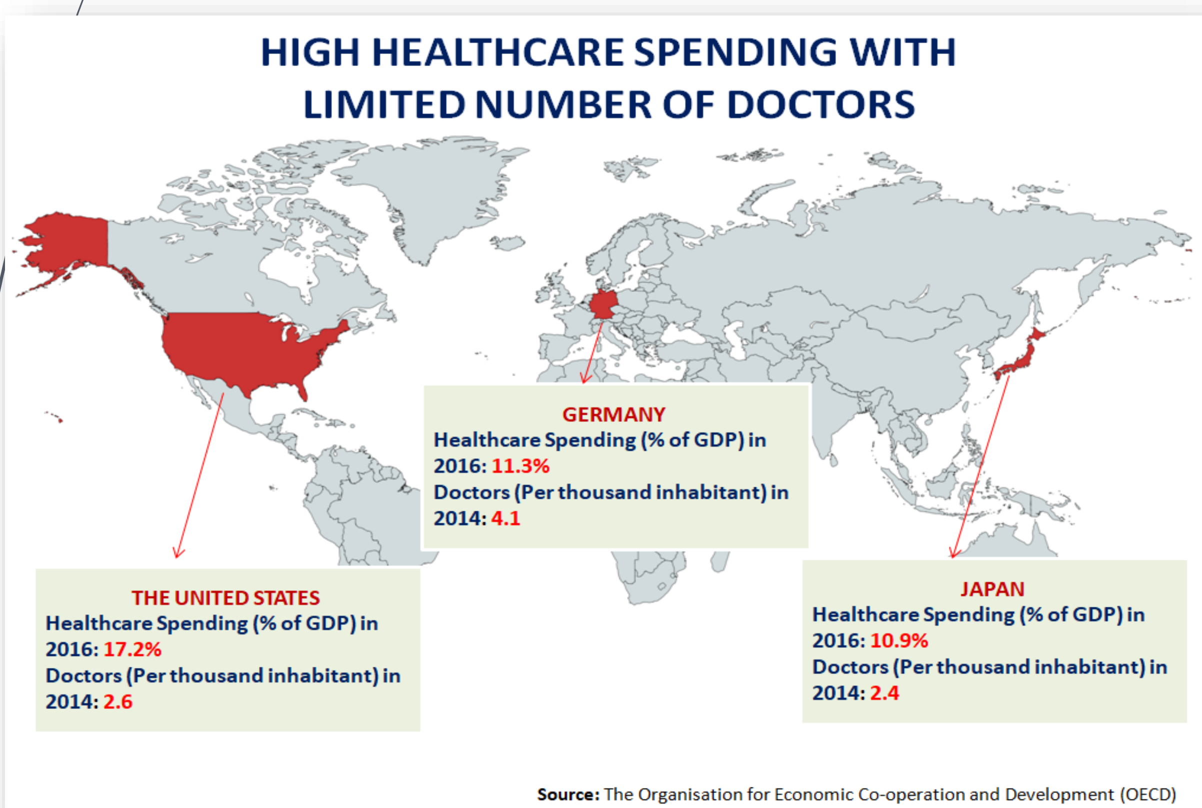
Lark claims:

As compared to the phone counselling, the health plan are seeing more than 80% of operational and and medical expenditure saving using AI based coaching

80% user satisfaction

86% savings for its partners

There are numerous companies around the globe providing coaching for different cases. I have just picked some of the well-known names as an example. However, the key question is to find out how successful are these companies to reduce the outpatient visits and healthcare costs of users, healthcare providers, employers or the governments? Most companies claim significant outcomes of their program participants, but do they cover the bigger part of the population which do not have access to their programs? Secondly, how much potential of digital health coaching market holds today? Since the coaching through digital means is an evolving concept, it is hard to simply address these questions. However, I will be happy to learn your point of view about this topic and I also request you to please comment and share this article.




TECHNOLOGY
AND
ECONOMICS

Artificial Intelligence- A Step In The Right Direction

By Sana Javed
M.A. Economics(Final Year)

Everyone knows that the era of Artificial intelligence (AI) has arrived. Recent rapid advancements in AI have created ardent interest all over the world. Basically, what is AI? The father of artificial intelligence John McCarthy has defined AI as "the science and engineering of making intelligent machines especially intelligent computer programs." AI develops machines with human-like intelligence, i.e., it processes information and produces output similar to how humans behave, comprehend and solve problems.

AI using a data-driven algorithm creates a possibility to develop machines that can adapt accordingly. Let us take an example to explain this statement, when a user visits a website more than once, a network of AI algorithms will work in the background based on user's online behavior. It will process the data, make an intelligent guess, and display an advertisement that can retain user's attention. Thus, AI is the technology that will allow businesses to be informed about client's needs even before they want it. AI is a great achievement which can improve productivity by the copious amount and merits the necessity of its mention these days. Importance of AI cannot be ignored. Artificial Intelligence can be used to transform our economy. It impacts us in our day-to-day activities and decision-making. Voice-activated assistants in tablets, smart phones and computer's (like Amazon's Alexa) use AI to complete assigned tasks by hearing user's voice command. AI is also used to build highly sophisticated tech tools like Google's AlphaGo, IBM Watson and Arria NLG (Natural Language Generator).Arria NLG can act as an analyst and writer, it can crunch millions of data points per second, process and analyze data to generate easy to read reports much faster than human brain. Thus, it allows individuals time to imagine, innovate and perform high-value tasks. These are just the tips of the iceberg that we see. Artificial intelligence also helps business and society at large. According to various studies and researches, new AI technologies will fuel global economic growth as productivity and consumption increases shortly. The future looks bright with AI just scratching the surface from developing efficient power transformers, smarter advanced supply chains, fully automatic transportation systems to solving world problems of health and food shortage.

AI has unparalleled potential. AI is expected in the coming times to help improve and perform tasks more efficiently and accurately which will save society's cost, money and time. It will enable colossal production and labor productivity, deliver uninterrupted services to individuals in the country
and optimize the resources available to the generation.
This will help in the overall economic development and serve its social, political, financial and other needs.
One question that is necessary to address now is whether Artificial Intelligence has the ability to boost economic growth? The answer to it is a big Yes. Artificial Intelligence has the potential to compel and enhance economic growth. The combination of man and machine can be used to solve the difficult problems of an economy. Global tech major Accenture calls artificial intelligence as another new and important factor of production both for now and future. One can merely infer from it that AI will help in increasing labor and capital productivity as these are major factors of production and AI investment will accelerate them. So, AI can help in developing new sources of growth. Hence, AI helps in expanding the role of people, entrepreneurs, government, and organizations crediting them to experiment, innovate and devise various means to propel growth in business and economy as a whole. It explains three ways by which India can increase its economic growth through artificial intelligence. Firstly, it can be done by enhancing intelligent automation and augmenting complex mundane human tasks that can be taken over by AI. Secondly, by empowering current workforce with new skills and knowledge to cope and help in the advancement of AI. Thirdly, by building AI innovation that can be used for structural economic transformation which can result in the development of the overall economy. Mark Purdy the MD and Chief Economist of Accenture Research has emphasized on the importance of AI and how "AI can have a pervasive impact on business profits because it affects nearly every part of the organization from production, to sales, to innovation."
The idea is by taking up routine work by AI; the employees can focus their concentration on doing a high-value work that is creative, productive and cannot be performed by machines.
A research was conducted by Accenture and Frontier economics that estimated the economic impact of Artificial intelligence on various important economies of the world .2035 was used as the target year to absorb new technological impact. The study was segregated into two outlines- one was the baseline scenario that gave annual estimated economic growth rate for future under current assumptions, and the other was AI scenario which showed expected economic growth once AI effect has been added to the economy. The results were published in a report titled "Rewire for Growth" which was published in 2017.Some of the main findings of the report are explained below using figures 1 and 2.

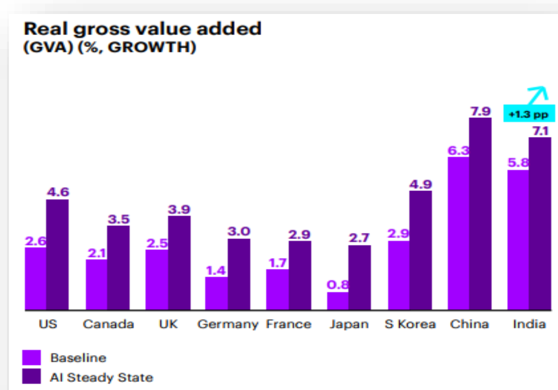


Figure 1: Economic impact of Artificial intelligence on various economies *(Source: Rewire for growth report, 2017)*

Here, Figure 1 shows if AI is taken into consideration, the real GVA of various significant economies of the world has a higher growth percent than baseline scenario. We can also see that India and China are expected to benefit most in 2035.
Examining the case of India further, Figure 2 shown below explains how with AI absorbed in the
economy, India's GVA will accelerate the economic growth by 7957 billion US dollars, adding 1.3 percent per year to its growth thereby raising national income by 15 percent in 2035. The size of the Indian economy in 2035 is estimated to be 6,397 billion US dollars if we don't take AI. However, including artificial intelligence as a factor, it is expected to raise India's size to
.355 billion US dollar. The figure also shows the breakup of 957 billion US dollar as artificial intelligence is categorized into intelligent automation, augmentation and Total Factor Productivity that will contribute 83,597,277 billion US dollars to India's economic growth.

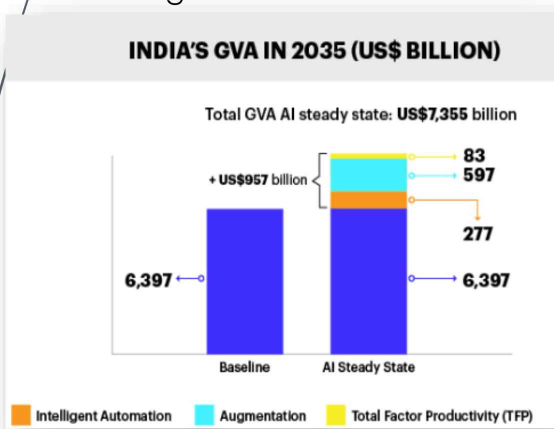


Figure 2: Gross Value Added of India in 2035 without and with AI.
(Source: Rewire for Growth, Accenture, 2017)

Indian firms are trying to increase its ways to harness AI so that it will transform their businesses.We have started using AI in various sectors like health, education, finance, automobile, and retail. Take, for instance, Manipal Hospitals in Bengaluru.It uses IBM Watson for Oncology which is an AI backed digital intelligence and a cognitive-computing development platform to help doctors identify personalized cancer care options across the country, providing better diagnostic and patient experience. Currently, Indian Railway and RailTech are working with ISRO to build safety mechanisms, using AI and machine learning to make train travel safer. Thus, this shows how artificial intelligence is helping Indian economy.
Looking at global trends, large businesses and digital platform will play a key role in innovating and unlocking the economic value of AI. Realising AI's potential there is a need to set up a clear national Artificial Intelligence-based development plan for India's economy similar to what other countries are doing, educate people about AI and its growing importance and enhance research in this area.
One crucial step in the right direction has been taken by Nirmala Sitharaman who was Commerce Minister at that time. She formed an 18 member Artificial Intelligence Task Force on 25 August 2017.
Major gaols of this task force committee are to accelerate and enable economic agenda of development using AI in the fields of national security, IT and provide more tech-enabled utility facilities to citizens.
Hence, there is a need to make most of this AI opportunity . AI is the right step in the right direction.

