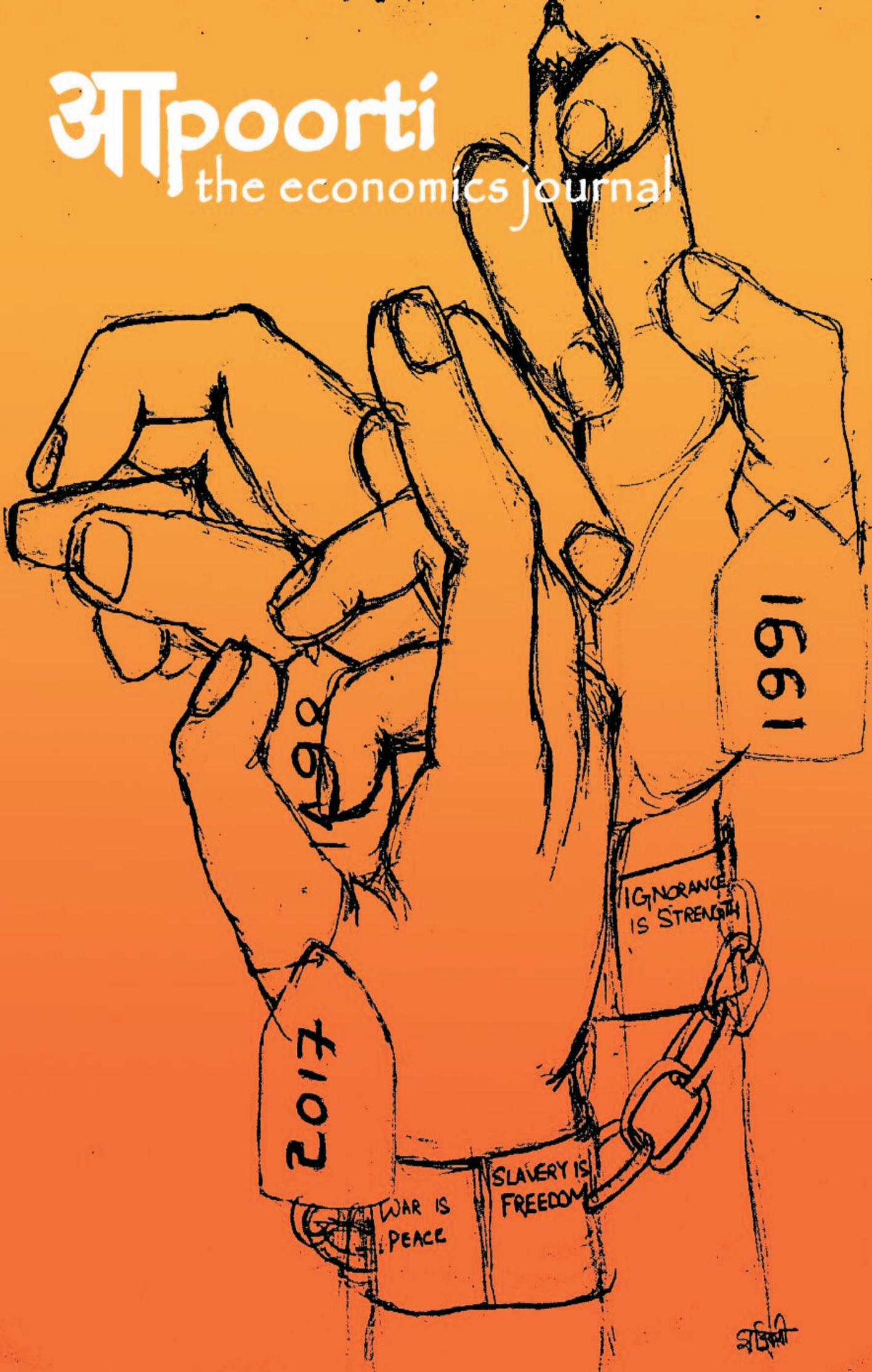


# आपोर्ती

the economics journal



अपोर्ती



## FACULTY ADVISOR'S NOTE

I have now been teaching since before many of the young contributors to this edition of Aapoorti were born. I realized that in an epiphanous moment, chatting with some students. And predictably, one of them asked “Aren’t you bored?” But that’s the thing – much though teaching is about routines and timetables and schedules, it is also about curiosity, about discovery and sometimes, about invention. My job gives me a ring-side view of young ladies preparing to take on the world. Aapoorti is a sample of their enterprise, motivation and teamwork.

In a world hurtling to madness, this is what gives me hope: the knowledge that our students have the intellectual curiosity and the organizational capacity to create the space for expressing themselves, of transcending boundaries set by curricula, as also by received wisdom.

For them, I take the liberty of quoting from W.H. Auden’s ‘The Waters’:

Poet, oracle and wit  
 Like unsuccessful anglers by  
 The ponds of apperception sit,  
 Baiting with the wrong request  
 The vectors of their interest;  
 At nightfall tell the angler’s lie....

The waters long to hear our question put  
 Which would release their longed-for answer, but.

At the end of the day, asking the right questions is more important than having all right the answers. The latter, in fact, may even be dangerous.

I do believe that our students will take forward into their professional lives the same values of leadership, enterprise, teamwork and, above all, the appetite to learn that they have displayed in bringing out this edition of Aapoorti. And I believe their world will be a better place because of this.

With the warmest of wishes,

Meeta Kumar  
 Faculty Advisor  
 Arthashastra



## TEACHER-IN-CHARGE'S NOTE

It is a pleasure to introduce the seventh edition of the annual magazine of the Economics department, Aapoorti. It was started in the year 2010-11 with the collective efforts of students of our department when they were able to come up with a journal of their own. Since then this legacy has been carried forward. It is a significant step forward to encourage our students to have inquisitive minds and pen their thoughts on paper that can go way beyond the academic curricula. This would also prepare them to engage in rigorous research in future.

The world economy is in a state of flux where things are changing at an unprecedented rate. Although people throughout history have had to work to get by, we now live in a culture where we are led to believe we have economic freedom, we are in fact bound in servitude. The writings in this journal have tried to bring about the understandings of these complexities in our economy vis a vis the world economy. I am glad to see that varied issues like commodity fetishism, austerity, and economic slavery have been addressed. The contributions are from various colleges of Delhi University as well as other colleges.

I congratulate the Editorial Team for working really hard towards this journal and wish them all the luck. I would also like to thank my colleagues who have led the department from strength to strength throughout.

Neetu Chopra

Teacher-in-Charge, Economics Department,

Miranda House

## ACKNOWLEDGEMENT

This year's Aapoorti has been a culmination of a lot of people's hard work and efforts, the list of which is endless. We thank Ms. Meeta Kumar, for her enthusiasm, support and invaluable inputs throughout the year. The team extends a special thanks to our Teacher-in-Charge Ms. Neetu Chopra for helping us out every time we needed guidance; and to each faculty member of the Economics department, to whom we turn to, time and again. Our heartfelt gratitude also goes to Haritha Vijay VL, President and Maitreyee Krishna, Vice President of Arthashastra, the Economics Society. Our undying love to the head of Vishleshan, Ritisha Mishra for the wonderfully managed research proposals we've featured. To the heads of our design team, Rituparna Sanyal and Enakshi Panda, and especially to Routhu Santhoshi Srilaya, for both-designing the Journal cover and for keeping us creatively inspired at all times. Finally, we thank the many writers who have been featured: this magazine's success is because of you, and we hope you keep coming back to us year after year.

Last but definitely not the least, to you, the reader. This magazine is as much yours as ours, and we thank you for all the support. We hope you enjoy reading it, as much as we enjoyed writing it.

To anyone else, who has both directly and indirectly been a part of this year long journey, we extend our sincerest love and gratitude.

Warmest Regards,  
*The Editorial Board.*  
*Aapoorti*

## EDITOR'S NOTE

As Aapoorti goes to press, the world is getting fragmented more than ever, ideologically, along fractals of economic inequality, class, caste and gender, and our focal point keeps blurring as newer fissures are spotted. Our journey this year has been both enlightening and terrifying, as we chose to confront those that we have been in denial of, as we looked inwards, along the grimy passage of time, we came across history's stubbornness, for some classes more than for others and discovered the acrid smell of gunpowder and how it distorts market outcomes. We celebrated the legends who strove to make this world a little more beautiful, one theory at a time.

Our journey with Aapoorti has been full of contentment and fulfilment. It's the passion of economics that binds us. Aapoorti 2017 tries to break the boundaries that have been set by the previous editions. The seventh edition is yet another step in the long journey the journal will transverse.

This year, the Editor's Desk brings you the theme-, "Slavery in the 21<sup>st</sup> century". The basic essence of slavery relates to one not being a stake holder of one's own decision making process, or rather of a society where you are expected to unconditionally submit to decisions that have been taken on your behalf. A system where you are alienated from not just the factors of production but in fact from a say on the deployment of your very own labour. You are culturally conditioned to stay in denial of the finer aspects of human life. Aapoorti 2017 seeks to explore the manifestation of such slavish culture in the modern day society which in the theory of linear teleology of societal evolution has left behind the world of shackles, fetters and scourges. Have we? Maybe. May be not. We in Aapoorti seek to understand if those traits have lingered into our 'civilized society' which boasts of having amended its feral ways. We discuss the modern day rhetoric of liberty, sovereignty and fraternity in this context. We have tried to investigate if certain parallels exist between a slave, a society and the societal orientations in the 21st century, orientations in terms of the economic structure, industrial organisation and the institutional edifices.

It was a great learning experience and a matter of privilege and pride to serve as the Chief Editors of Aapoorti 2017. The responsibility was immense and the journey was beautiful. We would like to thank the whole Editorial Board for showing such enthusiasm and putting in so much effort to make this a success. We hope the readers enjoy as much reading it as we had compiling it.

### **Chief Editors**

Madhukari Mishra, Prerna Panda

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# From the Cluttered Desk of the Editors

# Austerity: Slavery in the 21<sup>st</sup> century

Prerna Panda and Nithya Srinivasan

Austerity, according to the Oxford dictionary, refers to the difficult economic conditions created by government measures to reduce public expenditure. By austerity, economists generally mean a reduction in *structural deficit* of the government, i.e., ignoring the effects of economic cycle. The deficit rises and falls as the economy contracts and expands- this is what the automatic stabilisers of economy. In a period of economic growth, tax revenues will rise and spending on unemployment benefits will fall; the cyclical deficit will decline (or a surplus will rise) even if the government does nothing at all to change policy. People were the victims of austerity's slashed public services, wages and jobs; those imposing it, escaped its bitter effects with cash. The public views and the economists' views are not always the same. Austerity has always been harsh to the citizens. Rising unemployment and debt, homelessness, increase in infant mortality, denial to public health services by the government are some. The government tries to lower its debt by viciously gouging public services, cutting pensions and the minimum wage, firing public servants, raising taxes and selling and privatizing government-owned assets.

