Department of Economics

Stella Maris College

(Autonomous)

ANKUR

2008 - 2009 Budding minds...

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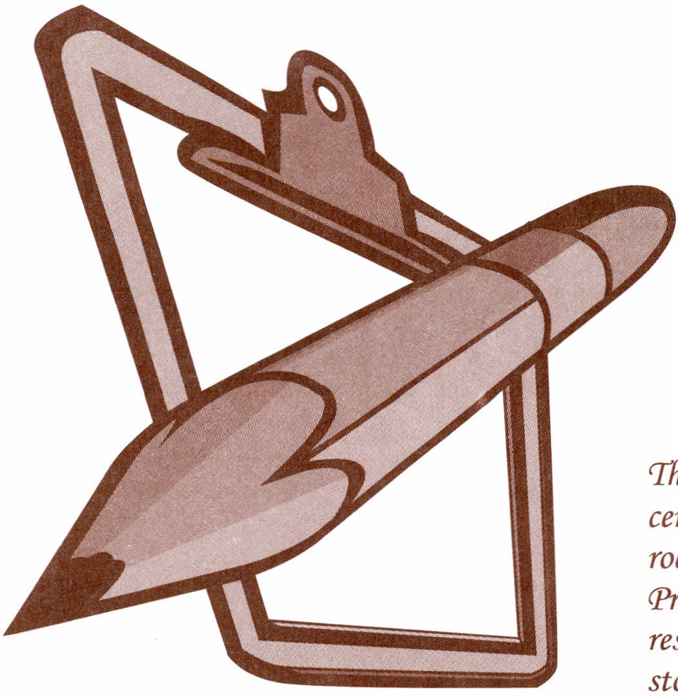

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EDITORIAL

There has never been a more volatile year in almost half a century worldwide– the global recession, the sudden rocketing of oil prices, major political events like the US Presidential and the Indian Parliamentary elections, resurfacing of racist issues, record highs and lows in the stock market and the Sri Lankan civil war, coupled with some routine paradoxes like environmental issues, liberalisation, et al. On the eve of the most exciting budget of the Indian Government, the Economics department comes together again to reflect on these issues and many more through our yearly newsletter, Ankur. Rightly called so, for we strive to plant the seedling (Ankur) of that first question in your minds, which we hope will sprout into a meaningful thought process.

Both the faculty and the students have shown tremendous interest and pooled in a lot of effort to sustain the vision of our college of empowering women by bringing out a Departmental newsletter annually. Stella Maris' alumni have always stay connected with the college and the graduates of the Economics Department are even more so. Keeping in line with this tradition, various former students, now placed in a wide variety of fields, ranging from the financial market to environmental organisations, have graciously taken time off to share their first hand experiences about their respective areas of specialisation. This blend of experience of the past generation and the enthusiasm of the present generation has been woven into various thought provoking articles and mind boggling brain teasers. We hope you experience the joy we felt while putting this year's Ankur together. Happy thinking.

Janani Ganesan

A Comparison

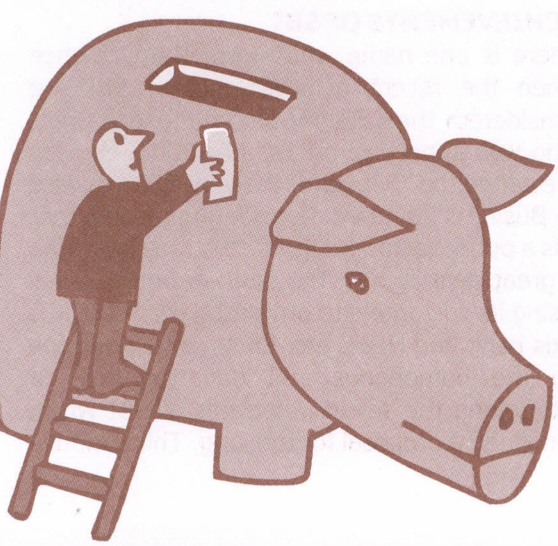
Between Public Sector Banks & Private Sector Banks

- Vishnu Priya, 06/EC/35, UG Student

Public sector is that portion of the society which is controlled by the state or the central government. The back drop for a public sector unit is welfare of the society and not profit maximization. A public sector unit is established for not just making pure public goods but also private goods in case of under supply of the good. There primary motive is welfare, and they can do it easily by raising funds (taxes etc) and the society is obliged to pay for the common good, which is used by the government for various welfare measures targeted to benefit the society.

Roads are classic examples of a public good supplied by the government as the cost of laying the road for an individual is too high and even when an individual doesn't mind laying roads for his personal use, the very fact that the road he builds will be used by others without any benefit to him will dissuade him or her from building the road. Here arises the problem of 'Free Riders', a phenomenon where an individual gets the benefit of a good or service without him or her paying anything for it. This arises basically due to three important reasons.

a. Indivisibility of a good. E.g. the smell emanating from a privately owned rose garden is not private.
b. Non-Rivalry. E.g. Roads are non-rivals, when an individual uses the road it doesn't decrease the availability for others to use it (assuming there are no traffic jams).



c. Non-Excludability. E.g. consider air which is a pure public good, it is available for everyone to breathe, no individual can exclude someone else from breathing.

In these cases the private sector will not produce the good as it doesn't get anything much in return for producing the good. So the government has to take some measures to supply these goods as no one reveals their preference for these goods (though everyone needs it).

PUBLIC Vs PRIVATE BANKS

Introduction

Public sector banks are owned by the government or the government has the maximum stake with respect to the ownership of the bank. There are 14 major public sector banks in India. And they are : Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Oriental bank of Commerce, Punjab & Sind Bank, Punjab National Bank, Syndicate Bank, UCO Bank, Union Bank of Indian, United Bank of India and Vijaya bank. And there are another 7 banks which are the associate banks of the State Bank of India which are nationalized.

Private Banks are solely invested in by private enterprises. These do not have fiscal investments from the government. There are several banks which are privately owned in our country. Some of them are: Bank of Punjab, Bank of Rajasthan, Catholic Syrian Bank, Centurion Bank, Dhanalakshmi Bank, Development Credit Bank, Federal Bank, HDFC Bank, ICICI Bank, IDBI Bank, IndusInd Bank, ING Vysya Bank, Jammu & Kashmir Bank, Karnataka Bank, Karur Vysya Bank, Laxmi Vilas Bank, South Indian Bank, United Western Bank and UTI Bank.

THE TRADE OFF BETWEEN PUBLIC AND PRIVATE SECTOR BANKS

In a public sector bank there is a separation between ownership and management leading to a problem in all public sector units called the 'X-Inefficiency Factor'. So comparatively the public sector tends to be less competitive and efficient while the private sector would try making the best use of its resources available. There is a need to report profitable quarterly earnings for the private sector which is not the case with the public sector. Even if comparisons are given to the public sector staff, it wouldn't be as efficient as the private sector as the individual losses are nothing as he has not invested his capital to work for maximum gain of the company.

On the other hand the public sector has greater access to the capital market and can easily and cheaply issue equity capital. This easy accessibility is an important component of the public sector as it fuels growth and helps achieve economics of scale. Considering the scale of operations, the banks expand due to their easy access to capital making them profitable in the long run, while the private sector has no such incentives.

Public banks get fewer profits for per unit risk and in terms of money invested in capital than the private sector when considering the sizes of both the public and private bank to be constant. But capital access helps the public banks to grow faster and hence they have better prospect of profits due to economics of scale.

This is partially the reason why most of the private banks that seem to meet the requirements of listing in stock exchanges are privately held while the public banks which are large and profitable are publicly traded.

Thus there exists a trade off between the public and private sector banks. The question here is, is it better to have public sector banks or private banks, do we need efficient use of the resources or economies of scale to help bridge inequalities? Or do we need a mix of both ? If a mix is better which sector needs to be given more weight-age? Let's limit to one example each for the public and private sector banks and compare and analyze their methods of running the business and try finding answers to these questions.

BACKGROUND

In the month of June, 1806, Bank of Calcutta was established. Its name was changed to Bank of Bengal in 1809 and then in 1840 and 1843 Bank of Bombay and Bank of Madras were established in the respective years. These three banks (Bank of Calcutta, Bombay and Madras) were incorporated as joint stock companies by a royal charter and were called the Presidency banks and the right to issue paper currencies was conferred to these banks by the Paper Currency Act passed by the government in 1861. In 1921 the three Presidency Banks were amalgamated to form the Imperial Bank of India. This bank served as the Central Bank until the Parliament of India enacted the "State Bank of India Act" on 30 April, 1955. The Reserve Bank of India took a 60% ownership to acquire a controlling interest in the bank, so on 1st July, the Imperial Bank became the State Bank of India. So the State Bank started officially operating from 1955.

SBI TODAY

SBI is today's second largest bank in the world considering the number of branch offices it has established. It has 14,061 branches including 4,755 branches of its associate banks as on September 2006; it also has the largest number of ATMs (5624 as on Sep. 06). It is ranked 495 in the Forbes 500 List. It is a regional banking behemoth with an asset base of $126 billion. The bank has electronically networked most of its metropolitan, urban and semi-urban branches under its Core Banking System (CBS). The bank offers wide range of services in the Personal Banking Sector, Agricultural Banking, Micro Credit, Regional Rural Banking, NRI services, International Banking and Corporate Banking.

ACHIEVEMENTS OF SBI

There is one name which comes up at once when the recent achievements of SBI are considered: the CEO of SBI Om Prakash Bhatt who was appointed on 1st July 2006. He was presented the "Banker of the year 2007" award by Business Standard. Considering the fact that it is a public sector enterprise the man has done a great deal to turn the bank around. It was losing its customers to private banks like ICICI. Axis bank and HDFC etc. Bhatt came and took up the humongous and daunting task of integrating the seven associates of SBI which remained a proposal for too long. This initiative made the share prices rise from a modest 800 to 2,400. This jump raised SBI's market capitalization 1,21,064.79 crores (as on Nobv. 2007). Secondly Bhatt saw potential mergers and was fast to fund mergers like the Tata-Corus breaking bureaucratic barriers. Being a public sector enterprise the SBI has to shoulder the burden of social cause while private banks don't have to be so socially involved. This called for a need for efficiency in managing the bank and so the bank implemented several programs like the

☐ Golden Handshake Scheme or the Voluntary Retirement Scheme. The average age of the employees is 50 plus, so the bank is trying to make them retire and reduce its huge staff.

☐ Computerizing its operations.

☐ Business Process Re-Engineering

☐ Parivartan- to help change the rude attitude of the officials who work on bureaucratic lines. This program though a Herculean task to implement has changed the working scenario and one can expect a truly professional response from the bank now.

These changes by Mr. Bhatt has helped the public sector enterprise rake in profits, proving it is not always that the public sector units are inefficient but with foresight and planning, the public enterprise can increase social welfare without running at a loss.

BACKGROUND:

Industrial Credit and Investment Corporation of India was started in 1955 by the World Bank, Government of India and the representatives of the Indian industries as a development financial institution which helped the Indian business by financing medium term and long term projects. ICICI basically borrowerd funds from multilateral agencies. It was not a bank, retail deposits were not allowed nor was it required to comply with Indian banking requirements for liquid reserves. Only in 1994 was a banking subsidiary established. Later it founded a separate legal entity ICICI bank to undertake normal business undertakings.