POVERTY

How Noise Can Change The World

By Tabassum Ansari
M.A Economics(First Year)

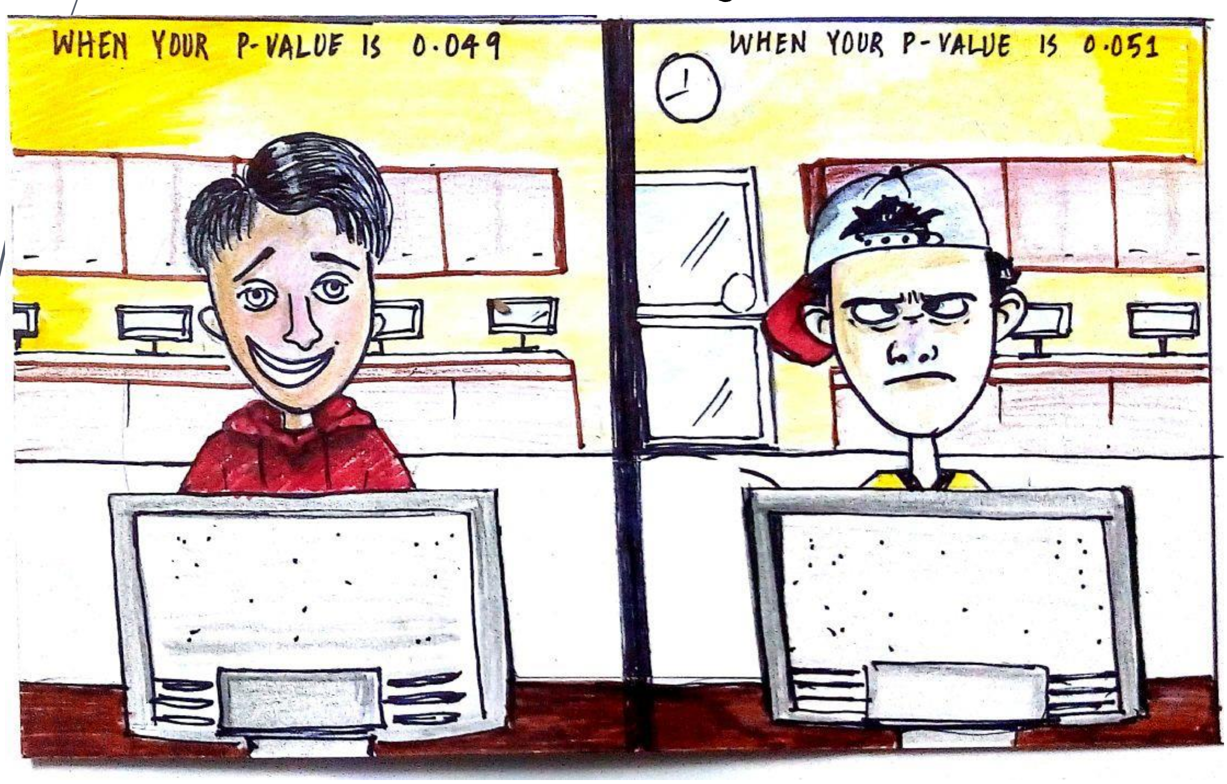
"Noise" I am talking here about Global poverty project. The main aim of GPP is to reduce poverty by 2030 by the collective action of global citizen across the world. Noise here refers to global citizen festival in which people and leaders take challenges working together to attain a specific outcome. This noise influence world leaders and decision makers. Last global citizen festival was held in Mumbai in 2016. Many commitments took place and works are going on. Approximately $35 billion commitment made, 13 billion lives set to be affected. Commitment related to sanitation, education and women development. Commitments made to reduce food and hunger because only well-fed people create stable communities, perform better in school and took advantages of opportunities to end extreme poverty. The world has more than enough food for everyone; it is time to make sure everyone get enough to thrive.

People took action and won the tickets to the festival. One of campaign "live below poverty line" that took place in Australia. It was about just to spent $2 on a day to feel about poverty. Privileged people took a challenge to spend a $ 2 on a day equivalent to the international poverty line and use experience and challenge to raise awareness and funds for the crucial anti-poverty campaign. I do not doubt the sincerity of people who took the challenge but how just to spend a $2 give a feel of poverty? For people who live below poverty line ,$ 2 contains not only cost the of food but also cost of education, health, rent. How privileged people feel poverty when they know that after a week you will again enjoy a luxuries life? Problem-related to health, unable to afford doctor or medicines, how this situation be felt by privileged people. Poverty is not only related to basic needs that are education, hunger or thirst, it is more related to inequality, discrimination, and exclusion. Poverty is not a fun that people took it as a challenge but it is a lack of resources, depression, violence and suffering every day. Can this situation be experienced by privileged people?

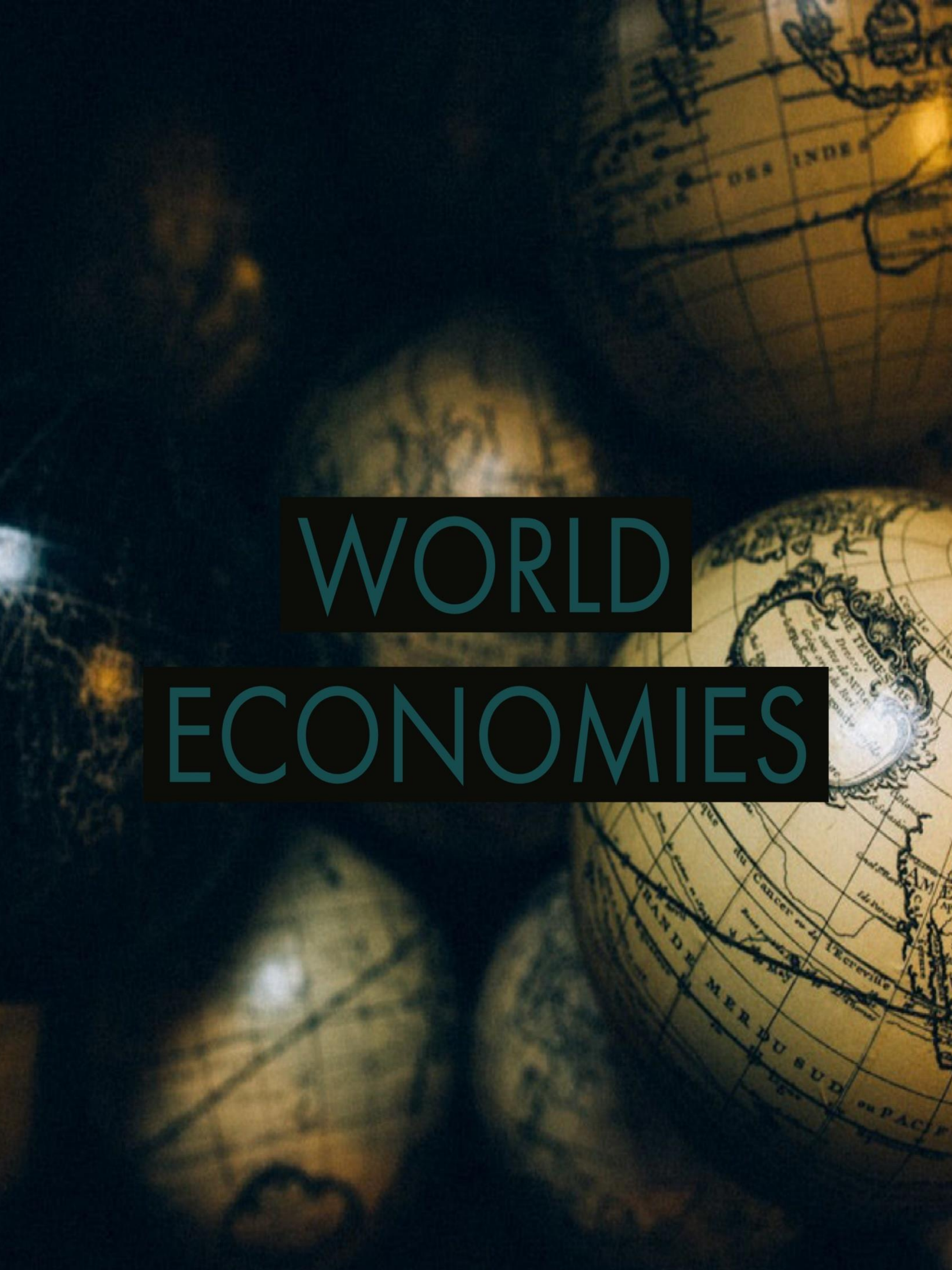
Poverty has a very deep meaning and is an ongoing process. There are many problems related to sanitation, standing in a queue for water and fight under poverty. If someone really wants to feel poverty, why not sleep under a bridge, outside the house in cold weather, that is what really challengeable

GPP is a very good project to eradicate poverty and take commitments. By some good commitments, and collective actions we can reduce poverty. Hope to see a better world by 2030.

By Yusra Zainab



WORLD ECONOMIES



The Venezuelan Crisis And The Rise Of Crypto Currency

By Ritwika Patgiri
M.A Economics(First Year)

Venezuela, the Latin American nation is in the midst of an economic crisis since 2012, lasting from Hugo Chavez's tenure and continuing till date. This is contrary to the illusion that this country, once one of the wealthiest nations in the world with more oil reserves than anywhere else in the world should be instead brimming with riches. Yet, considered to be one of the worst crises in the history of Venezuela's political fluctuations, the present scenario in Caracas is overwhelmingly turning violent. Problems include hyperinflation, economic war, food shortages, falling oil output, ever growing public debt, deteriorating health assistance, social tensions, political turmoil, a rise in poverty and crimes with murder rate being as high as 90 per 100,000 people according to the Observatory of Venezuelan Violence.

So what exactly went wrong with Venezuela?

The crisis in Venezuela is slowly moving from catastrophic to unfathomably disastrous. Inspired from 19th century revolutionist Simon Bolivar, Hugo Chavez with his anti-corruption and pro-employment rhetoric, served as the President of Venezuela from 1999 to 2013, until his death, trying to unite the left leaning Latin American countries. Policies like redistribution of wealth, land reforms, democratization of economic activities and creation of worker owned co-operatives formed the crux of Chavez's reign. Giving power to the people and ending corruption, as Chavez claimed, would mark the dawn of a new Venezuela. Once in power, Chavez- starting an authoritarian reign changed the laws according to his benefit, consolidating his power further.

He laid a war against the private sector and nationalized private companies and industries, further displaying his socialist propaganda. Starting off as a moderate in the initial years of his presidency, Chavez kept his economics clear- during the years when oil prices were high; the country relied on oil revenues and imported most of its food. The problems started only when oil prices started declining taking down the nation's economy as a whole, a classic case of what is termed as "Dutch Disease" in Economic terminology. Chavez created the Bolivarian Missions, that continues even today, providing aid for social justice, social welfare, anti-poverty, educational and military recruiting to the down-trodden masses. According to experts, however, "aid was disbursed to *some* of the poor, and more gravely, in a way that ended up helping the president and his allies and cronies more than anyone else". But the infant mortality rate did go down to 5.9% between 1999 and 2013, the Gini Coefficient fell from 47.8 in 1999 to 44.8 in 2006, poverty fell from 49.4% in 1999 to 30.2% in 2006 and extreme poverty went down from 21.7% to 9.9% in the same period. There has been a considerable drop in malnutrition, from 21% in 1998 to 6% in 2007, and an increase in average daily consumption from 2,200 calories in 1998 to more than 2,700 calories in 2008.The Bolivarian Mission cannot be, therefore, termed as an epic failure. But it is neither a story of success. Unsustainable funding, the

the global oil collapse of 2015 and falling governmental revenue laid the final nail in the coffin. Chavez's mistakes regarding oil policies continue to haunt Venezuela, even in today's Maduro reign, escalating to the worst form of socio-economic crisis with consumer prices rising as much as 800%, 75% of the population had lost an average of 8.7 kg in weight due to malnutrition and the country's economy has collapsed by 18.6%. Growing reliance on oil exports and the nationalization debate going to the right winged way, Maduro's government has lost both its legitimacy as well as many supporters of Chavez.

Nicolas Maduro, once a vehement supporter of Chavez, has ruled Venezuela by decree since November, 2013 with political unrest and riots escalating on a daily basis since 2014 due to large shortages of food and goods, with a powerful influence of the black market and his continuation of the failing economic policies of Chavez. President Maduro has time and again blamed capitalism for speculation and hoarding by pro-opposition businessmen that is driving high rates of inflation and creating widespread shortages of staples, and often claimed that he was fighting an "economic war", calling newly enacted economic measures "economic offensives". The Venezuelan currency, as a result, has become obsolete.

Venezuela has defaulted on some of its debt. And the cash-strapped country owes plenty more. When oil prices collapsed in 2014, the debts mounted, making the situation far unimaginable. Between 2005 and 2006, Venezuela's foreign debt jumped from US$25 billion to $120 billion. The International Monetary Fund has estimated inflation will reach 2068.5% by 2018, and if that's not enough, Venezuela has about $60 billion in outstanding bonds. That includes debt issued by the Venezuelan government as well as bonds issued by companies such as the state oil company. But that is not all Venezuela owes. Its total external debt, which also includes loans from countries like Russia and China, is thought to be as much as $140 billion. Maduro's leftist government has cut food and medicine imports by more than 70 per cent since 2013 to preserve limited resources for debt payments. Venezuela's transportation and industrial sector have been badly hit by the economic crisis. Several foreign automotive manufacturers, including General Motors, have left the country. Airlines have stopped flying to and from Venezuela.

A mass civil unrest is drowning Venezuela and the country is still struggling with nearly two decades of socialist rule, forcing many Venezuelans to flee the country, driving them into desperation and civil war. Once a formidable opponent, the government is now without any rivals with the announcement that the boycotted political parties of the recent election would no longer be a part of the political landscape of the country. The President continues his fanatics and in a recent televised announcement he claimed that "The 21st Century has arrived!"

