

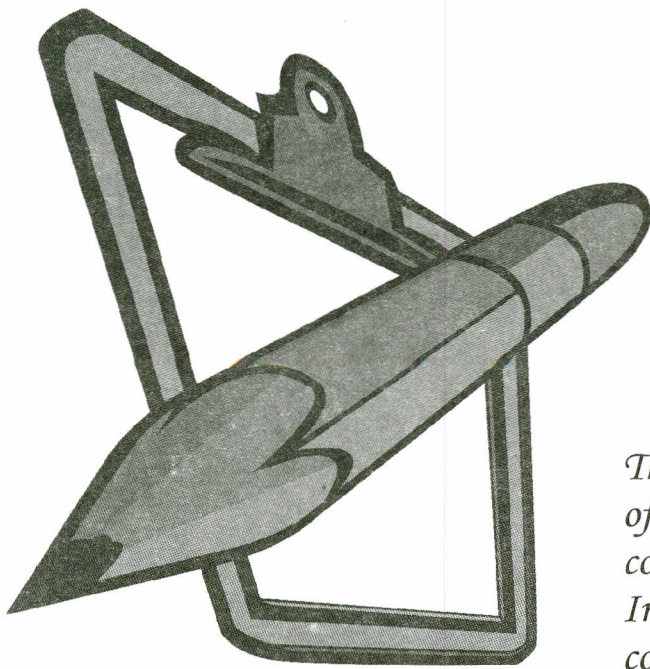
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budding minds

2007-2008

DEPARTMENT OF ECONOMICS
STELLA MARIS COLLEGE
(AUTONOMOUS)



EDITORIAL

The year 2007 - 08 marks the Diamond Jubilee of Stella Maris College. As the college completes 60 years, it is witness to the progress India has made since Independence. Our country today is driving the wave of success - what with the IT bubble spurring GDP growth to near double digit mark,

But the dark clouds of global warming and climate change, political unrest, persisting widespread poverty and religious and social fundamentalism puts the country back in an unenviable position. India needs awakened young people who share the dream of a glorious future for all.

The articles featured in this issue of Ankur reveal the active interest taken by the students and staff in matters that are relevant to a more balanced and inclusive growth. From the finer points of micro - finance and personal loans, to the impact of technology on consumer choices and the need to mainstream women into the growth process - the articles cover a wide range of topics.

We hope you enjoy reading this volume.

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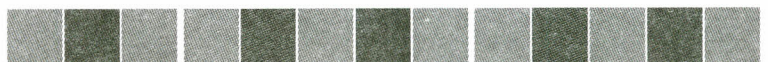
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Milton Friedman - A Biography

- Meghna, 06/EC/14, Student

Milton Friedman, one of the most influential economists of the 20th century, made major contributions to the fields of macroeconomics, microeconomics, economic history and statistics while advocating laissez-faire capitalism. Born in 1912, Friedman was educated at Rutgers University and the University of Chicago. In 1976, he won the Nobel Prize in Economics "for his achievements in the fields of consumption analysis, monetary history and theory and for his demonstration of the complexity of stabilization policy." He won several other awards, namely the John Bates Clark Medal in 1951, the National Medal of Science in 1988 and Presidential Medal of Freedom in 1988. In Friedman's biography, *The Power of Choice*, Alan Greenspan former Chairman of the Federal Reserve, states, "There are very few people over the generations who have ideas that are sufficiently original to materially alter the direction of civilization. Milton is one of those very few people."

In 1963 Friedman co-authored with Anna Schwartz 'A Monetary History of the United States', which sought to examine the role of money supply and economic activity in U.S history. Their research showed the contribution of money supply fluctuations to economic fluctuations. Friedman was a leading advocate of the monetarist school of economic thought. He maintained that there is a close link between inflation and money supply and that inflation is to be regulated by controlling the amount of money poured into the national economy by the Federal Reserve. He rejected the use of fiscal policy as a tool of demand management; and he held that the government's role in the guidance of the economy should be restricted. Friedman wrote extensively on the Great Depression. Friedman referred to it as "The Great Contraction" because he believed that the depression lasted so long due to the Federal Reserve's mismanagement. He argued that the reserve contracted the monetary supply,

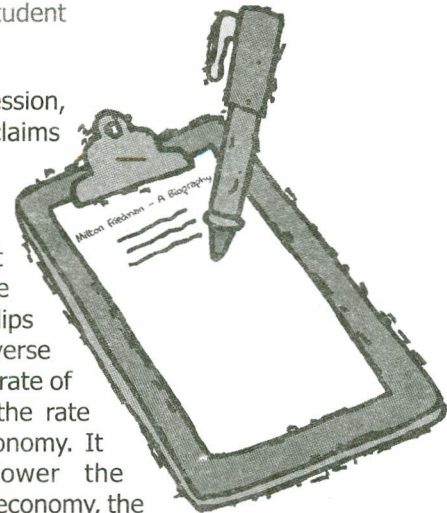
prolonging the Depression, which Friedman claims could have been over by 1931.

Other important contributions include his critique of the Phillips Curve (historical inverse relation between the rate of unemployment and the rate of inflation in an economy. It states that the lower the unemployment in an economy, the higher the rate of change in wages paid to labour in that economy) and the concept of the natural rate of unemployment (1968). In statistics, he devised the Friedman test. Friedman stressed the advantages of the marketplace and the disadvantages of government intervention. He argued that if capitalism, or economic freedom, is introduced into countries governed by totalitarian regimes then political freedom would tend to result.

In his essay "The Methodology of Positive Economics", Friedman argued that economics as a science should be free of value judgments, for it to be objective. Moreover, a useful economic theory should be judged not by its descriptive realism but by its simplicity and success as an engine of prediction.

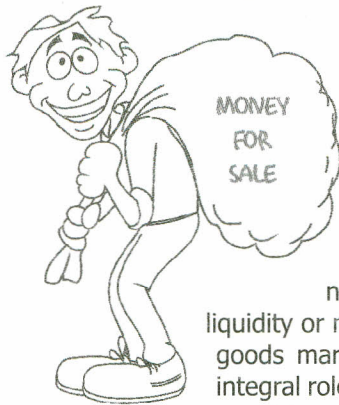
Friedman's ideas of free markets were widely accepted in the 1980's. His views of monetary policy, taxation, privatization and deregulation informed the policy of governments around the globe, especially the administrations of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom. His ideas were studied throughout the world, and played a major role in the transformation of China's economy.

January 29, 2007 has been declared 'Milton Friedman Day' to honour his life, works, and achievements, as well as his influence on modern day economic and governmental policies.



HOW TO MAXIMISE BENEFITS FROM A PERSONAL LOAN ?

- Supraja R.Haritha, 06/EC/06, Student



The word 'loan' that would have caused fear and anxiety in one's life not so many years ago, has taken on a new form nowadays. Banks provide liquidity or money on the capital and goods markets. Banks play a very integral role especially in developing countries.

1. Banks provide entrepreneurs with capital to start their businesses.
2. Banks in developing countries provide loans to the small farmers and other domestic industries to help them enhance their production.
3. It provides a system for payment of services which is central to the market system involving supply chains of wholesalers and retailers.
4. A bank loans money for investment even for big businesses to blossom.
5. A bank provides loans not only for productive but also for consumption purposes.

India is on the road to development. Therefore the funds that are coming in must be channelised properly by the financial institutions, in order to reap the benefits and gain the multiplier effect. The multiplier effects states that consumption is a function of the income and households have a marginal propensity to consume, and hence an initial increase in aggregate demand caused by increase in injections such as investments, increased government spending, and exports would cause increased flows in the economy which in turn leads to larger aggregate demand and thus larger national income. The banks could play a vital role in increasing consumption of households by providing personal loans and it could also boost

injections by increasing investments.

The personal loan market in India is doing really well. The numbers of multinational banks and domestic banks have increased drastically. The supply of personal loans is a lot greater than the demand. The demand for personal loans is elastic i.e. a small reduction in price would increase its demand by a great extent. Hence even lower rates of interest are possible.

The demands for personal loans are influenced by the following factors:

a) Price of the loan: The lower the interest rates, the demand for loans would increase because the 'good' is elastic in nature.

b) Time period: A long time loan benefits the bank due to the higher profits however short term loans are more convenient and satisfy the consumer.

c) Rate of interest in other banks: The bank which offers the cheapest loan would be preferred, than the other banks.

d) Money Income: When the money income increases the confidence of the people increases due to the ability to be able to repay the loans and hence the demand for personal loans also increases.

e) Miscellaneous factors: There are other factors influencing the demand for personal loans such as the rate of pre-payment penalties¹, processing fees. The banks providing high rates will not be ideal.

f) The different selling strategies: adopted by the various banks like extensive advertising, offers, competitive prices, customer service etc. The ones which are more persuasive in their advertising are the ones to have a larger consumer base.

¹The penalty paid by the consumer to the bank on paying the loan before the tenure due to loss of income to the bank.



On the other hand, the supply of personal loans has been extensive. The supply has been influenced by the following factors:

a) Price offered by the consumer: There is an extensive supply of banks as there are many consumers willing to pay a good rate of interest. As the demand increases, the prices also increase which in turn boosts the supply.

b) Prices offered by different banks: There are different banks that offer different interest rates for different time duration. The one which is most suitable for the consumer, and offers the best bargain would be benefited.

It is evident that the nature of this market is monopolistic i.e. there are many sellers however the goods are differentiated. The producers can only earn abnormal or supernormal profits in the short run. The other

sellers also copy the strategies due to perfect information and knowledge available to firms about technology and as a result of excessive supply, the prices fall and the firms are faced with intermediate losses.

However, in the long run only the efficient and competitive firms survive and they always earn normal profit. Hence, the consumers are benefited as they have a wide variety and choice. Therefore, the consumer has an upper hand and he must negotiate till he gets his bargain.

The role of banks in any country, developing or developed, is vital. The funds that are available must be put to optimum use and channelised properly to help in the growth of the nation.

1. Who theorized that International Trade was a zero sum game, therefore any gains in trade by one country would come at the expense of another?

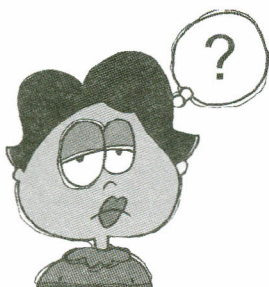
- Adam Smith
- Jean-Baptiste Colbert
- John Maynard Keynes
- Benjamin Friedman

2. Who wrote "An Inquiry into the Nature and Causes of the Wealth of Nations"?

- David Riccardo
- Thomas Malthus
- Jean-Baptiste Colbert
- Adam Smith

3. What is the most important concept David Ricardo developed in "On the Principles of Political Economy and Taxation"?

- Gross Domestic Product
- Real Exchange Rates
- Deficit Spending
- Comparative Advantage



The Answers

1. The correct answer is Jean-Baptiste Colbert. Colbert was economic adviser for Louis XIV. During his tenure, France practiced a specific brand of mercantilism named Colbertism.

2. The correct answer is Adam Smith. The Scottish philosopher wrote the first modern work on economics in 1776. In the work he develops such concepts as the invisible hand and the division of labor.

3. The correct answer is Comparative Advantage. The London born economist, David Ricardo, published "On the Principles of Political Economy and Taxation" in 1817. In it he develops the idea that nations should produce what they are best at compared to other goods. From this specialization, along with freer trade, nations can increase the wealth of its producers and make goods more inexpensive for the consumer.

THE LONG TAIL

Endless choice is creating unlimited demand - Chris Anderson

- Mridula Rajiv, 06/EC/13, Student



Ever dreamt of a world where anything you ever wanted was available? And to make this fairytale dream even better, what if you had easy access to everything? A world, where that one Russian song you heard on the Siberian radio and fell in love with, which is driving you crazy because you can't find it anywhere, or that book about space aliens on Pluto that you've been looking for in every bookstore from here to the North Pole, to no avail, is now quite easily accessible. What about last night, where you thought you saw something strange and wonderful in the sky, and you want to share it with the world, but everyone dismisses it and thinks you're crazy? Or that funny vacation video you want to share with friends and family but can't send a copy of. Does it seem impossible to find that song, book or even share your discoveries and personal videos with the world? A few years ago this might have been a Herculean, if not impossible task, but not anymore. With the advent and development of technology, all anyone needs is a little patience and the knowledge of where to look.