ICICI TODAY

In 1999 ICICI became the first bank to list in NYSE from non-Japan Asia. It is India's largest private sector bank in terms of market capitalization. It has total assets of $100 billion. It has customer base of about 24 million customers, a network base of about 1304 branches and around 3950 ATMs. It offers services in the Personal Banking sector, Business Banking NRI Banking etc. They also have the largest International balance sheet among the Indian markets. It has offices in 18 countries, wholly-owned subsidiaries, representative offices and branches. As a result following the US sub-prime mortgage crisis it is supposed to have reported a loss of $256 million as on 31 Jan 2008.

COMPARISON BETWEEN SBI AND ICICI

•The drawback for a public sector as said earlier is its inefficiency in management as the people who run it are not the true owners of the bank. But we have seen the case of State Bank of India where Mr. Bhatt has turned the bank around with foresight and planning. So if in the right hands the public banks can perform exceptionally well and with the added advantage of easier capital access they can really help its customers. The private banks having no such incentive, operates to maximize its profits. This leads to ruthless strategies where customers are lured into banking with them and in return get disgruntled with their service most of the times.

•According to Reserve Bank of India (Trend and Progress of Banking in India 2006) the public sector banks rule the roost in customer satisfaction. The report shows that the average complaint per branch is 0.1 for State Bank of India while it is a whopping 1.39 for ICICI. These complaints are made to RBIs grievance cell.

•On the other hand the profits made by per branch is a lot more higher for private banks like ICICI when compared to that of public banks like the SBI. As average ICICI branch earns around 4.5 crore annually while it si just 50 lakh for an average SBI branch.

•In order to make maximum profits the private sector tries to rope in as many customers as possible, this gives little time for them to keep their present once happy. Customer satisfaction takes a beat and as a result the numbers of complaints to the RBI increase, giving the company a bad track record even though they make high profits.

•Another disturbing factor about private banks is that they score high in 'harassment of recovery of loans'. While it is 0.021for private banks it is a meagre 0.003 for public banks. But this is more pronounced in foreign banks.

•ICICI has been trying to do some damage control by having separate links in their website for addressing the grievance of their customers where the customer can register their complaints and seek to find solutions. But SBI doesn't have such links but instead customers can meet the executives of the bank on the 15th of every month without any prior appointment and discuss their issues with the bank. This personalized care appeals to its customers more than sending complaint forms and waiting for a response. Here the public banks score over the private banks which prefer to treat its customer as faceless entities. The private banks seem not to recognize this simple yet effective strategy of keeping its customers happy and in turn enlarging its customer base.

•A reason for the dissatisfaction of private banks customers is that the management is centralized. An executive in a public bank has more power than that of an executive holding a similar post in a private bank. The customers of the private banks are often directed to other parties making them run from pillar to post as the executive aren't authorized to solve their problems.

CONCLUSION

There are problems facing both the private and public sector banks. There is a notion that technology will solve all the problems, technology helps solve old problems but comes up with its own share of new ones. Technology cannot be too advanced; it needs to find a favour with the public. It will be wiser to accept the present problems and find humane and efficient solutions.

The private sector banks need to have more empathy for its customers while the public sector needs to be more efficient in its working. Both the sectors need to learn from one another. India being a mixed economy can make the best use of both its public and private banks. Banks are very much accessible nowadays, the number of branches throughout the country and abroad is continuously increasing. The problem now is how effective is their service and how happy are there customers. With proper planning and foresight the customers can be given what they need.

One cannot conclude that the public sector is better than the private sector, even though it may seem that public sector scores above the private sector. This may not be the case in all the public banks, SBI is emerging an exception due to the efforts of a collectively few. Public banks like Citibank have a long way to go in terms of customer satisfaction and turn over. Both the sectors have to learn from one another and strike a balance in order to achieve maximum efficiency and increase social welfare.

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THINK TANK

Little Johnny was being questioned by the teacher during an arithmetic lesson. 'If you had ten dollars,' said the teacher, 'and I asked you for a loan of eight dollars, how much would you have left?'

'Ten,' said Little Johnny firmly.

'Ten?' the teacher said 'How do you make it ten?'

'Well,' replied Little Johnny 'You may ask for a loan of eight dollars, but that doesn't mean you'll get it!'

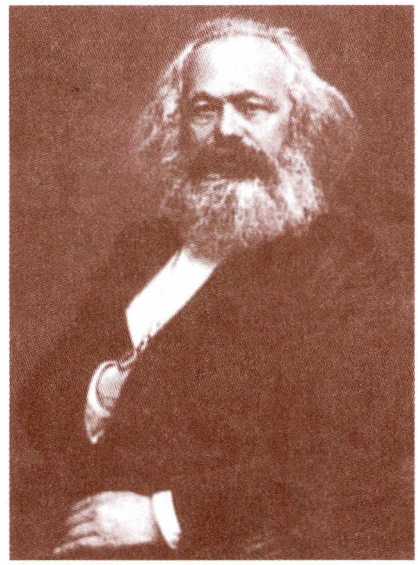
EXPERIENCING THE IDEOLOGY

- Soumya Manjunath, 07/EC/113, PG Student

Karl Marx, the pioneer in ideological discovery considered determining economics relations in all arenas of social life. He discovered that the logic of an ideology cannot be deduced from just experience.

In 'Preface to a critique of political economy, (1859), Marx said, "It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness." Marxist discussions on ideology is relevant in the present context to global capitalism and international division of surplus value is paying less than proportional wages to the workers for their productive work. Therefore, his formulation of deducting the use value from its exchange value leads to stripping the commodity of the human labour and natural resources that were used in the productive process. This is a false representation of alienation of labour. For Marx, ideology is 'false consciousness' or 'imagined representation of social relations'.

In German ideology, Marx has said 'the premises from which we begin are not arbitrary ones, not dogmas, but real premises. They are real material conditions of life'. Therefore, Marx believed not in the abstract spirit but rather in the real, material conditions to understand the world.

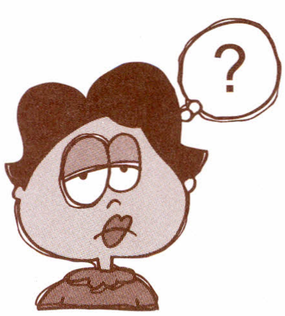


Marxist division of labour and the labour theory of value when applied to the use of economic conditions of global capitalism. Marx's analysis of capitalism can be integrated into the dialectic approach which rests on the premises of 'world is a process of change'. The shift from feudalism to capitalism offers the series of negation leading to changes in the totality of the societal structure. But this transformation doesn't help in explaining the lives of the disempowered group, the struggle of the exploited class.

The authority of experience still dominates in the mainstreamed group.

THINK TANK

A civil engineer, a chemist and an economist are traveling in the countryside. Weary, they stop at a small country inn. "I only have two rooms, so one of you will have to sleep in the barn," the innkeeper says. The civil engineer volunteers to sleep in the barn, goes outside, and the others go to bed. In a short time they're awakened by a knock. It's the engineer, who says, "There's a cow in that barn. I'm a Hindu, and it would offend my beliefs to sleep next to a sacred animal." The chemist says that, "OK, he'll sleep in the barn." The others go back to bed, but soon are awakened by another knock. It's the chemist who says, "There's a pig in that barn. I'm Jewish, and cannot sleep next to an unclean animal." So the economist is sent to the barn. It's getting late, the others are very tired and soon fall asleep. But they're awakened by an even louder knocking. They open the door and are surprised by what they see: It's the cow and the pig!



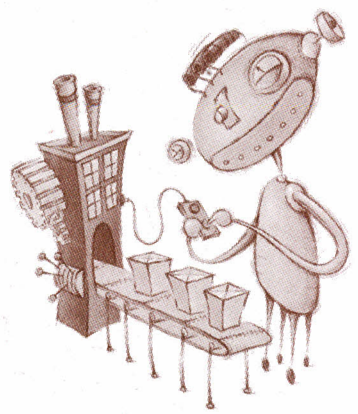
1. The term 'economics' has been derived from a Greek work which means 'household management'. Which is that Greek word?

2. Microeconomics and Macroeconomics are two branches of economics. Who coined the term 'Micro' and 'Macro' in economics?

1. Oikonomia
2. Ragnar Frisch

The Irony of 'Social development'

- Janani Ganesan, 07/EC/51, U.G.Student



Rampant unemployment across the country. Lok Sabha Speaker, Somnath Chatterjee's suggestion- 'engage the rural population in sanitation works and that would solve the problem of both unemployment and sanitation concerns'. Sounds very logical, doesn't it? But how many of us who demand that the maid comes every day in spite of her family member being ill dare clean our own toilets? How many of us who keep complaining about the unclean roads pick up a broom and sweep it off? How many of us who close our noses while passing a stinking drain even have a nightmare of getting down on our fours to clean the sewage? But it is easy for a leader to suggest that sanitation work be given to human labour and we, the educated masses will but applaud his wisdom. This solution is but a camouflage of a more complex problem.

I recently read an article in the Hindu on 'Human dignities' where the author describes the pathetic condition of the labour force in his factory. But when he suggested that machines be imported to do the cleaning job, the contractor who brings in labourers begged him to not to deprive the labourers of their only means of payment. The author was struck by the irony of saving human lives by letting them degenerate. It is we who create this irony. We console ourselves by believing that all of us cannot be in air conditioned offices and somebody has to clean the place we live in! We shut our eyes and pretend that reality does not exist. Only if shutting my eyes could do away with reality, I would gladly be blind! But unfortunately this cruel world does not work that way. By shutting our eyes we encourage the belief that it is OKAY to have a social ladder and it is OKAY to let somebody occupy the lowest rung forever. How disgusting we are!

It is okay to replace labour with machinery in the name of capitalization but we have not even thought about replacing labour with machinery for the unhygienic jobs. Be it laying tar roads or working in the mines or cleaning our dirty toilets, we have always depended on human labour. If capitalization can do any good then it is to introduce machinery for sanitation works and jobs that are prone to occupational hazards. The argument that the trade union leader chose to do the job may always arise. Where is the question of choice when they are not given another alternative but are forced to do it? We have pushed them into believing that they cannot do better than that and what's worse; we make them feel grateful about it. Growth with justice is but a myth. When there is no growth in humanity there can't be any real growth in the economy. It is the duty of the Government and us, the educated mass to ensure that human kind is given the respect it deserves. The next time think twice before shutting your eyes.

Should Pollution Taxes Be imposed On SMOKING ....?

-Monty Majeed, 06/EC/11, U.G. Student

It is alarming to note that about 30% of the air pollution in India is caused because of the Smoke from cigarettes and bidis. At least 80% of deaths due to lung cancer are the results of smoking. Other effects include carcinogenicities, lung dysfunction, and birth defects of pregnant smoker's offspring, impotence, cataract, cognitive dysfunction and problems in oral health. Keeping this in mind, I decided to conduct a study to collect opinions about what smokers and non-smokers think about the effectiveness of imposing a pollution tax on smoking.

