



# equilibria

Gokhale Institute of Politics and Economics

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## SOFT POWER: IT'S IMPORTANCE AND IMPLICATIONS FOR INDIA

Power - in its very basic form, is the ability to influence people to do what you expect or want i.e. Power enables an individual or a country to influence other individuals or countries towards an outcome that they want. Since time immemorial, power has been used in its most crude form. People or rather nations have exercised dominion over vast territories and people through military campaigns and massacres. When power is exercised through force by one political body on another of lesser military or economic strength, such power is termed as hard power. However, the post-cold war era has seen an emergence of another form of power i.e. "soft power".

The term "soft power" was first coined by a Harvard professor named Joseph Nye. According to Nye, soft power of a political body (country) can be furthered through its three important resources. "Firstly, its culture (in places where it is attractive to others). Secondly, its political values (where the country lives up to them at home and abroad). And finally, its foreign policy (where they are seen as legitimate and are seen to have moral authority)".

A few countries have been quite prominent in their use of soft power. Prominently among them is the United States of America. Of course, USA still exercises hard power. But one must understand that soft power is not a substitute to hard power. It is in fact an effective tool when it acts as a complement to it. For example, post 9/11, when President George W. Bush used the phrase "you are either with us or with the terrorists", it was an exercise of soft power with no military or economic force being used against other states to join its coalition, but it did have serious implications for states which decided not to co-operate with the US.

Even China has recognized the benefits of soft power. The turning point was when Hu Jintao (6th president of China), addressed the 17th congress of the communist party and emphasized on "the need for China to invest more towards developing its soft power". Since then China has invested billions of dollars towards this goal. The rise in a number of Confucius institutes across the world and the Beijing Olympics are a testimony to the Chinese culture spreading across the globe. Secondly, China has started helping other nations (specifically African countries, Latin America and Pakistan) in developing infrastructure through investment in their major infrastructural projects.

Now let's take India's case. It is a country which snatched its independence from the British through non-violent means and successfully transitioned into being the world's largest democracy; India has always projected itself as capable and never shied away from major international responsibilities.

Be it sending troops to the UN peacekeeping force in Africa and elsewhere or other responsibilities towards nations in its immediate vicinity (Afghanistan, Nepal, Burma, Bangladesh, Sri Lanka and Maldives). India's track record in the international sphere has been more than good. That's why India has been able to project itself as a country whose national interests are synonymous with the world's interests. Despite this, India has never been able to gather adequate support on issues pertaining to its national interests. For example, terror emanating from Pakistan, and China's increasingly aggressive stance in Leh & Ladakh and in the north-eastern frontier.

Similarly, China also faces some impediments in its goal to develop its soft power capabilities. As Nye states "Even today, China cannot hope to generate much soft power in its own vicinity, mainly due to disputes with its neighbors namely India, Japan, Philippines, South Korea and Vietnam. Even major military and economic powers of the world have differences with China mainly due to the differences in their political system". However, recent developments would tell you otherwise. For example, Donald Trump's acceptance of "One China policy", President Xi Jinping's speech at the World Economic Forum at Davos (which saw the first ever address by a Chinese Premier at such an event) and the Philippines warming up to China can be seen as major successes. Even Nepal, which was seen as a traditional ally of India is moving ever closer to China. More and more countries are looking up to China these days. This clearly is an indicator of the growing influence of Chinese soft power.

India, on the other hand, has not been doing that well when it comes to reaping the benefits of its efforts vis-à-vis China. This can be seen in its failure to secure a place in the coveted NSG, its failure to designate Masood Azhar as a terrorist and so on. Also, the conditions prevailing in India are not helping much to further the cause. Use of pellet guns in Kashmir, dissidence in Indian central universities, deteriorating Indo-Nepal relations, silence on fringe right-wing groups and the likes have earned India a lot of criticism in the international arena.

So what should India do? Ideally, India should continue to fulfill its responsibilities in Asia and Africa. It should simultaneously try to reach out and build strong relations with countries of Central and South East Asia (keeping in mind the string of pearls theory). Also, India must work more towards increasing its soft power capabilities by devoting more financial resources towards it. Of course, it will take time. But, these measures are absolutely necessary in order to gain influence in the region as well as globally.

-Jithin Jose

GIPE Alumnus (2012-14)

Professor Thomassin is an Associate Professor of Agricultural Economics at McGill University. He visited the institute on January 2013. During the visit, he touched on issues related to increasing farmer vulnerability due to climate change. Though the talk was majorly based on his experiences in Canada, the lessons learnt are equally important for a country like India where even today, farming is just a gamble of rains.

The period 1983 – 2012 was reported to be the hottest since 1900s – soil temperature rose, so did the ocean temperature, and dramatically severe climatic conditions like droughts hit the region. This brought about the global commitment to Paris Agreement.

The forecasting models for probability of events are no longer valid, and so, it is getting increasingly difficult to ascertain the probability of occurrence of any such climatic upturns. This essentially wreaks havoc on the farm sectors, as it not only increases production risks, but also causes price fluctuations; which makes farmers vulnerable to risks. In Canada, fifteen states reported production being adversely affected due to climatic conditions. 33% of crop area was affected and the monetary loss to farmers was about 4 billion dollars. Canada witnessed lower levels of precipitation due to which 60% of the land was in drought situation. There were fluctuations in yields, because such adverse natural conditions sap the quality nutrient availability of the soil, and slowly erodes natural capital. The social implications are farmers tending to exit farming with no financially viable alternative left. The food security is threatened too.