A few decades ago, everyone watched the same TV shows and listened to the same songs on the radio. As a result these shows and songs were immortalized in their respective halls of fame, remembered as the golden ages of television and radio and termed "HITS". Today TV viewership and television show ratings have fallen, not because programmes or songs today do not make platinum albums, but simply because people are exposed to more variety and have the ability to make choices and decisions that were not available to them thirty years ago. With the arrival of broadband and the internet, the access to information has never been easier. It has enabled people to explore and broaden their interests beyond the local neighborhood that was previously bound by physical constraints. The increase in variety and choice is a consequence of technology and provides avenues of exploration for interests that previously couldn't be pursued beyond the local library. Therefore people who want to learn Japanese can do so in the comfort of their homes at the click of a button. People interested in African bongos need not look in vain for bands and songs; online stores like iTunes and Rhapsody enable them to find what they are looking for with their detailed search icons and

well-stocked libraries. The advantage these stores have over their "real" counterparts are that their costs of storage and inventory are almost nothing and they therefore have the ability to stock and sell music that is not widely popular and does not sell in bulk in actual stores. This is true of even Amazon, which has a far wider and greater selection of books than the average bookstore. Netflix, an online movie library allows a greater range of movie DVDs than the regular rental library. Online stores have near zero costs, greater selection of products and services and therefore the ability to cater to a wider, varied and segmented market. Market demand curves of today are made up of the "HITS" and the growing "niche" markets. Demand curves consist of short stocky heads made up by the hits, and long tails made up of the wide and varied interests.

Economics today is breaking all barriers; demand is no longer limited and never, if ever does it touch zero. The internet and technology has helped in bringing production and inventory costs to nearly zero. Songs and data stored on a server somewhere hardly take up any space and costs of such storage are practically non-existent. The 80/20 rule in economics, that 20 percent of products account for 80 percent of revenues is being shattered and rewritten as 98 percent of products account for a majority of the revenues of firms. With costs at a minimum, consumers now have the ability to try every product offered to them. Consumers are now more willing to experiment with new and different products. Demand curves now extend to unforeseeable lengths and no longer abruptly fall off a graph when plotted. Supply no longer creates its own demand, but rather the other way round, with endless choice creating unlimited demand.

The long tail is now rewriting old-school economic theory and our views of business today. A decade ago, the concept of an entire music library in our pockets seemed unrealistic but is now a reality. The constraints of capacity and channels of distribution are slowly being lost. Very soon the constraints of mass production will vanish and the question asked will not be whether choice is better, but what we really want?

With inputs from the book "THE LONG TAIL" BY CHRIS ANDERSON.



The 22nd of March

- B.Roopa, 04/EC/01, Student



The 22nd of March: Year after year this date passes by with not a mention in the television channels or even a tiny little writing in any of the papers. While the Rose day and Valentines Day et al manage to get the entire additional papers dedicated to them, this day is not even acknowledged! To all those ignorant souls still wondering about the significance of 22/3; it is the World Water Day. The International day of observance to address the issue of water scarcity that plagues over 1 billion people the world over today.

On an average, a person needs 4 to 5 gallons of water per day to survive. However, even this could be a luxury considering the rate at which scientists are coming up with alarming statistics regarding the issue. With the onset of global warming, water scarcity can no longer be considered as a phenomena that will occur in the distant future. For if all the earth's water fit in a gallon jug, available fresh water

would equal just over a tablespoon.

Instead of addressing this issue head on, governments are seeking to take the easier way out-privatization! The State is slowly beginning to let the corporate giants, the greedy, unaccountable private sector take over and privatize what was once every citizens' birth right.

It is no wonder that the bottled water industry in India has grown from an insignificant business to a Rs. 10,000 cr. sector in less than 10 years. Water consumption figures from well-known bottlers in Tamilnadu indicate that as much as 25 percent of the water extracted is released as effluent that may end up contaminating the remaining groundwater reserves.

What needs to be looked into is, can water be treated as an economic good? If so, it is the duty of the State to ensure that the issue of water scarcity is not treated as a money making gimmick by all those who look upon it as yet another business opportunity.

Irony in Green!!!

- Divya Krishnan, 05/EC/116, P.G.Student



Have we ever stopped to think about the world we live in??? The color that lies beneath the economics of our subsistence??? The underlying tone of an average humanoid, who bundles her wants and needs, lies in a common color. Green it is! Starting from a simple nursery rhyme to the infinite boundaries of this world we live in, green governs it all. A child sings to her teacher a rhyme her sister taught her.

I like red
Daddy likes Blue
Mommy likes Green
Baby likes Yellow!

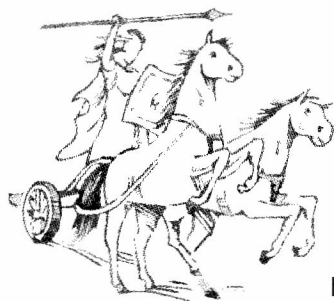


Green is the color Mommy likes! Green is the color Mother Earth likes. Green is the color we like too, however, we don't seem to be in sync with what Mother Earth yearns for. Green is the color of Money, the root cause of all evil. The more money we have, the easier it is to survive and win this rat race we are up against. Humans' wants and needs surround the translucent quest for money that is of the color Green whereas Nature calls for greening of the environment we live in. Having the same color in common does not imply similar wants and needs. We see that it

is this quest for green by man that leads to the destruction of green that Mother Earth hankers for. It is observed that more of green that is collected by man leads to devastation of greenery. This is indeed ironic but we need to wake up to the fact that if a measure of preservation and conservation is not complied with, we just might end up with barren, waterless, lifeless land that is fit for nothing. For greenery levels to be maintained, we must balance it out in such a way so as to equalize the losses. One aspect to be kept in mind is that Nature is irreversible but Money can be earned anytime as it is indeed man who made money and not money that made man. Green is good in every way. We have our parents telling us to eat greens to gain good sight; we have a green signal which is a synonym for 'go ahead'. But it is the natural green that needs to be looked at more closely and preserved with utmost sincerity. We fail to understand the signals, and maximize on profits by way of uprooting trees and forests. This devastation needs to stop right here and right now, else we may have all the wealth in the world but no health to support such wealth!

ECONOMICS OF WAR

- B.Roopa, 04/EC/01, Student



To most non-economists, economics has something to do with money, and the economics of war presumably has to do with how we pay for the bombs and bullets. Economics is that approach to understanding human behavior which starts from the assumption that individuals have objectives and tend to choose the correct way to achieve them. From this standpoint, the potential subject matter is all of human behavior and the only test of whether behavior is or is not economic is the ability of our basic assumption to explain or predict it.

Given such a broad definition of economics, one might almost say that all of warfare reduces to the technical problem of making guns that will shoot and the economic problem of getting someone to shoot them, preferably in the right direction. Board games, strategic simulations and popular articles tend to emphasize the technical problems of how far a tank will shoot, what kind of armor it will go through and how many tanks or knights each side has; they generally take it for granted that the playing pieces will go where they are moved. In real battles they frequently do not. The economic problem is why they do not and what can be done about it.

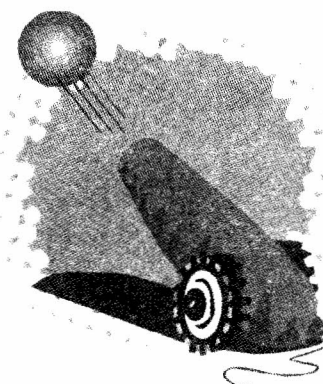
Economics assumes that individuals have objectives. We do not know all of the objectives that any individual has, but we do know that for most of us, staying alive is high on the list. The general commanding an army and the soldier in the front line have, in one sense, the same objectives. Both want their side to win, and both want both of them to survive the battle. The soldier, however, is likely to rank his own survival a good deal higher and the general's survival a good deal lower in importance than the general does. One consequence of that disagreement is that the general may rationally tell the soldier to do something and the soldier may rationally not do it. Neither is necessarily making a mistake; each may be correctly perceiving how to achieve his ends.

Consider a simple case. You are one of a line of men on foot with long spears; you are being charged by men on horses, also carrying spears

(and swords and maces and...). You have a simple choice: you can stand and fight or you can run away. If everyone runs away, the line collapses and most of you get killed; if everyone stands, you have a good chance of stopping the charge and surviving the battle. Obviously you should stand.

It is not so obvious. We have described the consequences if everyone runs or everyone stands, but you are not everyone; all you control is whether you run or fight. If you are in a large army, your decision to run will only very slightly weaken it. If you run and everyone else fights and wins, some of them will be killed and you will not. If you run and everyone else fights and loses, at least they will slow down the attack giving you some chance of getting away. If everyone runs and you stand to fight, you will certainly be killed; if everyone runs and you run first, you at least have a chance of getting away. It follows that whatever everyone else is going to do, unless you believe that your running away will have a significant effect on who wins (unlikely with large armies), you are better off running. Everyone follows this argument, everyone runs, the line collapses, you lose the battle and most of you get killed.

The conclusion seems paradoxical. We started by assuming that people want to live and correctly choose the means of doing so and ended by predicting that people will behave in a way that gets most of them killed. But rationality is an assumption about individuals, not about groups. Each individual, in this simple example of the economics of war, is making the correct decision about how he should act in order to keep himself alive. If it so happens that the correct decision for me (running away) decreases the chance of being killed for me but increases it for everyone else on my side, and similarly for everyone else's correct decision; individually, each of us is better off (given what everyone else is doing) than if he stood and fought, but we are all worse off than we would be if each of us had failed to reach the correct conclusion and we had all stood and fought.





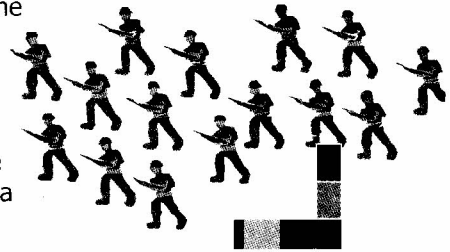
It does not mean that rationality implies selfishness that is a parody of economics. The "paradox" is not that rational behavior always leads to undesirable results, it does not. What is paradoxical is that the results are undesirable in terms of precisely the same objectives (staying alive in the one case and getting home earlier in the other) that the individual behavior is correctly calculated to achieve.

The solutions involve raising the cost of running away by penalizing it in one way or another. An alternative approach is to change the objectives of the fighters. If the most important thing to you is not surviving the battle but dying gloriously, the incentive to run away disappears although it may be replaced by an incentive to die gloriously in some stupid attack that loses the battle for your side.

The conflict of interest between the individual soldier and the army of which he is a part is also a subject of considerable interest to the opposing commander. In playing a war game, one must actually destroy the other player's units. In fighting a war, it is sufficient to

create a situation in which the members of a particular unit find it in their interest to run; having done so, one then goes on to the next unit. I conjecture that a considerable part of generalship is the ability to exploit the conflict of interest between the enemy soldiers and the army they make up.

There has been enormous progress in weaponry over the last few millennia, but the economic problem is essentially the same, the only important change being the substitution of hiding for running as a result of the increased range of our weapons. It is possible that all this will change in the future; one can imagine a robot battlefield on which all of the problems are technical. It remains the case now as then that a lot of soldiering involves a sharp conflict between the interest of the soldier and the interest of the soldiers, and it is likely to remain the case at least as long as the human brain continues to be a better weapons-control mechanism than anything else we can put in that small a box.

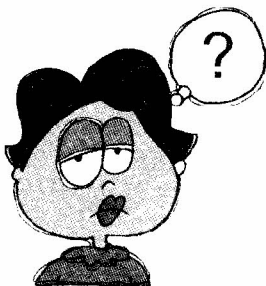


1. Who wrote the work "Das Kapital"?

- John Maynard Keynes
- Karl Marx
- Adam Smith
- Joseph Stiglitz

2. According to the Mundell-Fleming Model, what three things can you not have in what is called the "Unholy Trinity"?

- wealth, power and growth
- a floating exchange rate, free capital movement and independent monetary policy
- a fixed exchange rate, free capital movement and an independent monetary policy
- a fixed exchange rate, capital restrictions and an independent monetary policy



The Answer

1. The correct answer is Karl Marx. The first volume was published in 1867. Marx's collaborator Friedrich Engels edited and released Volumes 2 & 3 after Marx's death.

2. The correct answer is a fixed exchange rate, free capital movement and an independent monetary policy. The model was developed by Robert Mundell and Marcus Fleming in the 1960s to explain how a small open economy would react to the world economy.

INDUSTRY AND TECHNOLOGY

- D.Hemalatha, 06/EC/110, P.G.Student

Technology" is the Magic word in today's ideological lexicon. Not only developed nations but even developing countries may be seen as societies permeated by technology.