"..... the idea to impose a pollution tax has more to do with legislating morality than it does actual concern about second hand smoking. The government has no right to dictate the personal habits of others. Better than a tax would be to educate and persuade your fellow beings....." - Sarah Paul, Non- smoker

"..... a tax imposition is a communist idea. It is forcing people to do what you want them to. In addition, smoking is natural. in addition carbon dioxide is released to the environment for plants to use as fuel for carbon fixation....." - FJ. Smoker

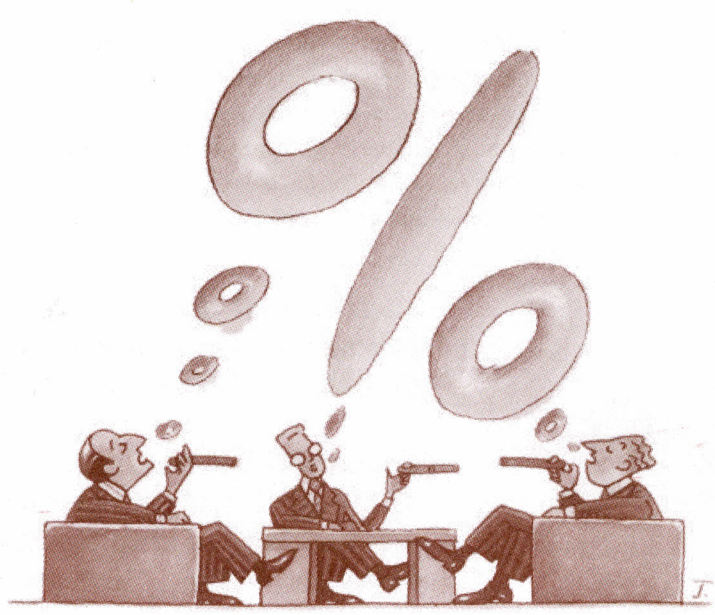
".... one volcanic eruption puts more carp in the air than the entire history of smoking squared....." - Arya, Smoker

".... it is already illegal to smoke in public places. I cannot entirely disagree even though I remain a smoker, it is one of the most repulsive habits for which will power remains the only cure..." - Vineet Thomas, Smoker

"...it is a brilliant idea to impose a tax on smokers. They should feel the pinch of creating inconvenience to others and behaving with no social and civic values . Apart from taxes, heavy fines should be imposed on people smoking in public. If they want to smoke, let them do it in their homes not letting it affect the others...." - Reshma Paul, Non-Smoker

'....using a computer because computer uses electricity & pollutes the environment. Can I implement a computer tax on you? This is a highly impractical option". - Nitin Phillp, Smoker

When asked how the pollution tax affect the consumption of cigarettes 20% of the smokers said it would affect them as the prices would go up, 30% of the sudden hike in prices but later they would get accustomed to it and the rest said it wouldn't make any change. After this study some people working in the area of anti-smoking and pollution control were also interviewed. Their views were:



P.B. Sahasranamam, leading advocate of the Kerala high court who specialises in environmental pollution law: "....the ban on smoking in public places have been effective as a tax imposed on smoking would be. The main problem being there is no way to measure the extent of the pollution created by smokers. A ban has triggered the responsibility factor in the people; a two might work backwards on it...."

Ambili Chacko, a social worker who works on rehabilitation of workers and alcoholics: "....a tax is definitely not to curb smoking if that is the purpose. If the purpose is solely environmental then also I do not see any effectiveness in bringing out a tax because already existing taxes have not reduced smoking and I do not feel that a pollution tax is going to make them eco-friendly and cut down on their consumption leave all of a sudden.

Mani Ramads, a theater artiste: " ....people are encouraged to smoke seeing their superheroes if films do so The first people to impose a tax would be on Shah Rukh Khan, the chain smoker of bollywood but will this affect him? Come on, he wears a tag hauler, so he can very well afford an expensive cigarette. This may affect the very small amount of population whose marginal disutility of money is really high. Maybe the poorer ones of the society. The government again is acting as the protector of the rich and curbing the poor form one of his little enjoyments. By taxing cigarettes most of you are trying to classify cigarettes into an area of luxury goods...."

Conclusion: we know that smoking is a difficult habit to quit making cigarettes an elastic good. This makes the consumer insensitive to price changes. Also, conventionally the working of a pollution tax, is by the incorporation of a meter reads the incorporation of a matter in the pollution levels aid the taxes imposed on that. You pay for the amount you pollute. In this case, smoking is a consumption externality. The only way to impose a tax would be on the price of the cigarettes because the amount of carbon dioxide exhaled by a smoker and the extent to which it pollutes the atmosphere is not practically measurable. Therefore we again reach the same conclusion; imposition of tax is a bad and impractical option. Some suggestion put forward by smokers were the introduction of modified less pollution cigarettes and tradable smoking pollution permits. The effectiveness of these methods are also however highly doubtful.

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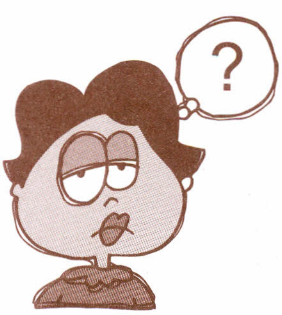
THINK TANK

"I heard this from one of my professors. To protect him, no names will be revealed. This professor was about to get married. He went to the jewelers to get a wedding ring for his fiancee.The jeweler told him that he can have the inside of the ring engraved with the name of his fiancee for an additional $20 (remember, this was a LONG time ago). He said, "But that will reduce the resale value!" The jeweler was aghast. He said, "How can you say such a thing.You are a butcher!" "No," replied the professor, "I am an economist".



3. Which of the following groups of economics focused primarily on Macroeconomics?
Classical | Keynesian | Neo-Keynesian | Modern

4. Economists belonging to which of the following schools of thought were skeptical about the need for government intervention to stabilize the business cycle ?
Neo-Keynesian | Keynesian | Classical | Modern

3. Classical
4. Classical

The Economics Of Tiger Poaching

Like a rich man who boasts of suffering from Diabetes. Cholesterol & Blood Pressure to ascertain his high social status, India continues to maintain a regular record of its ever increasing number of near-extinct special. The white tiger, the chigaras, the black buck-the list seems endless. Seldom does this list come into the limelight, except when Salman Khan gets imprisoned for hunting the black buck or Sanjay Dutt is arrested for poaching the chingara. It is shocking to encounter the realism that, in India, it wouldn't be long before animals like elephants, leopards & in particular tiger became part of this much celebrated endangered species list. India would be tarnishing & deteriorating her image to the worst possible extend, if she were to declare her national animal, the tiger, as extinct.

Tiger poaching emerged as a lucrative in the 1960's, with the discovery of the use of tiger products in the field of medicine, by Chinese physicians. The Chinese physicans's claim that the tiger bone was a rich source of various minerals like Phosphorous, Calcium, Iron, Mercury and Arsenic, was tested & confirmed by renowned scientists. As a result, in addition to the demand for the tiger coat by designers and fur traders, there was an increasing demand for several other body parts of the tiger in curing diseases, some of which are:

Tiger Product	**Use**
eyeballs	-treat epilepsy
leather of the nose	-heal bites from dogs
teeth	-can help minor sicknesses
whisker	-can comfort dental problems
brain	-as an aid for skin problems such as acne and idleness
body fat	-in the treatment of leprosy and rheumatoid
claws	-relieve pains
bone	-in the treatment of rheumatic pain, bites from rats and other rodents, typhoid fever, dysentery and other minor sicknesses.
tail	-treat diseases in the skin

With such an extensive array of uses for tiger products, it was only natural that tiger poaching became rampant all over the world, especially in India, Malaysia & Bangladesh, where the tiger populations were the largest in the world. In Malaysia & Bangladesh, their Governments soon took stringent measures to curb tiger poaching. As far as India was concerned, what best way was to describe how the Indian Government handled the situation, that to use the following remark of Noble laureate Milton Friedman: "If a Government were put in charge of managing the Sahara Desert, within five years, they would have a shortage of sand!"

Not only has tiger poaching in the Indian intensified over the years, recent reports suggest that population in even protected tiger reserves & wildlife sanctuaries are dwindling. In India, tiger poaching is mainly carried out by tribal or gypsy groups under the pretext of a front business of local medical dispensaries. The womenfolk of the group collect medicinal herbs from the forests and the elderly members of the group run the dispensary, while the younger men do the poaching. The strategy employed in poaching is simple and direct. These men keep a watch over the water holes frequented by the tigers. They then block out all the paths leading to the water hole, except one. The snare is meat, shooting electrocution or steel parts.

Poaching is most certainly profitable for these tribals, & more so for the middle men involved in the business, owing to the fact it involves only very little investment, while exorbitant amounts can be earned. The only investment involved is the cost of poison (which is $1-1.5, for the quantity required to kill one tiger) to the cost of a steel trap (which is $14-16per trap). These are meagre costs, considering the huge incomes that the tiger products bring in. For e.g.: a tiger coat can be sold for any price between $1,000-30,000, while the tiger bone is sold for $125 per pound. But perhaps, the best incentive is the prospect of doing away with the crime even when you get caught, by paying a minute fine of & Rs.140 and being imprisoned for 1-6 years.

Several organizations like the WPSI (Wildlife Protection Society of India) & WWF (World Wildlife Fund), have strived to keep a check on the poaching carried out all across India. So have the Indian Government, at least to some extent, with its initiatives like the 'Project Tiger', and National Parks & Wildlife sanctuaries like Corbett, Bandipur, Sariska, Sunderbans, Periyar, etc. Curbing tiger poaching has been an extremely difficult task due to two main reasons:

(1)Tiger bones are similar to cattle bones and thus without the expertise of trained professionals, the difference between the two cannot be determined.

(2)Statistics show that very often, poachers who've already been caught, poach again, inarguably because, as previously explained, the incentives outweigh the penalties.

CITES(Convention on International Trade of Endangered Species), consisting of 174 member countries (or parties) including China, USA, UK, Malaysia, Bangladesh, India, ect has set up a forum for the purpose of conservation of tiger population in the world. Laws ate stipulated in this regard by CITES. Countries like USA & China are the bigger culprits on this. Infact USA is believed to be the largest consumer of illegal wildlife products, with products worth $1.4 billion entering the country every year.

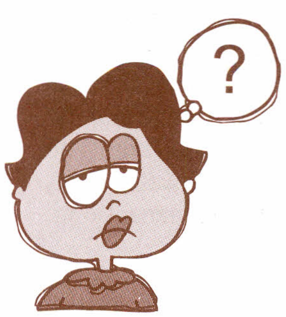
The only way to reduce tiger poaching is to prevail upon the international community to follow the laws of CITES in letter & in sprit & make any offence of this, highly punishable.

THINK TANK

Three economists and three mathematicians were going for a trip by train. Before the journey, the mathematicians bought 3 tickets but economists only bought one. The mathematicians were glad their stupid colleagues were going to pay a fine. However, when the conductor was approaching their compartment, all three economists went to the nearest toilet. The conductor, noticing that somebody was in the toilet, knocked on the door. In reply he saw a hand with one ticket. He checked it and the economists saved 2/3 of the ticket price.