The Canada study focussed on economic impact of climate change on cash crops in Southern Quebec and Eastern Ontario. It also aimed to determine the adaptive measures for producers to minimize the negative impact, and role of institutions like crop insurance agencies to assist producers to adapt to climate change. These two regions experienced increase in average temperatures, climatic variability, changing precipitation patterns and CO<sub>2</sub> enhancement. Their multidisciplinary study used a nested modelling approach which entailed three models – the climate model, plant processing model and price model. For the climate model, daily weather patterns were required to evaluate five climate scenarios. A global circulation model was used which was then regionalized to three specific regions. The plant processing model entailed putting in weather on a daily basis and predict crop yields based on growing conditions, crop variety, precipitation, and a variety of biological and physical factors. The price model was prepared by economists wherein they forecasted crop prices for a 30 year period using Monte Carlo Simulations. The prices were forecasted taking markets of specific regions into account. Cost of production was also forecasted for each region separately given regional cost of production.

The study concluded with the fact that the impact of climate change was different between locations. Water limitations and CO<sub>2</sub> enhancement were important variables that impacted crop selection and net income. Technological change reduced economic vulnerability and increased farm net income. Risk management institutions can play an important role in decreasing economic vulnerability and stabilize income.

The current Indian scenario is that we have per capita water availability of 1000-1700 m<sup>3</sup> per year which makes India a water stress region. India also has the largest annual non-renewable ground water withdrawals of 68 million cubic metres in the world. Agriculture has the highest water uses – estimated to be 90% followed by residential usage of 7%.

With climate change, precipitation is expected to increase but the number of rainy days will decrease, causing more extreme events. This will make Indian agriculture more risky both in terms of production risk and price risk. As a means to mitigate the impact, technological change in terms of crop variety changes would assist in addressing some of the risks. Institutional change in terms of crop insurance would assist in decreasing farm financial vulnerability and help in maintaining a productive agricultural sector. Other structural investments in terms of infrastructure would also assist. Further, extension in terms of new production technology and practices like crop rotations, acreage planted and production practices also assisted in mitigating risks. The presentation concluded with a snippet of advice on how nested modelling approaches can provide input into policy design and technological development.

- Yashika Joshi (M. Sc. Economics 2016-18)

## Partition of Vidarbha and how we can prevent it?

Politics

Nowadays, India is facing a tremendous problem of revolt from the people of backward and under-developed regions of certain states demanding to form an independent state of their own. The khalistan movement in Punjab, Telangana movement in Andhra Pradesh, Gorkhaland, Vidarbha movement in Maharashtra, etc are some major revolts across the country. This article emphasises more on Vidarbha and will try to give solutions for preventing the partition of Vidarbha from Maharashtra.

Vidarbha (19404 sq km) region is located in the eastern part of Maharashtra. Famous for oranges, this region comprises of 11 districts namely, Buldhana, Akola, Washim, Yavatmal, Wardha, Nagpur, Bhandara, Gondia, Chandrapur and Gadchiroli. With the GDP growth of 6.7%, it is transforming itself into a centre of business and industries. With increase in the numbers of suicides by the farmers, the revolt of “Vidarbha as a state” increased tremendously. Declaration of Telangana did add more fuel to the fire. Under-development is always considered as the main reason for such kind of revolts. There are certain reasons for the under-development in this region too. 65% of population in Vidarbha is dependent on agriculture directly or indirectly. As cotton is the important crop, the region is more dependent on rain. It enjoys only 400-600 mm of rainfall. This leads to bad results and loss of income. This forces a farmer to take loans which he could not repay. This leads to the suicide of poor farmers followed by under-development of the region. Certain plans for the development of the region by the government Of Maharashtra has failed consistently. Although, “Advantage Vidarbha” remains as a promising project, given the literacy rate of 83.6%, the region constitutes 15.6% of Maharashtra’s GDP.

Vidarbha has got 3000 ha of industrial land and 90 industrial areas. It has adequate power generation capacity and total water reservoir capacity of 5607 mm m<sup>3</sup>. It has 32.93% of total railway network of the state with Nagpur connecting all the parts of India. In last 5 years, domestic passenger traffic of this area has increased by 14.8% and international passenger traffic by 4.1%. It has 4 out of 5 national parks in the state. Competitive and aggressive policies of neighbouring state

and cities have elevated Vidarbha’s position in textile industry value chain. Here are certain development measures government can take to prevent the partition of Vidarbha from Maharashtra....

- There must be at least 15-20% capital subsidy for new textile units which will attract industries (currently 10%).

- On the accounts of unstable rain, at least 1000 ha of land must be kept for textile zones.
- Government must try to engage large amount of population in industries and not for agriculture. Specially the young and unemployed talent within the region.
- Bodies like MIHAN must transform the vacant region like Gadchiroli into a Cargo Hub so that it will develop the area and generate employment.
- Strong and benefiting policies for Agro and food processing industries are needed.
- There must be a strong improvement in tourism policies as the region is well known as the “Tiger land” including 4 out of 5 national parks of the state.
- Government must appoint bodies like CIDCO in other areas and not only in Nagpur. CIDCO has done tremendous and successful development in the cities like Navi Mumbai.
- Development of more than 100 power plants in the region is essential.
- Auto and auto ancillary industries are needed to be strengthened. As they are very weak.
- There must be additional FSI for IT/ITES units with 10% premium.
- Development of IT parks. (currently only 3)
- Need to setup a dedicated agency which provides a fillip to economic development and District level panels are must.
- There must be single window clearance system for companies.
- Industries to facilitate value added employment generation.

