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department of economics

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ANKUR

Department of Economics

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Editorial

The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.

• *Joan Robinson*

Ankur is the annual periodical which provides an extensive platform for budding economists to express their economic views and analytical thoughts. The student journal encourages young economists to venture into academia. It gives the students an opportunity to explore and present diverse topics from the perspective of an economist.

This time it is back with a bang!

We have many articles on issues ranging from the most recent currency revaluation to thoughts on The Tragedy of Commons. Various economic theories and policies have been critically analysed in the light of new developments taking place across regions. A set of fresh concepts and new initiatives have also been discussed.

We had a fun time reading, learning and editing. Hope you enjoy it too!

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THE ATTENTION ECONOMY

Have you ever wondered why people start losing interest as a lecture proceeds? Have you given a thought about why the duration of advertisements have decreased?

All this is because, "attention is a scarce resource". Attention is a resource – a person has only so much of it! Also, attention is a zero-sum game – what one person is given, the other is denied.

With the advent of internet, we are "drowning" in information. If we want to know about a new product, we can have several articles and hundreds of reviews up within five seconds by a single touch. "A wealth of information has created a poverty of attention". But why is attention so important? Attention is a fundamental human desire. How would you feel if you become invisible one day and unable to communicate your feelings and thought to others? Most of us crave attention!

What has attention got to do with economics? As we know economics is the study of how efficiently a society uses its scarce resources. Economic theories tell us material goods are scarce. But technology has changed the scenario. Today, attention is the new scarcity and there is a need for proper allocation of this scarce resource. Modifying the Law of Diminishing Marginal Utility, it appears that the more and more information you have less and less attention you pay to it. Attention economics treats attention as a scarce commodity and applies economic theories to solve information management problems.

Attention is an asset. But the problem is that attention economy has made it economical to spread one's attention across ten different interests and thirty different friends each day. The entire media industry depends on this scarce resource. Since the cost of transmitting advertisement and information has substantially decreased, there is cut-throat competition for this scarce resource. There is a significant amount incurred by the firms to get this resource. This is why we are bombarded by 300 advertisement messages every day and the advertisements are becoming crazy by the day. But, attention cannot be bought. When advertisers pay for an ad, they are guaranteed only a chance at audience's notice. Attention economics also helps in controlling information pollution which is the product of internet.

The currency of the New Economy won't be money, but attention. Limitless access to knowledge brings limitless opportunities - but to only those who learn to manage this new currency. In the future, our attention might be sold. Only those who have control over their own will be able to capitalise.

A. SIVAPRIYA
(14/UECA/001)

SCARCITY : A FACET OF BEHAVIOURAL ECONOMICS

When Neumann and Morgenstern outlined their Theory of Expected Utility, economists began adopting it not just as a model of rational behaviour but as a description of how people actually make decisions. “Economic man” was supposed to be a rational creature who was expected to assess probabilities in a consistent way.

If the economic man makes decisions rationally, why would a rickshaw puller rather send his/her child to a daily wage work instead of investing in his/her education provided by the government for a bigger better return? Why would he/she choose instant gratification over long run satisfaction?

Behavioural Economics answers such questions. This niche stream takes into consideration the irrationality of the economic man when he makes a decision.

Eldar Shafir (Princeton Psychologist) and Sendhil Mullainathan (Harvard economist) elaborate on the importance of Behavioural economics as ‘the intersection of the two sciences, in an attempt to solve the threats posed by poverty’.Shafir and Mullainathan offer insights into how to ease the consequences of these irrational decisions in their book "Scarcity: Why Having Too Little Means So Much(2013)”.

Their study documents a series of observations pertaining to various fruit and flower vendors in a market outside Chennai, India. Shafir and Mullainathan noted that the vendors, especially ladies, work extremely hard and plan their days very carefully. Throughout the day they either trade in flowers or mangoes, wherein they buy such for Rs.1,000 from the supplier and sell them for Rs.1,100 (of which they give back Rs.1,050 to the supplier) Then the next day the vendors take on a high interest loan, which slowly becomes a routine, every day for an average of about 10 years, and if they saved just a little more or borrowed a little less they would soon be debt-free and could double their income! But due to the need to focus on the day to day routine they don’t have the capacity to adjust over the long run. This leads to the path concerned with how the brain power goes to less pressing concerns instead of being utilised for problem-solving and planning ahead. Shafir calls this scenario as the "mental bandwidth".

This deprivation can lead to a life absorbed by preoccupations that impose on ongoing cognitive deficits and reinforce economically irrational actions.

The duo run a series of studies to learn more about this cognitive tax-mental bandwidth.

Shafir and Mullainathan along with a then graduate student went to a mall in New Jersey, USA, where they asked people to complete tests measuring cognitive control and fluid intelligence, which is a component of the IQ tests. The shoppers were requested to do these things while they were contemplating a financial scenario — something that's manageable, requiring $150 to fix a car that broke down, or more demanding, requiring $1,500 in car-related expenses. The participants were then categorized by household income and found that the rich people in the mall did equally well on the cognitive tests, whether they were thinking of the challenging or the less challenging scenario related to the car. The poorer people in the mall were equally capable cognitively and did just as well on fluid intelligence as the rich when they were thinking about the manageable scenario. But once they contemplated the more challenging scenario, their scores went way down. Simply being preoccupied with this demanding financial challenge had made them perform worse!

What makes 'Scarcity' analysis innovative is the focus on the phenomenology of scarcity–complete with its benefits and costs. While scarcity of cognitive resources is ubiquitous, the feeling of scarcity is not. And this feeling thereby leads to the economic man's irrational decisions.

PADMAJA KADAMBI
(16/PECA/010)

FROM UPSTART TO JUGGERNAUT

An insight into Google and its rise to market dominance in search engines

Google Incorporation is an American multinational technology company specializing in internet related services and products. It is the main subsidiary of Alphabet Incorporation. Google was founded by Larry Page and Sergey Brin while they were PhD students at Stanford University, apparently, on September 4, 1998. Its current CEO is Sundar Pichai.

GROWTH TO A MONOPOLY

In the eighteen years since its birth, Google has risen from a start-up company in a garage to a multibillion dollar corporation with a monopoly in the search engine market. As of 2015, Google had a global market share of 75% while its main competitors Yahoo and Microsoft's Bing lag behind with 7% and 14% respectively. Besides, Google also had a massive 97% market share in India, 90% share in Europe and 73% share in the USA.

Interestingly, Google's monopoly does not arise from coercion or anti-competitive practices, nor even from patenting or government regulation. Instead, it is derived simply from offering a superior product.

Before 1995, search engines relied on databases of keywords to find applicable results. Whenever a user entered a search term or terms, search engines would compare the search term(s) to their databases. The results were ranked on the basis of how many times the search term(s) appeared on the page. Unfortunately, this process did not always return logical results. For example, when searching for "Apple Inc", pages for retailers selling Apple products might be featured before the Apple corporate homepage, because a single page might list lots of Apple products.

However, Google delivered uncommonly relevant results compared to the existing search engines. Google uses a technology called PageRank that analyzes the relationships between websites; it determines a website's relevance by the number, and importance of, pages that link back to the search terms.

By the year 2000, Google had become the largest search engine in the world in terms of number of pages catalogued. The longer Google existed on the Internet, building its catalogue and adjusting PageRank, the better its results became. Google was actually becoming better with age. Barely three years into its incorporation, Google had become so popular that it was impossible to ignore.

In later years, we can also attribute some of Google's meteoric success to other innovations that it offers. For example, any keyword that is entered generates results, and Google offers the option of segregating these results into images, videos, news items etc, thus making the results even more relevant and easier to use . These are options that are not offered by the other search engines even to date. Google Doodles are also wildly popular.

Google has now become the internet's largest website and has monopolized the search engine market for the past fifteen years. If anything, its popularity has only grown, to the extent where "to google" is an official verb in the English language. These days, Google stock opens at $874. As of 2014, Google's revenue stood at US$ 66 billion.

This radical growth and complete dominance of the search engine market off the back of one innovative product is indeed commendable. Notwithstanding the (minor) presence of other firms, Google is without a doubt, a monopoly.

However, as with all monopolies, Google's dominance has both its merits and demerits. But before we go into that, it is necessary to understand how Google earns its revenue.

HOW DOES GOOGLE MAKE ITS MONEY?

Given the nature of its product, Google obviously cannot earn revenue from its users. As the company's annual report succinctly puts it, "We generate revenue primarily by delivering relevant, cost-effective online advertising." In fact, the company derives 96% of its revenues from ads.

By using what has been called a radical business model, termed AdWords, Google lets other companies place their ads on certain sites. The moment a Google user accesses a page on which an ad appears, Google charges the company that placed the ad. From a Google customer's perspective this has little risk. AdWords operates on a 'cost per click' basis, meaning that if no one clicks on the ad, the customer doesn't have to pay a single pie. [Here, a user is someone who uses Google as a search engine, whereas a customer is a company that places an advertisement].