The next day, the mathematicians decided to use the same strategy- they bought only one ticket, but economists did not buy tickets at all! When the mathematicians saw the conductor, they hid in the toilet, and when they heard knocking they handed in the ticket. They did not get it back.

Why? The economists took it and went to the other toilet.



5. Which of the following economists is credited with developing modern monetary economics?
Adam Smith | J.B.Say | Milton Friedman | Alfred Marshall

6. Who propagated fiscal policy as a powerful tool for economic growth?
J.M.Keynes | A.C. Pigon | A.W. Phillip | Richard Posner

5. Milton Friedman
6. J.M. Keynes

The Economics of Cricket

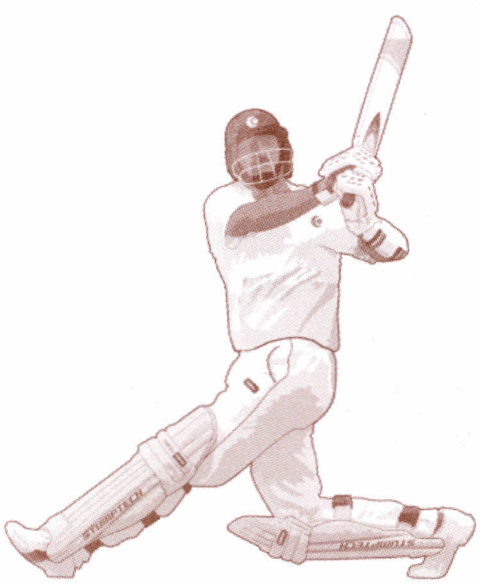
- Ankita Mukherji, 06/EC/68, U.G. Student

Welcome to the world of 'Cricketonomics'! Yes, that's exactly the domain cricket has entered in the recent past. Gone are the days when cricket was 'The Gentleman's' game. Gone are the days when cricket was played in the winter months because the lovely weather complemented the game and folks sat at home listening to the commentary on the transistor! Equations have changed on both the sides, the player's as well as the spectator's. Taking a little more like an economist, the demand and supply of cricket has changed!

The demand is ever increasing. The more you give the spectators, the happier they are. And the demand is quite inelastic. Wouldn't cricket crazy fans the world over vouch for the fact that they are game for anything? Don't forget that even a Kenya Zimbabwe contest finds takers! So, moving on to analyzing the supply. Today, cricket is played in the scorching sun. The players fight it out in the rainy season too, never mind the fact that some of the matches get abandoned and some get converted into '20-20' matches! So its definitely not the weather that decides the supply. Is it the fitness of the players then? Not really, for if that were the case, the terms such as over-worked players and the like would be non-existent. Are we not already talking about giving our new pace sensation, Ishant Sharma, adequate rest? And then don't we have a Dhoni who pulled out of the test series against Sri Lanka citing fatigue? The plethora of sports channels, living on a diet of almost only cricket, bear testimony to the fact that there's no dearth of cricket the year long. No worries if one channel doesn't bag the rights for a series. A few week's wait would fetch them the rights of another! So have we come to the point then? Yes, we have! It's the money, my dear friends, that keeps cricket happening!

Exorbitant, unbelievable amounts of money is today associated with cricket. There are endless number of sponsors. So we are getting to watch a lot of cricket these days!

Have you bee watching cricket regularly in the last few years? Then it's hard to miss the way the advertisements pop up every time a wicket falls. Even before you realize that the batsmen is really out, even before your know how the wicket fell, even before you know who's dived into the air to take the catch, the ads appear! As if they are not out there to play cricket but hide-n-seek! Didn't we all learn to play cricket with the basic knowledge that an over has six balls? Even that seems to be changing these days. Its actually five now because somehow, miraculously, the advertisers know that we're more interested in knowing about their product for the Ninth number of times than in knowing what's going to happen in the first ball of the new over! I dread hat tricks now, even if its by the team I support! The loss in total well-being caused by the ads is much greater than the feeling of well-being caused by the hat trick. The private cost is much greater than the social cost and the negative externality here is my not wanting the precious hat trick! Call it selfishness; after all isn't Economics built on man's self interest? I sometimes forget if I am sitting down to watch a cricket match or a collage of advertisements with a cricket break in between!



The most extravagant affair in the history of world cricket happened only a few months ago. Does it even need a mention? For the clueless, I am talking about the Indian Premier League (IPL). All our lives long, we have heard about things getting auctioned. Now whosoever had imagined, in their wildest dreams, cricket players getting auctioned! But even that's a reality today. The figures boggle me, so I don't even try to remember them, but I know the top players were bought for hundreds of million dollars! Even the never-heard-of players were bought for millions! A lot of people said a lot of 'inspiring' things about IPL, like binding the players beyond the geographical barriers, cultural amalgamation... But is it so? For a certain Mr.Mathew Hayden, star catch of the Chennai Super Kings, called India a 'Third World' country recently, after Australia' disastrous tour of India. Reason? Their over-rate was slow because the side screens couldn't be moved on time as, obviously, happens in Third World countries! Terms of endearment is it then? Nah!! Its just the money that attracts everyone. It had attracted retired Aussie spin King, Mr.Shane Warne, too, who, after leading his team to victory, claims he was caught cheap when compared to his contemporaries. Point noted, Mr.Warne!

Cricket today spells business. Not that we are not enjoying it. We obviously are. After all, who doesn't like watching Yuvraj Singh hitting the bowler for six continuous sixes in an over in a 20-20 match with uncontrollable excitement? Anti-cricket people have actually shown a soft corner for this format of the game! Nobody could have imagined a cricket match so short and crisp and exciting even ten years ago! We are enjoying all the madness that is associated with cricket and the cricketers, especially in a cricket-crazy country like India. The large amount of money has actually improved the quality of cricket. This whole cricketing business has really helped India in setting up premier cricket coaching institutions. The dream team. Team India, which is a reality today, was a dream till some time ago. Never did the selection committee have so many choices in all the departments, batting, bowling and fielding. It's all a blessing to cricket.

But there are certain questions that arise over here. Is it really sustainable? Will this bubble never burst? Agreed, the demand is inelastic. But over-exposure is actually killing the excitement. If somebody offers me money to watch ten back-to-back matches, I would say, "Thank you, I am very happy with my financial condition in life!" People, already, have stopped bothering about most matches barring the few really good ones. So, which way is it all going? Will cricket remain unadulterated amidst all this extravagance?

I hope all these questions are answered in the positive. Everything said and done my fellows Indians and I still love cricket to the core. We all love cricket over and above everything. The thrill of a 20-20 is absolutely wonderful, but we still love cricket over the five days in the test match format. Boring to some, but a beauty to us! Many fear test cricket will be wiped out because people don't have a lot of patience anymore. I hope this doesn't happen because this is how cricket began. Legendary cricketer, the late Mr.Donald Bradman, wouldn't be able to recognize cricket if this were to happen, for all his life, because test cricket was the only cricket that he's played. As the saying goes, Old is Gold. Let us enjoy cricket in all the three formats of the game. Let us respect cricket the way it is supposed to be. Let us not make a business out of cricket and then very conveniently forget cricket! Long Live Cricket!

THIRD WORLD DEBT

Mridula Rajiv, 06/EC/13, UG Student

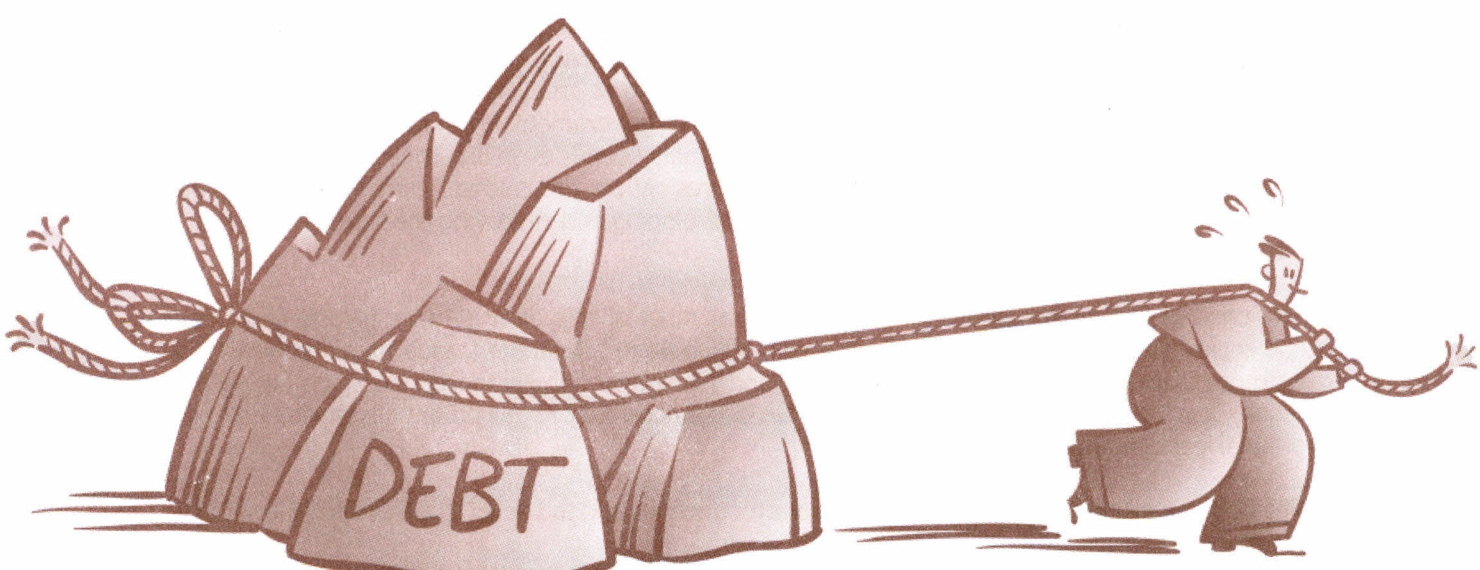
A well-known line from Samuel T Coleridge's poem- "The Rhyme of the Ancient Mariner" reads 'water water everywhere, but not a drop to drink". In fact of today's global financial crisis, that line would perhaps read as "money money everywhere, but not a cent to spend".

Debt is the only word that seems to flash through everyone's mind these days and for good reason. The ever-widening crater of financial debt that America is sinking into (and by the looks of it, dragging a substantial chunk of the world with her) has affected everyone. Its ultimate impact is still unknown and only time will tell. Moreover, while the current financial crisis is monopolizing headline space and is taking up everyone's attention, debt of a different sort has plagued the developing nations of this world now for over three decades.

John Maynard Keynes first explored the notion of (external debt) third world debt when he wrote in his book "The Economic Consequences of the Peace" that the huge amounts demanded by Germany, as part of war reparations would have repercussions in the future and would ultimately lead to the economic ruin of Europe. The principal reason behind the huge reparation amount demanded was to suppress the German economy and ensure that it did not rise to its former super power status. While the leaders of the allied party ignored Keynes concerns for economic recovery, his fears were cemented and predictions came true when Germany repudiated her war debt and was one of the reasons for Hitler's rise to power.