All these plans need a skilled labour which is lacking in Vidarbha. This happens due to migration of talents to the developed areas of the state and country. Government must try to give attractive wages to the Son’s of soil and must attract talent from all parts of India to overcome this problem.

Despite its inheriting strength, the region is not able to attain its full potential.

However, I feel that the economic transformation of Vidarbha could take place provided the concerned stake holders come together to develop an integrated and cohesive approach to support the sectors/industries which can be potentially developed in Vidarbha.

- Raj Kamble (International Business and Finance 2016-18)

A country needs to build its human capital in order to promote inclusive growth and foster development in the nation. For a country like India, where impetus on primary school education is being given via the Sarva Shiksha Abhiyaan (SSA), the trickle down approach has proven to be partially unsuccessful.

The Annual Status of Education Report (ASER) that measures overall learning level among Indian school students, highlighting the challenges in school education, continued to depict India on a poor scale. According to ASER 2016, the 11th edition of the report that collected data from 589 rural districts of India, the proportion of all children in Class V who can read a Class II level text book declined to 47.8% in 2016 from 48.1% in 2014. This means that every second student in class V is unable to read something that is meant for three classes below him.

ASER indicates that as governments change, education in its true sense remains a dismal dream. The governments need to realise that schooling doesn't lead to learning. There is no focus on learning outcomes per se, for a concept such as this doesn't exist.

The No Detention Policy under which no child can be detained or expelled under class VII under the Right To Education Act fosters a lackadaisical attitude among the children. Moreover, no differentiation among slow learners, average and brilliant children creates hurdles in effective learning outcomes. Studies prove that even a simple rearrangement of children on the basis of their learning abilities enables them to perform better. Scientific methods of study are a requisite to ensure that schooling eventually leads to learning. Lack of accountability on the part of the administration and teachers also proves to be a major bottleneck

in the field of education. If a teacher doesn't have an incentive to ensure that students learn well, why would he/she promote the idea of education, the way it is meant to be conveyed. Without a proper foundation, these children will not be able to enter into schools or colleges that will give them a chance to get out of their poverty trap. The current budget exemplifies this idea and promises to create institutions of higher learning, and a reduced spending on social sector. The syllabus in schools is such that children are required to 'learn' a certain level, without ascertaining whether they have learnt anything at all in their previous classes. The focus lies on completing the syllabus, at times not even that.

There also lies a perception among the families that private schools are better than the government and government-aided schools. Most families prefer to send their children to private schools, where learning outcomes and methodology of teaching isn't particularly remarkable. The fees is also a problem, along with additional costs such as uniforms, school books. Along with the cost of fees, there is an additional 'white elephant' cost of tuitions. Such tuitions churn out rote learners, with the tuition teacher merely writing a particular composition and making the children 'memorize' the same. There are at least seven states, including bigger ones such as Uttar Pradesh, Haryana and Punjab, where more than 50% of elementary schoolchildren are in private schools, indicating the dwindling faith in the government schools.

With such major hurdles existing at the elementary rungs of education, one cannot help but wonder, 'We don't need no education', or do we?

*-Sejal Maheshwari (M.Sc Economics 2016-18)*

## The Case Against Universal Basic Income In India

The concept of implementing Universal Basic Income (UBI) is a relevant one, that which poses severe challenges to Governments and policymakers around the world. But it is at the same time is also a highly controversial and contestable one. The argument about UBI will surely catch fire in the near future as we start seeing jobs getting replaced by robots at a high and sustainable pace. This brings us to the narrative of UBI. The advocates of UBI project it as a necessary unilateral transfer that the Government makes to each and every individual, enabling her them to live a dignified life. This is of course, once their her job or source of employment is taken over by a robot, and they are she is rendered unemployed, or even more unfortunately, unemployable, with the her given skill set.

The Economic Survey of India this year presents a significant discussion about the idea of UBI in India. The arguments presented in the Survey stated how a universal net in place of targeted benefits system as the one that now it exists now would lead to plugging of leakages in the subsidies given by the Government. The calculations done in the Survey were based on a transfer of Rs. 1000 per person per month, which summed up to about 10% of GDP of India. The tax-to-GDP ratio of India is 17%. Another independent study has more rationally suggested a transfer of about Rs. 18,000 per household, summing up to 3.5% of the GDP.

In the Survey, a comparative comparison between inclusion error (people not in target receiving the benefit) and exclusion error (people in target but not receiving the benefit) clearly shows the mismanagement of funds and bad administration on part of the Government authorities. Also, schemes like Pradhan Mantri Gram Sadak Yojana and Swachh Bharat Mission have been discussed for misallocation towards in districts which have a greater proportion of the poor. This makes no economic sense as there is no evidence of funds allocated to this these two schemes, directly uplifting the conditions of the poor. There is no merit in claiming bad administration and hence leakage of funds from the schemes and hence thus stating that a universal basic income is more fruitful.

Firstly, it is unclear whether the Government will stop spending on Health. Health is always given a back seat when the pocket is tight, as priority is always given to basics of food, clothing and shelter.