What he meant was the new crypto-currency- the Petro that would take over the now useless Venezuelan bolivar and allow Venezuela "to advance in issues of monetary sovereignty, to make financial transactions and overcome the financial blockade". How far will this new oil, gold, diamond and gas reserves of Venezuela backed crypto currency going to work?

The US and the European Union sanctions on Venezuela remains the biggest hurdle for its economy. The Petro could circumvent the US-led financial sanctions and the convertibility of the crypto currency will lead to a progressive opening up of the currency exchange market. Crypto currencies are unique in a way with no direct intervention by any states, authorities, institutions or banks. Nor are they backed by gold or other physical assets. The crypto currency is also unique as the only virtual currency in circulation today that is backed by natural resources.

However, since the Petro was floated by Venezuela, it's likely to encounter a politically-motivated backlash. The currency may also become the target of hacking attempts, though tracking crypto currency transactions is not easy, which is one of the advantages of the so-called block chain system.

LET'S GET OUR FACTS RIGHT...

Cuba has the highest level of spending on education 13.3% of GDP. Equatorial Guinea is the lowest at 0.6%.

Reviving Rwanda

By Navita Sharma
M.A. Economics(Final Year)

When asked to come up with a nation that has the highest women's participation in the Parliament most people would respond with a Scandinavian country, or one of the leading industrial countries such as France or United States of America. But neither of these fit the bill.

It is Rwanda that has the highest number of Women parliamentarians in the world. As of 2017, the Rwandan parliament had 49 out of 80 women parliamentarians in the lower house and 10 out of 26 in the Upper house of the parliament. In terms of gender equality in the Parliament it is closely followed by Bolivia, Cuba and then Iceland.

Rwanda is a small landlocked country in the sub-Saharan Africa lying to the south of the equator and remains one of the best performing countries in the region. Despite setbacks in terms of a high inflation (7.2%) and widening current account deficit, the outlook for Rwanda remains positive. It has a GNI per capita of $1870 (PPP terms) and an economic growth rate that fluctuates around 6%, much like most emerging economies and even peaked at 11% in 2008. The country has done a commendable job in improving its circumstances, especially improving ease of doing business, entrepreneurial opportunities, inviting investment and poverty reduction *relative* to the African region.

However, the path to growth has not been easy for Rwanda.

Ethnically, it can be divided into the Hutus (that have a clear majority), the Tutsis, and the Twa. In the pre colonial period, Rwanda was primarily an agricultural economy, based on a system of Barter Exchange and ruled over by Tutsi Kings. In 1884, Germany colonised the Rwanda and it became a part of the German East Africa. Post World War I, the country went from being a part of the German East Africa to the Belgians in 1916 and it wasn't until 1961 that Rwanda became a republic.

republic.

Although these tribes shared a common culture the Hutus and Tutsis did not see eye to eye. Moreover, while they ruled, the Belgians favoured the minority Tutsis and gave them positions of administrative importance which did not sit well with the Hutus. Even as the Belgians left, the hatred that had been ignited continued to simmer. In 1959, a Hutu led government was established and thousands of Tutsis were forced to flee the country following an ethnic violence. This continued for 30 years but the worst was yet to come.

Following international pressures on the Hutu led government; President Juvénal Habyarimana was to sign Arusha accords that would enable a power sharing form of government with the Rwandan Patriotic Front (RPF), an outfit which mainly consisted of Tutsis that were forced to flee the country post 1959. On 6th April 1994, an airplane that had Juvénal Habyarimana and Burundi's president, Cyprien Ntaryamira as passengers was shot down at Kigali, the Rwandan capital. The assassination proved to be incendiary and what ensued remains one of the worst genocides in the history of Africa and the world. The suspects were the Rwandan Patriotic front, and the extremist Hutus launched a killing spree against the Tutsis, moderate Hutus and the Twa. In 100 days between April and July, an estimated 500000 to 1.3 million Tutsis and moderate Hutus were slaughtered and it wasn't until the Paul Kagame led RPF army took control of the country that it came to a halt. Several extremist Hutus fled to Zaire or the Democratic Republic of Congo as it is now called. In the years to come Rwanda struggled with corruption, poor infrastructure, an economy that was brought to standstill, mistrust, extremists that had fled and their trials.

The aftermath of the genocide was that the population that survived the unspeakable was 70% female. It was left for women to pick up the pieces, bury the dead, take decisions (financial and otherwise) as the head of the families and repair the nation. In 2003, the constitution of Rwanda provided that 30% of seats be reserved for women. Rwanda has obviously surpassed its minimum requirement. Research shows that increased women's participation in conventionally male dominated institutions fortifies women empowerment, improves decision making and brings issues such as gender based violence, property rights, HIV/AIDS to light. Indicators on child and maternal health show improvement in vaccination, maternal mortality rate, infant mortality rate, and the percentage of children that are stunted or malnourished (Although they cannot be strictly related to increased women parliamentarians and depend on a lot of other factors). Unemployment amongst women albeit a high percentage (17.5%) has decreased as compared to previous years.

But in Rwanda, not downsizing the importance or the role of women parliamentarians, it is argued that while an increase in women's participation helps in raising women's issues more frequently, it does not alter policy outcomes and if it does, then a legislation is more likely to be adopted if it is consistent with the RPF, the major political party since the genocide. Moreover, the number of women in positions such as a government minister, doctors, or head of an educational institution is significantly lower than the number of men.

Paul Kagame, the leader of Rwandan patriotic front, became the vice president in 2000 and was elected as the president in 2003. A referendum took place that allowed changes in the constitution so that Kagame could stand for a third term. On 5th August 2017 he was elected for a third term after getting 98% votes. Critics and opponents criticize that this is obviously not democratic and that elections were rigged. The government is criticized for its clamp down on the media, and those who speak against the government.

Those familiar with readings of development economics know that democracy is neither a necessary nor a sufficient condition for growth. The examples of China and African countries show this. Neither democracy nor an authoritarian regime by itself can cause or stifle growth.

Despite reduction in poverty from 57% in 2005 to 39% in 2014, 63% of the population still lives below the poverty line as described by the World Bank's $1.25 a day. 70% of the population depends on Agriculture while it contributes only 30% to the GDP.

Small land size and resulting low productivity, dependence on rainfall remain a problem. Although it is a major exporter of Coffee and tea, food production is often unable to keep up with its population which calls for food imports. Manufacturing sector is abysmally small. The country's efforts in garnering investment and promoting tourism are applauded, but a greater number of job creation, improvements in health, education, housing, access to water, and sanitation are the top most priority. This is only the beginning for Rwanda and it has a long way to go.

•Fiji is the only country other than India with Hindi as an official language.

•El Salvador becomes first country to ban metals mining.

•India ranks 143rd in the Index of Economic Freedom. The top 5 nations are: Hong Kong, Singapore, New Zealand, Switzerland and Australia.

China's New Weapon: OBOR

By Syed Mohd. Hammad
B.A. Economics (Third Year)

The dragon it expanded its wing came up with another weapon, here the dragon is the china and the weapon the OBOR (ONE ROAD ONE BELT), Chinese president introduced its zealous foreign policy and economic initiative to the world in the end of 2013 to connect the world. It is the new Silk Road Economic Belt and Maritime Silk Road which is collectively One Belt One Road (OBOR).

One Belt One Road (OBOR) is one of the largest development plans in the modern history. But is this initiative really for the development and linking of world or a step by china to dominate the world? Whether India will enjoy benefits after joining it or not and would the existing great economic powers support china it's initiative is the question. Let's discuss the initiative in detail.

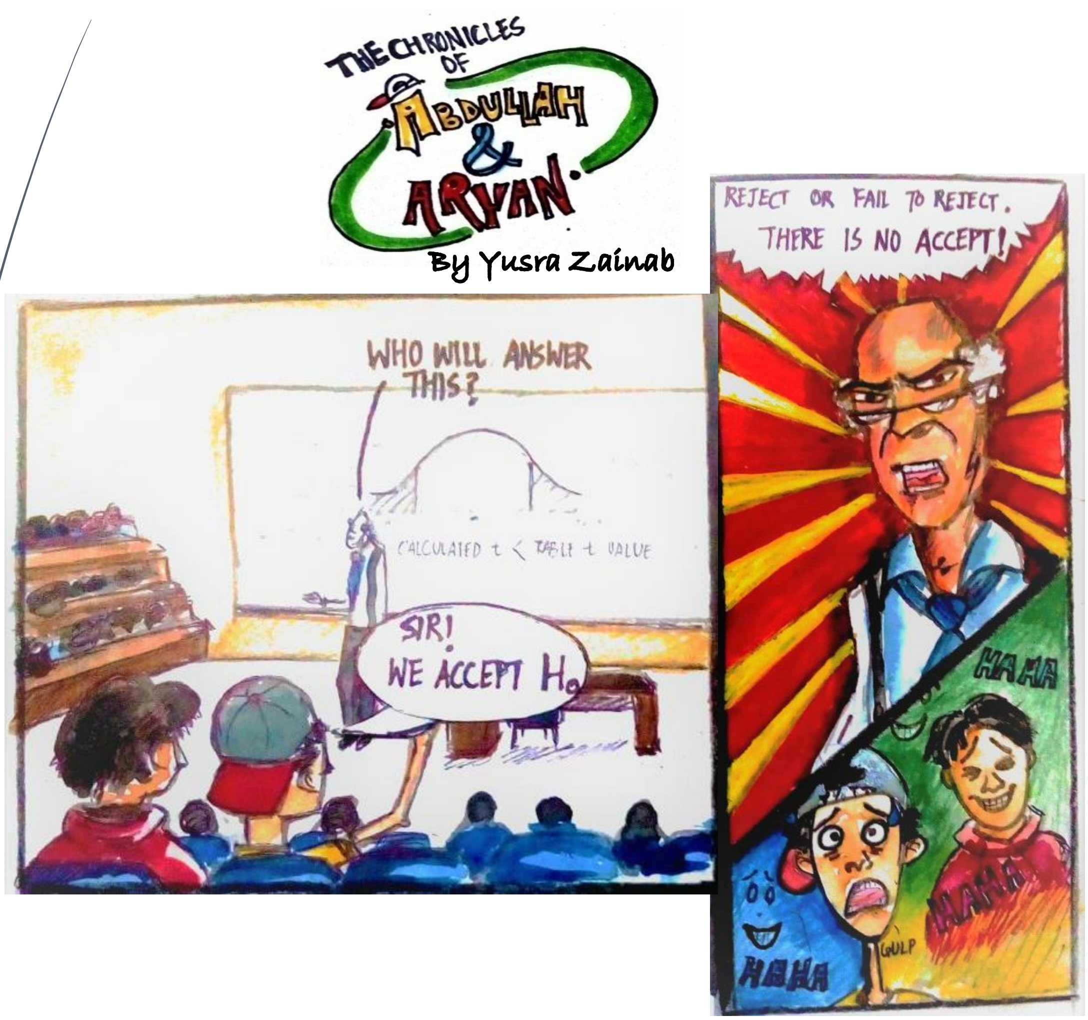
" ONE BELT ONE ROAD" or OBOR

It is a development strategy to connect china with the central Asia, Europe and Indo-Pacific countries which has two main components , "The belt" i.e. "One Belt" which is the land based SILK ECONOMIC BELT, where Beijing targets to connect the underdeveloped remote areas of the country to the European countries through central Asia. Another component is the "One Road" referred to "Maritime Silk Road". It connects the South Asian Region to china's southern provinces through ports and railways.