The objective of this essay is to study the debt crisis crippling the developing nations of this world. Commonly referred as a third world debt. It began to manifest itself quite obviously during the seventies with the setting up of the OPEC cartel and the oil shocks experienced during this time. A number of reasons can be held responsible for the debt crisis. These are varied and range from the end of colonialism, to the oil shocks and to simple poverty.

With the upheaval of colonialism in the 20th century, most of the capitalist countries like Britain and France lost their colonies. However what they lost through military administration and control they made up through economic domination. The newly independent countries were expected to pay off the liabilities contracted by their old rulers even before they acceded to their independence. This odious debt has made it impossible for these newly independent countries to free themselves from the shackles of their past and has prevented their development. For example, South Africa inherited along with her freedom from oppression (from the white minority) a debt equalling $18.7 billion (R90 billion) in the post apartheid era. This debt is the result of odious borrowing on the part of her



earlier oppressors. It is ironical that her freedom from oppression has only subjected her to further repression as this debt coupled with its annual repayment which various between $1.5 to $2.6 billion for the period 1997-2001, imposes heavily on her delicate BOP situation and seriously hampers her development . Unlike the space provided by the Allies to Germany to rebuild, post World War II. The same has not been extended to the southern African states. The usurious rates at which these loans are expected to be paid back often lead to a spiralling debt situation in which the indebted countries are to pay up to 3-5 times the level that Germany paid after World War II .

Another cause for debt was the economic conditions in the seventies. Oil was and still is a global commodity. Its universality ensures that even the smallest change in its supply and or price would have a significant impact on the global economy. The 'oil shocks' which saw the quadrupling of oil prices from $3 to $13 dollars in 1973 and were initiated by the oil cartel-OPEC in 1973 (primarily because of the devaluation of the US dollar in the sixties) and then again in 1979 had far-reaching and grim consequences on the global economic world. With the increase in oil prices, international financial organisations such as the World Bank and International Monetary Fund (IMF) found themselves with an increased store of money – those that were deposited by the oil counties. These 'petro-dollars' were lent at low interest rates. The developing countries saw this availability of money as a much-needed requirement for their development as well as a welcome relief from the increased prices of oil. Other developing oil exporting countries like Colombia, Ecuador, Mexico, Nigeria and Venezuela saw this as an opportunity to capitalize on their improved financial status.

Unfortunately, this unchecked and reckless borrowing of the developing countries took place in an increasingly unstable economic background. The only way developing countries could pay back their loan obligations was through an increase in their export activity. However, the demand for developing countries exports started declining as interest rates shot up and developed countries imposed quotas on the imports in order to reduce their consumption and finance their own oil requirements. With the rise in increase rates in the eighties and the global recession, these countries found it increasingly difficult to pay off the loans that they had taken in the seventies. The first casualty came in 1982 when Mexico defaulted on her loan payments- a situation that was unimaginable two years earlier . The fallout from Mexico's non-payment had serious implications including a possible collapse of the international financial sector. It also resulted in banks abruptly halting the provision of credit. All these factors made it very difficult for countries to pay back their loan obligaionts .

At the same time, to prevent the potential threat of a global economic collapse and further defaults on loan payments, international monetary organisations like the IMF stepped in with their Structural Adjustment Programs (SAPs). The SAPs implemented under strict economic restrictions that include the devaluation of the national currency, privatisation of public industries, including sale to foreign investors, lowering export earnings and increasing import cost etc., with a view to ease the crisis seems to have exacerbated the problem. These programs have only ensured the continuing repayment of loans to the rich creditor countries and financial institutions. The basic idea behind the structural adjustment programs is to cut social spending so that more money is spent on debt repayment. For example, Kenya spends only 12.6% of government revenue on social services as compared to the 40% spent on debt repayment. Zambia spends even less that that – 6% on social services to 40% on debt repayments . these figures reflect the colossal waste of resource and finance that could have otherwise been spent on developing and improving the standard of living in these regions.

The crisis is further compounded by the fact that most of this debt is to be paid back in 'hard currencies' like the US dollar or Japanese yen, which do not fluctuate frequently. In contrast, the currency of most developing countries is 'soft' and therefore is subject to frequent fluctuations. As a result, developing countries often require more of their currency to pay off debt as compared to the original loan amount borrowed.

The debt is a problem that has plagued nations for decades and the belief that this debt will never be paid back in full is unrealistic. The debt of the developing world that was $59 billion in 1959 ballooned to $2,060 billion in 1999 and was less than 6% of the total world debt that stood at 37 billion . the main reason for this exponential increase in debt is the unfair foreign creditors' interest rates at which these debts are serviced. For example, Nigeria borrowed $5 billion and paid back $16 billion. Yet, they are still in debt to the tune of $28 billion. Some countries in Africa spend 25-40% (Malawi spends between 30-40% and Senegal spends between 20 and 25%) of their export earning on debt repayment and many more pay between 5 and 25%. However, no European country spends more than 4% of their earnings on servicing their debt. (Charlotte Bagorgoza)

Third world debt is largely composed of the interest on the debt and the cost of servicing it. It is this, rather than the principal amount that continues to crush developing countries and hampers their chance at equality and growth. The debt crisis has shifted money and resources away from much needed rehabilitation and development programs to servicing loans. Debt, intricately entwined with poverty, is the main cause of widespread misery and low standards of living. The money that is otherwise being spent on servicing loans could have been spent on sending an additional hundred million children to school and saving thirty thousand people a day from preventable diseases. The crisis is responsible for the death of over 15 million people a year. Eight thousand people die everyday from HIV/aids because the $7.5 – 15 billion needed is spent on servicing debt .

Not only is the quality of life and standard of living affected, debt wreaks the natural environment of a country. It leads to environmental degradation and the depletion of natural resources that are sources of wealth to these countries. Brazil's debt has lead to the widespread deforestation of the Amazon rainforest. These countries draw increasingly from natural resources mindless of the future use and sustenance of these resources as their primary aim is to meet the next loan payment. The exhaustion of resources leads to loss in natural wealth and contributes to the occurrence of natural disasters like the floods experienced by Mozambique in 2000 and the tsunami in South-east Asia in 2004. With no money budgeted for such disasters, countries depend on the aid provided by other countries to rebuild. Rehabilitation (dependant on aid) in the aftermath of such disasters coupled with burden of debt repayments smothers and makes growth and development impossible and unachievable dream.

In the light of the oppression caused by debt, a number of campaigns to solve the debt crisis have been initiated. These include the Jubilee 2000' debt forgiveness and "Drop the Debt campaign". However, while the idea behind it may have been well meaning, they have only been mildly successful. Efforts or suggestions of cancelling the debt and wiping them off the books have been met with opposition. Arguments cite a certain "moral hazard" in cancelling this debt and the temptation to default on future loans. The problem does not lie in the borrowing of poor countries but in the reluctance of the creditor countries and organizations to admit their bad lending. The debt crisis as it stands today could have been moderated through better structuring of the loans. Lending at lower interest rates, providing smaller loans and even encouraging foreign investment or foreign regulation in those sectors for which the loans were originally taken out as the potential to mitigate the problem as well as promoting the development in these countries. Total third world debt is minuscule as compared to that of the developed world. The total debt of 41 heavily indebted countries is $200 million, compared to the debt of the United States which stands at $5000 billion. It is hard to comprehend how its cancellation can pose any serious threat to the economic stability of the creditor countries.

The debt crisis has ravaged the developing nations of this world. Putting a stop to the crisis and the destruction it has caused is only logical. Cancelling the debt is only the first step. Understanding and allying the factor that caused it plays an important role in preventing any future incidence of it. Punishing the millions of people of poor nations for being born into an indebted country is unjust and goes against morality as well.

ONE LINERS FOR FUN

Economics is the systematic complication of the simple truths of housekeeping.

An economist is a person whose trade is to do nothing and speculate about everything.

Economists know hundreds of ways to make love but don't know any women.

Economist's talk should be cheap as supply exceeds demand.

An economist is someone who doesn't know what he is talking about - and makes you think it is your fault.

All it takes to be an economist is an unshakeable grasp of the obvious.

In economics you can fool all the people all of the time ... without any effort.

Economic statistics are like a bikini, what they reveal is important, what they conceal is vital.

Economics isn't meant to make sense, its meant to make economists a living.

In econometrics, 2 plus 2 equals five for large values of 2.

Economics is the only field in which it is possible for two people to get a "Nobel" prize for saying opposite things.

Economists have the least influence on policy where they know the most and are in agreement; they have the most influence on policy where they know the least and disagree most vehemently

An economist is someone who gets rich explaining to others why they are poor.

If you tell too many fairy stories to your children they might grow up to be economists.

The worse the economy, the better for economists. (Zauberman's law)

An economist is a person who when confronted with a 4 metre high wall, immediately assumes that he is 5 metres tall.

Economics is the only field where one can be respected without ever having been correct.

The one thing economists agree on, is that they are always in disagreement.

Economists have solved the unemployment problem - for economists.

TRIP TO KANCHIPURAM (THE CITY OF SILK)

III B.A. Tamil Nadu Economics Class

We the students of Tamil Nadu Economics from the department of B.A. Economics, Stella Maris College (autonomous) visited the silk city of Kanchipuram for an educational field trip with 17 students led by our teacher Sr.Stella. Tamil Nadu has 30 districts where the textile industries are set up. We wanted to visit atleast one district to observe how much development has taken place and to know how the work in there industries is done. therefore we decided to visit Kanchipuram which is a small district near Chennai and is one of the leading places for silk sarees. It was a wonderful trip from start to end. We started at around 9 a.m. and reached in exactly 1 ½ hours at 10.30 a.m. While travelling we relished the site of innumerable agricultural lands and of all the big industries like Nokia, Motorola, Goel Steel Industry, Hyundai, St.Gobain, Dell and many more. Seeing all these sites we felt wonderful because there was no doubt that India is a beauty with so much greenery all around and has vast lands that can still be converted into agricultural sites. Besides the hot and humid day the greenery made the breeze very comforting for all us and the start was amazing. The enthusiastic students cheered as we reached our destination, the wonderful city of silk- Kanchipuram. Kanchipuram is a very well known place for silk sarees and for beautiful temples. First we visited a Temple nearby and all of us got blessings from an elephant which is religiously considered important.

After visiting the Temple we then went forward for what we were really visiting the city-the textile industry. First we visited the place where the initial work of making these lovely sarees was done- the designing. Here we saw how well the people have adapted the modern technology and have started putting computers into use for designing the patterns of the saree. The expertise showed and explained to us that firstly a pattern is designed on the computer. After the pattern is set, they are ready to be printed on thick cardboard sheets using a special machine. Once the pattern is made onto the cardboard sheet the design can really not be made out until it is used on the saree and embossed on it.