Maybe, if the Government pulls out the Mid-day meal scheme, it will kill incentive of millions of students going to school. More so, it will lead to huge unemployment of people engaged in cooking food for the scheme, and render all the mega-kitchens as idle capacity. Secondly, if the Government spends anywhere between 3.5% to 10% of the GDP towards UBI emoluments, it loses out a lot of money on capital spending. More so, it means, that a large part of what the Government borrows, might as well be going towards unilateral transfers instead of creation of productive assets or jobs, making the debt all the more unsustainable.

The unemployment situation is not as bad as we think. India might be literate according to its given definition, but lacks education and hence, skills. Thus a very low proportion of people are in highly skilled jobs, or in jobs that are under direct threat under automation. Many jobs like daily wage/contract based jobs, domestic servants, peons are completely guarded against automation and are crucial to the functioning of an Indian household, office or factory. Such jobs can be threat only under specific circumstances that these people get educated or there is an overnight automation drive of these activities, both of which seem highly unlikely. The majority of population, that is engaged in agriculture is again safeguarded as automation in agriculture faces a different set of challenges altogether. What remains is a very small proportion of the working population, which work in the secondary and tertiary sectors, that too in big firms who which can actually afford to employ automation on a large scale.

Simply, it is too soon for India to even think about implementing UBI. As a panel expert on a leading TV News Channel mentioned in a pre-budget discussion, it is all kite-flying done by the CEA in the Survey. Of course, nothing was spoken about UBI in the budget neither were any provisions made. Except for a pilot project in two villages of Madhya Pradesh and the Jammu and Kashmir, Government announcing a UBI scheme on a trial basis only for construction workers registered in a particular association, UBI in India is nowhere to be seen. India has a long way to go as far as technology advancement, income inequality and economic development are concerned before UBI in the true sense of the term can or should be implemented.

*- Harsh Doshi  
(M. Sc.Economics 2015-17)*

## Fault Lines in Economics Education in India

Economics is like medicine. The stakes are high and you cannot afford to go wrong. Like a human body, the entire country and more than a million lives are at stake. One wrong policy can jeopardise the whole economic structure. Injecting a suitable drug is very important. Therefore, it is essential to ensure that the world's future is in safe hands. This will happen only when budding economists face the real world challenges that today's economists face through exhaustive and intensive learning programme and techniques.

Recent placement drive in my college brought me face to face with the reality of how 'not-ready' we are to hit the job market. The booming world of data analytics, consultancy or research – these industries demand students with utmost skill and quantitative aptitude along with application based approach. Most institutions in India use archaic methods of teaching where focus is mostly laid on theory and not application. From microeconomics to macroeconomics, from international trade to public economics and econometrics to mathematics, students are taught old theories and methods given by various economists and asked to vomit out the same in examinations.

While I don't intend to diminish the importance of great theories given by legendary economists as they are important to understand the evolution of the subject and the real world scenarios, their application is more important. It would be of little importance to know Ricardian trade theory if I cannot apply it to actual trade patterns between countries and validate its assumptions. Similarly, no good would come out of knowing how to derive AR process on paper if I cannot understand how and when to use it, given a time-series dataset of a thousand observations. Taxation models would be of no help if a student cannot apply the same to understand tax structures of various countries around the world. To cut a long story short, mere knowledge of theories will not help until they can be applied to one's analysis of day to day happenings around the world.

The evil is not just in the methods of teaching, but also the examination system. The examinations test the students' power of retention, skill to by heart the course and neatly vomit it out during the three hours examination. If one cannot retain, rote learn or write properly, the scores will be low. For others, it will be a cakewalk. Such examinations promote rote learning and draw away the focus from real learning to examination oriented last-minute studying.

The examinations should be challenging enough for students to think beyond textbooks. This will not only strengthen the theoretical economic foundation of the students but also prepare them well for a much complex and dynamic world that lies outside the institution. Premier postgraduate institutions of India like the IIMs do not conduct three hourly examinations. Students there are examined, scored and ranked through frequent quizzes, case studies and presentations. No wonder they produce the best brains which think beyond limits and work beyond capacity.

Gap between academicians and practitioners is widening. Delivery mechanism should be a refined amalgamation of both. While academicians can lay down a solid theoretical foundation, practitioners through their work experience can teach students the right way to use their theoretical knowledge when analysing real life problems. This becomes a necessary part of student training as they gear up to join the work force.

Thirdly, despite rigorous teaching programme, emphasis must be laid on sufficient time for self-study. Students require these extra hours to do in-depth study of the course - much necessary for a nuanced understanding of the subject, to discover themselves and ample opportunities that lie around them and to pursue their extra-curricular interests. Study of economics will always be incomplete without a holistic knowledge of its socio-political relevance. Therefore, institutions must take necessary measures to plan their course work in a manner which leaves scope and time for extra reading.

All the economists we know of have foreign branding associated with their education. This is because of the wide gaps in the Indian education system which are necessarily filled by the institutions in the west. If we adopt the same teaching methods and improve the quality of teachers in India, a lot of students will be able to avail the same experience with much easier accessibility. Just like medicine, five years of education would always be insufficient to understand economics in its entirety. But it will definitely give a good head start in to the integrated and complex world of demand, supply and markets. Unlike medicine in India, most students study economics for love of the subject and it's important that institutions only further strengthen this bond to produce economists who can produce new theories and question the old ones and those who can discover new drugs and write their own policy prescriptions.