From the perspective of Google's shareholders, it gets even better because all this is based via auction. Would-be customers of AdWords bid for the right to use a particular ad on a particular site. If a company overbids, Google enjoys a high markup (the amount added to the cost price of goods to cover overheads and profit). If a company underbids, it risks losing the auction to another bidder. What makes Google's success so remarkable is that all of this is accomplished without binding contracts. As Google's own annual report states, "Our advertisers can generally terminate their contracts with us at any time."

MERITS, DEMERITS AND CRITICISMS OF GOOGLE'S MONOPOLY POWER

One of Google's biggest criticisms is that it uses its search engine to promote its own products and services over that of its rivals. Google Music and You tube often dominate any music or video related enquiries. And Google News too seems to enjoy the top ratings for all too many enquiries.

Besides, since Google controls a majority of the market for search and search advertising, it influences prices in that market, causing advertisers to pay more. The higher prices are then passed onto consumers.

On April 15 2015, the European Union's antitrust chief Margrethe Vestager formally accused Google of abusing its dominance in web searches, based on the same points as given above. Formal investigations were conducted into its various operations and on 27 June 2017 the EU fined Google 2.7 billion US$ for distorting the market. Google has formally denied the charges and may appeal.

In Google's defense, as most of its supporters say, it's not enough to argue that a company with a monopoly is using its position unfairly. It has to be proven that consumers or the marketplace as a whole are being harmed by that behavior, either through higher prices, reduced choice, or both. Even if one accepts the argument that prices are higher because Google controls the market, it's not clear that the end consumer has to pay more for a particular product or service simply because advertising it on Google costs more than it might otherwise.

Besides, Google search is a free product, supported by advertising. And that advertising is not priced by Google itself, rather through an auction among advertisers bidding on the use of search keywords. Google doesn't control price, let alone raise prices.

As we can see from the various arguments in support of and against it, this case is quite a conundrum.

Although a monopoly, Google doesn't act like a monopolist and shares none of the characteristics of classic monopolists where there is price and product discrimination, very high prices etc. Its astounding success in Internet search is generally agreed to be a consequence of better design, superior codes and algorithms, better products and plain old hard work. Unlike most monopolies, it has nothing to do with unlawful or illegal competition.

Irrespective of its criticisms, Google's rise to the top is a success story that must be applauded and that other firms would do well to emulate.

INDIRA .T
(15/UECA/059)

THE TRAGEDY OF COMMONS

He wakes with the sun and breathes in the sea.
With his net over his shoulder he walks with the breeze.
He hopes the reel in is abundant with fish,
Oblivious to the fact that he shares his neighbor's wish.

The two of them know that everyone enjoys a nice fillet,
And so they compete with each other for the catch of the day.
Nobody owns the fish of the Earth,
So how much one gets is first come, first serve.

It bodes them well to leave some fish behind
To repopulate the waters, so that there can be a next time.
However, this isn't a matter of the heart –
If one acts in preservation, the other may not take part.

The end result is going to be the same;
His conservative efforts would meet depletion in vain.
So both get together and try and maximize-
Profits, with an agenda marked by short sight.

Change of scene – the Manhattan skyline comes into view.
People blissfully unaware of Wall Street's catastrophic brew.
Breaking loans into tinier bits to consume;
The Bankers wanted to have their cake and eat it too.

They handed out loans to people who couldn't pay.
Profits in mind, they paid no sight to the market's doomsday.
Consumers had more than they could possibly hold-
Losses piled up, looked like the financial system would soon close.

Like vultures they fed off profits for food.
They couldn't care less if your credit score wasn't good.
They paid no heed to warnings of consequence,
As the world shook under the weight of their incompetence.

This narrative needs no assistance to proceed,
It's built on the concrete foundation of human greed.
A story of how people act independently in self-interest,
Not seeing that something else might be what serves them best.
It is an interesting take on an economic phenomenon,
I believe it is aptly called the Tragedy of Commons.

TANYA JAISON
(15/UECA/009)

TAXI AGGREGATION IN INDIA

Necessity is the mother of invention. This proverb holds true particularly for the Indian taxi market which, despite showing phenomenal growth in the past 6 – 7 years, is far from saturation. In the pre-aggregator era, individuals had to deal with calling multiple cab agencies on a high-demand day, and later on experience anxiety with no accurate or timely information pertaining to the estimated time of arrival of their cab and the fare of the trip. Additionally, driver behaviour, improper billing and high pricing, not to mention habitual practice of longest-route-for-larger-fare by the driver added to the burdensome task of undertaking any journey.

With the increasing ownership of smartphones in India and higher usage of mobile internet, the entry of aggregators such as Ola and Uber does away with the primitive issues of travelling. These companies essentially do not own the cabs (light asset companies), but provide a two sided market platform by connecting the drivers to riders and vice versa. By doing so, they keep costs to a minimum and ensure high quality services to their clients. Taxi aggregation is gaining momentum in the country, however, Ola and Uber can be seen as dominant firms in this industry.

The Indian taxi market is estimated to be around $8 billion currently, out of which only 5 per cent is being managed under the organized sector; which means that the market is wide open right now. It is being projected that in the next 5 years, organized players such as Uber, Meru and Ola will capture 15 percent of this market, which is growing at an astounding rate of 45 per cent per year.

The pricing strategy followed by the cab aggregators, like Ola and Uber, across India, is more or less aimed at outdoing their rivals, by means of increasing its customer base (i.e. a higher market share). Uber is believed to have cheaper fares compared to Ola. However, at the same time, Uber serves only in less than 40 cities in India, while Ola markets its services to more than 100 cities. Traditional taxi operators and owners cannot compete with the modern online app based cab aggregators for the simple fact that, the focus of the former is to sustain (if not increase profitability); whereas that of the latter is to sell at half the price and gain a bigger share of the market.

Cab aggregators have not only focused on timely matching of demand and supply of cabs, but also employ various strategies to stimulate increase in customer base by reducing search cost. They have undertaken various measures to cater to the needs of consumers via introduction of new in-app features such as providing easy payment mechanisms, cash-back facility for a limited distance travelled, discounts on future cab rides and premium services among others. Innovations such as Ola Wifi, which allows users to auto, connect to Wifi facility in an Ola cab without having to enter credentials every single time, and tie ups with other leading online applications like Practo or Spi Cinemas has enabled these aggregators to venture into new business prospects.

The cab aggregator industry is novel in our country, such that even the government finds itself often regulating its rules to encompass all their activities. The poor regulation and uncertain legal ordinance has left the aggregators much scope for expansion of businesses. Also, given the ease of accessibility and the quality of service provided by them, they have acquired much support from the customers to work around certain obstacles. One of the biggest reasons for this is that India suffers from a considerable inadequacy in public transportation system. To gain efficiency in the market, steps must be taken to increase the frequency and maintenance of public transportation facilities, so that it can effectively compete with these taxi aggregators and secure a solid market share and ward off competition.

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GLOBALISATION AND INCOME INEQUALITIES

Globalization can be seen as the driving force that accentuates change in the world. It breaks down national barriers and expands the horizons for trade and integration of the economies of individual countries towards a more amalgamated global economy. In theory it promotes the concept of 'mutual benefit' for both the countries involved. Globalization has provided a platform for international economic integration of economies, lifting millions out of poverty and bridging the inequality gap (Dollar and Kraay, 2002). Despite these claims, there is evidence which elucidates the fact that globalization can be linked with inequality.

Inequality can be examined in two ways: between and within nations. 'Globalization has dramatically increased inequality between and within nations' (Jay Mazur, US union leader, 2000). Throughout the paper I will be focusing on the wave of globalization which took the world by storm after the 1980s. Inequality is a very broad and general term. I will be focusing on inequalities in income, to be more specific. In order to measure inequality between and within nations, it is quintessential to mention the corrective measures undertaken in this process. It is to be noted that the Theil and Gini coefficient would be used to measure inequality rates. These rates followed by the household survey data and the purchasing power parity would be employed to further study inequality.

The path towards embracing global inequality towards the latter part of the twentieth century reveals that, it has in fact reduced in comparison to previous statistics. According to the world income distribution indicators,1990-2008 (Household survey data) the Theil coefficient reveals that inequality between countries in 1990 was 0.734 this saw a gradual drop to the level where inequality rates between countries stood at 0.479 in the year 2010. This stands to show that nations are gradually less unequal. This drop in inequality rates can be attributed to the positive trends of integration of global economies between nations. This is due to the rising efficiency of resources used by the countries in accordance to their competitive advantage. This can be further evaluated by the Heckscher-Ohlin model, which states that a country should export goods which they have in abundance, while import goods that it cannot produce efficiently (Bourguignon, 2015). This reduction in inequality rates has a flip side. These reasons were elaborated by theorists such as (Pitts III, 2002) several poor or developing countries have grown slower in comparison to the rich countries in the past 20 years and within some countries, inequality has increased. It can be understood that global inequality has fallen as heavily populated developing countries had noticed a rise in their growth rates. This overall growth has helped the developing countries bridge the gap between themselves and the developed world.