## Austerity as Debt Slavery

Austerity is a set of economic policies implemented with the aim of reducing government budget deficits. Policies

grouped under the term 'austerity measures' may include spending cuts, tax increases, or a mixture of both. In most macroeconomic models austerity measures generally increase unemployment as government spending falls, reducing jobs in the public and/or private sector. Meanwhile, tax increases reduce household disposable income, thus reducing spending and consumption. Government spending contributes to the Gross Domestic Product (GDP), reducing the spending may result in a higher debt-to-GDP ratio, a key measure of a country's debt burden

## Austerity as Psychological Slavery

Apart from having economic impacts on the citizens, austerity also has some grave psychological impacts. People suffer from a feeling of mistrust and fear, humiliation and shame, instability and insecurity, isolation and loneliness and experienced a feeling of being trapped and powerless. Austerity relies on a politics of fear and distrust to drive through policies which hit the most vulnerable the hardest. Austerity policies targets benefit claimants, using the vilification of benefit claiming and beliefs about the level of benefit cheating. Shame and humiliation are both social emotions. Humiliation comes when people are made to feel that they are less in status or worth, while shame occurs when people are made to feel that they have violated some moral or social status. Austerity increases

insecurity in both work and welfare benefit payments; instability becomes an intrinsic part of many people's experiences. Work no longer remains a guarantee of stability. Insecurity, both personal and material, is known to be central to mental distress. It is known that job insecurity leads to poor mental health outcomes. Austerity hits the local government very hard. The funding are highly affected which reduces resource that support community living. People living in deprived communities become more socially isolated. Policies which increase isolation and loneliness therefore have a direct risk of damaging mental health outcomes in both the short and long run. Austerity removes many choices from people's lives who are struggling or living with low incomes. This leads to the feeling of being trapped and powerless. Feeling powerless is also a key component of many psychotic experiences, such as paranoia.

### **Austerity in different countries**

From the last few years, Venezuela has been in an economic crisis and things have reached its boiling point. President Nicolas Maduro had even declared a 60-day state of emergency, claiming there were plots from within Venezuela and from the United States to undermine his authority. The highly unpopular socialist government had also announced electricity rationing and drastic cutbacks to the state work schedule, because of a drought and because world oil prices had collapsed, cutting government revenues dramatically. The National Assembly, controlled by the opposition, added to the plight of the people by declaring the country's health sector a national emergency. The

government also took step towards authoritarian control over its opposition.

Similar effects were seen in case of Ireland also. It was the first country to agree an international bail-out with the Troika of the European Commission, International Monetary Fund (IMF) and European Central Bank (ECB). The agreements between the Irish government(s) and Troika included severe decrease in the wage and pension in the public sector. There were severe cuts in the public employment. The impact on the social care and health was drastic. Spain was another such country that saw the darker side of austerity.

### **Greek Austerity and Slavery**

The Greek crisis is one of the major economic crisis that has been visible over the past few years and has been widely debated in popular media due to the extreme amounts of austerity that have been imposed on its people. Greece joined the European Union in 1981 and adopted the Euro in 2001 post which it experienced sustained growth till 2008. Its GDP per capita nearly tripled from \$12,400 2001 to \$31,700 in 2008. The Greek government took huge loans from Greek and foreign companies in order to finance its wide variety of infrastructure related projects. However it was later discovered that the Greek deficit was largely underreported. As the financial crisis of 2007-08 hit the world lenders started demanding their money back, Greece's default was discovered and the country's inability to meet its debt obligations resulted in its GDP drastically reducing by 20%.

Greece owes a total debt of 323 billion euros to various countries and banks

within Europe and its debt to GDP ratio is a mounting 177%. This forced the government to seek help from World Bank, IMF and its largest international creditors included Germany followed by France and Italy. However these entities agreed to help bailout Greece only if it imposed certain austerity measures on its people. While these austerity measures have been constantly coming in since 2010 they have increased in such magnitude that the Greek public have been vehemently opposing these measures through protests and demonstrations besides voting a clear NO in the referendum in 2015.

### **Greek Austerity Measures**

A series of Thirteen austerity packages have been imposed on the Greek public until May 2016. These include freeze in wages of government employees, sharp decreases in bonuses, cut in overtime workers, pensions etc. Further, official accounts of the country's unemployment rate are at 22.6%. Besides large increases in taxes (especially luxury and sin taxes along with value added taxes) there have been huge public sector cuts and new taxes on company profits. One of the cost severe of these measures is that the pensions have decreased by 20% to 50% which is huge problematic because a large number of households depend on pensions for meeting their expenses. In a referendum held in Greece in 2015 more than 61% of the population voted 'NO' for adopting further austerity measures in spite of knowing that the repercussions of this vote could lead to Greece's forced exit out of the Eurozone and consequent bankruptcy. While critics have largely argued in popular media that this was the wrong choice, there is gross underrepresentation

of the views of the Greek people who are being forced to accept extreme measures for no fault of their own.

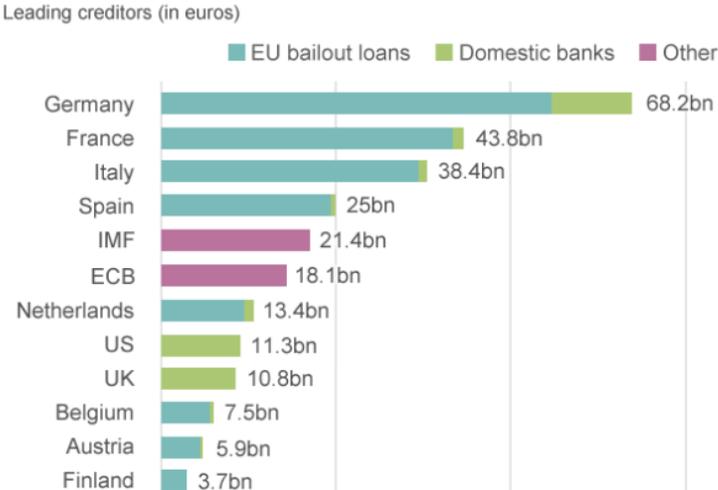
### **Is austerity a new form of economic slavery?**

*"We didn't vote No against austerity but against debt slavery"*

While many think of slavery in terms of bonded labour and serfdom, modern times experience this in the form of debt slavery or large cut in the minimum wages. In the Greece crisis, people of the country were forced to take in large cuts in their minimum wages and accept huge amounts of debt against their own will. Many see this as a form of enslavement of Greece at the hands of other powers such as Germany and France who demand unconditional surrender in the form of austerity. While most of the mainstream literature criticises Greece for not accepting these austerity measures we as outsiders fail to understand the notion of these measures for the people. Besides resulting in rapid decreases in their standards of living Greek believe this to be a form of economic warfare where Germany is being cast as the aggressor and France as the secondary power. While war may not necessarily be the metaphor we are looking for, austerity is an indirect way by which financial and upper classes worldwide enslave workers in the targeted underperforming region or country. It's a way in which one developed country enslaves another developed country and is often called as the start of a larger phenomenon of neo-imperialism. Why this notion is also gaining popularity among the masses is because Germany and Greece have always been strong

competitors and this implication is all the more reason that the people of the country

vehemently opposed these anti- austerity measures.



Source: Open Europe, BIS, IMF, ECB



# Why An Individual Becomes a Slave Under Communist Regimes

**Meghna Nair and Pragti Rathore**

The origin of the word Communism can be traced to the word commune, when the French philosopher and writer Victor d'Hupay who, in his 1777 book "Project" defined the communist lifestyle as a "commune" (a "communal") and advises to 'share all economic and material products between inhabitants of the "commune", so that all may benefit from everybody's work'

Communism is any form of government characterized by shared ownership of all property and nonexistence of social classes, money and the state. Under capitalism, the price system is followed as a means for allocating scarce resources. Communism rejects the price system. Under capitalism, goods are exchanged between the buyers and sellers on a mutually agreed-upon price and production levels are similarly determined. In a communist economy, however, the state solely decides what and how much is to be produced. This unvaryingly leads to shortages of some goods and surpluses of others, which are not economically desirable.

Capitalism functions on the idea of incentives. People are motivated by incentives: workers by salaries and wages and owners by profits. Communism eradicates incentives. Because the State controls production, there is no incentive to work harder to achieve higher wages, nor are citizens incentivized to undertake the entrepreneurial risks necessary to earn

profit. Therefore, communism leads to a stagnation of economic activity.

A stagnant economy leads to a reduction in prosperity for society. It causes industry to use inferior methods, leading to a decrease in technology. The result is decaying industry and infrastructure-basically a poorer society overall.

Most importantly, communism reduces personal freedom. To meet pre-decided production goals, the citizens of a communist regime are forced to follow government commands. Travel into and out of the country is severely constrained and political dissention is suppressed by militaristic police.

People are not permitted to own their own businesses or manufacture their own goods. Decisions regarding how much to produce are left to the government's will, which can lead to overproduction or underproduction. People's compensation is also determined by the government.

The result of all this is basically that the individual acts like a Slave to the state, there is no political, ideological, social or economic freedom. Everything is determined by the enslaver - the socialist state.

## Slavery under Capitalism

By listing out the drawbacks of communism, I don't aim to say that Capitalism is the best form of government guaranteeing economic freedom. Even under Capitalism form of market, the individual becomes a slave to the capitalist instruments of market- the invisible hand, the wage rate, etc.

Slavery is an outflow of the current world/money system followed by us, basically Capitalism, which creates an environment with such economic discrepancies where you have a small percentage of the population with all the resources, money and power, while the majority is fighting and finding a way to just provide themselves with basic survival requirements. By Economic Slavery, I do not mean citizens on the brink of survival, starving to death. It exists at any point when one individual uses their advantages to control and enslave another.

An individual fighting for Survival, for their basic survival needs, does not have the choice or option to decide what job they will do. They do not have the time to ponder other options as bills must be paid. And because of this, the workers will agree to any kind of wage provided to them by the employers, however less they are.

This is the reason an individual becomes a slave even under a capitalist form of market.

## Socialism in the Soviet Union with a specific emphasis on the economy

The **economy of the Soviet Union**, from 1949-1991, was based on a system of state ownership of the means of production, cooperative farming, industrial

manufacturing and centralized administrative planning. The economy was characterized by government control of investment, public ownership of industrial assets, macroeconomic stability, negligible unemployment and high job security.

Beginning in 1928, the entire economy was guided by a series of Five-Year Plans, with a brief attempt at seven-year planning also. By the 1950s, the Soviet Union evolved from a mainly agrarian society into a chief industrial power.

Based on a system of state ownership, the Soviet economy was managed through 3 bodies- *Gosplan* (the State Planning Commission), the *Gosbank* (the State Bank) and the *Gossnab* (State Commission for Materials and Equipment Supply). For every enterprise, planning ministries, also known as the "fund holders" or *fondoderzhateli* defined the mix of economic inputs such as labor and raw materials, a schedule for completion, all wholesale prices and nearly all retail prices. The planning process was based around material balances—matching economic inputs with planned output targets for the planning period. Due to ideological reasons, the range of mathematics used to assist economic decision-making from the 1930s to the 1950s was extremely restricted.

Industry was long focused after 1928 on the production of capital goods through metallurgy, machine manufacture, and chemical industry. The capital goods were known as *group A goods*, or *means of production*. This stress was based on the apparent necessity for a very fast industrialization and modernization of the Soviet Union. After the death of Stalin in 1953, consumer goods, which were the *group B goods*, received somewhat more emphasis due to the efforts of Malenkov. However, when Khrushchev consolidated his power by sacking Malenkov, one of the accusations against Malenkov was that he allowed "theoretically incorrect and

politically harmful opposition to the rate of development of heavy industry in favor of the rate of development of light and food industry." Therefore capital goods were again prioritized from 1955 onwards.