The plan is to connect the Pacific Ocean to the Indian Ocean. This will connect Chinese coastline with the SE Asia, South Asia, Gulf and East coast of Africa, encompassing 60 countries, and is also open to all countries as well as international and regional organizations for cooperation china commits to build hard and soft maritime infrastructure which will

include custom co-ordination, formation of special economic zones, new ports, e-commerce, trade Liberalization and policy coordination.
OBOR covers countries throughout the Asian continent from china to the rest of the Eurasia. The geographical
stretch makes identical to the Ancient Silk route, a network of trade routes connecting the east and west around 12 BCE to1450s CE, this is why OBOR is called the " New Silk Road" initiative.
China is no doubt is one of the fastest growing economy in the world but what tempted China to introduce this new economic initiative to the world, does China wants to show to the world how much big hearted they are and how do much they love this world and care about development of all other countries , no country will iinvest millions of dollars just for the sake of development of other countries unless it reaps return from it, same is with the China's OBOR, the project is multi prolonged and will serve economic , diplomatic and strategic purposes of China.
It will address its domestic needs; the demand for industrial output will increase and will build china's soft power ; it is China's Marshall Plan. This initiative will make Indo-Pacific region Sino-centric region.
US propagates that rising china is a threat to world peace but by OBOR China is trying to convinces that it is a win-win situation for all, but OBOR is a unilateral ideational of China which lacks transparency. India is against the OBOR because of the maritime Silk road will facilitate People's liberation Army Navy deployment in the Indian Ocean and this will hurt India. There is already a dispute going over the South China Sea.
Through OBOR, China is countering the strategies of India in North East region part of which is claimed by china as its own territory. Another big reason why India is against this initiative is the $ 46 billion China-Pakistan Economic corridor which passes through the Indian Territory (POK) and is against the sovereignty and economic interest of India. China signed 51 MOU's with Pakistan and this initiative will promote the growth in Pakistan. CPEC will increase the Chinese presence in Pakistan including the POK and will make it more powerful. With CPEC, China will get access to the Arabian Sea which would enable it to wield much more power in the Indian Ocean. All this is going against India as all the neighboring countries of India have joined OROB china and are investing millions of dollars in all them. Why? So as to leave India isolated in this region. Proof is the recent Doklam issue or the recent objection and opposition by China on Vietnam's invitation to India to invest in Oil and natural gas sector in disputed South China Sea. Everyone is aware how Mr. Trump have stopped all the aid to Pakistan and claimed that till now Pakistan has done nothing against terrorism rather is has always supported them, hina immediately came to Pakistan's rescue and gave counter arguments and also allowed the use of china's Yen in the CPEC corridor, what does all this indicate, clearly that china and Pakistan are becoming one block against India. But is it so easy to control a tiger? No!

India has started initiatives connecting itself with other countries which includes Project Mausam which is a soft power diplomacy by India it will reconnect countries of Indian Ocean, Chabahar port gives India access to Iran but also to Afghanistan, central Asia and Europe bypassing Pakistan , 7200 km International North South Transport Corridor has been initiated by India, SagarMala is a port based development project which focuses on infrastructure and connectivity, India is also developing naval ports in India Ocean regions , Indian Ocean Rim Association group was formed its first summit took place in 2017, India is forming alliances with some major countries including Japan which has also opposed OBOR , Japan has agreed to promote India's "Act East " policy both can build rail and road connectivity across Eurasia running parallel to OBOR. If India's political and strategic concerns are met than it will be Viable for India to join OBOR, all its neighbors except Bhutan has joined the initiative, India too can reap benefits from this initiative but India's stimulated bilateral relation with China, deep mistrust and China's intention to dominate the south Asia and Indo-Pacific region makes it unlikely for India to join this project.



EXTERNAL SECTOR

Easing The FDI Norms

By Diksha Kumar
M.A. Economics (Final Year)

Recently, Central Government has eased various FDI norms which will allow overseas airlines to own 49% of Air India and secondly it permits 100% FDI in single brand retail and construction development under automatic route. People often confuse FDI with FIIs so, if a foreign company invests more than 10% in a company then it is counted as FDI (Foreign Direct Investment), while when a foreign company invests less than 10% then it is counted as Foreign Institutional Investment (FII).

If we talk about allowing overseas airline, the union cabinet has now allowed foreign airlines to invest up to 49%under the approval route to air India subject to two conditions: (a) foreign investment in air India including that of foreign airlines shall not exceed 49% either directly or indirectly. (b) That the substantial ownership and effective control of air India shall continue to be vested in Indian national.

Now in recent times there have been news of disinvestment of air India and Tata group and Singapore airlines have shown interest in bidding for the debt ridden national carrier . This is the new policy but according to the present day policy, foreign airlines are allowed to invest into the government approval route in the capital of Indian companies who are operating in scheduled and non-scheduled air transport services up to the limit of 49% of was not applicable to air India. So, thetheir paid capitals. But this provision government has recently tried to do away with this restriction, that is,now foreign companies can invest in air India. Now what will be the implications of this –

1. Now Air India will be at par with other Indian companies with respect to FDI norms
2. The changes in FDI norms would trigger significant interest in the capital from foreign airlines
3. It is expected that this divestment would help in promoting jobs and growth in Air India.

Now, Air India is highly debt flooded and it was recommended earlier also that the government should exit completely from Air India management because any level of intervention by government in the form of "equity detention "raises concerns of government interference in the functioning of Air India post privatization. Therefore, that is expected to deter investors in future. So, there was demand of government to exit completely

However, it is not expected to be a smooth ride for government of ndia and there are many road blocks in the way with respect to implementation of the new policy.

First, the parliamentary standing committee on transport culture and tourism in a draft report is said to have described Air India as a "national pride "and hence it should be given a chance of at least 5 years . Secondly, it is also said that it is lopsided to view the performance of Air India solely from business point of view and so, debt must be written off by the government.

The Cabinet Committee on Economic Affairs (CCEA) had given, in principle, approval in June 2017 for strategic disinvestment of Air India and its 5 subsidiaries. Now, strategic disinvestment is being pursued by the government of India and for that the government is appointing transaction advisors, legal advisors, and asset valuers as recommended by Department of Investment and Public Asset Management or DIPAM . Now this decision of government to increase the FDI is expected to make it easy for the government to proceed with strategic disinvestment.

If we talk about single brand retail trading (SBRT) and in construction development, government has allowed 100% FDI in automatic route.

The other major reform with respect to SBRT is that the sourcing norms have been eased out. So, the present policy is that there is mandatory sourcing of 30% from India but now according to the new policy the government has permitted companies to set up their incremental sourcing of goods from India for global operations in the initial five years. So they can move from 5 % to 10%to 15% to 20% to finally 30% in five years. After the completion of 5 years, SBRT would require to meet the 30 % norm. This move will be really helpful for companies like Apple, who have been continuously asking government to exempt them from 30% mandatory sourcing rule. Apple has been saying continuously that it manufactures cutting – edge technology products, for which it is not possible to source as much from India due to the absence of low capacity of supply chain items

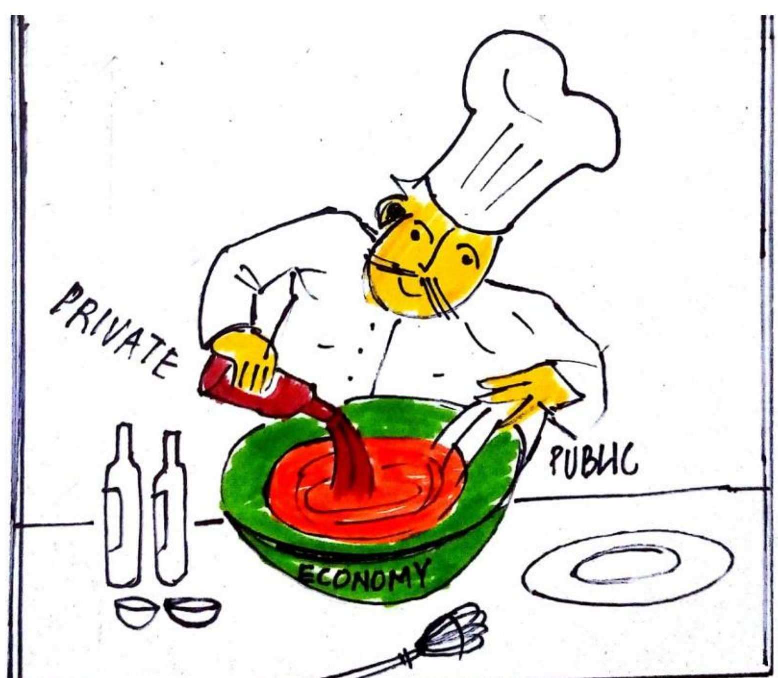
Now, the obvious benefits of this policy are

1. It will first attract foreign capital into the country for example Apple INC has been given a sort of an exemption by easing this rule.
2. It will also provide impetus to retail industry growth, so Indian consumers will have lot of choice in their hands for various products.

3. Relaxation in local sourcing norms would also allow SBRT entity sufficient time to set up a local supply chain and hence it will promote 'Make in India' initiative. considering t On the construction development front, government has said that the broking services which are provided by companies like magic bricks or the common floor and other such startups in real estate do not amount to real estate business and therefore they are eligible for 100% exemption under automatic route.

One can say that the changes in policy norms will help Air India hugely and Ministry of Civil Aviation is working towards it .Besides this, there will be increased choice to consumers and there will be increased competition among industries also, which will lead to fall in prices, benefitting the Indian consumer. More startups will be promoted through automatic route in real estate he exemption.

The makings of an Economy…



By Yusra Zainab

Impact Of GST On India-Bhutanese Trade

By Sheen Zutshi
B.A Economics(Final Year)

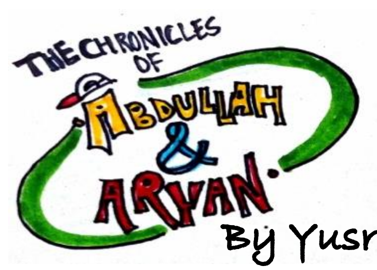
The effect of the introduction of the Goods and Service Tax has not only affected the markets domestically but also internationally. This has affected some serious relationship ties of India internationally, likewise the trade ties of India and Bhutan. Bhutan is a landlocked country located in the Himalayas between the Tibet Autonomous Region of China and India. Thimphu is its capital & also its largest city, while Phuentsholing is its financial centre. Phuentsholing adjoins the Indian town of Jaigaon, and cross-border trade has resulted in a thriving local economy. Bhutan's economy is based on Agriculture, Forestry, Tourism and the sale of Hydroelectric power to India. The Gross Domestic Product (GDP) in Bhutan was worth 2.24 billion US dollars in 2016. Bhutan is the only country in the Asia Pacific with the sales tax regime. All others have value added tax (VAT) or GST. Major Exports and Imports: One-third of Bhutan's exports to India is Electricity. Major imports from India to Bhutan are diesel, parts of hydraulic turbines, including regulators, ferrous products, petrol, wood charcoal, other coal, coke and semi-coke, Portland cement, mineral products, base metals and articles, machinery, automobiles & spares, animal products, chemicals, wood, plastic, rubber and agricultural products.

India's support in the development of the hydropower sector in Bhutan is the centerpiece of Bhutan-India economic cooperation and is one of the main pillars of bilateral cooperation. The government of India has constructed three Hydroelectric Projects (HEPs) in Bhutan totaling 1416 MW which is operational and exporting surplus power to India. About three-fourths of the power generated is exported and rest is used for domestic consumption. Hydropower exports provide more than 40% of Bhutan's domestic revenues, & constitute 25% of its GDP. Hydel capacity is expected to increase from 1600 MW currently to nearly 5000 MW within the next five years. More than 90% of the power generated will be exported to India. In Pre GST regime, there were 17 indirect taxes of the centre and the states including excise duty, service tax, value-added tax, entertainment tax, luxury tax and Octroi. There was no service tax on export of services to Bhutan in Indian Rupees. Bhutanese products enjoyed the competitive edge with the different production cost. Bhutan was exempted from taxes on imports and tax collection for exports from Bhutan was at the point of sale it. Earlier in accordance with the bilateral trade agreement, GOI refunds excise duty on goods.

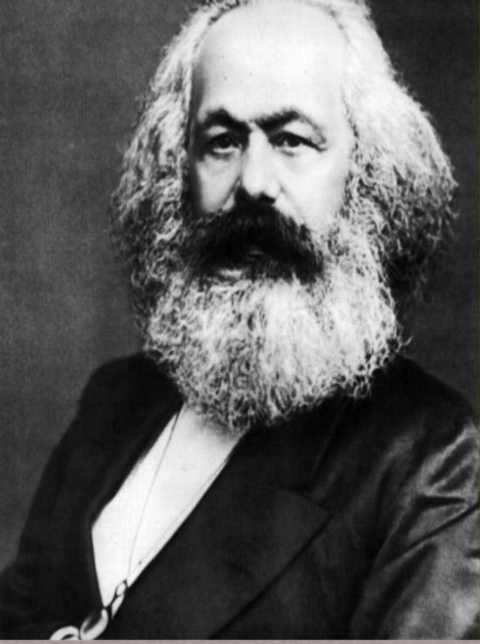
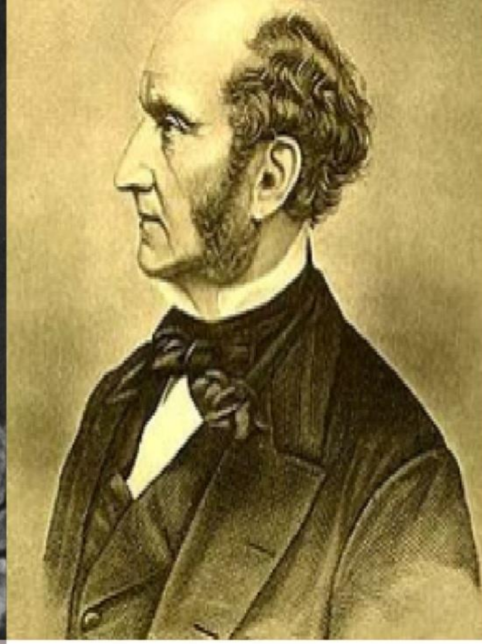
The post GST the entire tax regime has changed dramatically. GST will subsume 17 different taxes within India and imported goods in India will no longer enjoy the same preferences. Imports may become cheaper, but exports could become dearer in Bhutan .Due to inter-state taxes in India, Bhutanese goods enjoyed an advantage in terms of competitiveness in Indian market. Now, whether Bihar imports goods from Bengal or Bhutan, it will be treated the same. Export from India to Bhutan of GST goods to be ''zero rated''. Bhutan's exports may become more expensive because of higher rates on top 10 export products like cement and Ferro silicon.