There is a stark contrast in the definition of income inequality when comparing two different countries. When comparing different countries and income classes in global income distribution in 2008, the income differences of the 60th percentile in India would translate to roughly the 30th percentile in the world. But, the lowest 20% of the USA would be in the lower 80% of the world population. Despite the fact that economic progress was noticed there is still a substantial gap in income inequality.

In contrast to the data provided on inequality between countries which has in fact reduced in the recent decades, the inequality within countries saw unprecedented rise. This can be evaluated by noticing the rise in the increase in the Theil coefficient within nations. The world income distribution indicators, 1990-2008, show that in 1990 the inequality rate was 0.215, then 0.227 in 2005 and finally 0.244 in the year 2010.

Globalization has brought significant changes to the developing world. It has brought large amounts of foreign direct investment and expanded the potential of its large labor pool to the world. The export of the finished goods to the rest of the world has also brought about significant changes to the county's economy.

The increase in competition of the firms in the developed countries accompanied by the liberalization of the economy in the developing countries saw an unprecedented inflow of foreign direct investment into the economies of the developing countries. Globalization prompts a 'capital flight' of firms as they engage in FDI to replace domestic production (Gereffi, 2009). The firms of the developed countries would rather invest in the developing nations due to its relaxed taxation system as well as the abundant availability of cheap labor. This was coupled with the disinvestment in the private sector by the home government and deindustrialization. These large foreign firms dominated the market. As Melinda Mills argues, process of deindustrialization in the home country that weakens the bargaining position of workers and produces rising inequality (Mills, 2009). Also, it is to be noted that the foreign firms may offer higher wages than local firms because they are larger and more capital intensive to attract quality workers. This puts pressure on the local firms. Conversely, the argument can be seen from the point of view of the existence of the larger foreign firms in the market brings down the wage rate growth of the firms operating in the home country. These international firms would offer higher wages than local firms because they are larger, more capital intensive, and more skill intensive than local firms. Additionally, the international firms would be more than willing to pay for quality labor due to the following reasons: firstly, these firms might have to comply with governmental restrictions of the home country. Also, the amount invested in quality labor is a small price to pay in order to extract the best output from a foreign nation. Secondly, these international firms operate with internal policies which specifically enforce sound equal wage rates across different countries. This inevitably increases the wage rates in the low wage areas of the developing country. (Ge and Chen, 2011).

This deindustrialization entails a shift away from typically higher wages in the manufacturing and industrial sector in more industrialized countries to be replaced by comparatively lower average wages in service sector jobs, thereby resulting in increased inequality (Alderson and Nielson, 2002). This phenomenon was noticed in developed countries where the unskilled labor force faced heavy competition from the cheap labor available abroad. In OECD-Europe, it took the form of increased unemployment for the less skilled. Over the same period, manufacturing imports from third world countries to the United States and OECD-Europe increased greatly. The question is whether in a global economy the wages or employment of low-skill workers in advanced countries have been (or will be) determined by the global supply of less-skilled labor, rather than by domestic labor market conditions. It begs the question whether the payout for the low wage bracket is fair? Or if they pay is determined by factors external and in fact set in Beijing, Delhi and Djakkarta? (Freeman, 1995).

This can be viewed in the case of the USA. There was a drop in low-end wages in relation to the average median wage rate. This occurred alongside the increase in high-end wages in contrast to the median wage rate. Before the 1980s the high-wage rate individuals or the top 10% were paid on an average 80% more than the median wage rate. This rate eventually grew to the extent where the high-wage individuals were paid over 125% over the median wage rate by 1995. In accordance with the OECD reports in 2008 wage inequality has increased in certain OECD countries within the time frame of 1985-2010. Clearly, the winner takes all in this situation: the rich.

This growing trend of inequality can even be noticed in the developing countries. The entry of international firms in the home market invokes the labor supply to migrate towards the urban sector in search of higher paying jobs. As it is argued by Bourguignon (2015) that over the recent decades the concentration of fortune by the entrepreneurial class along with the demand for labor have contributed towards a greater concentration of income.

It is argued whether the expansion of global financial markets due to globalization contributed to income inequality. It is true that the expansion of the borders of developing nations helped the domestic firms get a broader perspective on the international markets. At the same time Mahler (2004) argued that the firms may find the necessity to trim the wages of the workers in order to maintain their competitive advantage. Also, the difficulties associated with cross- border financial flows is that these transactions curtail the flexibility of the government of the home country to exercise its policies to keep unemployment in check. Thus the inability to protect the vulnerable lower income groups in the country.

The increase in globalization has accelerated the growth and productive efficiency in various countries. It has in fact brought about economic growth and benefit all income groups. Theorists such as Mahler (2004) argue that the increase in globalization induces the production of cheaper goods this is seen as an advantage to the lower income groups. They can now purchase more. They tend to consume a higher proportion of their income than the individuals who earn a higher income. Hence, globalization stands to show that it in fact leads to less inequality by breaking the barriers of class mobility and promotes economic activity.

Globalization has promoted integration of global economies. This integration has provided incentive for growth. The domestic firms now face international competition while the international firms from the developed nations have the need to improve its production techniques and utilize the available resources. It is no surprise that this level of competition drove the world towards the direction of increased technological advances. These advancements mainly focus on capital intensive methods rather than labor intensive methods to simultaneously cut down spending on labor as well as increasing efficiency of production. This helped increase the quality of the goods produced as well as increased the demand for skilled labors to operate these machines hence tilting the wage spectrum in their favor and increased the income of this section of individuals. This change has negative effects on the income distribution and promotes inequality. Several economists such as Paul Krugman (2008) argue that the rise in inequality rates in the 1980s can be attributed towards the expansion of trade and technological advancements. On average between 1980 and 2010, wage income represented 50.7% and entrepreneurial income 19.1% of the total income earned by the top 1% (with entrepreneurial income having a lower share in later years), while for the top 10%, wage income represented 71.1% and entrepreneurial income 11.7% of total income (Akcigit, Aghion and Blundell, 2015).

This stands to show that the entrepreneurs clearly benefit from the rise in innovation. The top 1% income includes the innovators and the owners. This evolution of the components of the top 1% relative to the average wage income clearly depict the extent of income inequality.

In conclusion, there are always two sides to a coin. Globalization in my perspective, is one of the most interesting and genius innovations of the modern world. It grasps the true meaning of supply and demand in the global perspective.

Globalization helps the counties of the world expand its target audience of the goods it wishes to produce, to entire world rather than its citizens alone. Globalization grasps the concept that not every country is blessed with all the raw materials required to sustain a functioning economy.

In a broader perspective, it helps the developed countries expand their market by selling to the developing countries. It also helps the developed countries use the developing countries for their abundant labor supply. Also, it helps the developing countries effectively use their abundant labor supply and channel it towards the right direction. It also brings in foreign direct investment into their economy which can be effectively used by their countries governments.

Globalization does seem like the ideal system, indeed it does. Like every seemingly perfect system it too, does have its flaws.

Globalization increases the demand for unskilled labor in developing countries hence governments and institutions of developed countries would rather outsource their unskilled labor needs to developing countries at a cheap rate rather than invest in their own country's unskilled labor. This also brings the issue of exploitation of the labor sources of the developing nations by the developed nations. Which leads to varying levels of inequality and living standards, ranging from monetary to non-monetary terms.

The entrance of large multinational companies into the economies of developing countries does improve the chance of employment but on the flip side it most definitely increases the competition for native companies; some even crumble under pressure and are forced into unemployment.

In a broad perspective, this obviously does lead to high levels of inequality within nations as it broadens the gap between the rich and the poor within each nation, on the other hand it reduces the inequality level between nations.

It must be considered that the macroeconomic policies in the domestic country must be strengthened to help protect its citizens from the international firms. Also, expenditure on education and improvement in technological advancements would help the countries fully utilize the possibility of globalization.

SANJANA VIJAY
(16/UECA/009)

WILL THE RICH BECOME RICHER IF THE POOR BECOME POORER ?

"To him that hath, more shall be given and from him that hath not, the little that he hath shall be taken away."

There is a widely held belief that when the rich become richer, the poor become poorer. And growing economic inequalities, in front of our very own eyes, adds to this belief. But is it possible for the rich to become richer, if the poor becomes poorer? This article addresses the criticisms behind this general idea.

Firstly, let us consider the following question: can the rich become richer, if the poor become richer too? Isn't wealth constant?

"No matter how you slice it, when it comes to income and wealth in America the rich get most of the pie and the rest get the leftovers," writes a critic of inequality. The common metaphor of wealth as a pie implies that wealth is a zero-sum game: there is a fixed amount of houses, cars, medicines, etc. to go around.

That may have had some plausibility when most wealth was in the form of land, like during the Renaissance period. But after the Industrial Revolution and with the development of technology, it is impossible to miss the fact that wealth grows.

Russ Roberts, an economist, puts it this way: "The pie is not constant. So your well-being can grow even when your share of the pie falls, if the pie is getting sufficiently larger."