New technology, Leading-edge-technology, State-of-the art technology, while experts understand the nuances of these phrases, they have become part of the everyday language of people who have little knowledge of Science and Technology. This may suggest how significant the notion of technology has become in our consciousness.

To economists, technology is the one which interconnects inputs and outputs within a process. The Standard neo-classical economic model views technology in terms of, the type and quantity each input required to produce a given quantity of output.

Importance of Technology in Industry:

Industrialization holds the key to the growth and prosperity of an economy. The first essential step for the building of an economy that is self-sustaining is large-scale industrialization at a rapid and steady pace, which can be attained only through technological development.

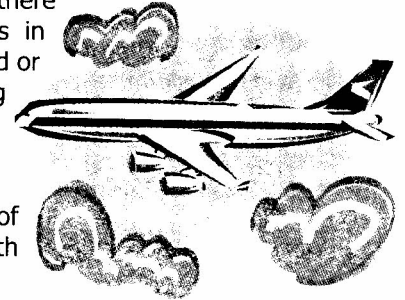
Technological Change:

In the current process of globalization, in order to face the growing competition it is essential that the industry has to keep pace with the technological advancement in the world.

Technology is a vehicle of change, technological change can be viewed as the production of new kinds of goods, the development of new ideas or the upgrading of quality or simply in economic terms, with given input prices, we could view a technological improvement as a downward shift of the cost function.

How technology has helped in the Indian automobile industry development?

In transport, India was long for a time identified with bullock carts. Now, there has been a sea change in recent years with impressive advances in automobiles and aviation. Until recent years all cars were only imported or more or less based on imported design. But now, India's flourishing automobile industry has expanded from mere manufacture of auto components it has advanced to a stage of designing cars.



The Indian auto component sector is expected to grow at a healthy rate of above 20% in the coming years backed by a strong demand from the both domestic and international markets.

Trends in auto component industry (in \$ million)

	2001-02	2002-03	2003-04	2004-05*
Output	4470	5430	6730	8700
Exports	578	760	1020	1400
Investments	2300	2645	3100	3950
Export Share to Output	13%	14%	15%	16%

* Component embedded in exported vehicles: \$1200 Million

Source: THE HINDU survey of Indian Industry 2006.

The table shows a positive environment where one can say that there has been an increase in output exports, investment etc.

This trend has received a boost from 2 recent initiatives:

1.The bringing together of automotive industry leaders and promising researchers of the academia a project entitled CAR (Co-operative Automotive R&D)

2.The approval sanctioned by the ministry of heavy industry for an investment of Rs.1700 crores in 3 automotives R&D centres involving public & private partnership and 150% tax exemption. Apart from this, the automobile industry was also aided by some positive, proactive policy decision by the Government. In 2002, the automobile policy opened the automobile sector to 100% FDI and also removed the minimum capital investment norms for new entrants.

The main reason for increasing FDI is the strong design and engineering base coupled with advanced IT skills.

As every coin has 2 sides, technology too has its own draw backs, obviously it is the fear of unemployment, which is the major impediment to acceptance of technology change, as it reduces labor per unit of output.

But at the same time technology opens new opportunities and more rewarding ones too, however, dislocation is unavoidable, it requires a considerable grit to accept the attendant risk of not finding alternative employments.

It is true that in a democratic country like India one cannot force people to accept the resultant hardship. Indeed, this is the argument frequently made to justify India's slow pace of development compared to China or other East Asian Tigers. And it is not that India has inadequate technology but, poor technology environment. Even though we say that India is booming in some sectors. There are still many other sectors which we are lagging behind so this imbalance must be corrected.

To Conclude, Technology is life blood of industrial growth, future progress will be propelled by technology. The Indian Manufacturing sector must be fully in tune with the latest development in technology. And if one gives thrust to indigenous R&D, design process, may have to put in more effort, and eventually one will be in the position to overtake world technology.

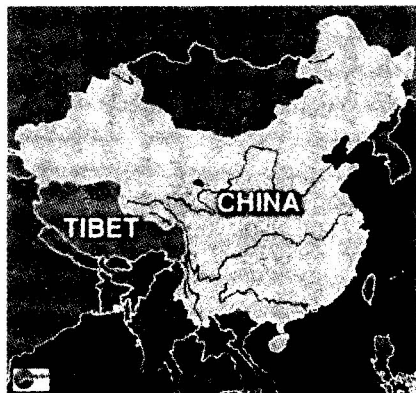
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ECONOMIC DEVELOPMENT IN TIBET

- Yangchen lhamo, P.G.Student



Ye a r
1959.....
..... Crime
committed! China
invades Tibet !!!

So, how many of
you know what
happened in
reality?

Read on.....

Back in time,
when Tibet was occupied by China in 1959
she lost her rich resource to the hands of
China.

The "Economic" reason given to my
ancestors was that China would help fight
against poverty and develop newer
technology that can enrich human
development. But reality speaks otherwise.
For starters, the economic development in
Tibet has taken a backseat for numerous
reasons. For instance, with the Chinese
invasion, Tibetans have lost their right to
shelter and access to basic means of
sustenance. Added to this is the problem of
common people of Chinese origin, entering
the Tibetan economy by displacing and
outnumbering the Tibetan labor force,
causing mass unemployment and worsening
poverty.

New trade systems were introduced for the
benefit of Chinese people, most of the local
body system care governed by the Chinese
officers. With the establishment of the train
route in Tibet, on 1st July 2007, many
shelters for the innocent Tibetan people have
been destroyed with a fake promise of
providing resettlement schemes for them.
Even if one considers the nature of economic
development Tibetan economy suffers acute
imbalance on account of lack of identity given
to Tibetans.

Recently, I met a lady who grew up in Tibet and
has come to Dharamsala in India on a pilgrimage.
She narrated to me the life of Tibetans, back
home. Essentially what has happened (to her) is
that Chinese entrepreneurs have slowly taken over
the local market economy. This means that it is
difficult to find a single Tibetan entrepreneur in
any vital business transaction. Indirectly this has
resulted in acute unemployment of local Tibetans
coupled with problems of lack of ownership rights.

The essence of a democracy lies in the freedom
and liberty to express oneself via means of
language, cultural heritage and freedom to
express. Sadly, I am one of those Tibetans in
search of that free land which promises me all
these.

The biggest curse is that today my invaded
motherland faces environmental degradation.
Thanks to the Chinese mode of rapid
industrialization process Tibet acts as a resource
centre to satisfy their selfish needs. The lack of
indicators such as emission levels, human
development index, purchasing power parity, no
Tibetan currency, no constitution independent of
Chinese authority are some of the many issues
that freedom fighters like myself are questioning.

In the 21st century, the question still remains
whether China will occupy Tibet forever? The
obvious answer would be a resounding no, looking
at the wars fought by people like Mahatma Gandhi,
Martin Luther King etc. what stands out is the
human spirit, to make the impossible possible.
Even if China becomes a super power it can only
enjoy advantages of a free nation by becoming a
democracy.

To echo my leaders the Dalai Lama's sentiment I
feel the path of non-violence is the ultimate tool to
enhance not only the economic development of
Tibet but also to free Tibet from the bondage of
hatred, violence, exploitation and last of all, the
Chinese government. Free Tibet, Free Tibet and
Free Tibet.



Development, Innovative Programs and the Art of Measuring What Works!

- Ranjeeta Thomas, 98/EC/49, Economist at GDN

The Millennium Development Goals (MDGs) have since 2000 become the blueprint of eradicating poverty and promoting health in the developing world. With the target year of 2015 to achieve these goals the development community has redoubled its efforts towards realizing the eight MDGs. Africa and Asia, with backgrounds of persistent poverty and unacceptable levels of morbidity have become the focus of the international donor community.

The key to realizing the MDGs is now recognized as being possible through local, home-grown, innovative initiatives with the support of the international donor community rather than the top-down approach that has been adopted for decades by the large NGOs and multilateral agencies. The idea is to take advantage of the ingenuity and local knowledge embodied in home-grown initiatives. The goal is thus to identify, evaluate and promote innovative programs in the developing and transition world with the greatest potential of contributing to the achievement of the MDGs. This bottom-up approach to development doubles the responsibility of the donor community to allocate limited funds not only where it is essential but also in channels that are the most effective. The focus of this article is to discuss the importance of measuring the effectiveness of programs and the methods available to carry out these evaluations.

Evaluating Solutions

Evaluating a program has three aspects to it: process evaluation, cost-effectiveness evaluation and outcomes/impact evaluation. The first involves constant monitoring of the program's performance with respect to its targets and deadlines and focuses on service delivery. This covers the phases of implementation to operation and involves a standard monitoring and evaluation framework. The second aspect of cost-effectiveness is essential to measure the replicability and scalability of a program. Cost-effectiveness involves calculating the ratio of all direct and indirect costs of the program especially in terms of opportunity cost to the measurable benefits/outcomes of the program. The last approach of outcomes/impact evaluation is the focus of this article and aims at assessing whether changes in indicators or outcomes

(either of poverty or health) for an individual, household or institution are a result of a specific program or intervention. Broadly it determines whether the program or intervention has had the desired effect on its target population.

The change in status of the target population could be correlated with outcomes not caused only by the intervention or program under consideration. In order to measure the effectiveness of the program it is crucial to isolate the effects arising from the program eliminating impact of other factors. This involves determining a counterfactual, which is what would have happened had the program not been in place. The counterfactual provides the scenario where outcomes can be measured assuming a particular program had not taken place. Thus impact evaluations involve netting out the effect of a program from all other factors that are likely to influence outcomes. Determining the counterfactual is at the core of the evaluation design and can be accomplished using several methodologies.

If a program is about-to-be-launched and a baseline survey is conducted then the evaluation can be conducted using an experimental design. This method can also be used when a program is expanded to a new area and a baseline survey can either be conducted or exists for a population that is similar to the current intervention group. In cases where the program is operational and experimentation is not possible quasi-experimental methods can be used, where a counterfactual is created using statistical means of Propensity Score Matching (PSM), Difference-in-Difference or Regression Discontinuity.

Experimental Design or Randomized Trials

In principle/ measuring impact involves comparing a "target" group that benefits from the innovation with a "control" group that does not¹. Experimental design, in which two groups are randomly selected so that they are the same in every respect except that one has benefited from the innovation and the other has not, is widely considered the most robust method. In this method, the intervention is randomly allocated to eligible beneficiaries. The process of random allocation itself creates a natural treatment and control group that are statistically similar based upon the sample size.² Measuring program impact on the outcome selected in this method is relatively simple; it is simply the difference between the means of the samples from the treatment and control groups. The random allocation eliminates any



potential selection bias that may arise if the beneficiaries were not randomly selected. Several variations of this method are possible; for instance a control group can be brought in at a later stage after the evaluation has been designed and implemented/ in which case the determining factor is not whether an individual receives the intervention or not but rather when the intervention is received.

Randomized trials are however limited in their scope especially in the social setting in contrast to clinical settings. Randomization of a treatment is not always possible and raises ethical issues especially in cases where a certain population is denied treatment due to the experiment. Experimental trials are also extremely expensive and strain already limited resources in the developing world. Most program operators are unlikely to spend limited resources on a randomized trial in contrast to channeling those resources into the program itself.

Conducting such experiments, is also only possible if the system for measuring impact is in place from the start of the program so that a baseline survey can be undertaken. In situations where impact evaluations are to be carried out for operational projects evaluators are obliged to develop innovative ways to "construct" a control group that hopefully matches the target group in all respects, other than impact of the innovation. Quasi-experiments thus have a vital role to play in program evaluation. Techniques, such as propensity score matching, compare those benefiting from the innovation with the general population after controlling for self-selection bias³ and have recently been adopted for the evaluation of various innovative programs in the development field⁴.

Non-experimental designs may also be employed because of data limitations/ opposition to social experiments/ or where the nature of the program prevents random assignment of persons in the program locality to no-program control groups. These evaluations may be conducted using "retrospective data, reducing the number of years of the turn around time in an evaluation and when resources are limited - either financial or data. The next section of this article is devoted to examining briefly the most common quasi-experimental techniques.