Most information in the Soviet economy flowed from top down. There were several mechanisms in place for producers and consumers to provide input and information that would help in the conscripting of economic plans, but **the political climate was such that few people ever provided negative input or criticism of the plan. Thus, Soviet planners had very little authentic feedback that they could use to determine the success of their plans.**

This meant that economic planning was often done based on defective or outdated information, particularly in sectors with large numbers of consumers. As a result, some goods tended to be under produced, leading to shortages, while other goods were overproduced and accumulated in storage- a situation of surplus. Low-level managers often did not report such problems to their seniors, depending instead on each other for support. Some factories developed a system of barter and started exchanging or sharing raw materials and parts without the knowledge of the authorities and outside the limitations of the economic plan.

Heavy industry was always the focus of the Soviet economy, even in its later years. It received special attention from the planners, combined with the fact that industrial production was relatively easy to plan even without minute feedback-this led to significant growth in that sector. The Soviet Union became one of the leading industrial nations of the world. Industrial production was quite high in the Soviet Union compared to Western economies. However, the production of consumer goods was disproportionately low. **Economic planners also made little or no effort to determine the wishes of household consumers,** resulting in severe

shortages of many consumer goods. Whenever these consumer goods would become available on the market, consumers routinely had to stand in long queues to buy them. A black market developed for goods that were particularly sought after but constantly under produced, like cigarettes.

The major strength of the Soviet economy lied in its enormous supply of oil and gas, which became much more treasured as exports, after the world price of oil skyrocketed in the 1970s. The Soviet economy in its final decades was "heavily dependent on vast natural resources like oil and gas." However, world oil prices collapsed in 1986, putting very substantial pressure on the economy. After coming to power in 1985, Mikhail Gorbachev began a process of economic liberalization that moved the economy towards a mixed economy. At its dissolution at the end of 1991, the Soviet Union left the Russian Federation a growing pile of \$66 billion in external debt, and with barely a few billion dollars in net gold and foreign exchange reserves.

### **The Perestroika: the dismantlement of the Soviet economic system (1985-1991)**

The period from 1985 to 1991, corresponds to a period of economic recession for the Soviet Union. The average per Capita GDP was growing at a rate of -1.3 %

The accession of Mikhail Gorbachev in 1985 marked the beginning of the Perestroika period. Perestroika means restructuring in Russian, and this is what Gorbachev set out to achieve. The economic reforms implemented were intended to profoundly change the Soviet system. According to Gorbachev, the 2 main goals of the Perestroika reforms were to halt the slowdown trend of Soviet economy and to raise the life standards of

the citizens. Soviet reformers considered that these two interrelated objectives could be attained through the solving of the problem of the 'relaxation of discipline' and a change in the means of coordination of the economic system. They thought that the inflexible central economic planning must be softened, and a certain degree of decentralization was required, along with direct participation of the workers to the management of the enterprises. But, the most radical change in the functioning mode of the Soviet economy intended by the Perestroika was the creation of a private sector and the introduction of market mechanisms.

A number of laws and decrees were passed to implement the reform program. The Law on State Enterprise, which granted considerable independence to state enterprises, was adopted in 1987. The Law on State Enterprise defined that 5 year plans were becoming indicative and not obligatory any more. Enterprises were given target for the value of their output by the State but detailed plans of inputs-outputs for each company were no more there. Government contracts were replacing state orders and only a portion of the production of enterprises was bought by the State. The remainder of enterprise output was sold through wholesale trade directly between the companies. Thus, Soviet enterprises were free to determine the nature of share of their output. The pricing system was no more entirely controlled by the Gosplan. A rising number of prices could be set freely, even if the price of basic and strategic goods, like energy, raw materials, health sector, remained under State control. Moreover, Soviet enterprises were permitted to choose the buyers of the remainder products. The self-financing of the enterprises was also adopted and implemented through retained earnings and bank loans

The autonomy of the state enterprises had many negative effects on the operation of

the Soviet economic system. It disordered the coordination of the economy previously guaranteed by the Gosplan, which was gradually losing its control over the Soviet Economy. It created bottlenecks and expanded the shortages. The Labor Councils also took advantage of the autonomy by increasing the share of profits going to the incentive funds at the expense of investment. Thus, the share of profits taken by the enterprises going to incentive funds represented 82% in 1988 and almost 95% in 1989. Wages were raised by this increase in incentive funds. Thanks to the Glasnost<sup>20</sup>, strikes became allowed. It caused a surge of workers strikes which led to other wage increases. Soviet system had started behaving like a capitalist economy.

The augmented increase of real wages, in a context of growing shortages, aggravated the problem of excess demand in the USSR. It also added to the growing inflation in the country.

Before the Law of 1987, the Soviet State had had a total control over the enterprises, gaining from them whatever revenues were required for the central budget. But, the situation transformed with the adoption of the enterprise autonomy since the State could no longer collect whatever tax it wished to. Thus, the growing size of the incentive funds also meant that the share of profit paid to state budget was dropping. It intensified the increasing state deficit.

The freedom to determinate the prices of products out of the state contract disorganized the pricing system. The consumer goods enterprises, which had become profit-seeking because of their newly acquired autonomy, shifted their manufacture from basic goods to more profitable 'new products'. After all, these 'new goods', for which State controlled prices did not exist, were higher-priced and carried a larger markup. The effect was a rising shortage of basic consumer goods. The activity of the illegal secondary markets was also growing fast. 'Backdoor

channels' for people to pay above fixed retail prices of basic products had come up. Many goods had, at the same time 3 kind of prices—a state price, a free-market price and a black market price. Statistics by the state did not take into account the 'new goods' and the products sold on the black market, so they did not capture the veiled inflation and official records did not show the inflationary process in development. The prices were also affected by the place of residence.

The cooperatives were intended to be small-scale businesses offering goods and services which were not provided by big State enterprises. But, cooperatives started having all kinds of activities and many of them became big companies with operations in trade and finance. So, the Law on Cooperatives led to the birth of a lot of capitalist firms. The success of the cooperative model is shown by the fact that, by July 1989, barely one year after the approval of the law, almost three million people were working in cooperatives. At the end of 1991, this number had grown to more than 6,2 million. Many cooperatives were started by the managers and employees of the state companies. They usually bought goods produced by their own enterprise at Comecon controlled prices, manufactured them in the cooperative, mostly without any significant alteration, selling them at much higher free prices. These practices led to even more shortage of consumer goods in the USSR. As you can see, many State enterprise managers became real capitalists and accumulated huge wealth thanks to their 'cooperative activity'. This consolidation of wealth in the hands of State managers increased even more thanks to the decentralization of foreign trade. A decree in December 1989 had removed State controls over foreign trade. So, many cooperatives bought goods, specially raw materials, metals, oil, at the low State domestic prices and sold them

abroad for hard currency. It was very lucrative and some managers enriched themselves a lot, creating a group of wealthy capitalists for whom proceeding to capitalism was considered necessary to the survival of their new businesses. They played a central role in the disintegration of the USSR by financing the pro-capitalist coalition and expanding the imbalances that already existed in the Soviet economy. The partial freedom of State enterprises to set prices and the total one of Cooperatives was a disruption to the Soviet distribution system. State enterprises and cooperatives wanted to earn higher profits, so they took advantage of the free price-setting to increase prices. So, thanks to the increase in profitability and their autonomy, cooperatives and State enterprises could increase their employees' wages. The result was a differentiation in wages of State enterprise employees depending on the extent of their free price-setting. Cooperatives, which had an entirely autonomous price-fixing, offered the highest wages. Average wages were also higher in cooperatives than in State enterprises.

The structural external vulnerability of the Soviet economy worsened during the Perestroika. World oil prices reduced sharply in 1986 and remained very low so that Soviet current balance of payment fell sharply during the Perestroika. Because of the overuse of the most productive deposits, Soviet oil production became much more unsustainable. This led to a drop in "official" oil exports increasing the problems with hard currency. The deficit in the current account of the balance of payments also increased because of the growing domestic needs for consumer and agricultural goods due to the shortages. Finally, the exports fell by 44% in value in 1991 compared to 1990 figures. Moreover, the fall of communism in Central and Eastern Europe marked the end of the

Comecon, which impacted Soviet foreign trade much more inversely.

Thus, in 1991, the USSR was in a crucial economic situation. Unable to respond to domestic needs for consumer and agricultural goods, central Soviet institutions had no more control on the economic and political system. GDP per capita, which had decreased by 3.1% in 1990, dropped by 6.8% in 1991. Inflation could not be kept under check. The price system was totally disorganized. The birth of a capitalist market had enabled the accumulation of a huge wealth by an elite group of State managers. The distribution system of the Soviet State had become very unequal. Most political leaders aimed to realize the 'transition to a market economy'. Instead of restructuring, The Perestroika had destroyed the Soviet system because of the lack of a coherent reform program by Gorbachev. Perestroika was reactive and fragmented; each reform was simply a response to pressures created by the previous stage of reform.

Finally, the complex demands of the modern economy and inflexible administration dazed and constrained the central planners. **Corruption and data fiddling became common practice among the bureaucracy by falsely reporting fulfilled targets and quotas**, thus ensconcing the crisis. From the Stalin-era to the early Brezhnev-era, the Soviet economy grew much sluggishly than Japan and slightly quicker than the United States. GDP levels in 1950 (in billion 1990 dollars) were 510 (100%) in the USSR, 161 (100%) in Japan and 1456 (100%) in the US. By 1965 the corresponding values were 1011 (198%), 587 (365%), and 2607 (179%). The Soviet Union upheld itself as the second largest economy in both nominal and purchasing power parity values for much of the Cold War until 1988, when Japan's economy surpassed \$3 trillion in nominal value.

**The power of the Central State, which treated citizens as it's slaves, led to the growth of the Soviet economy in the initial years and for much of the period of the Cold War. But it was these reasons that led to the ultimate demise of this modern slave regime- citizens realized that they were being treated as second-class individuals. Their basic rights as human beings- democracy, free speech were being taken away. The ultimate result was the dissolution of the Soviet Empire.**

### Socialist Economy in China

From its founding in 1949 until late 1978, the People's Republic of China was a Soviet-style centrally planned economy. Following Mao's death in 1976 and the consequent end of the Cultural Revolution, Deng Xiaoping and the new Chinese leadership began to reform the economy and move towards a more market-oriented mixed economy under one-party rule. Agricultural collectivization was dismantled and farmlands privatized, while foreign trade became a major new focus, leading to the creation of Special Economic Zones (SEZs). Inefficient state-owned enterprises (SOEs) were restructured and unprofitable ones were closed outright, resulting in massive job losses. Modern-day China is mainly characterized as having a market economy based on private property ownership, and is one of the leading examples of state capitalism. The state still dominates in strategic "pillar" sectors such as energy production and heavy industries, but private enterprise has expanded enormously, with around 30 million private businesses recorded in 2008.

The economic model currently employed by the People's Republic of China is based on the dominance of the state-owned

sector and an open-market economy, and has its origins in the Chinese economic reforms introduced under Deng Xiaoping. The ideological rationale is that China is in the primary stage of socialism, an early stage within the socialist mode of production, and therefore has to adapt capitalist techniques to thrive. Despite this, the system has widely been cited as a form of state capitalism.

After the Great Leap Forward (1958–1961) and the ousting of the Gang of Four from power, Chairman Deng Xiaoping was willing to consider market-based methods of economic growth so as to revitalize China's economy and find an economic system compatible with China's specific conditions. However, in doing so, he remained committed to the centralized control and the one-party state central to Leninism.