The concept that 'the rich become richer, when the poor become poorer' implies that the wealth is constant (when viewed from absolute income point of view) –; and being constant, it is distributed between the rich and the poor. And for the rich to become richer, the poor have to give up their share of wealth, making the rich richer and the poor poorer.

Whilst this might sound vague, the point here is that wealth is not constant and hence we can freely consider the fact that rich may get richer while the poor get richer too.

Now, can the poor become richer, for the rich to become richer?

The rich are the ones who produce. The profit from the sales of their products is that what makes them richer. If their products are not sold, there is no other way for them to become richer. And for their products to be sold, they should have potential customers with sufficient income.

For example, the total sale of cars in India per year has averaged around Rs 30 lakhs per year. So for these car producers to become richer, the total sales of the cars should increase multiple times. And for the sales to increase, the number of potential customers should also increase multiple times. To increase the number of potential customers, it becomes essential that the income of the people in the society as a whole increases. For this, the employment opportunities should be massively increased. And when this happens, every family in India will have the potential to buy their own cars.

In India, there are approximately 25 crore families. Even if each family buys a car every 5 years, the total requirement of cars per year would be around 5 crores. If that is achieved, the producers would earn a return for 5 crore units, making them overwhelmingly rich.

This situation is not only true for car producers but for producers of most other commodities as well. And this situation depicts that for the rich to become richer, the poor have to become richer in absolute terms.

If, on the contrary, the rich become richer without the poor becoming richer, in the long run, it becomes impossible for these rich producers to sell their products in the market, for the number potential customers would fall. And when this happens, the sale of their products will drop, thereby reducing their profit and hence their wealth would decrease. Thus, the rich cannot become richer, if the poor do not become richer.

Let us look at the income distribution of India in 2000 and 2014. In 2000, the top 10% of Indians held 65.90% of the total wealth whereas in 2014 they held 74.00% of the total wealth, implying that the rest 90% held 34.10% in 2000 and 26.00% in 2014 (The Hindu – India's staggering wealth gap in five charts- 8.12.2014). This can be misleading; it makes us think that the income of the poor did not increase.

However, when we consider GDP as well, we find that the GDP per capita of India in 2000 was 452.41 USD and it was 1576.82 USD in 2014, as per the World Bank national accounts data and OECD National Accounts data files. This shows that the wealth of India has more than tripled in the span of 14 years.

In 2000, the wealth held by the 90% was roughly around 158.34 USD (35% of 452.41 USD) whereas in 2014, the wealth held by the 90% was roughly around 394.21 USD (25% of 1576.82 USD). Thus, the wealth of the poor has more than doubled. Hence, they have actually become richer in this span of 14 years and their income has increased.

We also find that in the span of 14 years the wealth of the upper 10% has increased multifold, from 298.14 USD (65.9% of 452.41 USD) to 1166.85 USD (74% of 1567.82 USD). So, the rich did get richer than the poor did. But for the most part the poor did not get poorer. They got richer, too.

But, yes, this is all in absolute terms.

What happens when we address the whole issue from a relative income point of view?

That's when the tables turn. Relatively speaking, for the same period in India, we find that the proportion of wealth owned by the rich(the top 10%) has increased from 65.9% to 74% (a nearly 10% increase), whereas the proportion of wealth owned by the poor(the rest- 90%) has decreased from 35% to 25%.

So, did the poor get poorer?

In relative terms, yes, they did. But, not in absolute terms.

In absolute terms, the poor have become richer. The obvious proof is the raise in the standard of living of the common people, and commodities like bikes and mobile phones, previously considered luxuries, becoming common essentials. And if the income of the poor had not increased, the economy would have stagnated and thus, it is extremely important for the poor to become richer in order for the rich to become richer.

But, is it okay for the economy, if the proportion of wealth of the rich kept on increasing? Won't the economy stagnate then? Now, that is an entirely different question to address; one the present world needs to find the answer to.

DHARANIYA BALAN
(16/UECA/032)

MERGERS, ACQUISITIONS AND PARETO OPTIMALITY.

The prime motive of any business enterprise being profit, there has been several strategies that have been explored and experimented. Competition and economic and operational efficiency being a prime factor in profit making, mergers and acquisitions has become a widely used tool for large business house to enhance their market share as well as profits. Mergers are essentially when two companies come together under a contractual agreement of functioning, in such a manner that both benefit. One can apply the concept of Pareto Optimality in analyzing the benefit of merger. However one contradiction will be that there is no mandatory condition for a company to have been worse off before such merger, however post a merger both the companies are expected to be better, assuming that both of them are well established market players who have substantial say in the merger agreement. Acquisitions are where one company takes over the other, this again can induce Pareto optimality, given the fact that the company being acquired is better off than pre-acquisition. The first quarter, approaching an end, few of the largest mergers and acquisitions of 2017 are Johnson and Johnson acquiring Actelion, a Swiss, biotech company; "The acquisition gives J&J access to the Swiss group's line-up of high-price, high-margin medicines for rare diseases, helping it diversify its drug portfolio as its biggest product, Remicade for arthritis, faces cheaper competition." CNBC reports. Yet another major acquisition was that of E-bay, which was acquired by Flipkart. Flipkart raised 1.4 billion through an online auction led by E Bay, Tencent and Microsoft, thus establishing the firm at a value of $14.6 billion. Flipkart and E-bay now have mutual access to their online inventory enhancing both their market access. One of the most bombastic telecom mergers was between Idea and Vodafone. Idea and Vodafone were second and third largest market players before the merger however, post the merger, their market share pulled them to the first position, pushed the Bharthi Airtel to the second position. The intervened market performance and share price movements in a favorable manner. Although it gives us a positive outlook, market performance in the long run shall reveal actual impacts of these mergers and acquisition. The idea behind this tool is to Put every stakeholder at a better position than before, however the positions that each stakeholder is promoted to may not be equal, rather there could one stakeholder benefiting more than the other, therefore still moving along the contract curve. There are also possibilities of companies being worse off after a merger, which indicates failure in the move, since the objective always remains betterment. To justify this Roger Altman states "Reasonable mergers generate substantial synergies, so that provides for earnings and cash-flow growth even if it doesn't provide for revenue growth, and I think that's a big driver."

VASANTHI S PILLAI
(14/UECA/034)

POPULATION AGEING

Population ageing is an emerging common term all over the world now. But what is Population Ageing? Is that even a problem in our country? Population ageing basically refers to a shift in the population distribution of a country towards an older age. It is most advanced in the most economically developed countries but is now seen in the developing countries also. Japan, being a developed country, at present has a very high proportion of the elderly in it. Various studies have found different reasons for this trend. The life expectancy at birth of a person in Japan is 83.7 years according to the World Health Organization's latest report and now the country has around 65,692 centenarians. Globally the life expectancy averages to 72.2 years as per the latest WHO reports. This phenomenon is growing faster in the developing countries as well and hence the concentration of aged population would be more in these countries like India. Asia is expected to have the highest aged population in the coming years. The reasons for this phenomenon could be many like longevity of life, low fertility rate, etc. But why is this phenomenon emerging as a global issue? Economics is the study of relative scarcity and economic policies are meant for the development and welfare of humans. In this era when we consider that an increase in population pulls down the economy's growth, elderly population can be considered as a burden to the economy. Improvements in health, decline in fertility, and an increase in longevity are all desirable factors for an economy, but the projected increase of the elderly population over the next few decades is a development concern that demands high level of attention for economic and social policies to become elderly friendly. This emerging trend calls for tremendous efforts to cope with new demands and challenges- economical, emotional and health related. But in reality, are they a burden? Aren't they all productive in one way or the other? Or can't they be made productive somehow?

Population ageing is a very important emerging phenomenon even in India demanding a strong multi-sectoral policy and Programme response so that future generations benefit and live longer with happiness and security. India is the second most populated country in the world and is expected to be the most populous one by the end of the year 2022. The demographic pattern in the country shows a very distinctive pattern. According to the United Nations' Population Division (2011), the proportion of elderly is expected to go up from 8% in 2010 to 19% by 2050. If this trend is to continue like this, the country's growth rate is to decline further as the proportion of dependents in the country would increase.

The young population in the country is expected to offset the elderly population. But the possibility of this not happening can't be set aside. According to the National Sample Survey Organization (NSSO) Report 2004, the sex ratio of the ageing population in rural areas is 985 females per 1000 males, while in urban India; it is 1046 females per 1000 males. The 2001 census reported that 75% of the elderly live in rural areas, of which 48.2% are women—55% of whom are widows. The dependency ratio is 12.5 in rural India and 10.3 in urban India. Of the rural elderly, 67% are dependent on others. It is estimated that 6.7% senior citizens are confined to bed or home. The old age dependency ratio is growing at a faster pace which is a matter of concern for the country, state and families. They are also found to have numerous problems in their lives, especially health related issues. These range from the lack of an assured and sufficient income to support themselves and their dependents, to ill health, absence of social security, loss of social role and recognition, and the non-availability of opportunities for creative use of free time.