Quasi-experimental Design:

A quasi-experimental design is the alternative when randomization is not possible and involves

the use of a 'comparison group' in place of a natural 'control group'. It works on the principle of selecting a set of individuals as similar as possible to the treatment group except they have not participated in the program or intervention and monitoring their outcomes. The pre-post change in the comparison group's outcomes is an indication of what would have happened to the participants had the program not existed. However, the difference in outcomes between the treatment and comparison group are a valid estimate only if the assumption that the two groups are almost identical except for one receiving the intervention holds. If the treatment was not randomly allocated then the treatment group was chosen as being eligible based on some pre-determined criteria. If the difference(s) that led one group to be selected for the program and the other not to be selected also lead to differences in the outcomes of interest, the comparison group design will erroneously attribute those differences in outcomes to the impact of the program. ⁶Such errors in attribution are termed 'selection bias/ 'Selection bias' is one of the primary concerns of using quasi-experimental techniques.

Using the example of a school education program:

⁷Let P_i denote the probability of participating in the program. Then $P_i = 1$ if the child participates and $P_i = 0$ if the child does not participate. Thus for child 'i' the level of education is S_0 , if the child does not participate and S_i , if the child does participate. Thus a child's benefit from participating in the program is ideally:

$B_i = S_{i1} - S_{0i} / P_i = 1$; The expected mean can be given as $B = E[S_{i1} - S_{0i} / P_i = 1]$ is frequently called the average 'treatment effect' or the average effect of the education program. In reality this is the difference between the children that have participated and those that have not: $D = E[[S_{i1} / P = 1] - [S_{0i} / P = 0]]$. As discussed earlier in order for the estimate to be accurate the two groups must be similar or rather the difference should be between participants and the 'comparison group' rather than just non-participants. Thus D in the above equation includes the 'selection bias'. The bias in the above equation is: $SB = E[S_{i1} / P_i = 1] - [S_{0i} / P_i = 0]$ i.e. the difference in schooling when the program did not exist between children who did actually participate and those that did not. In reality $E[S_{i1} / P_i = 1]$ cannot be estimated at all. One cannot calculate the schooling of a participating child had the child not participated. This is the counterfactual



discussed earlier in the article. Thus the need is to estimate this by creating a comparison group as similar as possible to the treated children and then using the outcomes of this group to measure the program or treatment effect. The next section of the article discusses briefly the various methods of quasi-experimental designs.

Propensity Score Notching (PSM) is the most widely used method and matches the treatment group to a much larger survey. The comparison group is matched to the treatment group on the basis of a set of observed characteristics or by calculating a 'propensity score'. In its simplest form the 'propensity score' is calculated using a logic model of program participation and is the predicted probability of program participation based on a set of observed variables that are likely to influence participation. Each individual will have a propensity score (both sampled participants and non-participants). The matching is done where for each individual in the treatment sample the 'nearest' non-participant neighbor in terms of scores is found from the non-participant sample. The mean value of the outcome indicator(s) for the nearest neighbors is calculated. The difference between this mean and the actual value of the treated observation is the benefit' or 'effect' of the program.

PSM though the most popular method in estimating program effects has its limitation in that it is based on observables and assumes away problems from unobservable heterogeneity. Thus PSM⁸ is successful if the bias from observables moves in the same direction as unobservables. If this does not hold then the bias is not completely removed.

If the unobservable heterogeneity is time-invariant then the Double Difference (DD) (or Difference-in-Difference) method can be used. This approach compares outcome changes over time for the participants with those for the non-participants. The changes are computed over time in comparison to a pre-intervention baseline. $TE = aP_i + b(X_{i_a} - X_{i_b}) + c_{i_a} - c_{i_b}$ where TE= treatment effect, X is the set of control variables (age, income etc) both before (b) and after (a) the treatment. Using this method the program placement was based on variables, both observed and unobserved that were known at the time of the baseline and with the assumption that the unobservables are time-invariant. If it is felt that the outcome is also determined by changes in the control variable X then these variable may be introduced separately to control for differences in initial conditions.

*The double difference is essential a difference in two averages. With relevant data for both the participant and comparison unit the difference between the values of the outcome indicator after and before the intervention is first calculated followed by the average within each group. This is followed by computing the difference between the two group averages to get an estimate of program impact. However, if the comparisons are not made in a region of common support the DD estimates are likely to be biased. To eliminate this PSM prior to double differencing can be used to ensure strong similarity between the comparison and the treated groups using Heckman's Difference-in-Difference matched estimator¹⁰.

$TE^i = \sum_j W(i,j) (Y_{i,j} - Y_{j,j})$ where i - indexes Participants and j - non-participants, and W(i,j) represents the weights (the distance between i and j) estimated using either Kernel density or Local linear weighting function.

Among the quasi-experimental methods Regression Discontinuity Design (RD) is closest to the pure experiment. This method requires existence of a specific threshold for selection into the program (example high child mortality rate). In this method it is assumed that participants are assigned to treatment groups based on an observed variable. Participants with values above a specified threshold of the observed variable are assigned to the treatment group and those below are assigned to the control group. In order for this method to work it is critical that the outcome variable is a continuous/ smooth function of the observed variable. The RD estimate of the treatment effect is measured by the estimate of the coefficient on a variable that captures values of the observed variable above the threshold in a regression equation. However, in the presence of heterogeneous impact this method is not appropriate in evaluation of the impact on regions away from the selection threshold.

The final method of estimating impact is that of Instrumental Variables (IV). This method is more convincing and useful in comparison to other quasi-experimental methods of estimating impacts. To estimate an IV model a variable or a set of variables that affect the key independent variable, but only impact the outcome through the key independent variables need to be identified. The model is then constructed using a set of simultaneous equations where the first equation



determines the effect of the independent variable on outcomes and the second specifies the relation between the IV and outcomes.

Where TE is the outcome/ X is the set of control variables, M is the independent variable and IV is the instrumental variable. Thus the IV method is widely used in situations where OLS estimates may be biased due to correlation between one or more of the independent variables and the error term.

In comparing the two approaches to impact evaluations in the specific context of the developing world, it is essential that the method be cost-effective and broadly applicable. Quasi-experiments fit this requirement well and when conducted accurately have been proven to produce estimates close to that of a natural experiment.

The key lies in convincing program operators to extend their efforts beyond the process evaluation and to incorporate the requirements of an impact

evaluation into their decision framework. This requires a change in the approach of the program operators and should be encouraged with the right incentives. A strong incentive could be the opportunity to attract greater funding by using the results from an impact evaluation as a marketing tool with large donors. On the other hand given the limited impact that the billions of dollars that have been given as donor funds have had on poverty it is essential that the donor community directs resources towards what works. Insistence on impact evaluations is gradually becoming a norm especially with large organizations such as the World Bank where impact evaluations are being conducted on funded projects.

From the perspective of development it is crucial to identify what works and replicate it at a national scale in order to have a significant impact. With the 2015 deadline approaching it is critical not only to identify innovative programs but also to evaluate and promote them.

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All views expressed in this article are solely those of the author and the Global Development Network is in no way accountable.

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Chinese Energy Industry - A hot spot for foreign investments

Chinese Energy Industry - A Country Industry Forecast Research Service by Frost & Sullivan

- Mini Thomas P, Student

The Chinese energy industry is one of the largest industries in the world. China is the second largest oil importer in the world after the U.S. It is the largest producer of coal in the world accounting for about 30.0 per cent of the global coal production and 70.0 per cent of the total domestic energy consumption. China is also increasing its focus on expansion towards renewable energy as a measure of energy security and environmental protection.

The Chinese energy industry comprises of oil, natural gas, coal and power sectors, producing chief products like refined oil, petroleum, jet fuel, and Liquefied Natural Gas (LNG). The dynamism of this industry is visible from the oil and gas pipeline projects, as well as, the nuclear and hydroelectric power projects in the power sector. China is also a large potential market for wind power, solar energy, biomass and other renewable energies.

Overview of the Chinese Energy Industry

The Chinese Energy Industry comprises of oil and gas exploration and distribution segment and generation and transmission and distribution of electricity.

Electricity

Electricity in China is mainly coal based and is generated from nuclear reactors, generators, hydroelectric power. The electric power is generated from dams and other power stations. The overall capacity of the power stations account for 319.0 million Kw and the power generated reached 1.370 trillion Kwh. From 2006 - 2010, China is expected to connect most of the power grids into an integrated system. Some of the infrastructures used in the generation of electricity are steam turbines and gas

turbines and compressors. The other turbines which are also used in the electricity generation are condensing turbines which are commonly found in electrical power plants. These turbines exhaust steam in a partially condensed state. The other technology used in the electricity generation is the reheat turbine which is also used in most electrical power plants. In this appliance the steam flow exits from a high pressure section of the turbine to the boilers where the additional heat is added.



The electricity distribution in China is mainly through the grid which is divided into

State Grid - This is managed by one of the major distributors of power in China, State Grid Corporation of China (SGC). The State Grid sponsors five power grid corporations

Southern Power Grid (SPG) - This is managed by another major power distributor; China Southern Power Grid Corporation Limited (SPGC), managed by the Central Government. The State Southern Power Grid Corporation Limited controls the power grid corporations in Guangxi, Guizhou and Yunnan

The electricity generated from the power station is transmitted to the transformers and switch gears. The transformers may either step up or step down the voltage. It then transmits the electricity through the high voltage (HV) transmission cables to the sub stations which are located near the end users like industries, Government agencies and household sector. When the electricity voltage transmitted to the sub station is stepped down, it then enters the distribution stage. The electricity is then distributed through the transformers and transmission cables at the reduced voltage level.

Oil and Gas

Oil and gas generation in China is done in various phases. The primary step in oil generation is the



extraction of crude oil from oil wells found in oil fields. The extraction is done with the help of drillers and rigs. This is the upstream activity in the oil generation. Some of the other infrastructure used in the oil generation is steam and gas turbines.

Natural gas processing plants are used in the purification of the raw natural gas extracted from the gas fields. They are then brought to the surface through the gas wells. The extracted gas is then sent to the gas processing plants through pipelines which purify the gas. The processed gas, which is in the form of methane, is then transported to the residential, commercial and industrial consumers.

Political Stance of the Energy Industry

Hu Jintao, the current president of China, has taken a proactive stance on the energy industry by introducing the law on renewable energy with the aim of maintaining energy security and a pollution free environment. Various energy efficiency reforms were also introduced to promote the efficient use of energy resources particularly coal and oil. Hu Jintao has also given significant importance towards the exploitation and use of renewable energy, as a measure to deal with the environmental problems and achieve sustainable development.

The Government has set the target of reducing the energy consumption by 20.0 per cent during the forecast period. The forecast was set in line with the objectives of the Energy Law such as energy efficiency and environmental protection. The law is expected to enhance the energy efficiency and develop renewable energies and optimize the energy reserves. The Chinese Government has considered the adoption energy efficient technologies in buildings as a measure to reduce the burden of energy shortage in the nation. The government has issued a standard for energy conservation to be adopted in the buildings.

Energy Policies

As China's domestic sources of energy are insufficient to meet the growing domestic

demand, efforts have been undertaken to address the energy insecurity of the country through a comprehensive energy policy. China's energy policy traditionally consists of certain targets and objective for investment, production and consumption for each energy industry like oil, coal, gas and electric power.

China has also adopted various policies to enhance the share of renewable energy in its energy mix. The goal of the law is to meet the short term energy needs while strengthening its long term sustainable development objectives. The objective of the law is the reduction in air pollution, safeguarding of the human health and the environment at the same time provide power to grid off rural areas as well as contribute to the climate change. The incentive policies will encourage the development of the renewable technologies so that the local governments, energy enterprises and the public can themselves promote and utilize the renewable energy.

Since 2000 China has initiated the implementation of Clean Air program which has two main components:

- The Clean Vehicle Action (CVA) for reducing and controlling emissions from vehicles. It also focuses on the use of the liquefied petroleum gas (LPG) and compressed gas (CNG) in vehicles
 - The Clean Energy Action (CEA) for reducing and controlling emissions from coal combustion.
- This program focuses on the restructuring of the energy structure in each city and promoting the increased use of clean air technologies.

Economic Overview of the Chinese Energy Industry

With China's GDP expected to grow at an average of 10.0 percent by 2010, energy consumption is also expected to increase significantly. However, the prospect of increasing its domestic production of oil and gas appears to be very limited. The huge population of China is a driver for the huge energy demand which is expected to persist in the future. The growth in the GDP is attributed to the growth in the industrial and transportation sector which is



a driver for the consumption of oil and gas- The increased population is another driver for the increased consumption in electricity and gas. By 2010, this demand is expected to increase, constituting 6.0 percent of the total energy demand.

Key Projects and Implications

The various pipeline projects in the oil and gas sector and the nuclear and hydroelectric power projects in the power sector are drivers for investments in the Chinese energy industry. Some of the key projects in the various sectors are outlined below;

Key Opportunities

The Chinese Energy Industry provides huge potential and is expected to be globally competitive with the various opportunities for the investors.