The socialist market economy was a concept introduced by Deng Xiaoping in order to incorporate the market into the planned economy in the People's Republic of China. Following its implementation, this economic system has supplemented the centrally planned economy in the People's Republic of China, with high growth rates in GDP during the past decades having been attributed to it. Within this model, privately owned enterprises have become a major component of the economic system alongside the central state-owned enterprises and collective / township village enterprises.

There are some similarities to Western mixed economies, with some fundamental differences. The fundamental distinction between the Chinese and Western mixed-market economy models lies less in the implementation of the mixed economic model but rather in the degree of state-ownership and underlying authoritarian political philosophy, which eschews

Western notions of democracy, individual rights, and the rule of law.

This type of economic system is defended from a Stalinist perspective which states that a fully developed socialist planned economy can only come into existence after first establishing the necessary and comprehensive commodity market economy and letting it fully develop until it exhausts its historical stage and gradually transforms itself into a planned economy (the Stalinist Two-Stage theory of revolution). Proponents of this economic model distinguish it from market socialism: market socialists believe that economic planning is unattainable, undesirable or ineffective, and thus view the market as an integral part of socialism, whereas proponents of the socialist market economy view markets as a temporary phase in development of a fully planned economy.

Despite the official designation of "socialism", analysts often describe the Chinese economy as a form of state capitalism.

**The Chinese economy does not constitute a form of socialism when "socialism" is defined variously as a planned economy where production for use has replaced production for profit; when it is defined as a system where the working-class is the dominant class (controls the surplus value produced by the economy); and when it is defined as self-management or workplace democracy. The study also found that as of 2006 capitalism was not the dominant mode of organization in the Chinese economy, suggesting that China is still a partially pre-capitalist agrarian system with almost 50% of its population engaged in agricultural work.**

By 2005 the market-oriented reforms, including privatization, were virtually halted and partially reversed. In 2006, the

Chinese government announced that the armaments, power generation and distribution, oil and petrochemicals, telecommunications, coal, aviation and shipping industries had to remain under "absolute state control" and public ownership by law. The state retains indirect control in directing the non-state economy through the financial system, which lends according to state priorities. Liberalization continues to be rolled back in the state-sector by the consolidation of state enterprises into large "national champions" with the goal of consolidating efforts and creating internationally competitive national industries.

The state sector is concentrated in the 'commanding heights' of the economy with a growing private sector engaged primarily in commodity production and light industry. Centralized directive planning based on mandatory output requirements and production quotas has been superseded by the free-market mechanism for most of the economy and directive planning in large state industries. A major difference from the old planned economy is the restructuring of state companies along a commercial basis, with the exception of 150 large state-owned enterprises that remain and report directly to the central government, most having a number of subsidiaries.

By 2008, these state-owned corporations have become increasingly dynamic largely contributing to the increase in revenue for the state. By 2009 the government considered a state insurance scheme to expand healthcare coverage. The state-sector led the economic recovery process and increased economic growth in 2009 after the financial crises, partially because most of the Chinese stimulus package was directed towards these state-owned firms. The state-sector makes out 40 to 50 percent of China's GDP.

A thorough analysis of the Vietnamese Economy and justifying our hypothesis of whether or not it perpetrates Slavery:

Growth in the Vietnamese Economy in the last five years has been quite high, with due credit given to the four main causes for the same:

1. Increasing Foreign Direct Investment
2. Free Trade Agreements
3. The Trans Pacific Partnership
4. And an ever increasing rate of Exports and a shift in the constitution of the same's demand.

Vietnam is the 28th largest Export Oriented Market in the World and the 93rd most complex market. Majority of the Export Market constitutes Broadcasting Equipment, Computers, Raw Petroleum and Leather primarily to the United States of America, China, Japan and South Korea. This has been seen as a positive change and a measure of its growth from its initial export focus, which was of shoes, garments and the like. The Vietnamese Economy imports steel, telephones and its equipment and integrated circuits. While a majority of Vietnam's Exports are to China which constitutes around 10% of its whole, roughly 30% of its Imports are from China too, the majority of which is made up of machinery. To the USA its main exports are textiles. However even though we see the quality and quantity of Exports rising throughout the years, 2015 saw Vietnam with a deficit of 3.5 billion US Dollars, which came as quite a shock for a country that had seen a surplus in its net exports for the last three years.

Foreign Direct Investment in this Asian Economy has been remarkable with 2015 receiving 14.5 billion US Dollars, a 17.4% increase from the previous year. Investment has primarily been in the processing and the manufacturing sector. This has been looked at with great awe and positivity, keeping in mind the market slowdown in South East Asia and China.

On the Economic Complexity Index, Vietnam has a score of -0.456 making it the 93rd most complex economy in the

world, with a total of 258 products being exported each year. Vietnam also has a Revealed Competitive Advantage which means that its share of Global Exports is greater, and in Vietnam's case, much greater, than what is expected from it, given the size of its economy.

The last few years have seen the Domestic Economy booming to quite an extent too, thanks to low inflation and an extremely accommodative Monetary Policy. The Central Bank has been following a path of Expansion and has been increasing the money supply to boost domestic demand and activity, and this has been proven to be successful. 2015 saw a 6.7% increase in Vietnam's real GDP, surpassing its target of 6.2%. The industrial and Construction Sector have been the key contributors to this growth with growth rates of 10.6% and 10.8% respectively. The Service sector saw an increase of 6.3%, which was seen as a good indicator of the Economy's success too. Domestic Capital investment saw an increase by 9%. Agriculture which contributes to only 17% of the Real GDP of Vietnam includes 46% of the country's entire Workforce.

The Trans Pacific Partnership too, has contributed quite a bit to the growth of the Vietnam's economy and the jobs it provides. This partnership which focuses on a "Made in America" ideal, has helped and contributed to Vietnam's growth in 2015, which has been the fastest in the last seven years. However its banking sector is one of the few sectors that have not been a part of this progress and seen sluggish growth.

Coming back to the country's foreign investment, while the ever increasing investment has been seen with much awe, all over the globe, this has been in spite of the country's extremely poor infrastructure. Rocky roads and small mismanaged ports, which would usually be deterrents to investment by investors

has not exactly been so. Low cost- high manual labour and a good demographic structure and a comparatively stable political environment (all thanks to its Socialist and Communist structure) have overshadowed the aforementioned negatives. With 70% of the population within working age, and 58% of the country's population below 35 years of age, this has worked in favour of Vietnam's economy. With average monthly wages as low as \$197, which is half of that of Thailand and less than one third of that of China (with an average monthly wage of \$613), makes us wonder whether its political structure has anything to do with the same.

Is this the Slavery that we have been referring to in our paper?

While in most capitalist production models, labour is referred to as an input and treated the same as any other commodity required to produce output, as seen as in the simple  $Y = A \cdot f(K, L)$  relationship, labour is remunerated as per its labour power. However in a socialist economy, labour, and man himself is referred to as a property of the state. With remuneration depending on the share of social product an individual contributes to, as well as the quality and quantity of product he produces. Those familiar with the piece rate and time rate system of wage, this is the wage rate system that most Socialist country's follow. In their constant struggle against the Bourgeois, the writers believe that labour in a Socialist economy has been identified with modern day slavery, with physical and laborious work being the benchmark of reward. Handwork is rewarded and looked at preferably over mental and brain work, which is expected to be left to the state. Decision making is the responsibility of the state and the state alone, as we see is substantiated in the fact that manual work as put in my miners and the like is rewarded with higher wage than workers with administrative and managerial duties.

Hours and effort over skill, which is a scary idea to understand and an unfamiliar thought to comprehend when coming from countries with that follow a layered and more right wing approach. One cannot help but compare this with the century old concept of physical slavery where men belonged to their owners, but instead here man belongs to the state. His mind and his body alike are properties of the state, like any other state owned commodities, which in our opinion takes away a man's individuality. One can however say that while this is the ideal that Communism and Socialism were based and founded on, this is rarely the practice nowadays. This isn't what we're questioning. A form of government, in which the state decides that it is the duty of man to work and contribute to his share of social product, overshadows the various benefits provided by a Socialist government. Where time rate and piece rate system are the methods followed, leisure isn't respected and a man's choice to do the same, punished. An economy where you are not your own person is in our opinion, slavery in its truest sense.

The question that arises however is this: When pitted against the growth structure of a similar scaled Capitalist country, where does Vietnam lie? Will its principals of what we're referring to "Slavery" actually benefit the economy in the long run, or slow down?

Let's put it in comparison to a slightly more independent and privately controlled economy, which for our convenience has been Sweden. Sweden we see has over decades performed remarkably well, with an extremely open market system and has been free of corruption and any influence that may have had any negative consequences on its performance. With a rule of law which for years has been extremely stringent, and with strict property rights and contract enforcement, the financial sector has gained much

stability over the last few years. The one thing we would like to point out in this case is that the Swedish economy which for years had been looked at as a socialist economy, with a socialist government, is now looked at as classic example of model capitalism, and that we believe, has made all the difference. With close to 53% of GDP spent by the Government as Public Spending, this recently turned capitalist economy has had one of the lowest levels of national debt and inflation.

As quoted from Scott Sutherland's paper based on the same, "*Sweden's present economic and social prosperity was built on the lessons learned from the financial crisis in the early 1990s. Governments pursued reforms and fiscal sustainability became institutionalized. Stable economic policies combine with competitiveness, innovation and an open approach to trade to make Sweden a model for economic success.*"

So while what we can give you, is only a glimpse into our perspective on Slavery in the modern world, i.e. the 21st century and beyond, we substantiate the same with our analysis of the Vietnamese economy and how we believe that the Socialist model in this country has been the reason for its halt-and-break slow progress.

# Would You Like Guns for breakfast

**Nikita Sharma and Ayesha Ahmed**

One of the most common assumptions that we make while studying economic models is that the consumer is rational. Whereas in reality, the consumer is far from the realms of rationality, and closer to the T.V. screen or gawking at that billboard. The consumer is enslaved to the ideas spewed by the advertisers, who target his/her weaknesses (read insecurities) and provide 'solutions' to overcome it.

These solutions vary over fairness creams that will lighten one's complexion (some even come with a fairness scale for one to measure the 'progress') to deodorants for men which reduce women to their sexual urges. But they all have one thing in common: no real utility.

The breeding of a consumerist mentality was a necessary born out of a combination of cheaply available fuel and eventual overproduction that was then made possible. Applying the Say's Law of Markets, which essentially states that supply creates its own demand, to the surplus of finished products in the factory warehouses, we get advertisements which lured the naïve consumers into buying this surplus and thereby eliminating it. Credit was made to be easily available in order to boost this consumption. Thus, both the credit market and production expanded on the back of consumerism.

It was Keynes who first propounded the importance of consumption, but Marx had already warned us about Commodity Fetishism. Commodity Fetishism essentially is the separation of the human labour that goes into producing a good from that good. Effectively, a Diwali cracker will be just seen as its MRP, the pollution that it will cause or the plight of the child labourers are far removed from it.

According to Marx, under Commodity Fetishism a commodity is illogically ascribed with 'magical' properties which brings about a wide chasm between the exchange value (the value at which the good is traded in the market or exchanged for money) and the use value (the commodity's worth in terms of its utility). PR activities such as celebrity endorsements lend a charm and certain qualities of the celebrity's personality to the product at hand, which increases the product value far above its intrinsic worth in the eyes of the consumers. On the other hand, there are certain products which are a class in themselves and are proud status symbols. For example, take any Apple product, it has lesser space, smaller size and yet always the higher price, in comparison to its counterparts. It is a sign of luxurious living and attainment of a higher standard of living, something all consumers are expected to aspire to.