Post GST, Bhutan has lost 13% advantage over Indian manufacturers. There is no CVD (Countervailing Duty) and SAD (Special additional duty) exemption under GST, which was earlier available, the incidence of tax has increased from 15% to 28% thereby eroding the advantage enjoyed by Bhutan. Exemption of BCD (Basic custom duty) is still available; provision of other exemptions would not make any difference to the tax importer in the GST regime. Even if an exemption on IGST is available for imports, the importer would need to levy GST at the point of sale and hence there would be no benefit to consumer. GST for coal has been brought down to five percent from 11.69 percent. Limestone's is also reduced to five percent. Coal being the raw material for both thermal power and cement industry. The price of electricity has come down and so has the cost of cement production in India. The indirect tax for cement has decreased from 28 percent to 24 percent. Also GST has hit Ferro silicon exports. The commodity was tax free earlier but comes under 18 percent bracket under GST. The Bhutanese players will have to cut the price in order to compete in the Indian market. This will put pressure on their profit margins. The IGST affecting Bhutanese Exporters; unlike the earlier system where tax collection for exports from Bhutan was at the point of sale it is now at the point of entry of the goods into India under GST. As for the Imports, it is more beneficial for the Bhutanese importers to import directly from the manufacturers. The GST would be exempted at source if Bhutanese importers procure directly from the manufacturer. Bhutanese products will lose the competitive edge with the same production cost. This essentially means that Bhutanese exports to India automatically become more expensive as the entire GST tax is being collected upon entry. A serious consequence is Bhutan's exports becoming uncompetitive in a very price sensitive Indian market due to GST, which would hit Bhutan's.

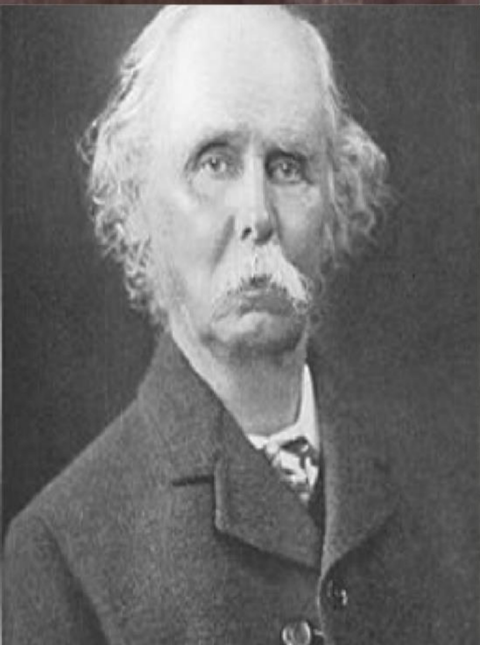
Post GST import into Phuentsholing and rest of the Bhutan is likely to increase. However, residents in this cross border area will get to see two different prices of the same commodities and have options to buy between Phuentsholing and Jaigaon. Retailers in Phuentsholing (Bhutan) will be able to sell goods at a cheaper rate than Jaigoan (West Bengal, India), provided the Bhutanese retailer passes the benefit down to consumers. This is because no GST will be levied on exports from India and for domestic market in India, Central GST (CGST) and state GST (SGST) will be levied separately. The negative impacts are reduced EDR. Since EDR forms a significant portion of Total revenue of Bhutan. The government's revenue would be impacted would be impacted with reduced excise duty refund due to implementation of GST in India. The absence of excise duty refund on all goods barring petroleum and alcohol will mean an excise duty revenue drop for the government. The only certainty so far is that since currently petroleum products are not under GST, Bhutan will continue to get the excise duty refund for petroleum imports which constitute a large share of the excise duty refund. This too is du e for notification from the Indian side to incorporate it under the GST. The share of petroleum excise duty refund last year was NU 1.556 bn. The full implementation of GST Bhutan's industry and economy will become clearer only after actual data of imports and exports is available. Meanwhile, cooperation must be enhanced between two countries so that bilateral trade is not affected. This year marks the 50thAnniversary of the establishment of formal diplomatic relations between Bhutan and India. It is clear from the above concerns that GST can have both positive and negative impact on Bhutan, and there is no "one size-fits-all" strategy. However because of the Uniqueness and sensitivity associated with Bhutan, an appropriate strategy needs to be worked out to take remedial measures to avoid any adverse impact on the Bhutanese economy due to implementation of GST.

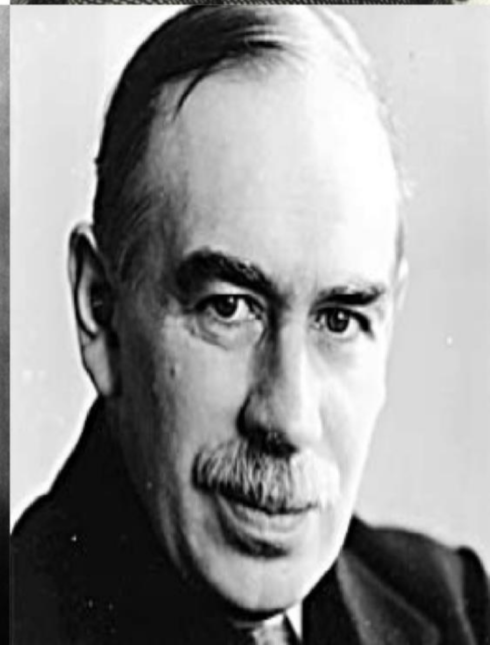


By Yusra Zainab

ECONOMIC THOUGHT



Does Pink Tide Have The Potential To Serve As An Alternative To Neo-liberalism?

By Syeda Maryam
M.A. Economics(Final Year)

No doubt, there has been a long standing war between Capitalism and Socialism to prove each self as successful models of development throughout economic history. The 20th century example would be US and Soviet Union standing as different blocs fighting an almost 45 years old Cold war until 1991 when Soviet Union got disintegrated and United States emerged victorious, propagating Capitalism as the harbinger of growth.

If we thought that this was the ultimate result, we were most definitely mistaken.

As Marx's *Historical Materialism* has it so beautifully explained that a society goes through different stages, following a historical process of overthrowing of the prevalent productive forces and emergence of new forces over time. This process is marked by a struggle of classes for state power transferred through social and political upheaval.

Another such version can be witnessed throughout the Americas.

Where on one hand the US stands as a traditional hegemon of the region and an ardent promoter of Capitalism extending its imperial paws through Neo-liberalism (resurgence of 19th century laissez faire liberalism).

Against this background stands Latin America trying to come out of the cave challenging "there is no alternative" stance by bringing a hybrid form of socialism or as *New York times* reporter Larry Rohter calls Latin America's *turn to the Left* not so much as a red tide (associated with extreme socialism) rather a pink one (moderate form of socialism).

Nevertheless this tide, though a lightest shade of red, gives enough reason to investigate its prospects as counter-hegemonic alternative to Neo-liberalism. The question is whether is it truly capable of fulfilling the dream of "Another world possible"?

But before understanding the Pink tide phenomenon, it is quintessential to study the socio-political and economic changes in Latin America prior to this.

Latin America (Brazil, Venezuela, Ecuador, Chile etc) describes the story of a region trapped under the deep shackles of colonist and imperialist rule more closely than any other region of the world. After 3 centuries of colonial rule, many Latin American countries became sovereign and hastily embarked on the path of Neo-liberal development initially. Being primary commodity exporters, these countries gained little in terms of trade, but suffered yet another kind of dependency on European and American markets. The Global commodity slump of 1930's caused the demand to fall in the major export markets causing Latin American countries to acquire a huge Balance of payment crisis. This experience of low growth sparked momentous protests facing which these countries turned their faces from export led growth to Import substitution Industrialisation (ISI) following the policies of protectionism and state intervention seeking the path of self sustaining growth and auto-centric development.

Though initially this policy seemed ideal as the gross domestic growth rates were more or less averaged at 5.5% between 1950 and 1980 (Ocampo 2006) and also import substitution seemed to have worked as the share of imported capital reduced from 28% in 1950 to 15% in 1973 (fFrench-Davis), but the internal structural imbalances, the issues of income and asset distribution and this stance being capital intensive did little for labour absorption. Dependence on foreign capital for funding this kind of growth led to heavy external debt by late 1970s

The defaulting countries found themselves at the doorsteps of institutions (IMF and World Bank) set up to establish Neo-liberalism as global set of rules. For assistance, the conditions set by these institutions meant structural adjustment in reverse to ISI-dismantling the role of the state, deflationary and austerity policies to give way for growth that was so long trapped by unsustainable and market distorting policies of ISI according to them.

The second time *turn towards the white* (Neo-liberalism) didn't prove to be a saviour as the burden of these strict austerity policies fell on the poor. These policies did very little to improve the structural irregularities. The negative impacts were seen through Venezuela, Ecuador and Bolivia etc.

It is interestingly noticeable that Latin America was going about in a circle or the best way to say that it was forced to choose from the same policies over and over again.

The Neo-liberalist policies in countries like Chile were imposed through dictatorships, but a unique change was about to be seen where Neo-liberalism was adopted through democratic regimes (like Brazil). Democratization wave provided the necessary space for the masses to show their discontent; Zapatista guerrilla movement in Mexico and Caracazo riots in individuals in

Venezuela are one of several examples. Thus by 1990s there was series of anti-neoliberal protests across all Latin America sub consciously paving way for a new ride with a new tide.

THE NEW TIDE- PINK

The purpose of leftist governments of Latin America comprising the Pink tide- Venezuela, Ecuador, Bolivia, Mexico, Brazil and Argentina etc was to build an alternative bloc to challenge US hegemony and neoliberal world order. Although the pink tide is not homogenous throughout Latin America, at the wake of widespread anti-neoliberal protests, realisations had strongly hit the leftist proponents that the overthrow of the neoliberal wave requires a strong organisational and ideological strategy by forging a broader and stronger alliance of poor industrial workers, indigenous groups and middle classes who deeply felt the devastating effects of neoliberal policies.

THE DEFINING CHARACTERISTIC FEATURES

The pink model consisted of a much more sophisticated and elongated version of import substitution model (ISI)- marching forward beyond top down model to pave way for a successful *bottom up model*. The populist nationalist governments set to achieve this by reversing privatization, re-strengthening the role of state for wealth redistribution, increasing public services in food, health and education.

Perhaps the uniqueness of this model came in the changed and revolutionary thinking of its proponents; in their understanding that "there is a world possible beyond capitalism". In light of this renewed understanding, many new changes and tools were established to set up populist ideologies such as *Bolivarian Constitution (1999) adopted by Venezuelan President Hugo Chavez enshrining human rights, right to education and health care and basic facilities.*

The *World Social Forum* (2001) gave a significant impetus to the idea of the rise of the *New Global Left*. The Forum established opposed to World Economic Forum is dedicated to discussion and proposal of alternatives for anti-neo liberalism and provides social movements and citizens all over world – social activists, trade unions, marginal groups etc. an opportunity to exchange ideas about actions to be undertaken to promote a world based on fairness and a more human development.

One outstanding initiative was the introduction of *communal councils* (Venezuela) empowering the local citizens to take direct part in local policies and coordinate through social set ups and cooperatives with the objective of focussing on collective interests and development of the community as a whole.

The Bank of the South (*Banco Del Sur; 2009)* - was established to act as alternative to the World Bank and IMF for the nations of South America.

Assessment of the model gives little doubt that during 1990s and 2000s a major process was underway challenging "there is no alternative" propaganda. The positive effects could be seen in the massive redistribution programmes initiated by populist nationalist governments- In Brazil's Bolsa Familia cash transfer programme benefiting 57.8 million and 2007 benefiting as many as 20.5 million individuals (Chodor 2014). Now the time to answer the title question is ripe: Certainly, the Pink tide model carries with it some novel and cutting edge narratives; even has hefty popular figures to sustain it (Hugo Chavez: Eva Morales), but the road to becoming a successful counter-hegemonic alternative is still a great distance until some key internal disturbances are not cleared.