After seeing the pattern site all of us started off to see the second unit – the dying area. As soon as we set foot in the area we saw a number of rows where black silk was drying out on ropes. After this we went to the main dying area. Here a number of workers were already busy in the task. The process is not simple. The silk is basically bought in bulk, and bundles of silk that has to be dyed is first dipped and washed off in cool water. After this a colour solution is poured into machines filled with boiling water. With the help of steel sticks two people together set to the task of dying the silk by continuously dipping it into the solution and taking it out. Dual dying is a harder process. The area of silk that is required for one colour is first dipped into the required colour and then the area where the other colour is to be used. This is a tricky process because during the entire process the workers must be sure that the silk shouldn't get knotted. After dying is done the silk is dried out. After the dying process the silk is taken to the weaving factory where the silk sarees are finally made. That is where we went next. It was small in area with lots of weaving machines and threads ready to be made into beautiful sarees. As we entered they showed us the old machines where the sarees were made. It required a great deal of labour. The silk had to be separated by hand and later put into the machine. Then we were shown the new machines where work was less but still a difficult task. With bundles of threads of different colours hanging, one person has to see to it that they don't get tangled. Later on all threads together are weaved and the transformation from mere threads to beautiful sarees is amazing. They told us that the sarees are weaved according to the orders given.

After this our final destination was to visit the house of the booming silk saree house owners, the Kumarans. Here they told us that it takes 15 days to weave one saree. For each saree 300 gms of silk is required. When the silk is raw it weighs 740 gms. After the dye and the wash only 75% of the silk remains because of the insects which eat the silk. When the saree is weaved the threads have to be placed horizontally and vertically. The vertical threads are called 'sappari' and the horizontal 'kukae'. The vertical section is the 'pallu' and the horizontal 'body'. To weave the horizontal area 300 gms warps of silk are used and for the vertical 380 gms. The golden thread that is used in the embroidery of the saree is 60 gms which is worth 1300 rupees where in each gram of thread costs 20 rupees.

After the entire explanation we were obviously tired and hungry and the Kumaran employees provided us with delicious lunch.

CONCLUSION

What we really observed from the trip is how development has taken place in the industry. Earlier when computer wasn't used they had to make the pattern cards by hand. The government today is providing only subsidies for the IT sector and is not paying any attention to the textile industry. In the earlier ages it was our handicraft that paved way for other countries to come into ours. Therefore keeping that in mind the government should help the textile industries to develop and expand. The government can also set up some programs in order to update the workers and train them about new technology in these lines.

We were very thankful. It was now time to head back home after a hectic tour. This tour has really given us the knowledge of how difficult a task is to weave and how much talent our country has. Therefore I cannot miss the opportunity to thank our subject teacher Sr. Stella and our HOD Mrs.Rehana for giving us the opportunity to not only learn but observe. A special thanks also to all those in the factory who gave us this knowledge and to the Kumarans for being so kind. Last but not the least the students of the department of Economics who participated with so much enthusiasm and made this trip possible as well.

THINK TANK

A mathematician, an accountant and an economist apply for the same job.

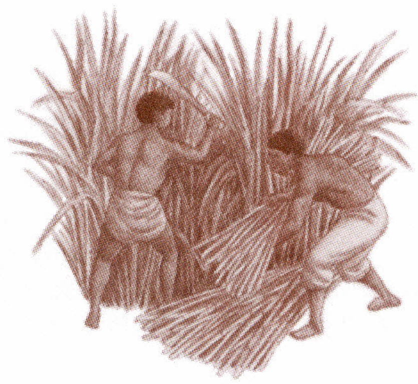
The interviewer calls in the mathematician and asks "What do two plus two equal?" The mathematician replies "Four." The interviewer asks "Four, exactly?" The mathematician looks at the interviewer incredulously and says "Yes, four, exactly."

Then the interviewer calls in the accountant and asks the same question "What do two plus two equal?" The accountant says "On average, four - give or take ten percent, but on average, four."

Then the interviewer calls in the economist and poses the same question "What do two plus two equal?" The economist gets up, locks the door, closes the shade, sits down next to the interviewer and says "What do you want it to equal?"

Agriculture in Vidarbha – A case study

- Asha Abraham 04/EC/14, Alumna



1. Introduction

Traditional Indian agriculture was diverse and sustainable. Each region produced different crops according to its environmental conditions such as soil conditions, water availability, etc. Hence, many types of staple grains were produced and consumed without any undue pressure on natural resources.

The system of agriculture changed after the Green Revolution in the mid 1960s. The main aim was self sufficiency in food grains. High yielding varieties of food grains (mainly rice and wheat) were introduced along with chemical fertilizers. Importance was given to rice and wheat and the area under coarse cereals was reduced.

Initially, this lead to an increase in food production. The per capita availability of food grain increased from 157kg per year in1955 to 177kg in 1995. Food production has risen roughly four times since independence and India finally achieved her goal of self sufficiency.

However, self sufficiency came at a price. The use of HYVs and chemical fertilizers were adversely affecting the soil health and also needed more water. The Green Revolution had made Indian agriculture unsustainable. The food grain production was now starting to decline. Per capita availability of food grains has declined to 428.8 grams per capita per day in 1999 from 468.5 grams per capita per day in 1991.

This paper studies the system of agriculture in the region of Vidarbha in Maharashtra. After 1960, the farmers of Vidarbha shifted from cultivation of jowar to cotton in the belief that it would give them higher profits. However, this proved to be a huge mistake. For many of the farmers the situation got so bad that the only way out was suicide.

2. Case study – Vidarbha

Vidarbha is the eastern region of Maharashtra state made up of Nagpur Division and Amravati Division. It occupies 31.6% of total area and holds 21.3% of total population of Maharashtra. Vidarbha is primarily an agricultural region. The main crops grown are cotton, oranges and soybean. It is also rich in forest and mineral wealth.

Vidarbha became famous due to the overwhelming number of famer suicides. By the end of 2007, 1242 farmers had committed suicide. 3,715 farmers have committed suicide since Jan 1, 2001, on account of debt and crop failure. The rest of this paper examines the reason for this alarming situation.

2.1. Agriculture in Vidarbha

2.1.1. Traditional agriculture

Traditionally, the system of agriculture in Vidarbha was sustainable. Vidarbha had fertile soil and assured rainfall. The crops grown were sorghum (jowar), pearl millet (bajra) and rice. All inputs needed for cultivation, like seeds and fodder, were produced on the farm. Each farmer also kept cattle. The manure from the cattle was used as fertilizer and the fodder from jowar cultivation was in turn used to feed the cattle. Thus, although the farmers were poor, they had enough to eat.

2.1.2. After 1960

All this changed after 1960 with the Green Revolution. Hybrid varieties of cotton and jowar were introduced. Farmers were also encouraged to use chemical fertilizers. The crop response to chemical fertilizers in a field traditionally enriched with manure is normally high. This encouraged farmers to shift from jowar to cotton and later soybean cultivation. Although, initially this lead to increased profits, the result of this shift from food to cash crops has ultimately proven to be disastrous for the farmers of Vidarbha.

One result was that the farmer was no longer producing the inputs he needed on the farm. Hybrid cultivation necessitated purchase of seeds because the seeds coming off the hybrid crops cannot be matured for germination. Hybrid jowar doesn't yield fodder either. Chemical fertilizers also had to be bought. After globalization, the prices of these chemical fertilizers started increasing, while the price of cotton did not increase in the same proportion. According to Kishor Tiwari, from 1995 onwards, the prices of seeds and pesticides increased four times, but the price of raw cotton at the national and international level actually went down by 30 per cent. This meant that farmers did not get enough money to pay back the loans they had taken to buy the inputs. They were also forced to sell their cattle which used to be an alternative source of income.

Most of Vidarbha's farmers were borrowing money from either co-operative banks or private moneylenders. These institutions are unable to properly manage the risk of borrower's defaulting — leading the former to deny further loans to farmers with poor credit histories and the latter to charge extremely high rates of interests. Due to low returns, farmers could not repay loans with such high interest rates.

Also, since the farmers were not growing jowar anymore, they had to buy food to feed themselves and their families, thus further increasing their expenses.

The complete shift to cotton from jowar also had an adverse effect on Vidarbha's soil health. Traditionally, the farmers used to alternate the two annual kharif crops on the same field. Jowar, with shallow roots, used to consume nutrition only from the superficial layer of soil. Next year, cotton crop with deeper roots would absorb nutrients from the lower layer allowing regeneration of nutrients in the upper layer through natural process and vice versa. Cultivation of cost-and-water-intensive cotton crop every year resulted in non-stop consumption of soil nutrients and water mining.

Another problem was inadequate irrigation. The nature of Vidarbha's rainfall pattern was erratic with long dry spells alternating with equally long wet spells. This often led to crop failure.

Thus, the farmers of Vidarbha found themselves in a difficult situation. They were suffering losses year after year, they didn't have enough food and they had no hope of ever being able to pay back their loans. The only solution? - Suicide.

3.Conclusion

With the spiraling cost of fertilizers, the situation in Vadarbha is just going to get worse.
On July 1, 2006, the Prime Minister announced a Rs. 3,750 crore relief package for Vidarbha. However, this does not really provide any long term solution to the problem. Farmers continue to commit suicide even after the relief package was launched.

I feel that the only solution is for the farmers to switch back to a more sustainable system of agriculture. The first step should be providing local nutritional security. What this implies is that we should make sure the farmer at least has enough grain to feed himself and his family. Each farmer should be encouraged to cultivate a portion of his land only for his nutritional need and not for monetary gain. The grain that he cultivates in this portion is chosen for its nutritive value. In Vidarbha, the farmers could cultivate jowar. Village level grain banks could also be started.

Thus, I feel a shift back to more traditional methods of agriculture is the only solution. This applies not just to Vidarbha, but also to the rest of India. India will be well advised to pay heed to the wisdom of the ages.

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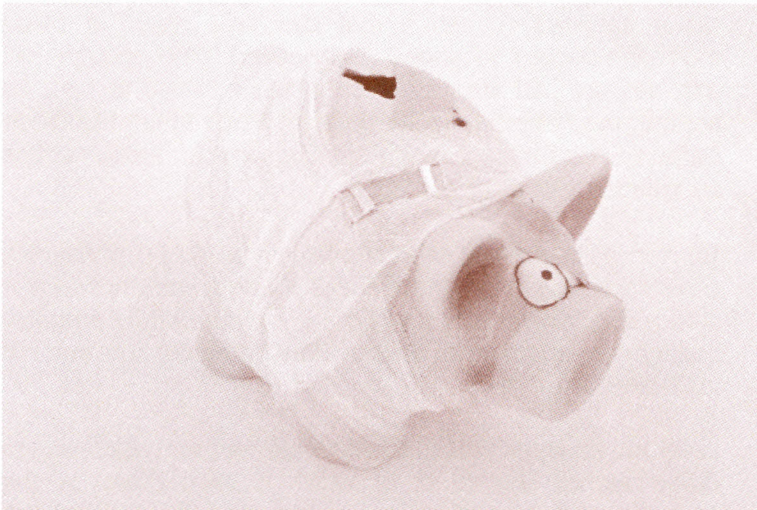
AN INGREDIENT FOR DISASTER

– Josephine Anjana Swami, 99/EC/07, Alumna



With hardly a glimmer of hope in sight, it seems that amidst all this aura of gloom and disappointment by many an economic entity, there is perhaps one individual who would be all smiles as the mayhem unfolded – none other than Mr. Bin Laden!!! For what he could not achieve through the 9/11 attacks, the US of A with its well-prided "cream of financial intellectuals" has most "successfully" executed the ECONOMY-SUICIDE Attack.