With the increase in production and mushrooming of the credit services, one should be led into thinking that consumerism isn't so bad after all. That consumerism paves the way for an increase in employment opportunities and improved standards of living for the people. It gives rise to industrialization and the production of a more varied set of goods and services. In a nutshell, consumerism leads to economic growth.

But the harsh reality is that an economy can't just keep on growing and growing. Consumerism is just a misguided interpretation of Keynesian economics. For the scarce resources that fuel this growth will get depleted, rendering consumerism unsustainable.

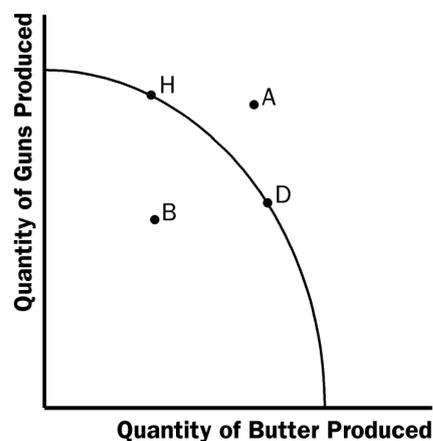
Moreover, it is not just the matter of limitation of resources but also their sheer wastage. For the producers keep on coming up with different versions of the existing range of products. These 'upgraded' models are nothing more than slight variations of their preceding versions. And the consumers, who have imbibed materialistic values after being thoroughly encouraged and conditioned into buying these by the rampant and ubiquitous advertisements, inadvertently buy these, without really needing these. The old products which have now been rendered obsolete and out-dated are then discarded or simply stored away.

However, the newer versions don't necessarily have to be better, because the spread of consumerism has had a disincentivizing impact on production and making quality, durable products is no longer a priority for most. For example, Thermocol crockery and Plastic cutlery have become widely popular for serving food in during small scale functions because of their low prices and disposable nature. Not much regard is paid to the environmental degradation they will cause on disposal, during both their manufacturing and purchase.

Consumerism hasn't only tampered with the state of environment but has also weaved materialism into the collective conscience. The people have been enslaved into needing goods, goods that are of no real utility to them, but the advertisers, who seduce them for the profit of the capitalists.

Another cost of consumerism stems from the scarcity of resources. For at the heart of any production activity, there is a problem of choice; a choice of allocating limited resources having multiple uses to unlimited wants. This choice can be between producing expensive-durable goods or cheap-disposable commodities, as described in an example previously; or between producing a good which the

nation needs and the one which the state requires to maintain its superiority in front of other countries. Either way, the trade-off entails an opportunity cost. The latter can be exemplified by the allocation of resources between Guns and Butter.



Consider an economy has a choice of production between butter and guns. The horizontal and vertical axes represent the quantity of butter and guns produced respectively. If the economy employs all its resources in the production of either of the two commodities then the graph shows all the possible combinations of the two commodities that can be produced and it is termed as the 'production possibility frontier'. Combination A is not feasible whereas combination B is feasible but is not efficient. Combinations H and D are both feasible and efficient as they lie on the frontier. If we move from combination H to D, the economy needs to produce lesser guns in order to produce more butter, which is what was earlier stated as opportunity cost. The opportunity cost of producing anything will be higher when more of it is being produced. For instance, for producing a combination H, all the resources suited for its production are being utilized efficiently. But for any combination to the left of H, resources which are suitable for the production of butter will have to be employed to now produce guns, and hence will not possess equivalent efficacy. Consequently, a higher production of guns when its

quantity is already larger than that of butter, will lead to a higher opportunity cost.

Such an understanding is useful for reflecting on the proliferating fetishism of armament. The human race is not only enslaved by it, but by all means, spends large amounts of funds to perpetuate its slavery. It rests on similar principles of needing without utility. Whether it was the naval arms race between United Kingdom and Germany that led to the breaking out of the First World War or the nuclear arms race that sprouted during the Cold War, an armament race has fuelled mankind's greed to protect itself from a hypothetical future while compromising its present. The fetishism of armament during the Cold War had urged Russia to build up a military-industrial sector which employed one of every five Soviet adults and its dismantling left hundreds of men unemployed in the Post-Cold War period. To question the validity of such a policy wouldn't be elusive but a solemn need when even after such disastrous results, we are still fairly aggressively, trying to stock munitions and devise nuclear ways of self-destruction. Because there was no formal treaty terminating the armament, the two superpowers, USA and USSR, continued in varying degrees, to develop and modify their existing nuclear weapons and delivery systems. The implication of such slavery is horrific as it distorts the proper allocation of resources hampering the more needful requisites. Neglecting the internal fulfillment of basic needs of the populace while externally fortifying it will eventually leave no populace at all.

The larger economic consequence of the Cold War was a huge fiscal mortgage placed on many domestic countries. The newly freed nations inherited expenses and commitments for which they were not prepared. Even some of the successor states found themselves sunk in national-security burdens. This had a crippling

effect on the ability of these countries to tend to more pressing needs of its people, reflecting the trade-off faced by governments at the cost of its citizens' welfare. After all, guns can't be had for breakfast.

In the Chance for Peace speech in 1953, US President Dwight D Eisenhower hinted at this very trade-off, citing specific examples," Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. This world in arms is not spending money alone. It is spending the sweat of its labourers, the genius of its scientists, and the hopes of its children. The cost of one modern heavy bomber is this: a modern brick school in more than 30 cities. It is two electric power plants, each serving a town of 60,000 populations. It is two fine, fully equipped hospitals. It is some fifty miles of concrete pavement. We pay for a single fighter plane with a half million bushels of wheat. We pay for a single destroyer with new homes that could have housed more than 8,000 people".

In 1964-65, US President Lyndon B. Johnson had launched a domestic program called 'Great Society'. The primary intent of the program was removal of poverty and racial injustice. But at the same time, Johnson was involved in the arms race of the Cold War and the Vietnam War. These wars put added burden on the economy which hampered the Great Society program. This again highlights the cost of war and expenditure on armament on the economy and its people.

Americans for Peace Prosperity and Security (APPS) is a new lobby group founded by former FBI agent Mike Rogers. The tagline for APPS is 'keep America safe' however a scrutiny of its leader board suggests that business interests could also be a driving factor. A report by The Intercept suggests that several of its national advisory members

have strong business links with defence companies and would profit much if America pursues a more aggressive foreign policy post 2016. Now if the country with the highest military budget spends even more on ammunitions and defence systems, the opportunity cost of it is only going to rise higher and higher.

According to a report by Stockholm International Peace Research Institute on countries with military expenditure, India stands as the 6th largest. It incurred an expense of \$51.3 billion in 2015. Also, there were plans to expand by about 8% in 2016. The same institute conducted a study in which India topped the list of weapons importers and accounted for some 15% worldwide arms imports between 2010 and 2014. An NDTV reporter, Pheroze Vasunia, wrote in one of his articles: “The question is: should India devote such a large part of its budget to the military? The issue is not only financial, but moral and political. While spending on defence increased, the budgetary allocation for health was reduced by 5.7 per cent to Rs. 33,152 crore. Would the money given to defence not be better spent on the development of public healthcare, education, affordable housing, and infrastructure projects?”

The Statesman reported that India spends only 1% of its GDP on health and 2.3% of the same on military procurements. 50% of Indians don't have proper shelter, 70% don't have access to decent toilets, 35% households don't have a nearby water source, 85% of villages don't have a secondary school and 40% of these same

villages don't have proper roads connecting them and ironically, it is the same country with 9% annual growth!

What is the opportunity cost of \$51.3 billion of military spending? A funereal reality of thousands of empty stomachs, havoc of poverty in everyday life and dead hopes of more than half a thousand million of its citizens. And the bigger question that remains is; is it all worth it?

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# Foreign Direct Investment: Survival of the fittest

**Aarti Gupta and Riddhima Sobti**

Whether it's the extremely valorous Phogat sisters in Dangal or the spry student in school who used to ace all the races like a pro, it has always been that the fearless overcomes the fearful. **Survival of the Fittest** -When we first look at this term we take in the basic idea that the weak and seemingly unfit die out, while the strong and the perseverant continue to survive.

'Survival of the fittest' is a phrase that originated from Darwinian evolutionary theory as a way of describing the mechanism of natural selection. In Darwinian terms the phrase is best understood as "Survival of the form that will leave the most copies of itself in successive generations.

However, Charles Darwin did not mean that the toughest will survive, the swiftest will win, the smartest will succeed, or the biggest will dominate. What Darwin meant was that the organism that best "fits" its environment had the best chance of survival. The plant or animal who can best adapt to its natural environment would be the most likely to survive and thrive.

Here we will try to apply this fascinating concept in the arena of economics. We will discuss how foreign direct investment fits into this concept. "How is the concept of the Survival of the Fittest making the Indian economy its slave?"

Consider a country like India where the main source of monetary flow for economic development is **foreign direct investment** (FDI).

FDI is an investment made by a company or individual in one country for business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country. Put simply it's more of a mutual

agreement when both parties, the host country and the country bringing investment benefit from each other.

FDI may take place due to huge interest rate differences between the two economies or differences in tax rates and this is where the concept of capital flight and hot money comes in.

**Capital flight** occurs when asset or money rapidly flow out of a country, due to an event of political or economic instability or capital controls.

This can be an increase in taxes on capital or the inability of the government to repay its debt, thereby reducing its creditworthiness that causes investors to lower their valuation of the assets in that country. This affects the exchange rates of the country.

Suppose there is a rise in taxes on capital in India. As a result of this more and more foreigners will start withdrawing their investment from India. There will be excess demand of foreign exchange. Foreigners will try to sell domestic assets tending to cause the exchange rate to depreciate. Depreciation means that our goods will become cheaper. Our imports will fall and exports will rise which implies that output will come back to its original level. Thus, all fluctuations die out and this level of output that prevails is the fittest that survives.

Similarly, **Hot money** is the flow of funds from one country to another. The main reasons for this can be to earn a short-term profit due to interest rate differences or anticipated changes in exchange rates. Capital flows out of the country which

experiences a financial crises and it creates a boom in the country it enters which leads to rising asset prices, consumption and indebtedness.

For e.g., if the national average rate of one year certificate of deposit in the United States is 0.95% and in china, it is 3%, then if an investor in the US deposits his or her money in a Chinese bank, the investor would get a higher return than that in the situation in which he or she deposits money in a US bank. This makes China a prime target for hot money inflows.

When the interest rate in India is above that in other countries, there will be Inflow of massive capital which will cause asset prices to inflate and inflation to rise. The sudden inflow of large amounts of foreign money would increase the monetary base of India .There will be exchange rate appreciation which will reduce the competitiveness OF Indian goods or make our goods expensive thereby reducing exports and increasing imports which will worsen the trade balance.

When interest rate in India is lower than the world level of interest rate, the sudden outflow of hot money would deflate asset prices and could cause the collapse value of the currency. This will lead to exchange rate depreciation as our goods become cheaper thus reducing imports and increasing exports, improving trade balance and thereby a rise in output.

### **What is the impact of FDI on domestic market?**

We see that FDI leads to the introduction of new varieties of capital goods and more advanced knowledge (**capital deepening**) which helps to raise output, productivity and exports in various sectors and leads to the creation of more employment, more GDP and higher growth.