Oil and Gas

The expansion of LNG is expected to drive the demand for the gas stations. As LNG is the refined form of gas, it requires huge storage facilities like terminals. Increase in demand for alternate fuels like carbinol oil, ethanol as energy saving measures to reduce the

dependency on oil.

Electricity

The nuclear power expansion is expected to offer attractive opportunities for nuclear designers, manufacturers and services worldwide. The infrastructure used in the transmission and distribution of electricity requires huge investments for upgrading and efficient distribution

There are huge reserves for development of hydroelectricity in the western region. This provides huge opportunities on the exploration front

Renewable Energy

The expansion of renewable energy is expected to create more opportunities for Tianpu Group which makes solar water heaters. There lies huge potential for foreign participation in the renewable projects. The expansion of renewable energy and clean coal technologies are expected to benefit the designers and the manufacturers. The expansion of tidal power stations and fuel cells as part of the renewable energy law is also expected in the future.

A charity sold tickets at \$5 each. A ticket was picked and a prize of \$100 was given to the owner of the ticket. A student bought a ticket but did not win. What is the opportunity cost to the student?

- \$5
- What could have been bought with \$100
- \$100
- What could have been bought with \$5

The prices of goods remain fixed in the shops of a planned economy, yet in the shops of a neighboring market economy they fluctuate widely. What is the most likely reason for the difference between the two economies is that, in the market economy?

- buyers and sellers determine prices
- profits are lower
- producers are more efficient
- there is higher unemployment



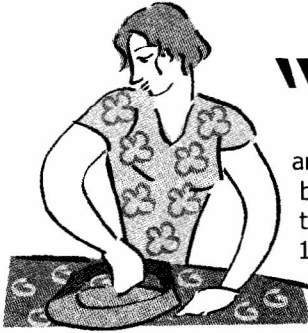
The Answer

The correct answer is What could have been bought with \$5
What could have been bought with \$5 dollars is the opportunity cost. If the student didn't buy charity ticket with \$5 dollars, he could buy other things with this \$5 dollars, such as 2 or 3 chocolate bars.
The correct answer is buyers and sellers determine prices.
In a market economy, the aim of firms is to make as much profits as possible. In order to do this, they have to know what their consumers want and produce as their consumers want.



DESPERATE HOUSEWIVES AND DEBTS-AMERICA'S STORY

- Anushree Nekkanti, 05/EC/31, P.G. Student



Weekly worries got you down ??? Just sign here and... all your problems will be compounded annually. The American dream has been purchased on credit, with the average household juggling 13 payment cards. Scams like cash advance, student cards, and double home mortgages have pushed the Americans into record insolvencies-threatening families by mortgaging their future. And Americans are not alone in credit card hell!"- William Thomas.(debt trap-enslaving the world forever)

If you thought America was prosperous look again!!! Believe it or not a large number of American citizens are in fact victims of a spiraling debt trap!!! A centre of responsible lending advised an old woman to take a loan to buy her grandchildren Christmas gifts from the nearest payday lender. This move got her stuck in a \$1780 debt trap for a borrowed sum of \$700. Don't believe it, ask America's sweetheart Oprah Winfrey. She recently did a segment on three families who were put on a, wait for it... Debt diet. That's right, their expenditure was checked and remedial measures were suggested. The amount they spent on just a basic amenity such as eating out was more than what some people earn here in a year!!! Given ease with which their loans can be obtained it is not a surprise that a great number of them are tempted to lead better lives even if they are on lease.

Well as they say it takes two to tango and two main reasons indeed form the crux of this debt hassle. Firstly current account imbalances-the huge deficits run by the US government are paradoxes of the surplus of the rest of the world, the dance however is becoming wilder and this has become the second cause of concern- The disparity the credit and debit side coupled with the ever increasing needs of this economy has become a cause of concern as well. How infact the borrowers get caught in the debt trap is quiet an interesting story. One side to it is payday lending. How are they different you may ask??? While when a normal loan is taken from the bank the prospective borrower's capacity to payback is checked. Payday lenders however do not do this. Infact their business is built on lending loan to borrowers who will not be able to pay even the principal back. This causes the borrowers to comeback repeatedly, and pay a

fee on the same amount of money. In 2003 an astounding study of the payday industry said that this business model costs American 3.4 billion dollars annually!!! Hence the buyer is sucked into the debt trap-paying a new fee every week just to keep an old one (or multiple ones) outstanding.

The American dream is a risky hallucination. Jeremy Rifkin argues that the " American miracle has been bought on credit". Presently 1.3 million card users are "paying" bills trying to satiate their materialism which infact is insatiable! For their many spending purposes an average American posses 13 credit cards of which 4 will run up a bill of around \$5470. So the question that got everyone wondering is why are so many people in so much debt after 10 straight years of economic growth? The answer-to begin with the national federal reserves, which have little reserves. Next the big banks have joined in the money game and rigged it! While personal debt is the centre of the economy, monopolization of assets was done only by a select few. The average credit card interest is a whopping 17.8%. typical late and overdue charges have tripled since 1994. So given an American propensity to spend, one only has to do the math to know that the government is picking pockets by shoving them with credit cards.

The first step toward remedying this situation would be to alter the adjustments to the country's advantage. A sustainable US current account deficit must be arrived at. An IMF chief economist argued that this level will be around 3% of the GDP-the US can sustain this rate indefinitely. Next when the case of exchange rates are taken an increased domestic supply and a reduced domestic demand is in order to sustain a 3%GDP-for tradable goods the US amounts to 1/8th of the total output of the sector. Facilitating the growth and emergence of reliable capital markets and dynamic consumer demands helped this cause and were given high priority. Such changes will not only help the US climb out of its debt trap but, will also be helpful to Asia for the very same reasons. Long-term development.

With a national debt exceeding \$7 trillion, a rising trade deficit, and personal indebtedness the country is on the verge of a disguised financial abyss. In a country where the president spends 12 trillion dollars in three years blowing up foreign neighborhood it's a small wonder that the people of this nation do not know how to spend within their means. In conclusion as the author of debt trap enslaving the world forever-William Thomas aptly put "if u owe the bank \$6000 and can't pay it; you're in trouble. If u owe the world \$7 trillion and can't pay it-they're in trouble".



GLOBALIZATION'S WITHDRAWAL SYMPTOMS

- Hana Jameel, 05/EC / 67

Globalization-the word is synonymous with borderless- It refers to increasing global connectivity, independence and integration. Today it is more of an umbrella term. It is best understood as a unitary purpose inclusive of many sub-processes. Economically speaking however globalization refers to the convergence of wages, prices, rate of interest, and profits towards developed country norms, Globalization soon became a part of the English vocabulary; it was called the wave of the future. Fifteen years ago the writings of globalist thinkers such as Kenichi Ohmae, and Robert Reich opened minds to the idea of a so called borderless world-the process by which relatively autonomous national economies become functionally integrated into one global economy.

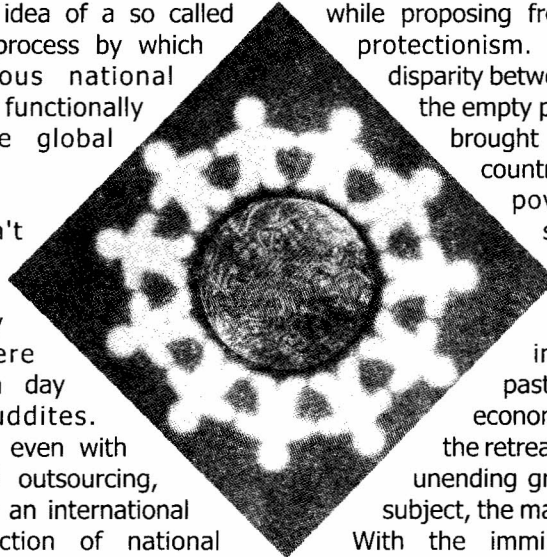
This process wasn't welcomed with open arms; on the contrary there were many skeptics. They were dismissed as modern day incarnations of Luddites. Seventeen years later even with run away shops and outsourcing, what is substituted for an international economy is a collection of national economies. The reason for the prediction of a retreat of globalization simply said is that these economies are still controlled by their dynamics, while their interdependence is not questioned. Recently however globalization is being taken to task. In 2003 for instance a study was done to measure globalization. An interesting angle to this worldwide survey was the thesis: Teenagers are natural globalists & teenagers are afraid of globalization. The survey proved to be in favour of globalization. The study suggested that the future of international technology, trade and culture relied upon the success of globalization.

This was the state of affairs in 2003, now however the general opinion is quite the contrary. Many can dispute the good that has

been brought about by globalization, while many feel that it has reached its high water mark and is receding. One of the reasons for this stall was that globalization was oversold. While this process insists in the proper dispersion of goods, in reality it is seen that TNC's usually supply within their own country. Secondly, globalization became a stigma for competition among the elite capitalists regarding the adjustments in balances and caused the overproduction of goods in general, apart from environmental ruin. A third factor has been the brazen display of double standards and the blatant disregard of the emotions of the wronged nations.

The US has shown such hypocritical tendencies while proposing free trade and practicing protectionism. Fourthly the glaring disparity between the actual results and the empty promises of free trade has brought doubt into the minds of countries-especially in terms of poverty, inequality and stagnation of neo-liberal policies. In terms of poverty only China has shown any sort of improvement over the past 15 years. Obsession with economic growth too caused the retreat of globalization - indeed unending growth is the heart of the subject, the mainspring of its legitimacy. With the imminent threat of global warming and oil peaks, the rates of economic growth are a sure way to cause an ecological Armageddon.

An understated fact apart from this is that globalization has always been opposed right from the Seattle round, in Prague and in many other situations. Even so globalization is just down and not out, though discredited many of its policies are still in vogue in many economies. This retreat of neo-liberal globalization was marked especially in Latin America, and an alternative described as "logic behind capitalism" is being suggested. In most progressive circles however the common consensus is to "humanize" globalization. So it can be safely suggested that since globalization is a spent force its retreat must be planned in a way to prevent any chaos or problem which caused its demand in the same place.



BREACHING THE GREAT WALL

- Akshaya Ashokan, 05/EC/03

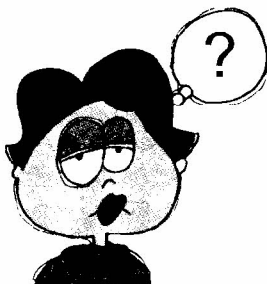
China has the largest population, the next to best growth rate and the third largest economy in the world as per the report of the Central Intelligence Agency of the United States of America. As far as the economic radar goes it is one of the bigger fish in the ocean. As the prophesy goes China will, by 2020, have an economy 40% larger than that of USA. Though, given China's population it is not particularly surprising that such a tomorrow maybe in the offing. Having said this, it must be noted that the political scene is not quite the paragon of peace and security. Being a force which is likely to have a substantial stake in the economic world in the near future, political aspirations from this country are quiet high. However it has sadly fallen short. The reason is quiet simple. The country's political philosophy. This has proven to be a conundrum. While on one hand it is repressive its success cannot be doubted due to the economic progress made by the country. Till date China's markets are inaccessible and it continues to provide cheap labour; of which go against the globalization mantra.

China fuels its growth by engineering mass surpluses with consumer nations; this in turn takes away from the other developed and developing nation's capital which is the raw material for further growth. Its low wage rates pose a problem to countries like India which have labour unions and minimum wage to deal with! Structurally China's public sector is very similar to that of India: its private sector is greater than its public sector. Since 1978 the Peoples Republic of China has been reforming the economy to a relatively more market oriented economy. This was

done however in keeping with the communist nature of the country. This melange has been called the "Socialism with Chinese characteristics".

Post the 1978 reforms the government switched to the household responsibility system in agriculture substituting it for the old collectivism. As a link in a chain reaction this in turn increased the authority of the officials and the plant managers. The economy was then opened to foreign investment and foreign trade along with which the small scale industries were promoted too. The main emphasis of this new trade regime was to raise the income, consumption and the productivity of the country. While the accuracy of the PRC figures remains unknown, the officials claim a ten fold increase in the economy since the reforms. The reforms however were just a chip in the wall.