Well, to put things in perspective, WHO or What exactly murdered Wall Street and is now on a rampage across every other Street? The Answers may be endless, but all essentially boiling down to one aspect, which put across in refined parlance would mean Lack of Discipline or crudely put - Greed.

By whatever term you may call it, this emotion which is probably as old as the human race is at the very heart of the crises. And the irony is that while everybody knows it intuitively, nobody wishes to acknowledge it.

Way Back in 1995 when the hedge funds industry begun assuming tremendous footing in the financial world, leverage caught on as the fanciest means to make Big money quickly. All was well until Long Term Capital Management collapsed in 1998 – a Hedge Fund which at its peak commanded around $ 4bn in assets. And what aided this was the fact that the fund was able to take on infinite leverage or unlimited risk in practically every other asset class-commodities, stocks, currencies and bonds. What's worse is that LTCM conducted and published much of the research, validating the risks of the trade for the rest of the industry. It was easy for LTCM to convince and impress investors for 2 reasons-one, it employed strategies so complex that no lay investor could probably trust his/her own head with and two, it had 2 Nobel laureates in its payrolls.

As huge bets paid off initially, no-one felt the need to question the source of the profits. It suited banks and other commercial lending institutions not to take the procedural due diligence too seriously. For ultimately the loans they lent yielded huge returns; End of day, targets were met which raked in huge bonuses.

Surprising isn't it?? Exactly a decade later, the world find's itself mired in a crisis that's probably LTCM raised to the power of.... Anybody's guess! From an endless pursuit of Return ON Capital, it's now virtually a question of Return OF Capital that is seen driving sentiment across financial markets.

The crisis as we know it today all began sometime back through a seemingly innocuous financial innovation which was aimed at including millions of otherwise excluded families to fall under the "home-owners" category. Real competition was introduced in the mortgage lending business by allowing non-banks to offer mortgages. It didn't stop there. Mortgages were allowed to be pooled together to be further used as collateral to issue securities. They were then sold to yield-hungry investors (and speculators!) alike and mortgage payments, consisting of interest and principal,

were passed through the chain, from the mortgage servicer to the bondholder. The final icing on the cake was to call reputed rating agencies to certify that the "less risky" of these mortgage-backed securities were indeed "safe enough". All this was not bad after-all or so it was believed to be.....as another mechanism to tackle defaults was created- the Credit Default Swaps market which later became an instrument of speculation instead of insurance.

It seemed like nothing short of a Dream product that America could showcase to the entire financial world. Sadly however, it stands today helplessly owning a crisis that would probably make the Asian financial crisis of 1998 or the dot com burst of 2000 seem like dwarfs.

Leverage yet again proved the culprit. Greed sent risk taking to dizzy heights, the effect of which is seen today as the cascading influence of panic and fear play out. Even as the wounds of such a meltdown remain raw, it pays to note that much of the risk taking, apart from being permitted was infact encouraged or better said-INCENTIVISED.

Closer home, the derivative debacle that occurred some months ago points to a fact that in essence, is no different - except of course for the magnitude of the problem. Here again, it originated with unrealistic targets set out by some of the managements of the banking sector to their treasury departments, which drove many a treasury official to aggressively market such products to corporates .Nothing really mattered to the treasury sales team – not even if it suited the risk profile and intrinsic business structure of the corporate. And quite a number of corporates fell for the bait of quick returns, as it came on the back of a sales gimmick – "x currency has never hit a particular level in the past 10 years and thus will not in the future". Even though it sounds as baseless as saying, "I haven't met with death in the past x years and therefore, I will not perish in the next y years", the lure for overnight riches can send even the most "conservative" or rational/level headed firm or individual to assume risks beyond its capacity.

Risk per se is nothing wrong for without it there is no business and most importantly no return. There is one common thread that runs across most cases, be it the large investment bank which went under the weight of its exposure to the mortgaged backed securities or the small scale retail investor in the equity markets – each of them were presented with a reasonable timeframe of positive payoffs. So Risk did payoff. It's just that they didn't choose to book their profits and exit their profitable positions.

The importance of managing risk can be summed up in the words of the great John Maynard Keynes who said, "Markets can remain irrational longer than you can remain solvent ". A thought worth its weight in gold!

THINK TANK

The four golden rules of econometrics:

1.Think brilliantly,
2.Be infinitely creative,
3.Be outstandingly lucky,
4.Otherwise, stick to being a theorist
-David Hendry

Mission Inclusive Growth - India Needs A Shower, Not A Trickle!

- Subadra Kalyanaraman, 05/EC/12, Alumna

The word "inclusive growth" has become not only fashionable but also quite relevant in our country. 'Mission Inclusive Growth' is one of the favourite (and clichéd?) topics of discussion for politicians, journalists, activists and many a citizen of India. This is so because of an apparently widespread perception that the benefits of economic growth were simply passing too many people by.

Its popularity has sparked intense discussions among politicians, economists, policymakers and the general public. The recognition of this need for more inclusive growth is a welcome shift in emphasis from mere increase in growth rates to improvement in standards of living of those below the poverty line. Mr.Montek Singh Ahluwalia, Deputy Chairman of the planning commission opines, "Any strategy that does not pay attention to economic growth is going to be unsustainable. You cannot rely on growth only. You have to ensure that the benefits of growth are widespread and you need special measures for those who would not normally get included. We need an 'inclusive' growth strategy."

But we, the citizens of India, have been hearing such comments for decades, without necessarily seeing an improvement. This naturally raises in one's mind a very important question. Whether all the talk is plain rhetoric? Or is there really a way to attain a sustainable balance between growth and inclusion?

Despite all the attention that 'Inclusive Growth' has received in the last few years, there lacks a precise and agreed upon definition of the term. Overall, the literature is divided between two concepts a) whether the benefits reach the poor and b) whether the benefits reach the poor proportionately more than it reaches the non-poor.

The Oxford Dictionary gives four meanings to the word, and the most inclusive meaning is "not excluding any section of society." Thus, by its very definition, it implies an equitable allocation of resources with benefits accruing to every section of society which is a utopian concept. Utopia it is because it dreams of an ideal state which we all strive towards.

The Reality

India ranks the sixth in the list of nations with the most billionaires (24 of them according to the Forbes List 2009, the oracle of capitalism). Sadly down from last year's 53, thanks to the ongoing recession. "Four Indians were among the world's top ten richest in 2008, worth a combined $160 billion," points out Forbes. Today, alas, "that same foursome is worth just $54 billion." Alongside this grim tragedy runs a slightly longer-term saga. The latest Human Development Report points out that India has fallen to 132 in the new rankings, which consists of 179 nations (down from 128 a year back). That is our worst ever grade on the Index this decade. Then there is the Hunger Index in which we rank 66 out of 88 countries. India thus lags behind war-ravaged Congo, the occupied territories of Palestine and the likes of Vietnam and Sri Lanka.

Rural Affairs Editor of The Hindu and the recipient of the 2007 Ramon Magsaysay Award, P.Sainath wrote recently, "The bad news about the bad news is that most of these figures reflect the good news days. They relate to the times when Sensex was booming and breached the 14000 mark. Those were the glory days our 132nd rank is rooted in. The same period when we churned out 53 dollar billionaires." This only goes to show that the picture will be even less pretty when the factors affecting the economic downturn kick in.

Related to these are equally wild assertions of the state of poverty in India. Egged on by their fellow elites at the "in the name of the poor" organisations like the World Bank and United Nations, it is loudly stated that 1 in every 3 poor people live in India (roughly 35% of the world population).

What does this mean? It means that India, the second fastest growing economy in the world (next to China) has been less successful in converting income into human development. So while some of the richest people in the world live in India, so do the largest number of the world's poor.

Corrective Measures
Having discussed in depth where the problem lies, it will be wise to step back from our entrenched positions and ask - What systemic changes would actually make a difference? Where are these changes needed? There are several fronts on which India needs to improve, and it is impossible to discuss each of these issues in depth, given the limitation of space. Therefore, I have chosen 7 issues, which in my opinion are the most pressing and are in need of address immediately. The 7 issues are:

Corruption. Way back in the Eighties, the then Prime Minister Rajiv Gandhi made a shocking confession – that up to 85% of the State's funds gets siphoned by the various levels of officialdom, which only goes to show the large scale mismanagement of government funds. This rampant corruption results in government expenditure getting grossly inflated, which calls for strict accounting of public funds and vigilance by the public. This will in turn give the State a little bit of space to cut down on taxes, thereby facilitating low prices of goods as well as increased purchasing power in the hands of the masses.

Illiteracy & unemployment. The problem with India's education sector is more to do with the issue of quality, than quantity (in terms of enrolment). Although enrolment in primary education has increased, it is estimated that at least 35 million, and possibly as many as 60 million, children aged 6–14 years are not in school. Severe gender, regional and caste disparities also exist. The main problems are the high drop-out rate, especially after Class 10, low levels of learning and achievement, inadequate school infrastructure, high teacher absenteeism, the large number of teacher vacancies, poor quality of education and inadequate funds. Lack of education means lack of unemployment, which in turn means reduced purchasing power, and hence poverty.

Inadequate Infrastructure. Infrastructure, which is said to be the backbone of all operations in an economy, has always been India's bane. Jagdish N. Bhagwati, a professor at Columbia University, figures GDP growth would run 2 percentage points higher if the country had decent roads, railways, and power. It is estimated that up to 40% of farm produce is lost because it rots in the fields or spoils en route to consumers, which naturally leads to rise in prices.
"If you have to build a road in China, just a handful of people need to make a decision", "If you want to build a road in India, it'll take 10 years of discussion before you get a decision." This statement effectively captures the inefficiencies faced by the sector. Having said that, it is also worth mentioning that India's seemingly intractable infrastructure problems are in fact eminently "tractable", if we try.

Food insecurity. One of the Indian state's most important functions, which was spelled out in the constitution, is to eliminate hunger and provide all with access to food and clean drinking water. The problem of food insecurity in India is not of general systemic failure that arises due to a supply shortage. It is in fact more a problem where certain sectors, such as the rural agrarian population and the urban informal sector, suffer from a shortage of food in a general climate of increasing production. There has been a near breakdown of the targeted public distribution system (TPDS) in most regions of the country. Consequently, even though the official poverty line has fallen drastically over the decades, there still prevails a situation where almost 300 million Indians can never be sure where their next meal will come from.

Health and nutrition. Evidence and common sense tell us that this is fundamental to well being. Economic analysis suggests that direct improvements in health in India have been as valuable to well being as improvements in income. Yet vast segments of the population continue to suffer needlessly. It is estimated that 1 in every 10 children in India are malnourished. The solution is not to throw money at the problem. The systemic failure is that government has either destroyed performance incentives for those in the health profession who work for government, or excluded private providers from partnerships. Try public support of private initiatives and joint monitoring of quality of outcomes. Effective decentralisation to the states will also help for public health.