For understanding how FDI's provide the greatest benefit to domestic firms, we need to be crystal clear of the working of the

concept of **Technological Diffusion** that seeks to explain how, why, and at what rate new ideas and technology spread.

Technological diffusion is the process by which innovations (new products, new processes or new management methods, expertise, technical knowhow) spread within and across economies by positive spill overs which stimulates technological progress. It involves transmission of ideas and new technologies .It further affects rate of economic growth and development. Thus, FDI may benefit the domestic firms through these positive externalities.

On the other hand, As FDI brings in advances in technology and processes; it increases the competition in the domestic economy of the developing country that has attracted the FDI. Also, it is most likely that a foreign firm that decides to invest in another country enjoys lower costs than its domestic competitors deriving from higher productive efficiency. The higher efficiency may owe partly to the combination of foreign advanced management skills with domestic labour and inputs. Thus, it may affect domestic firms in a negative way and hinder domestic investment.

Thus, we see that those domestic firms which are unable to compete with FDI die out. Only those survive which are able to take advantage of increased productivity through spill over of technical progress. The FDI's are the indoor example of the survival of the fittest where one needs to make out how beneficial they are to our economy? So **who survives and who wins depends on how much the FDI or the Indian companies are able to adapt to each other.**

Depending on whether a firm thinks it can survive or not, they merge or acquire stakes in other companies leading to mergers and acquisitions. These are one of the ways in which they make themselves fittest in order to survive. Below are the two cases.

## Ranbaxy-Daiichi Sankyo

In June 2008, Daiichi-Sankyo-the second largest pharmaceutical in Japan, acquired a 34.8% stake in Ranbaxy for a value \$2.4 billion. In November 2008, Daiichi-Sankyo completed the takeover of the company in a deal worth \$4.6 billion by acquiring a 63.92% stake in Ranbaxy.

Ranbaxy is a generics company and Daiichi Sankyo is an innovator company. The acquisition of Ranbaxy not only provided a low cost manufacturing set up to Daiichi but also helped Daiichi Sankyo establish itself in the field of generic drugs which is a huge market in India.

At the time when the pharma sector in India was battling with declining pipelines, patent expirations and clampdown on health care spending, this acquisition gave Ranbaxy an access to Japanese drug market and other developed markets and a chance to develop expertise outside India and create a base for infrastructure. the addition of Ranbaxy Laboratories extended Daiichi-Sankyo's operations, with the combined company worth of about US\$30 billion and the merged company is 15th largest drug maker in the world.

## Wal-Mart

*'India is not a homogeneous market, so ours is not a cookie-cutter approach from the U.S. Wal-Mart is in no hurry to unfurl the Wal-Mart flag nationally. The easiest thing is to roll out stores, but the most difficult is to sustain and feed them.'* –Raj Jain, President of **Wal-Mart** India in May 2009.

In December 2006, Wal-Mart, the world's largest retailer believed that by the year 2015, 35% of India's retail sales could be from chain stores .Presently, it has opened 73 stores in India and aims of opening another 50 in the next 5 years.

The reason for Wal-Mart's entry in India was clear – The Indian middle class. A country like India having \$250 billion retail business which is currently eighth

largest in the world is an immense opportunity for Wal-Mart.

After seven years Wal-Mart and Indian retail partner Bharti Enterprises ended the 50/50 joint venture launched by the two firms in 2006.

The main reasons why Wal-Mart had a tough journey in India and wasn't able to sustain this partnership was its reluctance to adapt to the conventions of Indian market, that is, sourcing at least 30% of the products from small industries in India and 50% of investment in back-end infrastructure (an important part of green field investment where a company builds the entirety of its operations in a foreign market or a green field starting from scratch)

This example clearly shows that only when Wal-Mart realised that to survive in India, it needs to adapt to the Indian environment and modify its ways of doing business, then only it was able to establish its roots in India and target an untapped Indian market brimming with opportunities.

## Conclusion

Survival of the fittest is a scientific theory which in fact is not something new or astounding. It is something that we can see everywhere and anywhere. Through this article, we just tried to relate it to the widely discussed and debated topic of Foreign Direct Investment and tried to justify the actions of various forces in the economy through this theory. It is not just a phrase but a world in itself and can be applied to various other arenas.

In reality, we are **SLAVES** of this theory. We may not realise this but our lives are governed by this theory-the fittest only survives!

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# Slavery in the Modern Times: A theatre of the Absurd

**Madhukari Mishra**

*Rebellion, Camus had said, emerges from the conflict between man's ceaseless quest for clarification and the apparently chaotic and meaningless way the world functions. The absurd. The absurdist argued that when human existence has no purpose or meaning, all channels of communication disrupt, triggering a chaotic system where irrationality triumphs over logical construct, culminating ultimately in silence. Thus, the Absurd keeps pushing the boulder up the mountain only to see it rolling down, once again.*

Slavery, as a cultural orientation institutionalises the triumph of the unreasonable world over the desire of human reasoning. However, it is quite possible that we can seek emancipation in our endeavour to reconcile the two. This article seeks to explore the absurdist road to freedom from economic slavery. The initial paragraphs discuss some possible interpretations of slavery in the modern context, eventually concentrating on its traits as internalised in the various economic models and organisations since the 18th century.

The transition to capitalism saw a rising consciousness about nations, territorial organisations reoriented into structurally transformed individualistic sovereign domains, the nation-states ('state' with a hyphen). This realignment of geographical equations was constructed and further consolidated through the emergence of

liberalist rhetoric of sovereignty, fraternity, democracy. Here lied the seed to modern day slavery. Slavery fed, if not by physical coercion, then through intellectual indoctrination. An induced illusion of freedom made people more willing to subscribe to the convenient jargon of those clinging in 'power'. Power, or for that matter echelons were never done away with, rather, they were legitimised. Instead of doing away with institutional inequalities, they were now validated through the 'law'. Modern day slavery isn't implemented through coercion (which in itself has been legitimised as when used by the 'state'), it's sustained, instead, by manufacturing consent.

They say back in 1992, USSR had descended into a chaotic frenzy when money became real. Alexievich had talked about the great dilemma faced by the residents of USSR tried to adapt to the ways of Russia. The trade-off between Gogol and denims was behind their comprehension. Slavery is a situation where you are reduced a state of helpless assent, where you are alienated from everything that singles you out as a rational being in the animal kingdom. You are alienated from your individualism, deprived of your right to self-determination, reduced to a faceless mass, commodified, and your capacity expressed in the cardinal figures of exchange value. I recently read an article that talked about not creating sentences, but music. I wonder what chord would the repeated application

of the word 'slavery' strike. Perhaps the redundant beats of a *madol*, a drum played by certain tribes of the Chotanagpur plateau, one of those peripheral groups so central to the growth of the core. However the fetters don't just jingle round the thoughts and the voices at the margin. It has seeped gradually into the conscience of those at the centre. A slave to the master that is themselves. Camus's Rebel is expected not only to be 'the slave against the master, but also man against the world of master and slave'.

Economic processes, when are sought to be understood independently, outside the realm of a society, ends up in de-humanising it. Marx, in arguably one of his most crucial contribution, the surplus value theory, sought to seek the origins of the internal contradictions of the existing relations of production, as well as place the capitalist mode of organisation in an historical perspective through instruments of sociological and historical analysis. In Mandel's interpretation of the surplus value, he argues that it is *ipso facto* an exploitation theory. He calls it the 'deduction theory of ruling class's income', where surplus value is the residual from the net social product after the ruling classes have received their compensation. The theory that underlies Marx's perception of exploitation equated the income of the ruling classes to the product of unpaid labour. This, more than being a question of ethical outrage, is a manifestation of economic exploitation. Marx had attached significant weight to the surplus value classifying it above profits, et al that explains both the existence of the ruling class as well as origins of class struggle under capitalism.

Earlier in the essay, I had mentioned how the slavish culture is manifested in modern times through a helpless assent. The gradual socio-political and economic transformation of the European nations, where from the rubbles of feudalistic societies rose capitalist mode of economic production, had in its wake alienated the labourers from all but their own labour power. Thus, to sustain themselves, they had to lend out the sole thing that they had 'rightful ownership' of, their muscles and their brains, to those owning the rest of the means of production, the capitalist. 'Right' is a tricky word. A word that has a very snug fit in the world of the Absurd, where the meaningless world is functioning aided by an array of terms and taxonomies, where institutional inequalities are camouflaged behind claims of juridical equality. Thus while negotiating the ideal price of the 'labour power', the capitalists invokes the clause of *justum pretium*. The role this clause plays, especially in easing the conscience of the capitalist is very vital. Had he bought the individual worker's 'labour', it would have been obvious that the compensation he is paid for it is lesser than the value he adds in the production process. Instead, the capitalist insists on buying her 'labour power', at its market value. Thus, the individual (since we are discussing social relations of production) is not only forced to commoditise his labour power, and sell it in an exploitative market, but also has to content himself with receiving whatever market price gets set for him irrespective of the difference between his wage and the value he adds to the production process. Convenient to this form of exploitation, where the worker isn't left with many options but have himself exploited is the institutional set up of capitalism with it's

generalized market economy. While it is not possible for the labourers to withdraw from the labour market as he is under economic compulsion to sell the only commodity he owns, the capitalist, with his pool of surplus can afford to withdraw from the production process. Mandel discusses how institutional differences make labour market a 'loaded dice', predictably biased against the working class.

Sweezy and Baran, in *Monopoly Capital: An Essay on the American Economic and Social Order* had discussed what could be seen as the spill over effects of surplus generation. As the existing channels of re-investment of the surplus dries out the capitalists seek to invest it overseas, for which they at times resort to coercion, thus giving rise to imperialistic desires and militaristic tendencies. This is an unsustainable path to resolving the contradiction, namely the driving force of capitalist production being maximising appropriation of surplus value (by 'economising on labour and other resources) and the eventual clogging of investment conduits and drying up of excessive domestic demand. Sweezy and Baran argues how the tendency of surplus generation rise further under oligopolistic or monopolistic economies, as can be seen by the level of unemployment, non-productive expenditure (say on advertisements) et al. Imperialism, as we are aware of, created a climate conducive for more overt manifestations of slavery, in fact of slave trade.

In Findlay's *Triangular Trade and the Atlantic Economy of the Eighteenth Century: A Simple General-Equilibrium Model* he had sought to link capitalism and

neoclassical economics with slavery. He had generated a small scale general equilibrium model with Africa supplying slaves to America against European manufactures and America obtaining slaves from Africa and manufactures from Europe against her raw materials exports to Europe (thus each continent is the sole supplier of one commodity), with the usual neo classical assumption regarding the production function, to examine the conflicting views on imperialistic exploitation as propagated by Adam Smith (who was of the view that it was inefficient and thus detrimental to the interest of the colonising nation), David Ricardo who contradicted Smith, Karl Marx who had stated that "the veiled slavery of the wage-workers in Europe needed, for its pedestal, slavery pure and simple in the New World", and Eric Williams, who had established links between African slavery and industrialisation in Britain. He concludes, "those who would dismiss slavery as essentially irrelevant ought at least to specify the necessary counterfactual experiments postulating the sources of tropical products and the markets for manufactured goods that the triangular trade provided." Slavery, as manifested in the initial phase of capitalism might have receded, proportionately, in the past century; traits of it continue to remain internalised in the growth trajectory of most nations. As Emile Zola had very aptly observed in *Germinal* that the actual point of equilibrium is the empty stomach.