THE ISSUE
There is little apprehension in the fact that this new tide presented a major challenge to hegemony of neo-liberalism, but by 2010 the economic and political decline in the wellbeing of leftist parts threw major suspicion on Pink tide's potential as a successful alternative. Global financial crisis and falling commodity prices have forced these countries into a deep recession. In countries like Venezuela, inflation rates have gone through the roof (600% IMF) and people are deprived from toilet paper to bread and milk. In the Political sphere, the leftist governments were slowly ousted out of power and were even forced to form a coalition with the right wing (Brazil).

THE PROBLEM
Dependence on natural resource extraction- Many countries like Venezuela are dependent on revenues from oil exports. Though these rents were instrumental in pushing the redistribution programs, but new areas of productive industry weren't established making national income prospects prone to global oil price volatilities like always.

No structural change- The novel ideological framework of new left did little for the structural transformation needed to overcome neoliberal chauvinism. The model still considered masses as passive citizens rather active political agents. Major sectors were still controlled and benefited from by small number of elites. *Therefore, the structure of capitalism remained intact.*

THE WAY FORWARD
There is no doubt that the future of Pink tide is not so bright in present circumstances, but there is absolutely no doubt in the fact too that it is not the end of populism in Latin America. These problems were inherently present in Latin America from the beginning. These internal disturbances have created contradictions in the Pink tide Model. In absence of more radical vision, many countries are forced to get stuck with the Neo-liberal policies which have nothing new to serve on the plate. The Pink tide can improve its situation by bringing in with renewed vigour and new instruments to give way for productive sectors to develop; where ordinary citizens are again considered as focus of the state. Perhaps, the most paramount change in Latin America would come when first it realises the class struggle prevalent and does something to address the problem of class structure on which Neo-liberalism lives off.

Only then the dream of another world is perhaps possible!

A New Development In The Field Of Growth Economics

By Arush Gupta

B.A. Economics(Third year)

In the past decade, a new approach of analysing economic growth differentials across countries has emerged, based on a country's level of economic complexity as reflected in the diversity and sophistication of the products produced by it. Developed by Cesar A Hidalgo, from the MIT Media Lab, and Ricardo Hausmann, from Harvard University's Kennedy School of Government, this new approach steps outside the bounds of traditional economic theory in trying to explain the increased gulf between rich and poor countries, and also predict economic growth. It is no wonder then that Cesar Hidalgo comes from outside the field of economics. A physicist by training, Hidalgo has applied tools of network science to the study of economic development. Analysing the process of economic development through the view/use of networks is what sets this approach apart. In this article I summarize the concepts behind this approach, as presented by Hidalgo and Hausmann in their book titled 'The Atlas of Economic Complexity : Mapping Paths to Prosperity'. The authors build an alternative prism to look at how the economic system itself functions across the world. If one looks at the economy through their prism, one would realise that the different products we consume are made using a vast amount of productive knowledge that cannot be held individually by any person. Rather, this vast knowledge is scattered among thepeople of the world. Modern prosperity has arisen from the vastness of this productive knowledge which in turn has has beenachieved by allowing different individuals to gather different bits and pieces of the total knowledge, and then putting the pieces together to producea large quantity and a huge variety of modern products that are increasingly sophisticated.

Basically Adam Smith's division of labour has allowed us to access a quantity of knowledge that none of us would be able to hold individually. In the words of the authors, "Modern societies can amass large amounts of productive knowledge because they distribute bits and pieces of it among its many members. But to make use of it, this knowledge has to be put back together through organizations and markets. Thus, individual specialization begets diversity at the national and global level. Our most prosperous modern societies are wiser, not because their citizens are individually brilliant, but because these societies hold a diversity of knowhow and because they are able to recombine it to create a larger variety of smarter and better products." With this general picture of economic systems in mind, we now come to how this picture can help us understand the divide between the rich and poor countries. The authors explain that "the social accumulation of productive knowledge has not been a universal phenomenon". They attribute the enormous income gaps between rich and poor nations to the vast differences in the total productive knowledge gathered by these nations. They further explain that this total amount does not depend mainly on how much knowledge each individual holds, but instead, depends on the diversity of knowledge across individuals and on their ability to combine this knowledge, and make use of it, through complex webs of interaction. This is where the authors differentiate between 'complex' and 'simple' economies :

"Complex economies are those that can weave vast quantities of relevant knowledge together, across large networks of people, to generate a diverse mix of knowledge-intensive products. Simpler economies, in contrast, have a narrow base of productive knowledge and produce fewer and simpler products, which require smaller webs of interaction."

I remember that my professor of international trade once told us that the source of wealth is value addition. Intuition would tell us that a higher amount of value addition takes place in an economy that is more ''complex'' in the way described by the authors. We can see that it is mainly rich countries that make (which is not the same as assemble) products like complex machinery or electronics which require a high amount of productive knowledge. Even though operations may be globalised today, the companies that make these products mostly originate in rich countries. The basic argument of the authors is that economic development requires that the total productive knowledge embedded in a society increases, which in turn requires an increased level of economic complexity in order to hold and use a larger amount of productive knowledge.

Now what exactly do we mean by economic complexity ?

In the words of the authors, "Economic Complexity is expressed in the composition of a country's productive output and reflects the

the structures that emerge to hold and combine knowledge." This brings us to the focus of the approach : the composition of the productive output of different countries. Research by Hidalgo and Hausmann has led to the creation of a new index, called the Economic Complexity Index, which attempts to quantify a country's economic complexity. This index is constructed using two characteristics of the product mix of a country :

1) Diversity of a country's product mix : This refers to the number of distinct products that a country produces. A higher diversity reflects that the residents and organisations of a country possess more productive knowledge.

2) Ubiquity of a of product : This refers to the number of countries that make a product. Low ubiquity of a product reflects that the product demands a high volume of productive knowledge, and therefore is produced by a few countries where that knowledge is available. It must be noted, however, that the ECI has been constructed using international trade data and not production data. Furthermore, it does not take into account data on services. These are serious drawbacks, but unavoidable due to lack of complete data that is in standardized form. Despite these shortcomings, the construction of this index is helpful in ranking countries according to their level of economic complexity. After constructing this index the authors examine the relationship between the ECI and the per capita income for 128 countries studied by them. After controlling the income generated through natural resource extraction, which the authors explain has more to do with geology than knowhow, they report that economic complexity can explain about 73 percent of the variation in income across all 128 countries. Hidalgo and Hausmann do not stop here. They demonstrate something more important and deep about the relationship between complexity and income. They show that countries whose economic complexity is greater than that expected on the basis of their income level, tend to grow faster than countries whose economic complexity is lower than that expected on the basis of their income level. In this body of work, Hidalgo and Hausmann also try to show how economic complexity is a better predictor of future growth than other well known development indicators such as competitiveness, governance and education. This new approach in the field of growth is particularly exciting for India because it has predicted that India is well positioned to top the list of fastest growing economies, as reported by many newspapers in July 2017.

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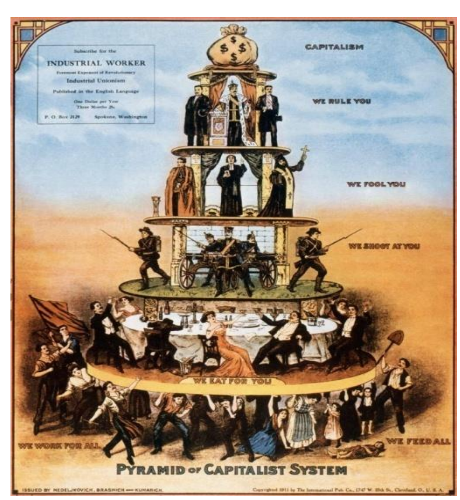
Relevance Of Marx In The Contemporary World

By Md. Kafeel Khan
B.A. Economics(Second Year)

Karl Marx, born on 5th May 1818 was a philosopher, sociologist, economist, historian, journalist, political theorist and a revolutionary socialist. His works like 'The communist manifesto' and the three-volume 'Das Kapital' have been a major influence to many intellectuals, social, political and economic thinkers. In his book 'Das Kapital' he talked about the labour condition and the prevailing class in the capitalistic society. His criticism of the capitalistic society is what the socialist and the communist talk about even today.

Marx defines the history of any society as the history of the class struggle and the development of society over time. He gave his materialistic conception of history based on Hegel's claim that history occurs through a dialectic, or clash of opposing forces. He pointed out the changes in the means of production and the control over those means of production over the time in society. Marx divides social class as Proletariat and Bourgeoisie. Proletariat comes from the word 'Proles' meaning offspring owing little or no property. So they are the ones who do not have ownership over the means of production, while the Bourgeoisie are the one having ownership and control over the means of production. The only means of earning of the proletariat is by selling their labour force in return of wages or salary. Marxism sees both classes occupying conflicting positions, since workers wish their wages to be as high as possible, while the capitalist wish for wages to be as low as possible.



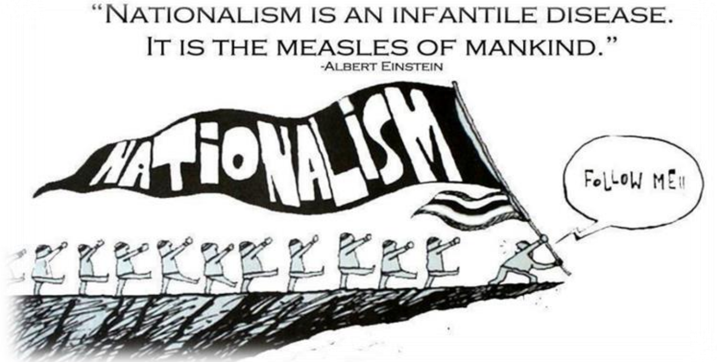
According to Marxism, capitalism is a system based on exploitation of the workers. The workers who don't own any means of production, instead of hiring those means of production they themselves got hired by the capitalists. The product then produced by them became the property of the capitalists, who sells them at higher price in the market. The wages proletariat get is as per the amount of labour employed or embodied in the process of production and not on the basis of value added to the product on the process of production. Marxism talks about the dehumanizing aspects of capitalistic society such as exploitation, alienation and cyclical depressions leading to mass unemployment.

Marx argued that the surplus value generated in the process of production has its very source in the surplus labour and so did he talk about the redistribution of capital. In Marxist theory , a
dictatorship of proletarians is for the proletariat, through the proletariat and by the proletariat. This will lead to proletarian self abolition or abolition of the social class and the establishment of the communism.

It would be inhumane to say that in the capitalistic society the workers are not being exploited and are fairly paid but it would be equally inappropriate to say that the surplus value generated is the outcome of surplus labour all alone. To get the optimum output of anything one needs to employ both capital and labour in the right proportion. One cannot increase the production just by employing more labour, one also needs to employ more capital or improve the technology being used for production. Indian agriculture is one of the biggest examples for disguised unemployment. The land under cultivation is fixed, even with the increase in labour force working on those lands the productivity does not increase. It is only when those lands are irrigated properly by creating the proper infrastructure and by upgrading the technology that the productivity increases. Marx's argument that the profit must be distributed equally among the labour is valid after the risk bearer i.e. the owner of the means of production take his part out of the profit for bearing the risk and an amount in form of rent for the capital is deducted, which would be further used for capital employment or technological upgradation and capital expansion.