Financial Exclusion. Four decades after India nationalised its banks, 41 per cent of the adult population remains outside the banking system. Providing financial access to these sections through savings and credit-linkages will boost economic growth, and improve individual well being. India's focus should be viewed against the decline in the number of rural branches over the past decades, a trend that has increased rural dependence on non-institutional sources such as the moneylender. The unbanked population could be encouraged to use banking services through soft-persuasive measures, such as payment of wages and social benefits through bank or post office accounts. There is also a need to strengthen infrastructure, adopt modern technologies, and spread financial literacy, to expand financial inclusion.

Conspicuous Consumption and Spending. Over-spending and conspicuous consumption is under considerable public criticism in the US. India is no different. In a country with so much poverty, the level of conspicuous consumption in our corporate world can be quite gross. Even its charitable forays seem more for media attention than from genuine concern. But this is not something that is exclusive to the upper class, writes Nandan Nilekani, Co-Chairman of Infosys Technologies. "Conspicuous consumption.... is not an unambiguous signal of personal affluence. It's a sign of belonging to a relatively poor group. Visible luxury thus serves less to establish the owner's positive status as affluent than to fend off the negative perception that the owner is poor". As a result, the poor often have little money leftover for monthly expenditures such as schooling for their children, and even food and clothing.

In addition to these, there are other problems too. We need to find to be more politically stable, bring in improvements in our law and order system, increase employment options by setting up strong and sound small scale industries, and the list goes on.

Therefore undoubtedly, there is tremendous potential and scope for vast improvements in our country. The 'trickle down effect' has to set in, in order to bring about the much talked about inclusive growth. Just that, what India needs now is not a trickle, but a shower!

THINK TANK

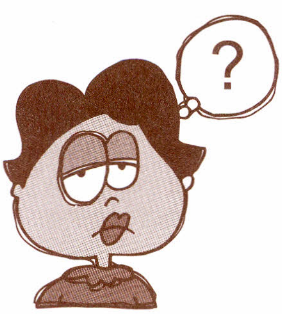
ASSUMPTIONS: Because of the ongoing market turmoil several companies are merging in order to survive...We bring you the results of these mergers:

Hale Business Systems, Mary Kay Cosmetics, Fuller Brush, and W. R. Grace Co. will merge and become: Hale, Mary, Fuller, Grace

3M and Goodyear will merge and become: MMMGood

FedEx is expected to join its competitor UPS to become: FedUP

Fairchild Electronics and Honeywell Computers will become: Fairwell Honeychild



7. Name the fiscal policy instrument that has direct impact on people's disposable income?

8. Which of the following are provided to domestic producers to make their products globally competitive?
Export Quotas | Import Quotas | Subsidies | Licensing

7. Taxation
8. Subsidies

Economics revisited

Josephine Anjana Swami, 99/EC/07, Alumna

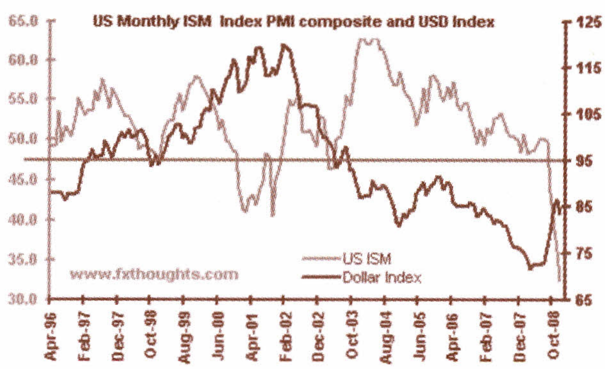
2009 may finally be the year when world over- governments, policymakers, central bankers may actually stop talking about recession....and begin their talk and acknowledgement of the repeat of the nineteen thirties horror of the Great depression.

For one, it seems clear that a large majority of the "crowd" believe that the second half of 2009 may actually witness some recovery in the global scenario. I beg to differ on this for the simple reason that, what is presently unfolding is very much looking like pieces perfecting fitting into the deflation jigsaw puzzle - at least from a theoretical perspective.

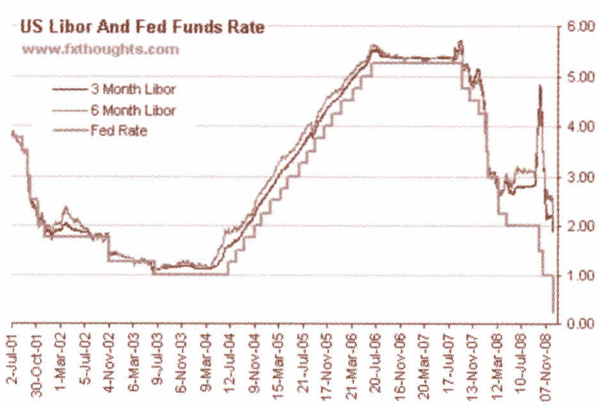
While I hate to be a prophetess of doom, the simple truth is that none of the central banks- not even the Fed would be able to stave off a depression style free fall of the global economy.

I base my argument on two very simple indicators for the US, which though short term in nature could be vital from a long term forecasting sense. The consumer spending and the manufacturing ISM juxtaposed against the rate cutting cycle by the Fed.

Core retail sales are seen as a proxy for consumer spending and ISM for the general health of the manufacturing sector. Looking at graph 1, core retail sales have steeply plunged of late. Moreover the ISM figures in graph 2 also portray a similar trend (see red curve).



This is pretty much pointing to a free fall in the US, the magnitude of which becomes more striking when seen against the monetary easing policy of the Fed(graph 3)(see light shaded line).Clearly the reduction in interest rates which began in Aug-Sept 2007 has not been able to either induce the consumer to spend or the manufacturing industries to expand or engage in asset creating investment spending. Infact the worrying feature is that the fall in both the indicators under study becomes sharper with larger doses of interest rate cuts. Now, this is clearly not a good sign because it to some extent underscores the ineffectiveness or insufficiency of monetary policy in immediately dealing with an economic crisis of this proportion.



Generally, monetary policy instruments are more effective during periods of inflation and gets more redundant when seen in isolation during deflationary phases. This is where Keynesian recommended fiscal toolsdeficit spending becomes a relevant complementary policy measure.

Infact most central bankers across the globe contend that the best way to deal with deflation is to do everything possible to avoid it in the first place. Because once into it, it becomes virtually impossible to tackle the whole phenomenon, which is probably the reason why many of them shy away from explicitly acknowledging its real presence.

Ben Bernanke is particularly known for this as he has expressed in several of his speeches that deflation is "not a concern" to him as The Fed can never really run out of arsenal. To put it plainly, this implies that the Fed could print as much money to buy as many bonds needed to lower interest rates to a desired level. If that wasn't enough to cause inflation, the Fed in theory could start printing cash and buy other assets (homes, equities, etc) and even physical goods until the Fed held so much, that scarcity drove prices to rise. It is this idea that probably gave him the name of "Helicopter Ben" for his premise that the Fed could just toss cash from a helicopter to drive inflation.

Deflation seemingly is a paradox as a persistent decrease in price level which it signifies, could be nothing short of a boon for an individual who holds cash, coz he finds the purchasing power of his holding rise with a fall in prices. But from a macro level, a sustained decline in prices can be damaging to the economy as a whole, as it tends to lead to a vicious cycle of economic contraction as everyone begin's to postpone spending decisions on the expectation of further price declines.

Probing into the potential causative agents, deflation could mean any of the following:
- A pure monetary phenomenon caused by a reduction in money supply
- The above could be extended to include a phenomenon resulting from a squeeze in credit.
- Deflation could be a supply side function
- And lastly could be demand led.

The first could be tackled by the popular monetarist idea of simply printing notes to inflate money supply.
The second is more severe - as in this case even an exhaustive printing and injection of liquidity by the central bank may be rendered futile if bank's willingness to lend is not forthcoming. This unfortunately is the case presently, evidenced by interbank spreads remaining at high levels for a long time despite significant cuts in the overnight Fed Funds Rate (FFR).
The third type of deflation is a positive variant as it tends to be selective and concentrated on certain services/goods , mostly resulting from productivity gains or technology development .eg: Cheap labour in developing economies has helped reduce overall production costs to developed countries; cheap manufactured goods produced by China has helped the US enjoy relatively lower levels of inflation etc.
The fourth is an extremely serious condition – severity being a function of the percentage contribution of aggregate demand (consumer+ investment demand) to the total GDP.

While the picture painted is quite grim, there is still some hope for there is a bull market awaiting in the world of finance –something more simple than equities or debt – which in my guess is simply Cash. Because typically in a scenario of price increases, purchasing power of cash falls which drives people to invest to get a return to compensate for inflation; The opposite should hold true during deflation, for simply holding cash will generate a risk free return as cash will have a greater value at a future point in time than today when prices fall.

If this be the case, holders of cash are likely to be the biggest gainers and to some extent this in itself could prevent a faster recovery 'coz people will begin to hoard cash (banks, consumers, corporates) which will have its linkage effects of further depressing economic activity.

The severity may also be attributed to the fact that merely pumping in cash (Fed) need not necessarily drive consumers & firms to spend or banks to lend .So basically more than a monetary phenomenon it is to do with primarily human emotions-which is defined by the willingness to spend or lend as the case maybe backed by the critical levels of confidence and expectation-which is why my opening lines begin with the hypothesis that the fed cannot possibly halt an ensuing depression

Having said that, the implication for the dollar is far more complicated to envisage as it seldom responds in a logical manner and totally becomes a function of speculative positioning. As far as I can see the dollar is bound to eventually lose its "safe haven" shield .Particularly when authorities begin to more explicitly acknowledge the presence of deflation, markets are likely to factor this by punishing the dollar. However the dollar scenario could again play out differentially with respect to different currencies

Rupee – 48.80-49 is the key territory to be watched .Sustained trading above this could put the 50+scenario back in sight. As against this a break below 46.70 could open the gates for a rush of dollar sales towards 44.15.

Pound: Expecting a major retracement in the pound towards 1.66 in the New year.

Euro: outlook more clouded in the case of the European major. There is a likelihood that if it manages to sustain above 1.3880 we could see a shoot back toward 1.48 before we see the euro possibly tumbling back again to under 1.20 as the European region is likely to encounter greater challenges in 2009

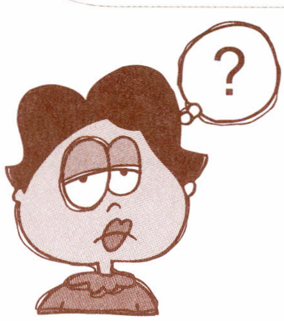
THINK TANK

What kind of Income Elasticity of Demand would plastic shoes have?

- ☐ **unitary**
- ☐ **positive**
- ☐ **negative**
- ☐ **zero**

The correct answer was negative.

Plastic shoes are a type of inferior goods as they do not follow the general law of demand.They will have a negative Income Elasticity of Demand because as income rises people will now be able to afford to buy shoes of better quality, therefore the demand for plastic shoes will fall.



9. According to RBI act 1934, the Reserve Bank of India is not empowered to reduce cash reserve ratio below how many percent?

10. Name the economists who got the first Noble Prize for economics?

9. 3%
10. Ragnar Frisch, Jan Tinbergen

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