-Rhythm Behl  
(M.Sc. Economics 2015-17)

On the 5th of February, we the people of Gokhale institute were blessed to have some eminent economists amongst us, to discuss the Union Budget 2017. Subhashish Gangopadhyay was one of the speakers in the session. He is a current research director of the India Development Foundation, Delhi, and has been the chief economic advisor to the finance minister, Government of India in 2008. We were fortunate enough to be able to interview him and gather his views on different economic and social conditions of the economy.

**Q: The income tax has been halved for the middle class. What is your take on it?**

A: It's not just for the middle class. It is a step taken for everybody. Say, for someone who pays earns 6,00,000 rupees will also pay the lower amount on that income slab (2.5 – 5 Lakh rupees). Had it been done on the upper end, then it would have been only for the upper end. This was essential because ours is a demand driven economy. For the past 3-4 years, consumption has fallen and investment has been low. So it has to be revived. Whether it will happen or not cannot be said because too many things are happening. On the whole, this is the right way if consumption has to be increased.

**Q: About doubling the farmers' income, the budget 2017-18 has allocated 8000 crore rupees over three years and it claims that it will lead to additional generation of about 50000 crore rupees. Is it possible to achieve the same in 5 years?**

A: See, farmers' income can be doubled by increasing productivity. But that cannot happen because prices will fall. Farmers' income can be increased by raising prices. But that too cannot happen because the rest of the economy will collapse. So doubling farmers' income is a pure rhetoric. It is just not possible unless you decrease the number of farmers.

**Q: Do you think that the informal economy is supporting black economy?**

A: A lot! In the sense that it does not generate black money but absorbs it, just as political parties do.

**Q: How can the formalization of the economy be achieved?**

A: It's simple. We talked to the labour unions and got them on board. We got the corporates on board too. Essentially, we asked them to get rid of all the exemptions on size. For every laborer, even if he is a gardener for one day, on that day itself he must be given the pro rata, the problem fund, the ESI, the employee insurance and the rest. Otherwise the employer keeps him for some days and for the rest he is under MGNREGA and come back the next year. If this is stopped, the employee knows that he will earn a higher wage because he is skilled. This will promote investment in human capital and bring about permanence as the employer will be more willing to retain the worker and reluctant to lose a skilled worker.

**Q: Is ICT in education feasible, given the cost structure and fact that the teachers are not habitual of such a technology themselves?**

A: Of course, it has to be implemented! Every time we think of schools and colleges, we think of infrastructure. And then we think of the fiscal deficit. So it is necessary to get out of it because the deficit cannot be an impediment to education. Poverty and education have to be given importance.

**Q: You are from Presidency College, which is supposed to be the paradise of budding economists. Can you tell us about your experience as part of the Institute?**

A: I learnt my Economics from Presidency College from some great teachers. But very importantly, I had a great peer group. And I would encourage all of you not to sit at home but at library to study. Talk to each other. We used to spend countless hours in college, even bunking classes. But we always had discussions. Education is training of the mind. What you do with it is up to you.

- Sreeja Sen (M.Sc. Economics 2015-17)  
& Prakriti Bhargava (International  
Business and Finance 2016-18)

# A SYNOPSIS OF THE UNION BUDGET 2017-18

1) An Integrated Railway Budget - A First: The merged Railway Budget was based on 4 pillars: Passenger Safety, Capital & Development Works, Cleanliness and Financial & Accounting Reforms. Under Passenger safety, a rail safety fund with a corpus of Rs 100,000 crore will be created over a period of 5 years. Nearly 500 railway stations will be made differently-abled friendly by providing escalators and lifts. A new rail metro policy will create employment opportunities for the youth. For promoting religious tourism, steps will be taken to launch dedicated trains for pilgrimage. By 2019, all coaches of the Indian railways will be fitted with bio-toilets. Unmanned railway level crossings are to be eliminated by 2020. More than 25 train stations are expected to be awarded during 2017-18. Also for selected commodities, railways will integrate end to end transport. These announcements culminated to a 22% rise in the Railway Budget.

2) Abolition of the Foreign Investment Promotion Board (FIPB): FIPB was set up to clear proposals relating to foreign investment amounting up to Rs 500 crore. Investments that are not under the automatic route required the approval of FIPB. However, over 90% of FDI comes through automatic route. Sectors under the automatic route are subjected to only sectoral laws. Now with dismantling of FIPB, investments not under the automatic route have been liberalised. This is in line with the Government's objective of making India a 'Business Friendly' place.

3) Education and Skilling: A positive announcement was of setting up of an Innovation Fund for the Secondary section at backward blocks. This will encourage creative thinking among students. However there were also disappointing announcements. Firstly, setting up foreign language centres in order to 'encourage students to pursue employment opportunities outside of India' sounded like encouraging brain drain. Learning a foreign language is an expensive affair and only the affluent who have received quality education will pursue it. Secondly, there was no mention of Primary Education. The recent ASER Report brings out a very gloomy picture of the primary education in India and concrete steps are required to be taken immediately. Only 5 lakh persons were targeted to be skilled by providing mason training up to 2022 as against the annual job creation of minimum 1 million in order to reap the demographic dividend.