The Marxist economists draw parallels between Marx's reserve army of labour and the increasing reliance on part time workers with a precarious status in the modern times, who while aren't completely

'unemployed' don't always earn sufficiently to sustain themselves. Marx had argued that as capitalism evolves, the organic composition of capital increases, thus constant capital rises disproportionately more than the variable capital, this generates another paradox, as the nation becomes wealthier, the wealth gets further concentrated in the hands of a few as now lesser people are needed to meet the society's production requirements.

The disrupted teleology of Soviet Russia had proven detrimental to a sustainable growth path. The Union, as it passed through phases of War Communism to the Vegetarian Communism, got socially conditioned to think in a certain way, to respond to externalities in a fairly unanimous manner and had accustomed themselves to the state prescribed way of life. They sang, and drank and loved in similar manners. While reading Alexievich's *Second Hand Time*, the emotion that could repeatedly detect was confusion. As they transitioned from a regime to another, there was not a sense of rebellion, but rather an effort to adapt. Like Frau Lomark in *The Giraffe's neck*, it was a matter of fundamental question, the survival of the fittest. Even if it is a mere transition from one mechanical way of living to another, a transition ushered in not through modest measures but a series of shock therapies. The disruption of conventional path of societal evolution had led to the fiasco that was Soviet Russia, or so is argued. But what if the fiasco wasn't the skipping of the necessary epoch of capitalism but rather of people's failure to sustain for the alternative to the kulak's, the centrality of state, as was sought to a uniformity that people were radicalized into subscribing to?

The anarchists seek to abolish the economy and economics and all that they entail, be it markets, or central planning. They believe that economies the need for accountability and personal responsibility, something that is integral to their school of thought. They argue against institutional structures that place the need to the economy before those of the individuals. Thus, they, in their nihilistic spirit feel that no matter how evolved the structure becomes, individuals, under all forms of economic organisation are subjugated to economic factors. While the anarchist case against economies and incidentally economic slavery sounds too radical, we can still explore the possibilities of the Absurd in our emancipation from the culture of economic exploitation. A possible way of the reconciliation that I had mentioned in the initial paragraphs could be by perhaps cultivating a culture of self-criticism. The seeds of absurdity, here, especially in the moderns, the use of rationale to manufacture consent for something as irrational as economic slavery, lies within. We seek clarity. Yet we feed into the system of meaninglessness. An article published in June 2016 in IMF's official magazine, Finance and Development, titled *Neoliberalism: Oversold?* Critically appraised policies advocated by the IMF. It acknowledged that growth under neo-liberalism is unsustainable owing the rise in inequality that it spurs. The paper, interestingly, discusses the need for state intervention through introduction of welfare measures to reduce inequality. It admits to the counterproductive effects of austerity policies pursued in several developed and developing countries alongside agreeing to the detrimental

impact of unrestrained privatisation as promoted by neo-liberalism.

The neo-liberal system sustains itself on exactly those promises which its institutions negate. While there is a rising consciousness about this, there is also an increasing rigidity as can be seen through socio-political reorientation of many nations, a rise of nationalistic sentiment, inward looking policy restructuring and a revival of the rhetoric that had

accompanied the rise of nation-states. The chaos ensued by this ideological realignment has further consolidated the desire and the tendency to dominate, intellectually, socially and economically. This is where the Absurd must rebel.

# The Contributors' Corner

# Prioritising People over Product

Rituparna Sanyal

## Summary

The article focuses on the concept of 'Buddhist economics' based on the idea of 'right livelihood'- which emphasizes on a world away from capitalism and materialism. It highlights some of the major differences between western and Buddhist economics. The author talks about how economics is not simply about money but happiness too through the example of a country like Bhutan which uses GNH as a measure of welfare of its people.



*The Kancanakkhandha Jataka tells the story of Bodhisatta who was a farmer in a village. Once, while ploughing, he chanced upon a huge bar of gold. Unsure about what to do with so much gold, he decided to divide it into four equal parts: One for his own living expenses, one for saving,*

*one for trading and one for charity and good work.*

## Going beyond Capitalism

The economic models and theories that prevailed during the 20<sup>th</sup> century are rapidly falling apart and economists are scrambling for solutions. But much of what has gone wrong was already anticipated by economist and statistician E. F. Schumacher.

Influenced by Buddhism on a trip to Burma, he wrote an essay on "Buddhist Economics" in 1966 which was later added in his book "Small is Beautiful". The British economist felt that modern economics was becoming increasingly materialistic, with people running after profits. He was upset by the ever-increasing production and consumption, stress on the output of work instead of the worker and the reliance on non-renewable resources.

He believed that applying Buddhist principles to the way an economy operates would produce an economy designed primarily to meet the needs of people. In accord with the Buddhist concept of "right livelihood," Schumacher called for jobs that are valued for their psychological and spiritual values, not just for what they produce. He argued that an economy should exist to serve the needs of the people; people should not exist to serve the economy.

## Economics of happiness

Most of us have grown up with our parents telling us that life is not just about money. Mental well-being is more valuable than money. But then we are thrown into the real world and realise that we cannot survive without money; everything revolves around it. We enter the rat race to get a better job, with a better pay, and scoff at the idea of happiness without money to finance our extravagance.

But, there are countries such as Bhutan which seeks a better world with Buddhist economics. It values the quality of life of its citizens over the quantity of goods the country produces.

Bhutan is a tiny constitutional monarchy between India and China, deeply rooted in its Buddhist culture. Welfare in this country is measured with the help of the unique Gross National Happiness (GNH) Index which is dependent on the well-being of the people, not just economic growth.

This was introduced by their Fourth King, Jigme Singye Wangchuck, in 1972 and it displays the monarch's commitment to building an economy that would serve Bhutan's culture based on Buddhist spiritual values instead of western development.

The index is a single number based on 9 domains with 33 indicators. It ranges from 0 to 1 and reflects the percentage of Bhutanese who are happy. Like most indices, the higher the better. It rests on four pillars: good governance, sustainable socio-economic development, cultural preservation and environmental conservation.

## Cease to do evil, try to do well

One of the principles of the Buddha's Eightfold path includes "Right Livelihood", or making a living without doing harm to others. It is based on the idea of interdependence and compassion. True Buddhist economics recognizes everyone's interconnectedness.

So what exactly is Buddhist Economics?

Not many have written on this subject and I doubt you will find it in your economics textbooks.

Buddhist economics applies spiritual principles and moral purpose to the question of wealth. This spiritual approach to economics does not rely on theories and models, but on the forces of empathy, love and restraint. It is "Middle Way" between a purely mundane materialist society and an immobile traditionalist society, while striving for minimum consumption and maximum satisfaction.

The Buddhist approach to economics is based on 2 core principles:

- The ideal is sufficiency, not surplus; and
- A civilisation built on renewable resources is superior to one built on non-renewable resources.

The differences between Modern and Buddhist economics are growing in number and are now becoming more evident. Some of them include:

Western Economics	Buddhist Economics
Concentrates on self-interest	Concentrates on concept of no-self

	or Anatta. Humans should detach from the feeling of “I” and “Mine”
Aims at maximizing profits and individual gain	Aims at minimizing suffering
Encourages material wealth and desire	Importance given to simplifying one’s desires
Believes that the bigger, the better	Belief that small is beautiful
Labour is a necessary evil for employers and a “cost” that needs to be minimised	People should take part in common, collective tasks and produce at an optimal level
Dependent on world-wide system of trade	Production using local resources; global trade justifiable only on a small scale

### Small is beautiful

As quoted in Schumacher’s article, “Spiritual health and material well-being are not enemies: they are natural allies”.

*“A modern economist may engage in highly sophisticated calculations on whether full employment ‘pays’ or whether it might be more ‘economic’ to run an economy at less than full employment so as to insure a greater mobility of labour, a better stability of wages, and so forth. His fundamental criterion of success is simply the total quantity of goods produced during a given period of time. From a Buddhist point of view, this is standing the truth on its head by considering goods as more important than people and consumption as more important than creative activity. It means shifting the emphasis from the worker to the product of work, that is, from the human to the subhuman, surrender to the forces of evil.”*

While the materialist is mainly interested in goods, the Buddhist is mainly interested in liberation. According to Buddhism, it is not wealth that stands in the way of liberation but the attachment to wealth; not the enjoyment of pleasurable things but the craving for them. Buddhist economics is therefore about simplicity and non-violence. In other words, it is the systematic study of how to attain given ends with minimum means.

As the saying goes, “Don’t eat just because you feel like it; eat when you feel hungry.” In an inspiring interview, Dr. Saamdu Chetri, Director, Gross National Happiness Centre, Thimphu, said, “We need very few things as human being, why are we chasing for more and more? He emphasised that it is very important to make a human being understand the basic purpose of life and that is what the GNH tries to embed. The arms and ammunition bought by countries to fight with each other is added in the gross domestic product (GDP) or gross national product (GNP). However, this will not benefit any citizen and will in fact harm them. While the Western model focuses on limitless growth, Bhutan ensures that their children do not go hungry to bed.

### Buddhist Economics– An Oxymoron

What if we lived in a society that did not put consumption at its centre? What if we follow instead the Buddhist mandate to minimize suffering, and are driven by compassion rather than desire? This gives rise to another crucial question- Can nations that are not Buddhist adopt GNH and such a seemingly ideal economic lifestyle?

“Buddhism is not a religion. It is a way of life and living life is a universal value,” believes Dr Chetri. Indeed, many other countries are showing interest in the GNH economic model. In 2011, the UN General

Assembly adopted a resolution to recognize happiness as a basic human goal.

Thus, the need of the hour is a middle path based on faith, generosity, integrity, wisdom, conscience and contemplation. It is high time that we recognise that economics is not all about money, but about happiness too.

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# Job Security and Unemployment in an Increasingly Mechanised World

## Payal Priyadarshini

### Summary

Are advents in technology a bane in disguise? Does increased investment in technology really lead to increased job opportunities? Do the multiplier effects as assumed in textbooks pan out in reality? Or leads to a contrary fall in the wages for low skilled workers? And can the results of human endeavours endanger the livelihoods of their creators themselves?

A machine, as we all know, serves the simple purpose of reducing human effort. To demand a smaller effort input while producing the same output results, is what has flabbergasted mankind for long. This is what makes “machine”, an alluring, alien concept whose adoption didn’t face much resistance by the society. That “it saves time” was the justification provided. The industrial revolution brought the very foundation of this concept and modern day society alike, and we thank it for giving the industry increased efficiency, accuracy and more spare time.

However, what if this very boon handed down to us is actually a bane in disguise? What if this very wave of efficiency gets too efficient for our own liking?

History has shown us time and again that change and improvement have always had their costs. And the costs that we would like to address here are essentially the jobs lost, people unemployed/underemployed,

and the class of workers trampled in the race for higher profits and efficiency.

Be it the Luddite Revolution concerning weavers in Aah or the entire Labour Movement as a whole right at the beginning of the Industrial Revolution, machines meant to revolutionise production, displace man (and quite a large section of them at that), which in turn leaves thousands unemployed or underemployed, reduces consumption of the society and therefore aggregate demand. The initially hopeful producers are then left with excess supply and increased inventories.