As far as trade and services go China ranks 9th in services output. China's trade exceeded 1.78 trillion in 2006. It is the world's third largest trading country trailing the USA and Germany. The PRC has experimented in decentralizing its foreign trading system and has sort to integrate itself into the world trading system. This in itself is a great deviation from the principles on which China was being run. The bamboo curtain was finally being done away with economically at least. In 1991 China joined the APEC and began to address free trade, investment and technological issues. Finally on December 11th 2001, it joined the WTO. This was after 15 years of negotiation-an example to show the rigidity of their principles and the breaching of their wall. Today it takes only 18 days to install a telephone line (86 in India) and the Chinese stock markets are the third largest in the world!!! So the signs this country is giving out are clear... it's all geared up for numero uno!!!



For anything to be used as money, it must be what?

- legal tender
- fixed in value
- readily acceptable
- in fixed supply

The Answer

The correct answer is readily acceptable. Many years ago, before paper money was invented, people traded one good for another good. This trade is call barter trade. In order to trade a good with another, the goods have to be acceptable by both sides.



A woman's place in society -

- Aarti. B., 04/EC/103 & 04/EC/02

A look at the gendered division of labour in society

Gendered division of labour, also known as sexual division of labour, refers to the way that people are divided according to what is 'appropriate work' for men and women. The gendered division of labour is derived from social perceptions about what is 'natural' for a particular sex to do as an occupation.

Such divisions are not new, and have been in practice for thousands of years. Naturally, such divisions are bound to a particular society and are laden with history. Examples of the gendered division of labour can be seen in the primacy of women engaged in informal employment, and caring for children, or in the numbers of men who sit on the boards of the world's largest corporations.

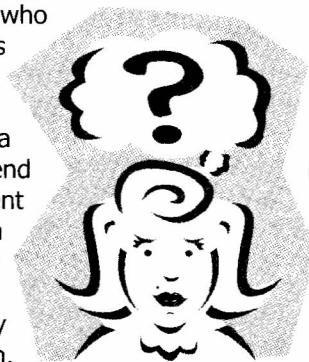
This sexual division of labour is a concept that encompasses the trend for women and men to have different circumstances applied to them when in employment. Generally women are segregated to the subordinate levels of a hierarchy based upon patriarchal domination. It is believed that this division exists in close association to the division of domestic work in the home where women are seen to be obligated with the majority of household labour.

Gender division of labour within the family :-

The foundation of the sexual division of labour is most likely to have emanated from the way in which domestic tasks were and are allocated within the home. This does not signify that men do not do any of these tasks but rather 'husband's' housework usually involves relatively infrequent, non-routine outdoor tasks such as home maintenance, simple electric work etc. Despite the male counterpart taking part in tasks the larger part of unpaid household labour is still completed by women. This phenomenon has multiple origins such as "conservative religious affiliation", "division of labour

according to specialization of labour" (Becker), "according to laws of nature" and "emergence of a domestic economy movement among the professional middle classes."

Feminist ideas on women and the family have ranged from those who believe women in families are exploited by men for their domestic and reproductive labour just as workers are exploited for their production in the labour market, to those who see women's relative lack of access to familial resources as a crucial element in their oppression, to those who believe that women and children would be safer and more economically secure if state recognition of family forms actually excluded husbands as a category.



Early feminists focused on freeing women from being constantly stereotyped as housewives. They felt that the two identities were in many western societies were inextricably linked. While the mil-time practice of housewifery was largely limited to the middle classes, the ideology was extended to all women, many of whom took on the double burden of both waged and house work. Ideas

about what constitutes a 'good mother' are still partially informed by an ideology of domesticity. Others have pointed to the danger of emphasizing separate private and public spheres too much, and have focused their research on pointing out the many cross-over areas between familial and market forces – public production is not possible without private reproduction; childbirth affects women's employment patterns, domestic caring responsibilities affect levels and patterns of economic consumption, etc. The two spheres should be seen as linked.

It is difficult to discuss traditional family forms because of the amount of debate about what these actually are. The popular stereotype of the breadwinning father and the mother who stays at home to look after house and home is no doubt a reality in some people's lives. However, it has only ever been a minority of women who have had access through their husbands to resources which



would allow them to stay at home. In many cases women who do not go out of the home to work nevertheless bring in income by other means, such as ironing, taking in laundry, doing child care, having lodgers, and doing piece work or, more recently, through computer-based and telesales work. Over half of married women in Europe go out of the home and work at paid jobs just as their husbands do, although they usually do not get paid as much as their husbands, and the housework is divided unequally between them when they return home.

Gender division at work :-

Employment practices will tend to reflect the gender system or gender contract of the wider society. If this contract is based on the idea that women's priorities remain in the home, employers will employ members of the gender group who are considered as most likely to respond to their expectations. By operating a gender differentiated system of staff management, employers contribute in turn to the reinforcement of gender norms. Women who have been socialised into these norms and who experience objective discrimination in the labour market will tend to transfer their personal aspirations to the one domain which is likely to satisfy them, and the family.

By adopting employment patterns that help them to cope with the domestic burden, i.e. career breaks, part-time work, etc., they will soon find themselves to be dependant on the professional success of their spouse. In order for the spouse to maximise his promotion prospects, the woman is likely to take on an even greater share of the domestic tasks and family responsibilities which they shared, more or less equally, when she was working full-time. Employers will thus have the living-proof -that they were right to privilege the promotion, career and salary prospects of men, since, as experience has shown once again, male employees are definitely more reliable and conscientious than their female counterparts, whose main "life interests" elsewhere.

In the paid labour force the division between men and women exist in the type of work or occupation they are employed in. The occupations pursued by women have already been chosen for them by society. Another way in which the sexual division of labour inflicts

inequality upon society is the amount of pay given to each gender. According to research in the US, for example, women used to be paid 590 to the dollar in 1980s and it slightly improved in the 1990s to nearly 750 to the dollar.

Many different schools of thought have come up with different theories to explain these causes of inequalities. They can be grouped into theories/hypotheses – the overcrowding hypothesis, the human capital theory, comparable work theory, production constraint theory, labour segmentation theory and feminist or gender theories. The first of which addresses the question of education and suggests that due to women being limited to occupations because of education they are forced to enter occupations that have lower wage brackets. The human capital theory examines how society views that while "men expect continuous employment, women because of their reproductive role expect intermittent employment. In the comparable worth theory, it is asserted that due to society deeming that women's tasks are worth less than that of men, they are consequently paid less.

The production constraint theory that displays that women are seen as less productive than men because men make it so, they fail to recognise the equal production available between the genders and consequently assume the productivity of women is less than in comparison to that of the man. The labour segmentation theory assumes that labour market is divided into primary and secondary markets. The primary market has higher paying jobs and the secondary market has lower paying jobs. And men are employed in the primary market and women in the secondary market. The gender theorists believe that women's disadvantaged position in labour market is caused by and is a reflection of patriarchy and women's subordinate position in society and family.

In the middle of the nineteenth century the basic thesis of the English essayist Adam Smith and the French one, Jean Baptiste Say, began to coincide:

a) Male wages ought to be sufficient to maintain families. This not only gave more value to male labour, but it also conferred breadwinner status



upon the male and made him the one ultimately responsible for reproduction.

b) Women remained reduced to the category of wives dependent upon working husbands; they were considered as a less productive, cheap labour pool.

This discourse was reinforced by doctors, educators and legislators who were agreed on the ideal of woman as housewife, mother and child educator. It was an extremely useful discourse at the moment of industrial expansion, when birth and infant mortality rates had gone down, the wages of workers were going up and when families were being promoted as consumer units. This gender division of labour at work takes two distinct forms, i.e. "horizontal" and "vertical" segregation.

Horizontal segregation refers to the concentration of women in certain sectors of the economy. Traditionally, analysis of this form of segregation starts with a review of the distribution of men and women in the three broadest economic sectors: the primary sector, i.e. agriculture and mining, the secondary sector, i.e. industrial production and manufacturing and the tertiary sector, i.e. services. Throughout the evolution of industrial societies, there has been an increase in the proportion of the working population concentrated in the tertiary sector.

This phenomenon is particularly marked for the female working population. Throughout the 1980's and 1990's, the majority of new jobs are in the service sector, while agriculture has considerably down-sized and manufacturing has at best maintained a stable work force level. This evolution corresponds to the historical period marked by the massive arrival of women on the labour market in most North American and Western European countries. Far from having ejected men from positions which they traditionally occupied, as those who make women responsible for the recent increases in unemployment would like us to believe, women have been swept into the new jobs created during this period.

Vertical segregation is the concentration or the over-representation of women in certain levels

of the professional hierarchy. This dimension of the gender division of labour should be analysed in light of women's access to higher education and training. Although the role played by formal qualification in obtaining the most prestigious posts varies from country to country, the qualifications lever has proved a key influence on women's access to the most prestigious professions.

A detailed analysis of the positions occupied by women in the direct services sector serves to illustrate the complexity of the mechanisms which reproduce the sexual division of labour. The feminization of the service sector is not only a reflection of the transfer to the labour market of the qualities women possess through their domestic socialisation. The example of cooks and bar staff in France is interesting. While few men invest time in the preparation and presentation of meals in the domestic sphere, they account for more than 40% of cooks and bar staff in France. Here cultural traditions play an important role in the distribution of men and women between jobs and their relative status at work.

Conclusion -

Margaret Benson and many others suggest that the only way to overcome the sexual division of housework is to incorporate domestic work into the "public economy." But I have to ask, who will do this 'public' work? As long as the patriarchal capitalist system is in place won't drudgework still be delegated to oppressed groups? Will being a maid ever be a job that someone aspires to? I feel this is no real solution.

As stated previously the division of labour is anything but a benefit for women. For it differentiates in rigidity the type of employment, the wages and the type of occupation in which women must then pursue due to lack of choice. One of the ways to combat it would be equity, i.e., to give advantage to women in order for their opportunities to become equal with that of men. The two key ways in which equity is being addressed is through affirmative action plans and gender mainstreaming practices.

The first practice by a few forward thinking Governments, which aims at equity enhancement, is the affirmative action plan.



Such examples of the right to defer for paternity leave has been sought and achieved as well as encouragement for the implementation of anti sexual discrimination policies and of course the increase in women contributing to senior management positions.

Gender mainstreaming also tries to add gender equality to the labour force by promoting participation through education to the people who are affected internally and externally. An illustration of this is that in secondary school, girls are given a false idea of what the information technology sector is like, they are presented with a field which demands "masculine attributes to exist". To combat this

misconception programme was devised in some States in the US which attempted to "provide better-formed perceptions and career expectations" of the Information Technology industry.

But ultimately I feel it is upto each and every woman, especially those who have had the benefit of higher education, to find their place in society; to heed to no one else's expectations or stereotype, but to find their middle path in life. I know it sounds like an impossible task but if we do not choose to undertake it, then the role of the 'typical housewife' is what we will find ourselves playing for the rest of our lives in this society.

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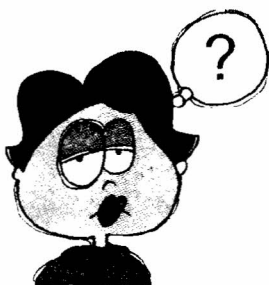
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Which of the statement below best explains why drought is an economic problem?

- Rainfall is a free resource.
- Water is a scarce resource.
- The effects of drought involve the government.
- Weather is part of the factor land.

Which of the following is NOT a factor of production?

- A farm
- A printing machine
- A shopkeeper
- A \$10 note



The Answer

The correct answer is Water is a scarce resource. An economic problem states that wants are unlimited, while resources are scarce. Scarcity is when choices of resources are limited, which leads to opportunity cost. In this question, water is a scarce resource, which means that not all people have access to water. Opportunity cost is the next best alternative chosen after giving up another. The correct answer is A \$10 note. A factor of production has to be a type of resource. A farm is land resource, a shopkeeper is labor resource and a printing machine is capital (man-made resource). A \$10 note is a type of product, therefore it is not a factor of production.



MICRO FINANCE - CONCEPT AND RELEVANCE IN INDIA

- Sr. Stella Mary, Faculty, Department of Economics

Micro finance refers to the entire range of financial and non-financial services including skill upgradation and entrepreneurship development rendered to the poor for enabling them to overcome poverty. According to the National Bank for Agricultural and Rural Development (NABARD) "Micro Finance is provision of thrift, credit and other financial services and products of very small amounts to the poor in rural and semi-urban areas for enabling them to raise their income levels and improve living standards". With over 11 million poor households accessing banking services through Self Help Groups (SHGs) - Bank Linkage Program under the aegis of NABARD in India, it stakes claim to be the largest and the fastest growing micro finance programme in the world. Over 2,800 AAJ—NGOs and 30,000 branches of 500 banks are linked to this programme. In India, there are 75 million and 15 million poor households in rural and urban areas respectively. Estimates of the size of the market vary from Rs.2,000/- to Rs.6,000/- in urban areas. Hence a micro finance(MF) demand of around RS. 100,000 crores is created.