4) Fiscal Deficit, IDS and Inflation: The Fiscal Deficit was pegged at 3.2% of the GDP and the revenue deficit at 2.1%, 0.2% points down from the previous year. This means the amount of debt taken has increased. Secondly, the Finance Minister declared that he was forgoing a revenue of Rs. 22000 crore. However, take into account the IDS schemes and the deposit into the Jan Dhan accounts after demonetisation. The declaration in IDS 1 was Rs. 64000 crore. A 46.25% tax increases Government revenue by almost Rs. 29600 crore. Take a similar amount of tax on even 50% of Jan Dhan accounts that amounted to Rs 41000 crore, and stricter and steeper tax and penalty rates for IDS 2. Also, the Government said that a total of 1.8 million accounts are under scrutiny after demonetisation. This all is over and above the windfall that the Government will gain out of the reduced liability of the RBI over the notes that were not returned. Such a huge windfall revenue increases fiscal space for the Government to spend and may indicate an inflationary pressure.

5) Corporate and Income Tax: A huge boost came in for MSMEs earning a revenue of less than Rs. 50 crore a year. Though the effective rate for big companies is somewhat similar, it is high time that

deductions are done away with and a flat tax of 25% is levied. The Rs. 250000 to Rs. 500000 slab will now be charged 5% income tax. This comes in as a huge relief for the salaried class. This is exactly where the Government is mainly forgoing revenue. However, a surcharge of 10% on income filed between Rs. 50 lakh and Rs. 1 crore and that of 15% for income greater than 1 crore serves as an equaliser and helps in redistribution of resources in the economy, in whatever small way. Reforms in capital gains tax by the way of giving multiple investment options to gain exemption from taxing of capital gains will boost domestic investment. Shifting of base year from 1981 to 2001 for the purpose of indexation of value of assets will also bring down taxable capital gains.

6) Digital Economy: The announcement of production and mobilisation of 10 lakh PoS machines and 20 lakh Aadhar PoS machines comes as a great push to sustain digital payments even after the economy is remonetised in the near future. It is more convenient to pay by card or use your thumb print to pay rather than PayTm. It also depends on at what cash-to-GDP ratio the Government stops the remonetising process. A removal of a number of service charges on PoS machines too helps the cause. However, cash back on using BHIM app seemed juvenile by the Government. Also, waiver of service fee over online booking from the IRCTC website is a welcome move in this respect.

7) Political Party Funding Reforms and Black Money: Setting a ceiling of Rs. 2000 for cash donations from one source for political parties is a bold move. This will help in curbing black money in a huge way. Citizens can now also subscribe to Electoral Bonds in order to lend to a particular party, making the donation process more transparent. Announcement to curb black money in the realty sector were not made. Also, there were no major tax reforms in order to stop the flow of black money again once the economy is remonetised. Such reforms will only sustain effects of demonetisation in the long run.

8) Infrastructure, Real Estate and Railways: The total package for Infrastructure sector still remains the highest at almost 4 lakh crore, which includes 1.31 lakh crore for the Railways. The push for solar energy was feeble at 20000 megawatts in this year as against an overall target of 100 gigawatts in the next 5 years. Affordable housing received sops. The 30 and 60 sq. metres built up clause was changed to carpet area taking the 60 sq. metres which roughly converts to 840 sq. feet, say a sizeable 2BHK flat. There were more relaxations for interest deductions. Also affordable housing was given infrastructure status, thus making credit from banks easily available to realtors for this specific purpose than before.

9) Agriculture and Rural Sector: Agricultural credit has been set at a record target of Rs. 10 lakh crore. Soil testing labs for the purpose of insurance will lead to efficient use of resources. E-NAM came back in a huge way and sops were given for the same. This will bring down commodity prices in the hands of the final consumer. MGN-REGA was allocated Rs. 48000 crore, however last year's payments from the Centre to the States are in arrears to the tune of Rs. 6000 crore. The total allocation for these two sectors combined is up to

Rs. 1.87 lakh crore.

-Krutika Kasal

M.Sc. Financial Economics 2015-17  
& Harsh Doshi

# DUEL

Thar Desert.  
Time: 4 pm.

Atheus

Winds were blowing hot. Dryness and Death pervaded every inch of sand. Sand dunes stretched far away with no sign of vegetation around except for a man who lied lifeless on the golden sand. Strongly built, his clothes suggested as if he had been travelling on his foot for long and displayed the extreme conditions that he had been through for last few hours. His face was red with blood that bled through his eye. He was stabbed in his left eye with a knife. The sand had settled on the top layer of the blood that had now coagulated on his face. The knife was in a way peculiar. It had weird curve and had an imprint on its handle, which possibly suggested of its ownership. The skull on the handle of the knife brutally pierced the dark man's eyes. Bruises on his hands and clothes cut at several places suggested of some violent exchanges.

After a few more hours, when the desert had started to bury the body in its belly, the hands moved. Alive, he drew his hands slowly out of the sand. He declined to die as if he wasn't tired of the war. A beautiful youthful face of a lady passed through his mind. It wasn't just the lady. A bunch of young men celebrating around a campfire followed the lady. The moment he woke up, the air around was filled with his scream. He screamed loud in agony. He was ferociously stabbed in the eye. The shout began from deep inside however didn't stay long in the vast desert. The bodily pain flew away in the wind just like the dissipating scream. He sat up. With his brave and bruised hands, he carefully pulled knife out of his eye. The blood gushed out and the metallic skull on the knife was covered with it all.

After some time, he was on his feet. The next thing that he wanted to do was to find him a shelter. He tried to search for the footprints around – footprints of the owner of the knife; but the blowing sand had erased them long ago. The desert was new for him but the scorching sun pointed towards the west. He started moving to the west. No, he did make a mistake before, walking to the west. He turned back and began to move east. "How could I do that? He ruined me." He turned back again, determined to fight him back.