Marx's belief of establishment of communism and a class less society again seems to be a utopia. Despite his criticism of the capitalist society, he remarks capitalism for industrialization, urbanization, technological progress and increased productivity. He remarks that capitalism always improves the means of production. Those today known as the capitalists or the owners of means of production were previously known as the Bourgeoisie. In the past, Bourgeoisie was known as the progressive forces, they were the middle man between the workers or the working class and the owners of the means of production. They were the ones to overthrow the feudal lords and then take control over the means of production. They ended feudalism and started the era of capitalism. Marx believed that the revolt led by the proletarians will over throw capitalism and establish communism but the fact is that even today their exist a middle

class. Today, those are the one who are literate enough to get salaried jobs and who manage the working class. So even if the top lords are
removed the power gets transferred to these middle class, as someone rightly said that it is the power that corrupts people. Countries like China who claims to be a socialist setup, does not even fulfill the normal standards of a socialist country. Labour is exploited even there and the alienation of labour from its product prevails there too. Even under government control over the means of production their remains a social class. The establishment of a classless society thus remains to be a utopia. M.N. Srinivas in his research of the village Rampura stated clearly that it is the dominant caste that exploits the minorities. In the village Rampura, the farmers were the dominant caste though they themselves falll under the lower class they used to exploit the minority communities by not providing their proper funds that have been allotted for the minorities living over there. Marx makes a clear distinction between the proletariat as salaried workers, which he sees as a progressive class, and Lumpen proletariat, 'rag-proletariat', the poorest and the outcasts of the society, such as beggars, tricksters, entertainers, buskers, criminals and prostitutes, which he considered a retrograde class. Socialist Parties have often struggled over question of whether they should seek to organize and represent all the lower classes or just the wage earning proletariat.
Source: Wikipedia
Marx talks about the alienation of the working class but alienation do not only prevail among the working class but almost at every stage. Today it is not the owners who decide over the design of the product instead it is based on market research. It is the demand of the consumer and their requirement that any product is produced as per their desire. Previously the workers used to produce without any appreciations but now the scenario is not just the same, now a worker is appreciated for a job well done and so do they get psychological satisfaction. Today it is not only the labour that faces the competition but the owner of the firm also faces the competition in the market to sell the products.
One can clearly find the criticism of the capitalist society convincing enough regarding the exploitation of labour forces and the selfish attitude of the owners with regard to their profit maximization but the fact cannot be ignored that it is still a progressive force. One has not seen any example of a successful socialist establishment till date but one can certainly find examples of English Civil War, The American war of Independence and The French Revolution where the bourgeoisie overthrew the repressive feudal lords and came to power but again after coming to power practiced the same tradition of feudal lords of suppressing the working class. Establishment of a socialist setup, where there is equal distribution of income in the economy and a society with no social class seems to be a dream filmed by Marx which is too good to come true in live.



Economy Of Nationalism And Nationalism Of Economy

By Deepak Kumar
B.A. Economics(First Year)

'Nationalism' is the term which I think has no any definition at all. It varies from person to person, community to community, children to adult to old and economy (along with economic conditions of an individual) to economy.

I think for children playing, learning, eating etc. are their nationalism, their nationalism can't be compared with a soldier struggling on border of security purposes. A sewage cleaner is a nationalist, a farmer is a nationalist also. Everyone is a nationalist, nationalism lies in profession not in TV debates. Nationalism is such a deep feeling which can't be expressed by capturing selfies. Dressing, language, eating habits are something which I don't think can define nationalism.

We can understand nationalism, we can have big TV debates, but our economy is struggling. It's easy to define everything in terms of nationalism, but it will damage the economy very severely. Nationalism is not something which can be measured or compared, everyone is nationalist in their own terms.

But economy, its components can be measured and compared as well. For a healthy economy we have to remove absolute poverty(relative poverty always exists), to create employment, to provide free education, provide farmers their price for their production, to give a sewage cleaner their basic facilities, to provide struggling soldiers their basic facilities and back their family,, etc. This is what I call 'Nationalism of economy'. We should ask and try to understand economic policies drafted by government and its officials for the country rather than to go on for heated debates on fake issues. Economy, its proper legislation and execution is the only way to nationalize the economy along with cross questioning and policy based critical debates.

We have to design our economy in such a way which will be friendly for the weakest of the weakest section of the society. This is nationalism of economy. It means that economy of the nation, by the nation and to the

nation which belongs to the citizens of the nation. The proper analysis of every economic decision should be done in public domain their weak points should be waived off. In all this the media has to be honest enough but today it's the most challenging issue which is killing every aspect of discussion and criticism on the national level,
media has just become a toy and source of publicity and advertisement. Experts should be given chance to analyze policies not the so-called all-in-one party spokespersons and religious gurus, we all have observed what the mess they have created on TV debates. Economy of nationalism is adversely affecting the Nationalism of economy. Economy of nationalism which seems to be tradable in public domain through media and social media. Those 5-6 journalists along with 10-15 spokesperson of different political parties and so-called religious leaders capture the entire media space debating over silly issues. They all try to hinder the issues of welfare through TV debate all across the nation. They also have filled social media with trolls. The condition of print media is even worse.Those 20-30 people can't decide the entire 'India'. They do business behind the scenes of nationalism. Economy of nationalism is just meant for polarization of vote bank politics whereas Nationalism of economy is all about policies and its proper legislation along with proper execution. The first, is all about propaganda and how to divert real problems of the society, everything, in the name of nationalism. Economy of nationalism is a fraud which is going through millions of Indians. There is a big gap between reality and what is presented before us. With high illiteracy and innocent behavior of citizens, politicians always economize and uses the sentiments and beliefs of people for their own purposes through various means. The latest example is the decision of central government to demonetize rupees 500 & 1000 currency notes. It was implemented in the name of nationalism but in just one year of its implementation it has failed to even achieve its basic goals that were curbing out black money, hindering terror funding etc. It is a business based politics practiced just to divert the attention of citizens from their basic issues which affect their daily lives. In the 'Economy of nationalism' nothing seems any iota of reality, it is just divisive in nature (socially, economically & mentally). It is disastrous for the idea of nation as well.

We should always focus on to nationalize the economy in the nation's interest rather than to let the politicians to use the nationalism factor for their personal economic gains and benefits. Neither the nation nor the nationalism can be defined by any individual, organization or even any government. The government is not the country and the country is not the government, they are just given their chance due to failure of others. Economic decisions mustn't be taken on sentiments or beliefs in the name of nationalism. It should be drafted and implemented properly with a healthy discussion with economic experts, officials and experienced people who had served the economy before, no matter from which political ideology they belongs to.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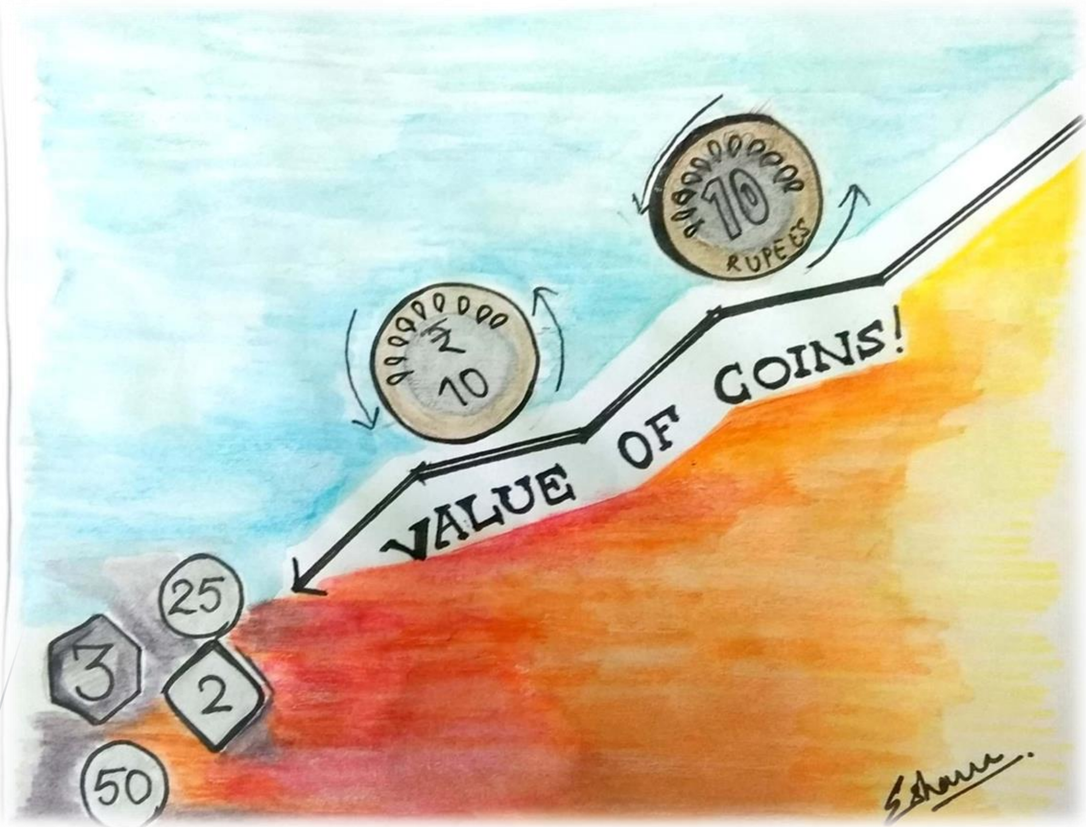


Is The Ten Rupee Coin Counterfeit?

By Mohit Verma
M.A. Economics(First Year)

Whenever I used to carry a 10-rupee coin in my pocket, it puts me in a state of confusion. I start questioning myself whether this coin going will be accepted by the shopkeeper. There is a whole lot of agitation created in the atmosphere regarding this "10-rupee coin", and every new day, every single individual comes up with the new idea and information regarding the fakes and reality of the coin and interestingly no one has the correct information. So I figured out some facts and did some research on the news.

Background:

The Indian 10-rupee coin is the highest denomination coin minted in India since 2005 which RBI launched to felicitate its "Platinum Jubilee". As the years' pass, the design of 10-rupee coin also changed.

In 2005, the first Rs.10 coin minted with "भारत" and "INDIA" engraved on the top, a Lion emblem on the left side, and the date of mint below it on the obverse and ten rupees on the outer ring.

In 2009, the second design was published featuring two "horizontal lines". The coin featured "भारत" and "India" on the top with a lion emblem in the middle and year of printing at the bottom on the obverse. The reverse of the coin featured 15 notches and numeral 10 at the middle half cut. This created chaos and rumour on the social media regarding the acceptability of the Rs.10 coin.

In 2011, again a new design of Rs.10 coin was published for the third time, but this time there were 10 notches instead of 15, with the Rs. sign below the notches and the number 10 below the Rs. sign.

Sometimes the RBI commemorates the birth anniversary by issuing a coin in the name of them as gratitude and homage.

Each time the design changes with some modification but one thing remains constant throughout and that is the rumour which arises on the social media. The RBI in one of it's meeting declared that all the news regarding the ten-rupee coin are fictitious. In 2016 ,some shopkeepers in India started to refuse the 10-rupee coin which which created disorder and they believed that the coin having 15 notches was forged and the one with ten notches is the original one. All these things created a mess and whole lot of fuss, but the funny thing is everyone is living on their own interpretation.

In Nagaland, banks refused to accept this. The question is why Bank? Even there was no such circulation by RBI.

People used to count the notches, if it is 10 then the coin is real and if it is 15 or the 10 symbol is in middle then the coin is fake. This is obnoxious. Even while carrying a ten rupee coin I used to keep it by counting the notches as it is hard to make anyone believe the facts of the coin.

Following is a clarification published in a newspaper as given by the RBI stating that all 10 rupee coin is valid and real. However, the misunderstanding which people have created regarding this is never going to settle. The only question that remains, in the end, is whether the Rs.10 coin has lost its value.

Just think over this. Make yourself and others aware.

LET'S GET OUR FACTS RIGHT...

•Amsterdam Stock Exchange is the oldest stock exchange in the world.
•In Denmark, under the Law on Personal Names, first names are picked from a list of approved names.
•Federal Reserve economist, Bhashkar Mazumdar has shown that incomes among brothers are more correlated than height or weight.
•Unemployment in India is pegged at 18 million in 2018.

AGRICULTURE

Towards an Energy Efficient Agriculture

By Mani Juneja
M.A. Economics(Final Year)

Energy is an important resource for the sectorial growth of the Indian Economy. The primary or the Agriculture sector is a largest employment provider in the Indian economy whose growth is highly volatile in nature. This volatility mainly comes from the environmental factors, inputs used in the agricultural sectors and market factors. The Energy consumption is an important aspect which fuels the growth of the Agricultural sector in a country.