The budget has ambitious plans to extend the target of credit linking for 2005-06 from 200,000 self-help groups to 250,000. The government hopes to enhance the beneficial role of the MFIs as an intermediary between banks and rural borrowers. Commercial banks will be allowed to appoint MFIs as their "banking correspondents" for providing a variety of service on their behalf. That will vastly increase their reach and remove some of the intractable rigidities that have stood in the way of the spread of rural banking. Close to 70 per cent of the rural poor do not have a bank account and 87 per cent do not have access to credit from a formal source. The proposal FMIs as agents for micro-insurance products will help spread the insurance habit and enable them to earn a fee income. Another significant is to led the eligible MFIs seek equity support from the redesignated Micro Finance Development and Equity Fund, which has a corpus of Rs.200 crore.

Focus of Micro Finance :

- ◆Support financial services to the rural poor, particularly women who have not been able to secure the needed services from formal financial systems.
- ◆Provide lendable and capacity building funds in respect of SHGs and various types of other grass roots level Micro Finance Institutions.
- ◆Support all initiatives for upscaling of the SHG - Bank linking programs through thrift related banking activity.
- ◆Build up expertise in micro finance activities, between the bankers and the rural poor.
- ◆Evolve supplementary strategy for meeting the credit needs of the poor by combining the informal credit system with the formal credit institutions.

The importance of micro finance stems from the fact that it increases consumption in the same group reduces the vulnerability of the poor under adverse circumstances and empowers women. The most popular form of modern micro finance organization is women's self help groups, consisting of a loose group of members who live in close proximity to each other and who can meet at regular intervals.

As it may be well known to most, to touch the core of poverty, women are one of the best agents. Hence women's SHGs have become a ray of hope to alleviate poverty at the grassroots level.

"Sustainable access to micro finance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care and empowering people to make the choices that best serve their needs. Together we can and must build inclusive financial sectors that help people improve their lives".

MICRO FINANCE: NABARD'S VISION AND MISSION

Vision

To facilitate sustained access to financial services for the un-reached poor in rural areas through various micro finance innovations in a cost-



effective and sustainable manner.

Mission Accomplished

Provision of financial access to 16.7 million poor families through formation and credit linkage of 1,079,091 self help groups as on 31 March 2004.

Mission Ahead

Formation and credit linkage of 585,000 new self help groups by the year 2007 with 60% of them coming from 13 priority underdeveloped States of the country facilitate mature SHGs to graduate from micro finance for consumption (or) production credit to micro enterprises.

MICRO-FINANCE THROUGH SELF HELP GROUPS IN INDIA

The women's SHG is defined as a voluntary group valuing personal interaction and mutual aid as means of altering or ameliorating problems perceived as alterable, pressing and personal by most of its members. SHGs enhance the equality of status of women as participants, decision makers and beneficiaries in the democratic, economic, social and cultural spheres of life. The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral-free, and women friendly loans, peer group pressure in the repayment, skill training, capacity building and empowerment.

The micro finance scheme for SHGs is being extended to rural areas in coordination with Tamil Nadu Corporation for Women Development. The governments have permitted to admitting of the SHGs members in the primary agricultural cooperative banks. These banks have admitted 22,782 members and issued loans to the extent of Rs. 981.01 lakhs to 2347 women SHGs at PACBS level. During the year 2001-2002 the total loans issued to 4, 716 SHGs is Rs.1,476.49 lakh.

In India, efforts are being made to promote micro finance in a sustainable manner. The SHGs program has made a significant progress over the years, as about 14,000 groups with an estimated total membership of 0.28 million had

already been linked to the banks as on 31st March 1998. of them over 78% are women. Credit worth Rs.240 million has benefited more than 0.25 million families and has helped in reducing the transaction costs both at the banks as well as at the borrowers' level.

Emergence and Operational Paradigm of Microfinance in India Confronted with high incidence of poverty coupled with predominantly rural population, eradication of rural poverty has remained the core focus of Indian policy makers. The Development policy pursued in India for poverty alleviation since independence had centered around the twin instruments of direct government intervention in the form of labor market interventions through direct subsidy/wage employment programmes and credit market intervention through extension of financial services to rural population through banks and cooperative credit institutions.

Parallel to the problems/issues confronting the institutional credit structure in India, there was a worldwide growing appreciation of the success of microfinance services in reaching the poor and enabling them to escape the poverty trap. Micro finance had been defined as "provision of broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and micro enterprises". Within this broad definition, there are varying types of microfinance models adopted in different countries. The "Grameen Bank" model of microfinance started by Prof. Mohammed Yunus in Bangladesh in late 1970's is generally considered to be the pioneer of this concept.

In India, the existence of informal groups of poor in the rural areas, either spontaneously promoted by NGOs, with the objective of pooling their meager resources to meet their emergent credit needs provided the basic ingredient. These groups were cohesive, had very high recovery rates, democratic set up and predominance of women members. However, exclusive reliance on their meager savings and thus low capital base prevented the members from going beyond smoothening of consumption expenditure. It was felt that the



relationship between the financial resources of the banking system and the viable operations of these groups could be mutually reinforcing. The pilot project of linking these groups of poor people with banks was launched by NABARD in 1992, with the objective of promoting and financing 500 groups across the country.

The programme has gained immense momentum and till 31st March 2004 - 1,079,091 SHGs have been linked to banks with credit support of Rs. 39.04 billion (US \$867 million), thereby enabling about 16 million poor households to gain access to formal banking system.

MICRO FINANCE THROUGH SHG's IN TAMIL NADU

SHG's in Tamil Nadu are more than a decade old. They were called Madar Sangams. Rural development departments of governments and a large number of NGOs initiated formation of Sangams. Of late, however under the newly initiated Swaranajayanthi Gram Swarozgar Yojana (SGSY) the District Rural Development Agencies (DRDA) of state government has the initiated the formation of what are called SHGs having specific features. "Tamil Nadu is witnessing a mushrooming of SHGs which are basically women's groups that have been formed with the objective of saving their mite and using the saving to augment their income further".

The micro credit is given both as consumer loan for household expenses and as a productive loan for the purpose of income generation activities. Successful functioning of these groups, for a period of at least six months make them eligible for subsidy and loan for productive purposes. It is envisaged that their products will be sold through outlets created by government.

Women SHGs empower rural women by providing micro credit to them. Regional rural banks, cooperative banks and commercial banks are not successful in providing rural micro credit. Overdue rated, are increasing and recovery percentage is coming down in the rural

credit agencies, 14540 branches or RRBs, 32437 branches of commercial banks and 105614 branches of cooperative banks are functioning to provide rural credit and to serve the cause of rural development.

At present 5400 SHGs have been linked with banks in Tamil Nadu. Over Rs.9 crores have been advanced as credit to them by the bank. Tamil Nadu women's Development Corporation aims to the empowerment of one million women in Tamil Nadu with special emphasis on the poorest and disadvantaged. Social empowerment, economic development, and capacity building are the mission of the mahalir thittam. The empowerment of women through SHGs would lead to benefit not only the individual women and women's groups but also the family and community as a whole through collective action for development. The SHGs are identified by a village level household survey, which provides the baseline data. The size of the group is small in the range of 12-20 to facilitate sustainability. The age groups for the membership are 21 to 60. Preference is given for widows, divorcees, deserted members and they must be below the poverty line.

The government of Tamil Nadu has prepared a new loan scheme with specific reference to women engaged in small business to improve their economic conditions and to build up the habit of saving in them. Any women doing small business like selling flowers, vegetables, fruits, cut piece cloth, plastic, articles, running any small shop etc. will benefit by this scheme. The beneficiaries may avail themselves of loans in the range of Rs.100, Rs.200, Rs.500, Rs.1, 500 according to their requirements. The maximum amount of loan is Rs.5,000. there is no need to give any security for the loan.

In Tamil Nadu, the SHGs were started in 1992. At present 1.40 lakh groups are functioning with 23.83 lakh members. At present many men are also eager to form SHGs. Soon, there will be no poor women in Tamil Nadu, but only women in the process of enriching themselves.



PROCESS OF SHG DURING 2001 – 2003

	As of 2001	As of 2003	Growth %
SHGs	75,247	1,42,68	190
SHG membership	13,01,597	24,27,141	186
Saving by SHGs	81 Crores	357 Crores	441
Credit mobilized	120 Crores	522 Crores	435
Loans received by SHGs	22,829	1,01,438	444
Revolving Fund 1,18,623	4,13,517	349	
Entrepreneur Development Programme (EDP)	1,12,356	2,48,296	221
Vocational Training Programme (VTP)	8,229	29,530	359

Source: Gariyali C.K. and Vettivel S.K.; "Womens Own" - The SHG movement in Tamil Nadu.

"A silent 'economic revolution' has taken place in rural areas of Tamil Nadu following empowerment of women with the formation of Self-Help Groups. Gone were the days of bankers' reluctance to provide loans to the SHG members. On the contrary, they were now asking SHGs to deposit their savings with them. The SHGs gave women a "top place" in society and they were not dependent on men anymore",

CONCLUSION

Though in its young age, micro-finance sector has a diversified growth and multiplicity of impact. It is seen as an important phenomenon in the process of development, especially in context of globalisation and liberalization where in subsidy and grant based programmes/schemes are losing their importance. Micro-finance sector is seen as the best option based on saving mobilization of the poor and credit linkages. In India, many AFIs have come forward to lend money to the MFIs. MFIs of different nature (NGO registered under Societies Registration Act, Trusts under Public Trust Act, Co-operative Act, NBFCs under Company Act and LABs under Banking Act etc.) have also come up with different strategies of promoting people's livelihood. The poor people, on whose shoulders the success of sector is depending, are also participating in the growth of this sector.

In a holistic perspective micro-finance is a process of social intermediation and building social capital. Process of Social intermediation is an investment that is made for development of both human resources and institutional capital to make marginalized groups self-reliant in preparing them to engage in formal financial intermediation. According to Elaine & Barton (1998), social intermediation is a financial intermediation with a capacity building component, aimed at those sectors of society that lack access to credit and savings facilities.



A Capitalizing Trip to the Capital...

- Raihana Sabir, Faculty, Department of Economics

The faculty members of the department of Economics undertook a journey to the capital of India—New Delhi on a mission to interact, liaison, and explore the possibilities of networking and collaboration with various institutions of repute. The purpose was to discuss the upgradation and restructuring of the syllabi and to meet and interrelate with the luminaries in the field of economics. This novel venture was named the Faculty Advancement Program. It was a program sponsored by the United Board of Christian Higher Education (UBCHEA).

The week long program commenced on 30th of October, 2007 with a visit to the Delhi School of Economics, where the faculty members had the opportunity to interact with Dr Jean Dreze, Dr.Pulin Nayak, the director and Dr. Rohini Somanathan, The topic of discussion was regarding courses offered, syllabi and various programs for faculty improvement. This was followed by a visit to the prestigious Stephen's college where a meaningful discussion materialized regarding choice of subjects by students, co curricular and extra curricular activities.

The faculty members also had the privilege of attending the Prof. Dharam Narain memorial lecture delivered by Dr Nicholas Stern, from the London School of Economics at the Institute of Economic Growth.

Various alumni of the department of economics are holding high positions in society. One such alumnus is Dr Sujatha Viswanathan who is a social economist, India Resident Mission, Asian Development Bank. The faculty members received a warm welcome when they stopped at the Asian Development Bank, en route to the Centre of Women's Studies where deliberations with Dr Mary John, director, were held with regards to issues of women's development.

The visit to the National Institute of Public Finance and Policy was a rewarding experience where the director, Dr M. Govinda Rao enthralled the faculty members with his scholarship and discussions on fiscal policy in India.

The serene and tranquil atmosphere at the V.V. Giri National Labour Institute, Noida, coupled with the hospitality of Mr Kaul and other staff of

the institute enabled the faculty members to browse through the books and publications and also witness a power point presentation of the activities of the Institute. This was truly an enriching experience.

At the National Council of Applied Economic Research, the faculty members had an elaborate discussion pertaining to research and conducting surveys with Dr. Rajesh Chadha and Dr. Geethanjali Natraj, economists at NCAER. The visit to the Institute of Human Development was an invigorating experience as the faculty members had the good fortune of meeting and discussing various economic issues with Dr Papola, Dr Sheila Bhalla, Dr. C.P. Mathur, Dr. L.S. Deshpande, Dr. Mamgain and Dr. Alagh N. Sharma, who heads the institution.