Population ageing is going to be a challenge in the coming years due to the developments in the various sectors like health, finance, etc. When taken under the constraints of economic capacity and development aspects the economy sees the elderly as a burden. Realising the needs of the elderly, we must say that, there are only two areas that have received some attention and that too is dreadfully inadequate given the magnitude of the problem of healthcare and social security. The answer to the question whether the elderly population could be made productive is definitely a yes. Given an opportunity, they all could be useful in one way or the other. Developing positive emotions through community belongings, engaging in voluntary social or group activities could make them productive in all sense. Instead of seeing the elderly as unproductive or as a burden to the economy, their willingness to engage in some activities should be encouraged by the government authorities and also by other social welfare groups.

AISWARIA JYOTHIS
(15/UECA/065)

MEGHA SUSAN PHILIP
(15/UECA/069)

THE EPISTEMOLOGICAL UNDERPINNINGS OF THE AGRICULTURAL SECTOR- A CRITIQUE

"Agriculture is the most healthful, most useful and the most noble employment of a man."

- George Washington

Agriculture has been an integral part of economies all over the World and thereby regarded as the 'Backbone' system of any economy. A sound agricultural system is vital for attaining greater levels of National Income and thereby ensuring Economic Development. It not only aids in procurement of essentials but also acts as a major source of livelihood for millions of people across the globe. In addition to this it aids in betterment of International Trade leading to Foreign Exchange Earnings and is a vital component to ensure Food security in any country. It is one of the occupations which provide employment to large section of women across countries.

As per the World Bank Report, agricultural development is regarded as one of the most powerful tools to end extreme poverty, boost shared prosperity and feed nine billion people by 2050. Growth in the agriculture sector is about two to four times more effective in raising incomes among the poorest compared to other sectors. This is important for 78 percent of the world's poor who live in rural areas and depend largely on farming to make a living.

But despite its vital importance this sector seems to have been sidelined in the context of development of Industries and Services. The Agricultural sector is reported to have recorded a downward trend in most of its statistical estimates. As per World Bank Data, the Agricultural land size has decreased from 39.47% (1991) to 37.50% (2014) along with drop in Net Productivity. This is mainly due to Urbanisation and Intensification of Technology which has led to deterioration in the quality of soil. The Agricultural Subsidies have also declined from 32% (2001) to 19% (2012) (Worldwatch Report). In India's context its growth rate has reduced from 1.2% (2012-13) to 0.2% (2014-15).

Viewing from a Gender Economic perspective it is seen that Agricultural sector seems to rests on the Dominated; Exploited and Vulnerable side or the Right hand-side of the Binary Divide. Worsening of Agricultural sector in real terms has also led to intensification of "Feminisation of Poverty".

The main reason for shift from Agriculture to Industrialisation is to earn higher profits and secure more materialistic benefits. Developing economies create policies which are geared more towards the improvement of the urban industrial sector rather than the agricultural sector. This is done in order to imitate the planned outlook of developed nations. In this task of imitating the growth model of developed nations; the developing countries have forgotten their prime strength and place comparatively less importance to agriculture even in its policy formulations.

Policies are actually based upon theoretical foundations and practical situations. Thereby the origin of this “invisible” suppression can be traced back to the existing Development theories which have portrayed Agricultural sector as “Feminine”.

The mainstream economic thinking is persistent to the norm that Industrialisation and Urbanisation is the engine for growth. Few of such Development theories which have given major importance to the flourishing of Industrial and Service sector with the support of Agricultural Sector are:

- Harrod-Domar’s Growth Model
- Arthur Lewis’s Structural Change Hypothesis
- Fei and Ranis Growth Model
- Esther Boserup’s Population Theory

These theories have sidelined the growth of the Agricultural sector which is also reflected in the Macro-Level estimates regarding the Agricultural Sector. Therefore in reality “Have Development theories actually ensured welfare of the agricultural sector or is this sector merely exploited in the name of overall welfare of the economy?”

K. KARISHMAA
(16/PECA/012)

THE BELT ROAD INITIATIVE

The One Belt One Road initiative is a means by which China plans to establish its economic dominance, especially in the Indo-Pacific region. With the falling willingness of the large and powerful economies like the USA to participate in world economics and trade, this initiative by China is touted to capture a large share in the global economy.

While the OBOR or the Belt Road Initiative is said to benefit the world economy as a whole, it is essential to understand how it benefits the host country. There are two proposed routes, namely the maritime route and the continental route. The continental route links the western parts of China to Europe. Interestingly, this skews the benefits in favour of China over the other participating countries as the western region of China now has the opportunity to develop. For years, China has witnessed regional inequalities wherein the Eastern region is more wealthy and developed when compared to the Western region. OBOR helps China overcome this issue. Furthermore, the continental route aims at connecting China and Africa through a series of ports in the Indian ocean and the South China Sea. Diplomats all over the world have been skeptical about this route as it is a means for attaining strategic and economic control over the seas. China's control over ports post the establishment of the OBOR would be immense.

Admittedly the OBOR would place extensive economic and strategic power in the hands of China. However on the bright side it would enable greater expansion of renewable energy. China's investments in renewable energy would help many of the participating countries to tap into their potential for renewable energy.

Different countries have adopted various geopolitical strategies to use the OBOR initiative to their advantage. India, on the other hand, has remained hesitant to participate. Some of the reasons that deter India's cooperation are the issues raised vis-à-vis transparency and national interest, as complete information has not been disclosed in the documents with regard to the details of the initiative. India has to look to its national interest before agreeing to a trade agreement.

There are also territorial sovereignty issues and psychological baggage from the Indo Sino war of 1962, which have impacted India's decision. With the China Pakistan Economic Corridor [CPEC] in the mix, India is reluctant to join owing to political tensions with Pakistan. Some articles have suggested that in the absence of the participation of the CPEC in the Belt Road initiative, India might reconsider its participation. India's interests are affected firstly by the legitimization of Pakistan's rights over the use of the Pakistan occupied territory of Kashmir because of CPEC, and secondly by the territorial issues faced in the north east of India, which has been occupied by China.

The new silk route project is set to bring economic benefits to the other participating countries. Considering that many other developing countries like Sri Lanka and Nigeria are in need of investments, and that China is willing to invest in these countries, it is likely that the project is going to go ahead irrespective of India's participation. For small developing countries this initiative acts as an avenue to acquire infrastructural investment.

At this point the question raised by many experts is if India's strategy would end up isolating it.

NAPPINNAI DHAMODHARAN
(15/UECA/003)

AKANKSHA SONI
(15/UECA/053)

BUYING GOOD CONSCIENCE

If there is anything that Norway possesses in spades apart from cream filled waffles and trolls, it is a mind numbing number of Teslas. Norway's roads gleam with these admirable electric cars that run without a drop of fossil fuel. Teslas can go from 0 to 60 miles per hour in less than 2.5 seconds, giving us ample reason to sympathize with the car's speedometer.

In the year 2014, Tesla broke the record of the maximum number of cars sold in a month for a single model of any kind of car. This conveys one of two things: (A) Norway is a plush land with affluent technology connoisseurs; (B) Norwegians are literally the only people on planet earth to treat the Paris Agreement earnestly. Both of which, by the way are true in their own rights. This brings us to the fact that Oslo, apart from being the capital of Norway, also thrives as the unspoken capital of electric cars.

A wild statistical enquiry in 2016 tells us that the United States isn't quite as opulent as Norway in terms of splurging in over-priced technology. While in Norway the number of Teslas Elon-gated to about 29%, The United States bore witness to less than 1% of electric cars. Being an environmentally friendly country in this case has definitely helped Norway, as with cheap and clean energy from hydropower plants its able to feed hundreds of hungry Teslas.

The Norwegian government strongly incentivizes people to buy electric cars by giving citizens free car park for electric cars and also giving access to HOV lanes (High Occupancy Vehicle lanes) with lesser traffic. Apart from this, Tesla owners don't have to pay registration fees and get tax deductions from their income tax.

Norway is a Tesla Haven, because apart from incentivizing citizens to us electric cars, the government also incentivizes the company to produce and sell more of Teslas in Norway. The Biggest incentive for the automobile companies like Tesla is that they don't have to pay sales tax for selling in Norway. All of this makes it a lot of cheaper for somebody to buy Tesla in Norway than anywhere else in the world. There are about 2000 free charging stations in Oslo. Subsidies that are used to fund these electric cars are funded by the sovereign wealth fund which comprises entirely of oil and gas money. Norway is a huge exporter of oil and gas. So they are not burning the oil here and releasing carbon into the atmosphere but they are sending it off to be burned somewhere else. So this green sustainable society depends on fossil fuels at the end of the day. Norway is exporting its carbon footprint to other countries to buy a good conscience.