He wanted peace but not on the compromised terms.

Venue: Desert  
Time: Night

Theseus

Theseus was lying bare bodied on the cold sand. The fatigue prevented him from the extreme cold of the night in the desert. He slept as if a long war had ended. His weapons lay on the ground. Blood on his sword suggested of a recent and fierce battle. The opponent must have paid heavily, it seemed. But it wasn't just the opponent. Theseus, the King of Wars also had suffered. His legs bleed from many places. He had wrapped a cloth around his arm. His long hair was tied crudely. He was sleeping but with dissatisfaction on his face.

"I had ruled them for centuries – Wars. I do not know when I was born. I never remember the beginning of the time. From the time I remember, I see myself fighting. I have fought them incessantly. How could he do that to me again? I had mastered all the arts of war known in the world. Why was he left undefeated then?"

You are responsible for your defeat, Theseus!

Theseus woke up suddenly. He looked puzzled and terrified.

"Who is it?" he asked in dismay.

You are the one who is responsible for your defeat. He breeds on your ignorance. He flourishes on your demerits. On your incapability he builds his edifice. O King of Wars!

Theseus knew it for long. In fact, this is what he did during his after-battle times. He wandered, reasoned, searched and mastered the art of war. He made sure that he never makes a same mistake again. He dug deep into the history to learn from the past. In attempts to leave no possibility untried, he invented katas in anticipation of any kind of new move from his greatest enemy – Atheus. Despite all this, the Atheus remain undefeated.

"Why do you call me King of Wars when I can't even defeat a newborn? He doesn't even have the long history of his existence. He can boast of no lineage of warriors. It is a new person each time with familiar features and can sense the same person I had encountered

before. The spirits are the same – passion of a rebel, spirit of an activist, carelessness of a misfit and agony of a victim. He comes with a new kata – about which I know nothing. From where does he learn? How does he know it when the King of Wars doesn't know it?

He hasn't ever known anything. His only weapon has been Reason. He knows best how to use them.

To be continued.....

- Ashish Khobragade (M.Sc. Economics 2016-18)  
& Animesh Sharma (International Business and Finance 2016-18)

## ANOTHER RELIGION

POLITICS

Justice Mridula Bhatkar's statement that, 'The fault of the deceased was only that he belonged to another religion. I consider this factor in favour of the applicants/accused', is as fallacious as saying 'short clothes invite rapes'. Recalling the Malegaon blasts where nine Muslim men were discharged after TEN years when the National Investigation Agency failed to find any evidence against them, or the brutal Mewat rape and murder case or the infamous Dadri lynching episode. The point being made is that, from this day onwards according to the Bombay High Court, being a Muslim is an adequate reason and a good enough justification for attracting retaliation and doom. I wince, but am not astonished over the basis of this mindset, which I believe is omnipresent in every walk of life. The mass killings post the Godhra riots of 2002 or in Muzaffarnagar in 2013 are all justified by the paradox of fighting a war for peace. Yes, I'm talking about fascism here; the only plausible reason which explains why Islamophobia exists in a country of 1.21 billion people with only 14.2% of them following Islam (Census data).

Fascism in itself is inefficient. For its widespread acceptance there are two very important requirements, first being the need to merge copulate with fundamentalist radical 'isms'. For example, Adolf Hitler in Germany used fascism with racism, anti-Semitism and communal hatred against the Jews. And second, the minority needs to be projected as enemies irrespective of their impotent dominion. The villain has to be large, as large as the hero. According to the United States Holocaust Memorial's data, in January 1933 only 5.2 lakhs out of the total 67 billion German citizens were Jewish i.e.  $\approx 0.7\%$ . Fascism ultimately led to the Holocaust or the 'Final Solution' (Endlösung) as Hitler would call it. Six million Jews from all over Europe were mercilessly killed, one and a half million of them being children. The crime was so monstrous, so undreamt of in history, that the term 'genocide' has had to be coined to define it. I am not trying to be an extremist here, but we need to understand that it has happened and it is possible.

A myriad of instances in the whilom like, the overall disaffection of Kashmir, dishevelment by beef avengers, the 'bharat mata ki jai' based definitions of 'nationalism' and terrorism being impossibly undistinguishable from anti-Muslim sentiments etc., make sure that a Muslim feels he's "the other", despite of being as Indian as everybody else.

Coming back to Justice Bhatkar's verdict, the single most offensive part of it is that Justice Bhatkar passes the blame on the deceased person's 'another religion'. The accused initially lied about being innocent and absent at the time of the murder, which the judge discovered to be false based on solid-eye witness testimonies. The judgment also says that the accused do not have a criminal record and they were provoked under the name of religion and have committed the murder.

Does the HC want to say that a hate crime in which a man was killed simply for being a Muslim isn't grave enough to reject bail? And since when are first time offenders are being released with such minor punishments?

I wake up every morning with an e-newspaper on my 'right' filled with incidences trying to please power and on my 'left' a poster of 'The Preamble' saying-

WE, THE PEOPLE OF INDIA....

secure to all its citizens;

JUSTICE,

social, economic and political...