The Jawaharlal Nehru University with its sprawling campus and its flora and fauna was a visual treat. At the Center of Economic Studies and Planning the faculty members interacted with Dr C. P. Chandrasekhar, Dr. Anjan Mukherjee and Dr Deepak Nayyar.

Yet another alumna of the department of economics, Dr Geetha Nambissan, chairperson, Dr Zakir Hussain Centre for Educational Studies, JNU recalled her undergraduate days at Stella Maris. She and her colleague Dr Saumen Chattopadhyay, provided us with useful insights for syllabi restructuring. On the final day the faculty members visited the Institute for Studies in Industrial Development where a round table conference was held with their faculty members, namely Dr Surajit Mazumdar, Dr Chalapati Rao, Prof T.P Pant, and Dr Abilasha Kumari, another alumna of Stella Maris. A brainstorming session regarding Economics Education took place from which emanated very interesting suggestions. The faculty members spent considerable time in the libraries of the above mentioned institutions.

Just prior to departure the faculty members obtained an appointment with the then Mininter of Panchayati Raj, Youth Affairs and Sports, Mr .Mani Shankar Aiyar and spent some quality time discussing the economic situation of our country with him.

To conclude the visit has broadened the horizons of knowledge and has helped in establishing linkages / contacts with the above mentioned institutions and erudite persons in the field of Economics. The Program has also opened up new avenues of research and employment for the students of the Department of Economics at Stella Maris College.



PROSPERITY VERSUS SECURITY

Dr. Mrs. Crystal David John, Faculty - Dept. of Economics

A country's security has traditionally come to mean the protection of a country's borders. Security as all know is crucial for the development and stability of a country's economy. Recently however other forms of security issues have gained equal importance. Economic security is crucial in ensuring human security which in turn guarantees the security of the nation. Economic security includes all those issues that go to ensuring security for human beings within a nation state and in the world at large. In fact the ability to earn an income that ensures a decent standard of living, at the individual level, without being exploited in the process can be generally defined as economic security. For a country, it could broadly mean economic growth, distribution of income, access to resources, and ability to use the resources once they are accessed. This however also has links to the traditional forms of security viz., protection of a country's borders. The Human Development Report has rightly stated that "for too long, the concept of security has been shaped by the potential for conflict between states. For too long, security has been equated with threats to a country's borders. For too long, nations have sought arms to protect their security. For most people today, a feeling of insecurity arises more from worries about daily life than from the dread of a cataclysmic world event. Job security, income security, health security, environmental security, security from crime, these are emerging concerns of human security all over the world." (Human Development Report, 1994:3). This type of insecurity has been escalating through the era of globalization the world over. Globalization has indeed increased opportunities of all kinds for people in general, yet many in the race have been either sidelined or have simply fallen out. They have in many cases lost their economic security, hence human security has gone astray.

Economic Security

Economic security is the maintenance of those conditions necessary to encourage sustained long term relative improvements of labour and capital productivity and efficiency, and thus a high and rising standard of living for a nation's citizens, including the preservation of a fair, secure and dynamic business environment

conducive to innovations domestic and foreign investments and sustainable development (Kelly, 1999:17). If globalization is to be heralded it must deliver this composite good viz. economic security for all.

An outstanding feature of the twentieth century was an international division of labour, very similar to the practices of colonialism, where in the poorer countries exported primary commodities and the richer countries traded specialized finished goods. As poor countries gained independence many of them protected their home industries from outside competition. By adopting strong strategies of import substitution they attempted to build up their infrastructure and manufacturing capabilities behind protective barriers. In the 1970s however various factors like rising labour costs in developed nations, changes in transport and communications technology, trade liberalization etc has brought about widespread changes in the direction and pace of global flows of capital, goods, services and labour. This was reflected in the growth in the volume of trade from around 25% of the world GNP in 1990 to around 45% in 1995 (World Bank Report, 1995). Capitalism took over the driving seat of the world economy and sought to consolidate its victory with a call for globalization. The main advocacy of globalization being freeing markets from external binds, controls, and licenses and allowing private capital to flow within and across nations without any concern for national and global welfare. (Rehman, Anisur, 2000:1) It is true that many do advantage from this process, for if all are more or less prepared for the sway of globalization there is definitely growth, development and improvements in the standards of living for such individuals and countries. The crucial problem however is that all are not prepared for such developments, they are not well equipped and hence their security stands to be endangered to an incredibly large degree. A major source of tension and conflict among world powers has been an accelerating economic independence and international competition. Hence developed nations too are threatened by the impact of globalization in the developing countries. It has become important for them to



watch developments in the markets and production processes in such countries.

Globalization generally means channelizing the energies of people and resources of countries into activities where they are likely to be most productive. This naturally leads to a freer movement of goods, services capital, technology and labour. Yet the process can pose a threat as changes take place much faster than people and nations (especially in the poor nations) have the time to adapt to, and thereby lose control over such changes. Further globalization does lead to an undermining of the policies of the poorer countries by the world trade order that is principally in the hands of those who are bigger, richer and more influential - hence who naturally command superior bargaining power. The consequence: A threat to economic security of the poor developed nations. It is also important to note that developing countries like India and China and other South and South East Asian countries have huge populations and hence are endowed with a huge 'army' of cheap labour - a cost effective tool in their hands which helps them gain some leverage in the bargaining position. This tool in the hands of developing nations has posed a threat to the security of the first world - a state of existence they have enjoyed for so long. Their economic security tends to crumble under the pressure of the poorer world's cost effective ways of production. In a way therefore, there now seems to be a competition for economic security on the part of all countries of the world. This competition has led to the forging of unity among the less developed countries of the world. In order to secure their positions alone, developed nations through international organizations and the WTO have tried to lessen the cost advantage enjoyed by the poorer worlds in terms of their unskilled, semiskilled and professional labour force. The process of globalization has hence affected global markets, labour relations, migration, access to and use of resources, human rights, and democracy, culture, tradition and gender relations.

Globalization also leads to economic

restructuring. Very often Trans National Corporations (TNCs) take over and control production, resources (physical, financial and human), and even policies. Most developing and least developed countries are characterized by bad governance. This provides 'fertile soil' for easy entry and growth of multinational corporations. The entry of such huge corporations has led to human insecurity. Millions of people have been retrenched. Losing their jobs, homes, communities, livelihood, health and environment, they are pushed into poverty and malnutrition, starvation and suicide. In short globalization leads to numerous divides among people and nations. Such divisions lead to the perpetuation of poverty and inequality, which in turn threatens human security, by incapacitating individuals.

A government fails in its responsibility if its people are hungry. Poverty is the chief cause for hunger. Such poverty is often related to agriculture. This is because it is in agriculture that most of the poor strive to earn a living on limited resources and hackneyed accessibly to land, water, credit and markets. Hunger stunts the lives of people and reduces their ability to function normally thus reducing their capacity to work efficiently.

According to Dr. Mahbub Ul Haq, (creator of the Human Development Report) "One cannot be satisfied with balancing a country's economy if it leads to the unbalancing of its children's lives" Iron deficiencies that cause anaemic conditions affect more than 3.5 billion people in the developing world. Further the Report also estimates that the incidence of anaemia in developing nations is 3 - 4 times higher than in industrialized countries. In terms of numbers there are more chronically hungry people in Asia, but the depth of hunger is greatest in Sub Saharan Africa Hunger is a result of not a lack of food but lack of access to food supplies. According to FAO Director General Jacques Diouf, if the food produced in the world were divided equally among all, every man, woman and child would consume 2760 kilocalories each day.



Globalization increases opportunity for the rich and powerful but not for the ones who really need to catch up in the race to development. Growth due to globalization has been unbalanced and dented. Millions are still not assured of a decent standard of living and live in constant fear of uncertainty. World per capita income has dropped from 3% in 1960s to 1% in 1990s. Open unemployment and an expanding informal sector is the long term tendency, and this deteriorates labor's bargaining power. The process of globalization must have a strong social dimension. If wisely managed to meet the need of the hour globalization can surely lead to increase in standards of living and unprecedented material progress. As stated by Juan Somavia "we should reach a global agreement that employment is a key source of human dignity and is essential to addressing migration, mass youth unemployment, gender inequality and poverty." Economic development has no meaning unless it guarantees better employment and higher wages. If this is not obtained then there is something amiss in the process.

Has the globalization process affected the agriculture sector? Here are some interesting statistics. □ Between 1980 and 1997, agricultural growth averaged 3.2%, but since 1997 the sector has averaged a growth rate of 1.5%. Yes we are an agrarian economy and two thirds of our population depends on agriculture. Among Indian farmers 40% want to relinquish. Agriculture has fallen from 56% of the GDP to 18.6% in 2006 - 07. Agricultural holdings have declined and half the farming households are indebted. On an average their debts are to the tune of Rs. 25, 000. Much of this has been incurred to pay for medical treatment. Unofficial interest rates are as high as 30%!! With globalization Indian cotton has been forced to compete with subsidized American cotton. In addition to all this phytosanitary regulations have virtually blocked Indian agricultural exports. It is also mandatory for Indian farmers to buy hybrid seeds rather than home grown ones. Technology as brought about by the global wave has destroyed local knowledge. Farmer's knowledge is also knowledge. We must realize that if knowledge is not documented it DOES NOT cease to be knowledge. But this is what happens and local knowledge then gets to be

redundant. What then happens to the security of Indian farmers?

"When governments do not run well, they cannot sustain the institutional arrangements and accountability relationships" (World Development Report 2004) that enable the quick and sure delivery of goods. After all they depend on the votes of the citizens to come to power and become decision makers. According to Jean Dreze and Amartya Sen public pressure could be vital in shaping government policies and in enhancing the political will of the governments... Lessons could be drawn from the Panchayat Raj institutions where the spirit of the institution is participatory. Various countries and international bodies like the World Bank, WTO etc. are also players in this game of economic production, distribution, and consumption. In order to acquire economic security and overall peace and contentment it is important that a fast developing global economy be also grounded on global values. Is it not possible to frame or carve out global principles just as goods, markets, production processes, lifestyles and culture are being globalized? Let the affluent class live simpler lives so that the poor could simply live! For after all it is the lack of economic security that triggers all types of conflicts. There should be a sense of responsibility that is built on the foundations of respect for life, liberty, justice, equality, tolerance, mutual respect and honesty.

Global ethics could be built on the grounds suggested by the Human Development Report 2004. The report clearly states that the concept of global ethics is not western but is built upon the basics of various religious tenets. "The principle source of global ethics is the idea of human vulnerability and the desire to alleviate the sufferings of every individual to the extent possible. Another source is the belief in the basic moral equality of all human beings. (Human Development Report, 2004: 90). The five core



elements of Global ethics the report highlights is as follows:

- Equity - Recognizing that all are equal regardless of class, race, gender, community or generation.
- Human Rights and Responsibility - The standard for International Conduct is set by human rights. The ground rule being to protect the integrity of individuals from threats to their equality and freedom.
- Democracy - This enables the poor to get involved in the development process within countries and in the global scenario. It aids in giving a voice to the poorer nations in International agreements and negotiations.
- Protection of Minorities - For global ethic to be all-inclusive minorities cannot be sidelined. The endorsement of tolerance is therefore extremely vital.

• Peaceful conflict Resolution and Fair Negotiation - Global ethics does not imply a particular conduit towards peace. It is rather a frame work within which nonviolent solutions have to be worked out with due say given to all players.

Conclusion

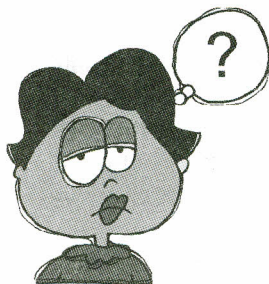
Globalization is a normal long term evolutionary process that leads to depth in development. However in reality globalization has been sponsored by superpowers and huge MNCs. And have also been aided by careless, callous, corrupt, local governments in many countries. It is this type of a hegemony that has threatened security of individuals all over the globe, but what is important is that all types of insecurities hinge on one very crucial factor viz. insecurity caused by poverty.

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Which statement about the factors of production is correct?

- Capital is produced by factors of production.
- Laborers earn profit.
- Enterprise includes all natural resources.
- Land is always freely available.



The Answer

The correct answer is **Capital is produced by factors of production.** Factors of production are the scarce resources available for use in the production of goods and services to satisfy wants. Capital is a man-made resource.



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