BHOOMIKA MOORJANI
(15/UECA/056)

ANANYA JAISHANKAR
(15/UECA/037)

CHAPTER 9

At 4:06 p.m. on July 18th, 2013, the city of Detroit, Michigan, filed for a Chapter 9 Bankruptcy, wherein indebted municipalities are assisted in restructuring their debt. It was the largest American city to take such a course. It marked a new low for the city that was the cradle of the US automobile industry. One of the reasons that lead to the city's economic downfall was the collapse in population. In 1950, Detroit has the 4th largest population in America, but in the next 60 years there was a 60 per cent decline, leading to a smaller tax base. This may not have been such a big problem had the city's government shrunken along with the population.

It has $18 billion general obligation debt, and a major part was a result of public employee pensions due to its high number of public workers. Furthermore, there existed corruption among the people running the pension funds.

In April 2014, four of the men running the pension funds were charged for all-expenses paid trip to Hawaii for a conference, amounting to $22,000. The unemployment rate also increased and fewer than half of the city's residents over the age of 16 were working. This resulted in an extremely low per capita income, which means that not all the much tax revenue was pouring in. Low tax revenue in turn meant that the basic city services were suffering. Detroit has the highest crime rate of any major city, and less than 10% get solved. This was driving even more residents out of the city, bringing down the property values. All these things put a further strain on Detroit's finances.

On November 7, 2014, Detroit had paved a way to exit bankruptcy.

In India, to solve bankruptcy and other economic failures, the Lok Sabha passed the Insolvency and Bankruptcy Code (IBC) on 5th May, 2016. Earlier a clear law on corporate bankruptcy did not exist, even though individual bankruptcy laws have been in existence since 1874.

In 2012, Kingfisher Airlines was on the brink of insolvency with a mounting debt of around Rs. 7000 crores. Operations had been suspended and employees and pilots were not paid salaries for almost five months leading to strikes. High oil prices and controversies involving the owner, Vijay Mallya, lead to its financial decline. As of 2015, banks had recovered only Rs 6 Cr from the Airlines.

SABA MAHMOOD
(16/UECA/069)

GLASS CEILING IN THE CORPORATE SECTOR

According to the United States Federal Glass Ceiling Commission, Glass ceiling is defined as 'the unseen, yet unreachable barrier that keeps minorities and women from rising to the upper rungs of the corporate ladder, regardless of their qualifications or achievements'. It is a significant barrier to the progression of women and minorities in the society. The term first appeared in the Wall Street Journal (1986). Glass ceiling is present all over the world and in every sector-be it education, politics or corporate. Women are often looked down in many industries and firms just because they are "women". Women are even fighting for their rights at work place and one such is moving forward and attaining top positions in the corporate sector.

A report by International Labour Organization states that 'Women are over represented as "clerical, service and sales workers" and in "elementary occupations" in an analysis of 142 countries'. Grant Thornton International Business report 2016 found that globally only 24 percent of senior roles are held by women. It has also been found that companies that have more women in senior positions have outperformed those companies that have no women/ less women in senior positions. India has only 16 percent of women in senior managerial position and the most common role is that of Human Resource Director with 21 percent.

One of the main reasons for women not being able to move up the ladder is gender based discrimination that they face at the workplace. Men think that women cannot 'think' rationally and are hence not given promotions. Women are often exploited at the workplace. Men consider themselves to be superior and often do not include women in decision making process at the workplace. In the context of glass ceiling, there is a concept called 'glass cliff' where women are more likely to get senior managerial roles such as Chief Executive Officer than men when the chance of failure or closedown of the firm is the highest. This again is gender based discrimination against women.

ASIAN WOMEN HAVE TWO CEILINGS TO BREAK!

Along with Glass ceiling, there is also a term called Bamboo ceiling. The term "Bamboo Ceiling" was first coined by Jane Hyun in her book 'Breaking the Bamboo Ceiling: Career Strategies for Asians'. This book focused on Asians at the workplace. Bamboo ceiling talks about various cultural, organizational and individual factors that restrict Asian Americans' progress in their career. It was derived from the term 'Glass ceiling'. It states that Asian Americans have the lowest chance of moving up in the corporate ladder when compared to Blacks and Women even if they have high educational attainment.

These ceilings have a negative impact on women. Women tend to lose their morale as a result of gender based discrimination against them. This in turn leads to loss in productivity of the worker. Women get less salary when compared to men in general and because of denied promotions they will not be able to receive a higher salary and will continue to get lower salary even when their productivity is high.

B. LAVANYA
(15/PECA/014)

DIGITALISATION: THE RIGHT PATH AND THE BRIGHT PATH

The big talk that still lingers among the citizens of the country is the effect of demonetization. The November 8th speech by the Prime Minister shocked the people in the country. The 500 and the 1000 rupee note in circulation were stripped off its legal tender and has transformed them to just plain paper. This remodeling no doubt caused huge distress to the citizens of the country. However, the question is will this step achieve the objective of curbing black money?

When People fall ill, they consult a doctor and are generally prescribed with medicines. This medicine might taste bitter or look unappealing but it does its duty by killing the virus in the human body. Demonetization can be considered as a medicine; an antidote, trying to kill this virus i.e., black money from its system.

Besides the merits and demerits of this initiative, the debate must also critically analyze if moving towards a digital and cashless economy is beneficial or counterproductive. The government has made the first move towards digitalization and now it's the people's turn. Medicine works in coalition with human efforts to maintain good health keep the body properly functioning. Similarly, for the Indian economy to get back in track, the solution is "remonetisation". A recent report published by one of the leading global management companies, Accenture on India's path to digitalization shows that government initiatives such as 'Make in India', 'Jan Dhan Yojana' and 'Smart Cities' will only provide for a new environment for companies to expand their markets with digital offerings to partnerships, governments, start-ups and other contenders in the digital ecosystem. Specifically the action plan of the Start-up India initiative of providing self-certification, patent filing fee rebate and tax exemptions has enabled a favorable environment for establishment and running of these new companies. The overall increase in the number of startups has increased by 10-12 per cent from 2015 to 2016, as given by Indian Startup Ecosystem Maturing, NASSCOM India, 2016. Similarly, digitalization is not restricted only to industrialization but has extended its branch into the service sector. As stated by Nadan Nilenkani, "The digitization will do for services sector what industrial revolution did to manufacturing – increase productivity." This initiative intends to expand Broadband Connectivity, Universal Internet access especially in inaccessible areas, Public internet access programs (National Rural Internet and Technology Mission). The first steps taken such as a partnership with Google through the Indian Railway Catering and Tourism Corp has enabled the establishment of internet facilities to railway stations also the National Digital Literacy Mission has shown a positive impact as 8.2 million people have areas been trained by 2016 which has exceeded its initial goal of 5.2 million by the year 2018.

In addition, Nandan Nilenkani also said the 'India will go from data poor to data rich", this change will prove to yield fruit as it will boost online business and drive the economy to a better developed state. A cashless economy can become reality through remonetisation. This Initiative has shown a surge in digital payments. E-commerce industries which were initially unpopular have now become a necessity to many people. More bank accounts have been opened. Financial transactions are taking place through credit – debit cards, net banking etc. Even small shops are incorporating card payments by purchasing POS machines. As the e-Wallets transactions have increased from 17 lakhs to 63 lakhs and PoS (Point of Sale) transactions from 50.2 lakh to 98.1 lakh. Thus, digitalization has brought about a catalytic transformation from the conventional methods of transactions.

The immediate impact of demonetization can be explained by a simple demand and supply analysis where, it led to a drop in the level of aggregate demand in the country. A fall in demand is unhealthy for any country. Human beings are rational, when there is a cash crunch their demand for consumer goods will automatically fall and their expenditures will be only on necessities. A corrective measure i.e., remonetisation will get the economy back on the right scale as it will boost aggregate demand through digitalization. This corrective measure of introducing the new currency notes Rs 2000 and the Rs 500 notes has brought back the environment to it's close to initial stage. The extensive measures taken by government to boost digital payments such as reduction in the price of petrol by 0.75 paise through digital transaction, discounts in suburban railway transport on monthly or seasonal tickets if paid through digital means, waiving of service tax while paying through debit, credit cards etc. have proven to be successful. These incentives have changed the mode of transactions among the citizens of the country; thus digital transactions have gradually increased the consumption levels in the country and making the initial cash crunch only a technical glitch in the process of development or digitalization.

Though the objective of this change is positive and advantages for the country, what is its impact of the women of the country? The role gender plays has been subdued or rather annulled. Given a rural or an urban set up, women in general save money in spice boxes. It is an accepted tradition. Due to the lack of banks or other necessary financial knowledge, women are sought to save money in different boxes along with kitchen items. The foremost objective of the demonetization step was to eradicate these methods of hoarding of cash.

However, this method of hoarding provided a sense of economic security to them by equipping them from uncertainties. But has demonetization now deprived them of economic security or will remonetisation give them more power? On the brighter side, money that was hoarded over the years is now back in circulation. Since the initiative, there has been an increase in the number of banks set up, and an increase in the process of providing financial and banking knowledge among women especially in rural areas. The excessive importance given to digital transactions have also increased the number of bank accounts among women and making them sole holders of their bank accounts. This policy measure of making women as the sole holder of their bank accounts, gives them exclusive authority to withdraw money. This only assures them of their economic right. Besides, money in the bank has more value than money that is hoarded. However, will this be an effective substitute for cash hoarding in boxes is debatable as it's an age old practiced tradition? Moreover, does this change lack the perspective of the influence of the women as economic agents in the country?