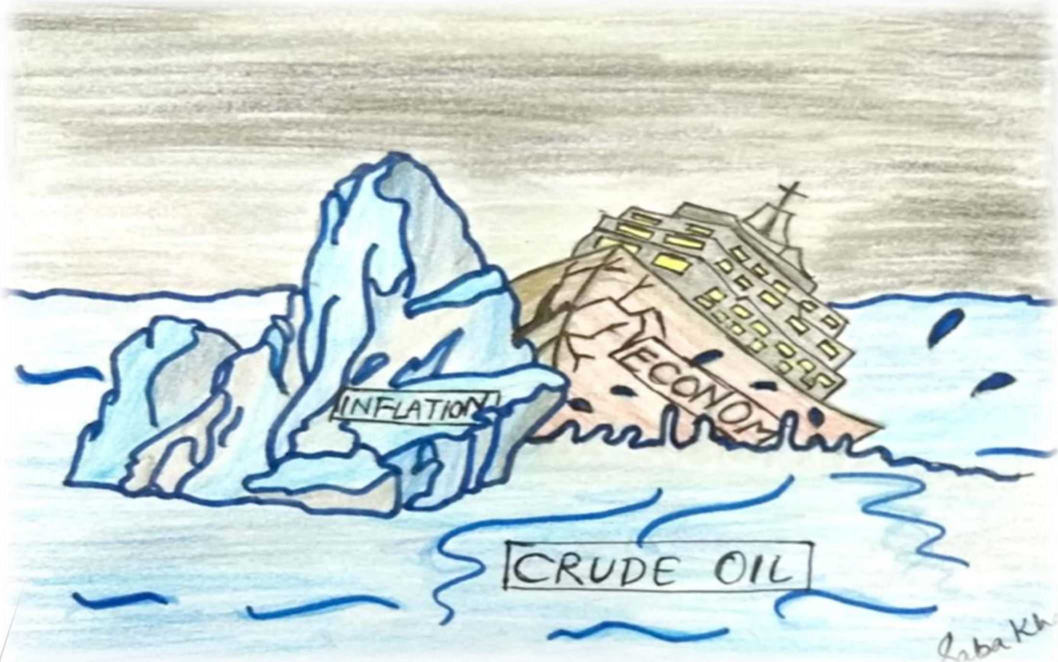
In recent years, most of the economies who are non-oil producing are facing energy deficiencies due to the roaring demand of the oil by the rest of the world which caused the inability of the oil producing countries to satisfy their demand. The reason of the supply deficiency of energy could be attributed to the increasing geo-political tensions between the countries who are the natural suppliers of the oil. The roaring world demand for oil leads to increase in the world oil prices. Likewise oil, there is also a shortage of power and other forms of energies like natural gas. The shortage can significantly affect the consumption and production in the economy.

India imports 70 % of its crude oil requirement from the rest of the world. In India, the transport sector is the major consumer of petrol and diesel, followed by industrial Sector and agriculture sector .Similarly, electricity consumption share too is the largest by the Industrial and Agriculture sector. India in the past had experienced a huge import cost on account of an rise in the price of crude oils. The inelasticity of the demand of oil and increasing import cost had put pressure on the scarce foreign exchange reserves and had also been largely responsible for the volatility in agricultural growth rate.

In 1990-91, when the gulf war started the Import bill of India rose beyond

beyond 50 % which had an adverse impact on the Balance of payment deficit and increased the inflation to an all-time high to 13 %. These fluctuations have deterred the pace of growth in India. If we compare the relative consumption of various sources of energy as percent of the world total energy then India among the emerging Asian economies stands at third place following China and Japan. This raises the question whether India's energy consumption levels associated with levels of economic growth or the growth of the different sectors of the economy similar to other high as well as low energy consuming countries of the Asia. The Agriculture is a main driver of the Indian economy with the large population employed in the sector may have detrimental effects with the change in the energy consumption in this sector. So do the various forms of energy consumption impact the agricultural growth in India. The primary motivation is to address the puzzle of the increasing levels of energy consumption to induce Agriculture growth in the event of the increasing cost associated with it as well as the apprehensions regarding its sustained supply in future. Some major studies in India have empirically proved the viable link between the agricultural growth rate and energy consumptions. Paul and Bhattacharya (2004) have applied the time series econometric models Granger causality test, Engle-Granger co-integration and Johansen's multivariate co-integration technique for the years from 1950-96 on India. Granger causality Test was used to test the effect of long run economic growth on energy consumption or vice-versa which show that energy consumption leads to economic growth. Similarly a study by Ghosh (2005) used the co-integration techniques and error correction modelling approach to test the association between the petroleum consumption and economic growth .The study found that there exists a unidirectional influence from economic growth to energy consumption in India from the period of 1970 to 2002. Thus the studies that tested this relationship proved with the help of variance decomposition it can be seen that the consumption of electricity and petro products do significantly affect the agricultural growth rate. Since India's population is growing at an increasing rate but the exists a finite supply of fossil fuels and resources which will adversely affects the environment, the existing relationship between agriculture and energy must be dramatically altered. The agricultural sector's reliance on energy-intensive techniques should be shifted towards less energy intensive techniques. Also extensive use of efficient technology and innovations should be boosted to improve the food production and other ancillary activities. Rather there are a number of challenges for the installation of energy intensive nature of agriculture; the judicious use technology has the capacity to signify the long run sustainability of food production.


GLOBAL ECONOMY
AND INDIA

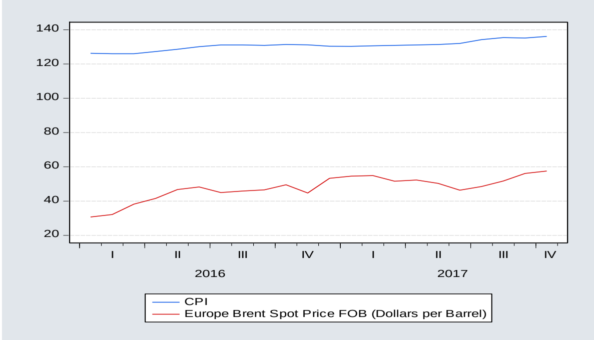


Oil Prices And Inflation: What's The Connection

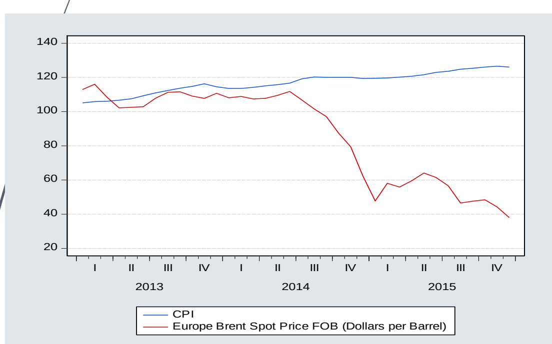
By Vasundhara Thakur
M.A. Economics(Final Year)

"India will overtake Japan to become the world's third largest oil consumer behind the United States and China by 2025." This is not merely a fact or a calculated statement. Taking a closer look at this fact through an economist's eye, we realize that this kind of an increase in the consumption of oil can have serious implications for the Indian economy. This takes us to the subject matter of this article which is to bring to the forefront the relationship between oil prices and inflation in the context of India.

In this direction, for measuring oil prices we will be considering the spot price per barrel of Brent crude (in dollars) and for inflation we will use CPI (Consumer Price Index). At the face of it, we can clearly point out at least some theoretical relationship among them. The components of CPI include Food and Beverages, Pans, Tobacco and Intoxicants, Clothing and Footwear, Housing, Fuel and Light and Miscellaneous with the assigned weights of 45.86, 2.38, 6.53, 10.07, 6.84 and 28.32 respectively. Apparently, fuel and light accounts for a weight of 6.84 in calculating CPI which is to some extent directly linked to crude oil prices. Also, some of the rest of the components are also indirectly related to crude oil prices. So naturally any hike in the crude oil price will eventually cause an increase in the CPI. This can very well be corroborated by a high and positive correlation between them for the period 2016-2017 which comes out to be 77.38%. The plot of these two variables for the same period supports this finding.



Source: Eviews 7 OutputWe can see that both of them are following an upward trend and are moving together. However, this discovery is specific to this time period only. If we repeat this little piece of analysis for 2013-15, we find a contradictory result. There emerges a high but negative correlation between crude oil prices and inflation, which is to the tune of -80.44%. Again, the graph stands testimony to it.



Source: Eviews 7 Output

Nevertheless, since we have transitioned into 2018 now, the fact that for 2016-17 there appears a closely knitted relationship amidst them with both moving in the same direction makes an extremely important point that cannot be neglected by the policymakers and should be kept by them in the back of their mind when dealing with these forces.

Moreover, RBI (Reserve Bank of India) has now adopted a FIT (Flexible Inflation Targeting) framework and is highly focused on maintaining an inflation target of 4% with a range of ±2% on either side. Additionally, the RBI has shifted from WPI (Wholesale Price Index) to CPI as the key measure of inflation. This sheds light on how relevant is this interdependence of crude oil prices and CPI.

From the arguments presented above, it has become quite evident that there is definitely some relationship between these two variables under consideration.

Now, the question that faces us is what can be done. There is to an extent some truth in the fact that we cannot do anything to directly control or influence the crude oil prices. We, however, most definitely can make a switch towards renewable sources of energy as well as shale oil . Once we are able to make this switch, we will not be at the mercy of The Organization of the Petroleum Exporting Countries (OPEC) and will become less susceptible to the volatility in the prices of crude oil which will augur well not just for maintaining the inflation target but also for the economy as a whole. This move has the potential to help us in the making of strong and greener India. On top of that, why sacrifice building a resilient economy for saving the environment, when we can achieve both.

DATA SOURCE:

FOR CPI: Database of Indian Economy provided by RBI

FOR SPOT PRICE PER BARREL OF BRENT CRUDE: U.S. Energy information Administration (EIA)

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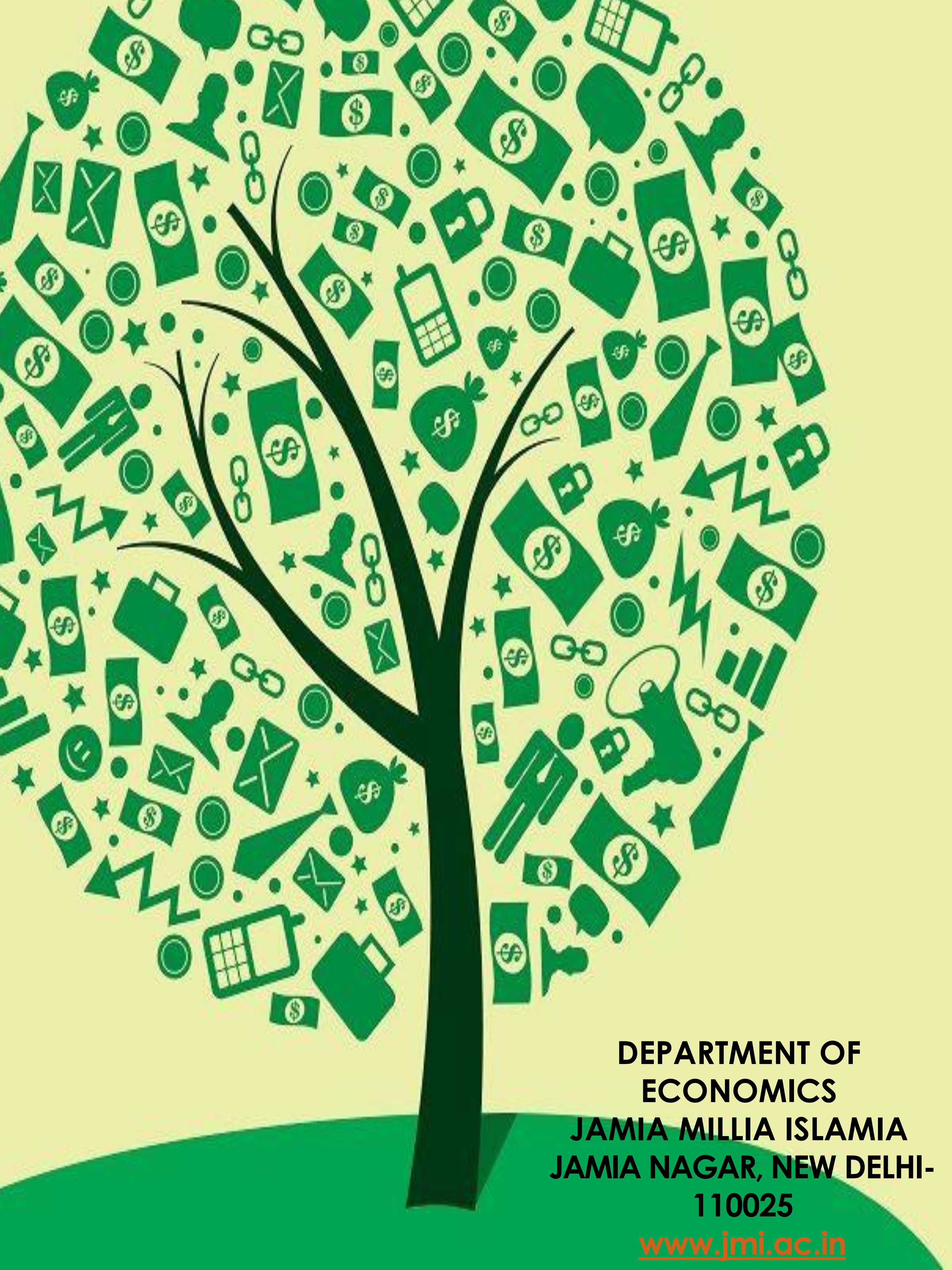
We highly acknowledge the contribution of all the authors of the articles in the magazine.



DEPARTMENT OF ECONOMICS
JAMIA MILLIA ISLAMIA
JAMIA NAGAR, NEW DELHI-110025
www.jmi.ac.in