Ameya Shaikh (M.Sc Economics 2016-2018)

# On An Artist's Ordeals

An artist's process of creation is a self-exploration wherein he embarks on a journey to delve deep into ideas and grant them a face, but this upholds only if he is true to these ideas. Trueness is important here, since factors beyond his influence routinely contaminate the creation. Oscar Wilde's remark, 'give a man a mask and he will show his true face' therefore perfectly captures the effect of such factors and the role of anonymity in that respect. The artist has to face the ugly face of pertinence, which demands his art to be altered to fit a pre-described or acceptable framework. That's when the hardest dilemma surfaces— to bow down and get dictated in what is supposed to be a rendezvous with himself, or fight for the freedom so dear.

This, however, is confined not just to an artist alone, but extendable to anyone true to his work and harbouring a disdain for having to do the 'needful' but losing soul in procedures.

The world is result oriented, working on a tried and tested formula for success. The import of things is judged not by their intrinsic value, and the intellect contained, but rather by the material outcomes it produces, in a relatively short span of time. While this in itself is not unacceptable, as tangible results are what survives an organisation, sobering is the loss of strands, that in pursuit of such gains, make the achievements enjoyable. The human in us laughs in pity as the work in us reeks materiality.

The pressures of marketing alone have taken toll on the lives (honesty) of artists more than anything else, all in the lust to feed people their wants, and not what's good for them, or rather what's just good in itself! Consequently, a writer has to bear the naggings of publishers to meet the deadlines, be politically correct, and create content for the masses. Numerous have lamented these ills, and the work that suffered and yet they are powerless, as ends have to be met. An editor who is following journalistic ethics is always standing next to his grave, as peers, who mint money, feeding on public frenzy and jingoism, don't. It is always onerous to operationalize something that is high in artistic value but low in marketing charisma. Mostly, one is left grappling for funds than to concentrate on the creation. The situation is even graver if the artist loses interest to be true to his creation. The threat of extinction then looms not only over the tangible artwork in line, but to all the intellectual capital still to emanate from them. It is a shame that people discount the quantum of such a loss, for this scholarly wisdom advances the mankind's understanding of themselves and around, like a hallow in darkness. Without, the so cherished tangibility and materiality might seem hollow.



Technocrats are guilty for having turned human lives into grey numbers and placed them in the grand scheme of things, and as the scope of what mankind is capable of expands, such practices have become all pervasive. While the economist around us wants us to consume more, and the businessman nearby blushes in agreement, the human in us is confounded by the glittery matrix, the artist within slowly fades.

My goal in bemoaning for the ones, who could not catch up, is to encourage an investigation into the reasons that lead to this demise. Humans are not animals. Humans should behave better, remarked George Orwell. Survival of the fittest is the worst a fellow human being could be subjected to. Exposing artists to the same set of rules as made for an entrepreneurial blitzkrieg is unfair and unjust. Not only does it lead to a depletion of purity in art, but also indicts the sincerity, and rips the pseudo-intelligence of the institutional support. An artist cannot be asked to deliver the same results as a marketer. Those are fundamentally different activities, the former appeals to the conscious, while the latter is mostly a seduction.

An institution should consider itself lucky to have good artists, and even luckier if they are willing to fight for their freedom, as sometimes the accepted wisdom becomes so intoxicating and deceptive, that the needed disquiet can only be inflicted by them.

## The New Man on the Block: VIRAL ACHARYA

The Reserve Bank of India, which has been in news for the past many months, right since the speculations of Raghuram Rajan's exit started, recently found another reason to be splashed across newspapers, this time to welcome its new deputy Governor, Viral V. Acharya.

The 42 year old RBI deputy governor, who was appointed on 28th December, 2016 to fill in the post vacated by current RBI Governor, Mr. Urjit Patel, is one of the most well renowned economists. Mr. Acharya completed his Bachelor degree in Computer Science and Engineering in 1995 and PhD from NYU –Stern in 2001.

He's an esteemed economist whose research areas include corporate finance, credit risk and valuation of corporate debt, banking and other financial institutions related regulations and asset pricing with focus on effects of liquidity risk. He joined New York University Stern School of Business as a professor of Finance in September 2008. Prior to this; he was the professor of Academic Director of Private Equity Institute at the London Business School. He was appointed Senior Houblon –normal Research Fellow at the Bank of England in 2008.

The dextrous Professor has received many awards, and recognition for his work in the field of finance. Some of them include the Best paper Award in Corporate Finance from Journal of Finance Economics in 2000, Outstanding Referee Award for the Review of Financial Studies in 2003 and an inaugural Rising Star in Finance Award in 2008, among the others.

Mr. Acharya, who was chosen from among 100 suitable candidates, will work as the deputy governor of RBI for a term of three years. His appointment comes at the time of demonetisation. Like Dr Raghuram Rajan, he also believes in autonomy of RBI. However, he feels that 'GST' is a positive for India.

Having Raghuram Rajan, as his role model, he calls himself "poor man's Raghuram Rajan". Acharya has co-authored several papers with Dr Raghuram Rajan, which includes 'Sovereign Debt', 'Government Myopia' and the 'Financial Sector'. However, the renowned economist not just has superior knowledge of economics and finance but also has a music album to his name.

While Raghuram Rajan brought a lot of Panache to the RBI along with his expertise in the field of Finance and the Banking Sector, many are of the opinion, that, Viral Acharya, will bring beautiful melody of a successful Monetary Policy which works in tandem with the ambitious goals of the present government.

-by Krutika Kasal

M.Sc. Financial Economics, 2015-17

## BEFUDDLED



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