Consequently, this major financial action to curb black money is an antidote. The positive reaction will come forth gradually over a period of time.

CHANDANA .S
(15/PECA/008)

THE SANDWICH STRUCTURE: HOW HAS NOON MEAL PROGRAMME ACCOMMODATED THE SOCIO, ECONOMIC AND POLITICAL CLIMATE IN TAMILNADU

Good health and nutrition are inherently valuable from a human development perspective. In order to be proactive and productive in the labour market, a person is expected to be physically and psychologically robust. Quality food and proper nutrition contribute to physical and cognitive development, facilitating educational attainments and overall well-being of the population. Investment in the health and nutrition is essentially an investment in human development which directly enhances human capabilities for the present and the future generations. Food differs from many goods in that it is both a consumption good, producing utility directly and an input into production. A long line of theoretical literature has modelled intertemporal nutrition choices and their implications for labour productivity and the functioning of the labour market (Schofield, 2014). While considering the physical and cognitive development of an individual, it should be noted that these developments take place during the initial years after birth and most importantly a result of proper care in the form of hygienic and nutritious food. Many studies have proved that there is a two-way relationship between high levels of child mortality and child malnutrition. This necessitates investment in health and nutrition of children, especially during their initial years. But it should also be kept in mind that, for a child to be born healthy, prenatal care (also called antenatal care) should be provided to the pregnant mothers, by promoting healthy lifestyles that benefit both mother and the child. Furthermore, postpartum (after birth) care should also be given because most maternal and infant deaths occur during this period. Yet this is the most neglected phase for the provision of quality care.

In this light, Tamil Nadu has achieved a unique milestone in the form of its Nutritional Noon Meal Programme (‘Puratchi Thalaivar MGR's Nutritious Noon Meal Programme').The uniqueness lies in the fact that, combating hunger and child nutrition became political priorities in the State well before judicial intervention triggered responses at the centre. At present, any child, within the age of 2 and 15 is eligible for a daily hot and nutritious meal which is at the cost of the State (Rajivan, 2006).

This peculiar case of the Programme, maintaining a ‘sandwich’ structure, with a unique combination of pressure from above through the political will and from below through public expectations has been studied by different economist and political scientists over the years. Five different features of the Programme differentiates Tamil Nadu from any other States:

1. Political will exerted pressure from above.
2. Pressure from below in the form of public expectation.

3. The importance given to the scheme regardless of the party in power.
4. In terms of visibility, potential of the Programme to woo the voters on the one hand and maintaining quality through pressure on local staff and higher officials.
5. Universalization and its contribution to child's rights.

Clientelist politics in the form of vote buying, distribution of public resources as political parsonage and programmatic policies are three features of any State politics. In Tamil Nadu, the Nutritional Noon Meal Programme has surprisingly featured the above three from its day of initiation. Yet, the recent evidences depicting the failure of Clientelist politics and political parsonage to secure trust in the form of votes has led to more attention being given to the third feature of programmatic policies, which offers benefits to beneficiaries regardless of their partisan affiliation. This explains why the scheme has been made universal, regardless of the huge cost involved. This is the political side of the Programme.

The economics of Mid-Day Meal Scheme lies in the fact that, investment in human capital formation is essentially an investment for the future. Regardless of the fact that these investments involve higher costs, a major portion of which has to be borne by the State, the benefits ensure a healthy and productive future. The Programme has exerted a positive influence on enrolment and attendance in schools. In addition, the scheme has helped the children from the disadvantaged backgrounds to attend school regularly and help them in attaining formal education. Most importantly, the scheme has empowered women by offering employment opportunities. Nutritional Meal Programme is the single largest employment Programme for the rural areas in the independent India in the last 35 years. It also claimed to be the major women's empowerment Programme and anti-poverty Programme to the women in the rural and urban areas (Rajan, Jayakumar, 1992).

When considering from a social outlook, apart from enhancing school attendance and nutrition, the Programme has paved way for the eradication of caste and class prejudices and inequality. It has also reduced gender gap in education and thus boosted female school attendance. Social equality is promoted mainly due to common dining. Hence, a scheme introduced to attract the rural masses and specially women was hailed as the single largest development Programme by different politicians, academicians, health scientists and nutrition specialists in and around the world.

MARIA TRESA

(16/PECA018)

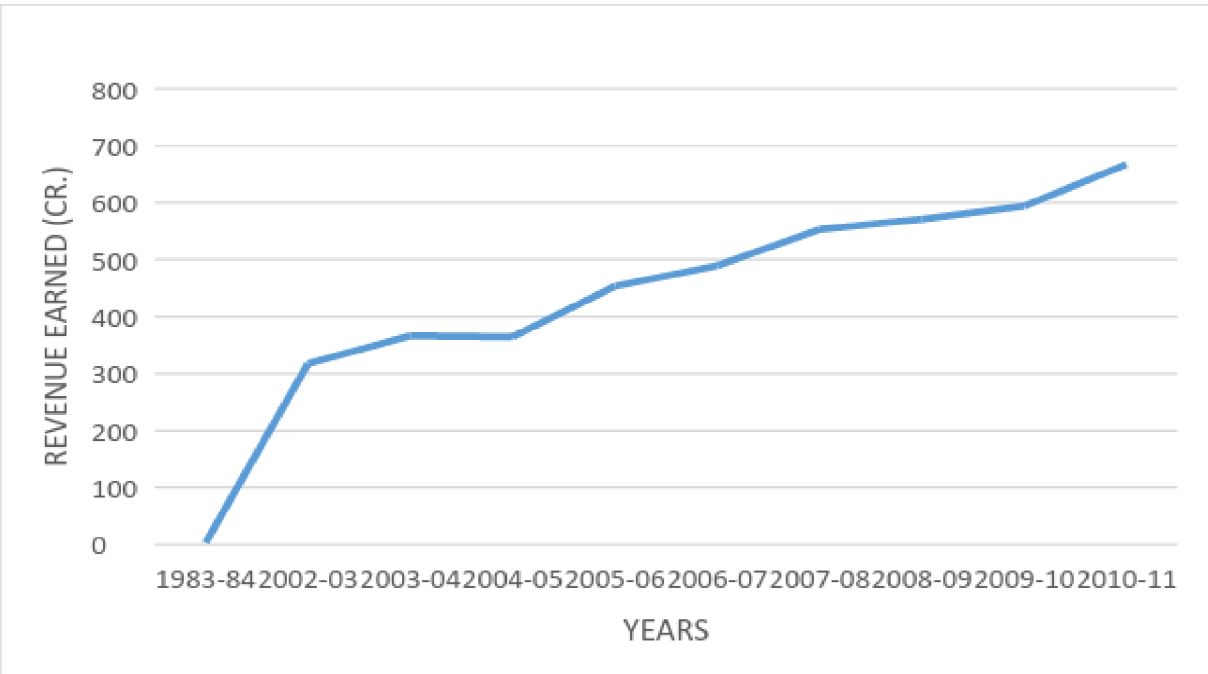
SAND THEFT

A Brief Study on the Excessive Sand Mining in Tamil Nadu

Sand Mining refers to the process of actual removal of sand from the foreshore including rivers, streams and lakes. Sand is mined from beaches and inland dunes and dredged from ocean beds and river beds. A related process is the mining of mineral sands, such as mineral deposits like diamond, gold and silver. These minerals typically occur combined with ordinary sand. The sand is dug up, the valuable minerals are separated in water making use of the differences in their density and the remaining ordinary sand is re-deposited. Sand theft or unauthorized mining or illegal sand mining means large scale removal of sand illegally leading to partially or full disappearance of the resource. This is one of the global examples of natural resource depletion.

Tamil Nadu lies in the southernmost part of the Indian Peninsula . It is bounded by the Eastern Ghats on the north, by the Nilgiri, the Anamalai Hills, and Kerala on the west, by the Bay of Bengal in the east and by the Indian Ocean on the south. It is the second largest state economy in India with 13,842 billion (US$210 billion) in Gross Domestic Product after Maharashtra. Tamil Nadu is home to many natural resources. According to Tamil Nadu Public Work department, 5,500-6,000 truckloads of 200 cubic ft. of sand are mined each day. But in reality the figures are estimated to be around 55,000 truckloads of 400 cubic ft. of sand per day. The major parts of mining in Tamil Nadu take place in sand mine and River bodies. This alarms us about the fact that how the rivers in Tamil Nadu are under immense pressure due to excessive extraction activities in the name of mining.

REVENUE FROM MINERAL RESOURCES



YEAR	REVENUE EARNED (Rupees in Crores)
1983-84	2.83
2002-03	317.20
2003-04	366.20
2004-05	364.69
2005-06	453.32
2006-07	489.22
2007-08	552.88
2008-09	570.84
2009-10	593.93
2010-11	667.20

Source: Government of Tamil Nadu, Department of Geology and mining

The table above shows the revenue earned by the Tamil Nadu government from mineral resources. It can be observed that the increasing trend is impressive but the data above shows only the revenue from mining legally. We must also look at illegal mining that exists simultaneously. These illegal miners sell the resources to other states or export it without proper license. The immense pressure on the resources is mainly caused by the existence of this illegal mining or sand theft. In 2013, illegal sand mining in the state was estimated to be worth Rs. 15,000 cr.

Palar River Basin, Vaigai River Basin and Thamirabarani River Basin are the major victims of illegal mining in Tamil Nadu. Sand is one of the important economic resources as it is used as raw material in various industries. Let us examine how the excessive mining in the above mentioned river basin adversely affects the environment.

IMPACT OF SAND MINING

- All living species require a specific habitat for their long-term survival. Native species in the streams adapts to the unique environment around them. Therefore that becomes their habitat for survival. In this case, this excessive mining from the river basins cause an alteration in the environment of these species which would then become a threaten to their survival.

- Sand theft is a direct cause of erosion and it adversely affects the local wildlife. Sea turtles and gharials mainly depend on the beach sand to lay their eggs. They lay eggs under the layers of sands, but the illegal miners destroy their nest. This has led to extinction of certain type of species. In the name of mining many fertile land has been destroyed.
- As far as Tamil Nadu is concerned, agriculture is one of the important occupations of the state economy- a significant number of people are involved in the agricultural activities. So if the fertile land is taken away from the farmers, eventually this will start in unemployment and end in the poverty.
- In-stream sand mining can lead to destruction of aquatic and riparian habitat through large changes in the sand beds due to the excessive mining. Continued extraction may also cause the entire streambed to degrade to the depth of excavation. Sand mining generates extra vehicle traffic, which negatively impairs the environment. Where access roads cross riparian areas, the local environment may be impacted.

These are just a few impacts caused by the excessive sand mining and the list is not exhaustive. There are a lot of measures implemented by the Tamil Nadu government to curb this excessive sand mining or sand theft. Some of the steps taken by the government are mentioned below.

PREVENTION OF ILLEGAL SAND MINING

- STATE LEVEL: The State Level Task Force for the prevention of illegal mining and monitoring the mining activities has been constituted with the Secretary to Government - Industries Department as Chairman and Director of Geology and Mining and a representative of the Indian Bureau of Mines as members.
- DISTRICT LEVEL: District level Task forces have been constituted under the Chairmanship of District Collector. The officials of Department of Geology and Mining, Police, Revenue, Forest, Transport and Tamil Nadu Pollution Control Board are its members.
- TALUK LEVEL: The Government instructed to constitute Taluk Level Task Forces with the Taluk level officials and the respective Tahsildar as convener.

Apart from all these, the government also conducts Pakhwara meetings at state and district level to create awareness about the illegal mining among the people. It also helps that the people know about the existing Acts and Rules for the removal of minerals which can lead to their active participation in preventing illegal mining and transportation of minerals.

CONCLUSION

Mining and industrial growth are interrelated. Mining provides ancillary services to the industries. The importance of mining cannot be ignored, as it gives the important raw materials which are needed to build and maintain industries and the economy. This shows that without mining, growth in the economy can't take place. So does that mean the excessive pressure on the land can only be reduced by compromising on growth of the economy? The answer is NO. This pressure on land can be reduced significantly when the working of the parallel illegal sand theft is eliminated. To curtail the rampant mining, in November 2013, Government of Tamil Nadu banned mining in 71 of the 90 sand quarries. Even after taking a lot of serious measures regarding the illegal sand mining, there are still a significant number of fraudulent activities taking place. It is high time the government and people of Tamil Nadu realize the need to protect the resource and take necessary action relating to this matter.

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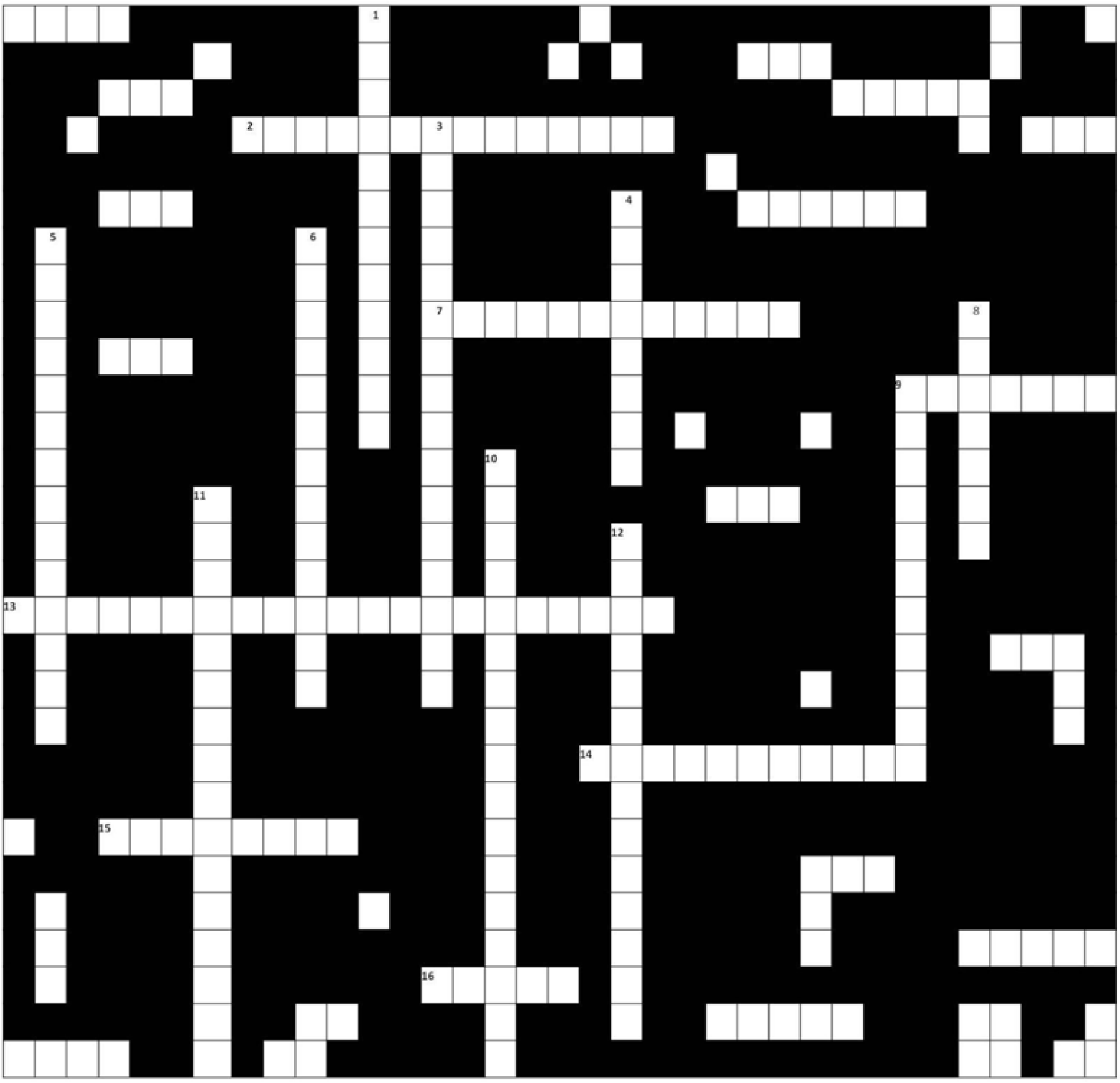
CROSSWORD



ACROSS:

2. Who wrote 'The New Division of Labour: How computers are creating the next job market' with F Levy?
7. Who developed the theory of comparative advantage?
9. What country's Glitnir Bank was nationalized in 2008 as a result of that year's financial crisis?
13. What is the name of the very high tariff adopted by US Congress in 1930?
14. What theory explains how deflation can lead to an increase in GDP?
15. Which world famous economist wrote 'Das Kapital'?
16. Which country was the first to have paper money in circulation?

DOWN:

1. The production of university degrees and R&D development relate to what kind of capital?
3. What Scottish economist correctly predicted that the euro would not work and that the Stability Pact would not be enforced?
4. What is the name of the tax suggested by James Tobin to reduce speculation in the international currency markets?
5. What is defined as the study of the aggregate economy studied as a whole?
6. Who was a Nobel Prize winner and a key figure in the Chicago School of Economics along with Milton Friedman?
8. What is the money paid for an insurance coverage called?
9. Keynesianism asserts that free markets can be?
10. Which Soviet Mathematician and economist won the Nobel Prize in 1975?
11. What is an evident result of deflation?
12. What is the time it takes for policy makers to recognize a boom or slump referred to as?

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