A simple macroeconomic concept that must be talked of is what makes up **Aggregate Demand (AD)**:

$$AD = C + I + G + NX$$

where,

*C* : Consumption

*I* : Investment

*G* : Government Spending

*NX* : Net Exports

One assumes that an increase in investment will directly increase Aggregate Demand and by a larger proportion than the investment itself because of the Investment Multiplier. The Investment Multiplier assumes that an increase in investment, gives more jobs to workers, which in turn will provide them with more income to spend, thereby increasing their demand for goods and services.

But what is often not considered is whether technological investment really follows this assumption that the economists have been blindly assuming for years now. Will technological investment increase jobs or actually reduce them?

We know that output (Y) is a function of Labour (L) and Capital (K):

$$Y = f(L, K)$$

So as capital increases, it is often assumed that more labour too would be required to operate it. However, that is not the case. As capital increases and firms turn more and more dependent on mechanisation, they require lesser and lesser workers, and a bare minimum of labour to operate these machines.

Machines can never displace the total workforce, but as has been seen in examples of cement highway workers where each machine reduced the need for 7 men; in building construction where 80-85% of the workforce was let go; and most commonly in the case of bakers and biscuit manufacturers where we have moved away from a situation of a 100% labour intensive methods to nearly 100% capital intensive methods.

A classic example of displaced labour can be seen in the reduced world population of horses. Before steam engines, ploughing devices and combustion engines, the world had a horse population of 3.25 million, which after the invention of all of the aforementioned technologies rendered them redundant which in turn led to a fall in their population to less than 2 million.

At this point in the conversation, I think it's wise to discuss how jobs with varying skill requirements are affected by the rapid wave of technology.

The phenomenon of *A Skill biased Technological Change* posits that increased mechanisation leads to an

increase in demand for high skilled labour but a decrease in one for low skilled labour.

For the most part we assume that machines reduce labour as a whole, but that is not the case. Machines simply do better what most low skill minimum wage workers could do, but with more accuracy, speed and a reduction in errors. Therefore, this chunk of the world's workforce, with no or bare minimum skill is let go, causing the supply of unskilled/ low skilled workers to exceed their demand by 11%.

These workers' equilibrium wages fall to new lows, and levels that are below the minimum needed for subsistence. This either drives them to leave their jobs whose pay is lesser than what they can make do with, or to keep on working just to facilitate a minimum standard of living. Therefore, the mechanisation tends to not only displace workers, but also lower the wages.



However, at the same time, the need for more efficient, educated and high skilled thinkers and workers in the world increases with time and unfortunately the supply fails to meet the demand. Faulty education, irrelevant and out-dated curriculums and an inability to apply one's education in a modern world scenario are cited as the top reasons that people fail to secure these jobs and are left unemployed/ underemployed.

In an ever changing industry, where opening new markets and sectors doesn't necessarily translates into increased output and employment opportunities, the solution is to cultivate and enhance employable skills among the workforce. This can be achieved through human

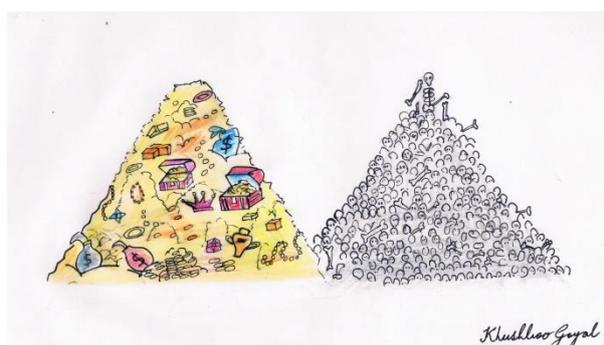
resource development, aimed at improving the health and education of the individual and this would in turn bridge the excess demand for modern thinkers and workers; for the purpose of machine is to reduce human effort and not the human entirely.

# The Silver Lining Between the Bullets

Nedson Ng'oma

## Summary

This article, spells out the entire economy of the Democratic Republic of Congo, talking about its growth post-independence, its industrialization, agricultural sector, resources and mining sector, the inflation, growth and the lacks in the given sectors as well. However I failed to find anything that I wouldn't find outlines in a normal Wikipedia article. There was hardly a surprise and an unpredictable element to it. It talks about the current scenario of the country, too. However what he was included, the generic details of a random country's economy, although might not be something that'll attract too many eyes, has been incredibly well written. The title given to the article too, is well thought of.



Between the cliché stories of war and disease in Africa, lies an understated economic growth tale of the Democratic Republic of Congo. Despite being one of the fastest growing economies in the world, what it has experienced is just a

sneak peek of what it is ultimately capable of achieving. Independent from Belgium in 1960, it is the second largest country in Africa and also boasts of the most neighboring countries in the continent. Home to about 50 percent of Africa's

forest and over **\$24 trillion** worth of untapped natural resources, It's economic potential cannot be left unuttered.

Despite being the second most industrialized country in Africa immediately after independence, it's economy crumbled immediately after the long awaited freedom. A nationalization scheme of the economy pioneered by President Mobutu backfired as it froze the agricultural sector and only appeared to leave the country in incapable hands with corruption becoming a norm. The economy of DRC contracted during Mobutu's tenure and the economy experienced positive growth for the first time in 2002 after more than a decade of negative growth. The political unrest during the first and second Congo wars, the signature stories attached to the DRC, just rubbed salt on an already wounded economy.

Fifty years down the line of independence, a flickering hope lingers in the gun powder filled air for Africa's second largest country. A rapid growth in the extraction industry and investment coupled by improvements in telecommunication and transport, without taking any credit from

the evidence based policies that were being carried out led to an average GDP growth of **7.7%** during the 2010-2015 period. Reforms in the corruption infested mining sector has also spearheaded the tremendous progress being made. Tax reforms also pushed through the more than doubling of government revenues. Constricting monetary policies have also worked wonders for them, as inflation fell to around 1% during 2013-2015 from 53% in 2009! Not forgetting to mention the Congolese Franc which has been relatively stable. With so much macro-economic progress, there has not been analogous surge in the micro aspects of the country with the poverty levels still disturbingly high and dreadful unemployment rates. But as the economy continues to expand, there is hope that these glitches will eventually be mitigated.

The story on everybody's lips in the past year or so, has been the Great Inga Dam. The world's largest hydroelectric power plant project. With a potential to produce 40,000 MW of electricity, over twice the power generation of Gorges dams in China, and more than a third of the total electricity currently produced in Africa, the dam would serve to boost Africa's industrial prowess. As lack of sufficient energy constantly pulls back the growth of the mining industry in the country (and in fact the continent as a whole). The dam is said to be the center of a power network in southern Africa where power will be traded to take care of the power deficits that characterize the region. The World Bank reckons that power shortages reduce economic growth by 2 percent on average in Africa. Thus the project holds massive opportunities within it. The power-deprived mining sector of the DRC will also receive the much needed power it requires to fulfill its mind blowing potential. South Africa was

among the first country to express interest in the project as a pre-agreement has already been reached with the Congolese government. Angola, Nigeria and Botswana are also allegedly intent on the project.

Despite the enormous gain that is bound to arise from this project, the side effects have not been clearly weighed out. There are calls from environmentalists claiming there has not been enough Environmental Impact Analysis for such a huge project. *“The whole process, especially for such a large project, should not take less than a year, and will involve a lot of experts in various areas — geologists, sociologists, environmentalists, hydrologists, etc. — to make sure the project is implemented with the highest world standards.”* said Sanyanga, the Africa Program Director of International Rivers in Pretoria, South Africa. It is also said that the dam may displace up to 60 000 people. As to what extent the sting of project may be outweighed by the benefits, is still not wholly clear.

It would be utterly incomprehensible to talk about Congo's potential without mentioning its vast mineral deposits. It is the major supplier of cobalt, has 30 % of the world's diamond reserves, also produces large volumes of Coltan and the list goes on and on. Congo is globally known for its conflict minerals, which have also been the kerosene that rekindles the conflict in the East of Congo. Despite having petroleum, gold, diamond etc., the buzzing news has been about Coltan and Cobalt.

Cobalt, a byproduct of copper, is used to make lithium ion batteries. These are batteries that are used in the environment friendly electric cars. With the growing global talk on reducing emissions, the demand for cobalt is picking up (and so are

the prices).As minerals are the helm of the DRC's economy, this demand surge will go a long way in propelling an already soaring economy.

Now turning to Coltan, which turned the heads of all phone savvy millennial with rocking news that all the late night texting on their phones is at the expense of the conflict in Congo. Coltan is a fundamental part of mobile phones, pagers and laptops whose demand seems to be insatiable in an increasing tech-oriented world. The dividends from such a mineral would be immense if properly managed. Despite its heat resistant properties that make it a perfect capacitor for a wide range of gadgets, it has not had the same resistance to the exploitation of its wealth by rebel militias that have ravaged areas containing the precious mineral. Improved mining regulations and pacifying of the conflict are slowly sucking away the venom injected by the 'Conflict Mineral'.

2016 has been a major blow to the prospects of the DRC due to the fall of commodity prices and internal political crisis that has decelerated growth. Hopefully the administration will look at this as a warning sign and a loud call for diversification of the economy. The agricultural sector is blatantly under-utilised with only 10 % of the arable land being used. The reason is not any constraint of climate or a land preservation campaign as the location of DRC makes it even possible to harvest twice in the same season and a wide range of crops can do well in its environment. Agriculture has

constantly suffered at the expense of the more money-spinning mining sector and has not recovered from the nationalization of the sector that took place in 1970s. It is estimated that DRC has the potential to feed the whole of Africa but it has recently even resorted to importing food and was ironically ranked the hungriest country in the world in 2011 according to the Global Hunger Index(GHI).As if this is not mind boggling enough, it has also had severe cases of malnutrition.

Unsurprisingly, agriculture is not the only sector that is being used terribly lower than its potential. The timber in Africa's largest forest and the fish of the majestic Congo River face the same plight. As other countries are struggling with overfishing in Sub-Saharan Africa, it seems fish in the Congo River die of old age. DRC appears to have hysterically reached a mastery of underutilization techniques (not forgetting mis management).

But Can DRC actually fulfill its full potential? Well, obviously not 'full' but even those little baby steps it can take towards better resource management, better mining reforms, more inclusive mining sectors, pushing for better infrastructure et cetera would go a long way in establishing itself as an economic giant.



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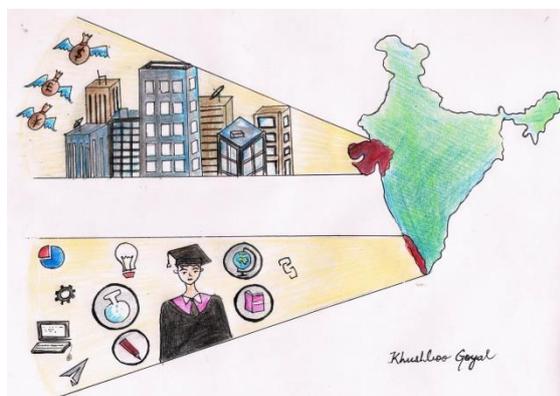
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# Two States and Their Idiosyncratic Growth Path

Smriti Mehra

## Summary

An extremely well written and comprehensive paper on the different approaches undertaken by the two most contrasting states of India, Kerala and Gujarat and a detailed breakdown of where each of these fairs better and where they lack. Well quantified and substantiated, although the length of the given paper might be an issue, it is remarkable. The author has also given an all-round perspective to the reader, be it from an overall growth POV, a per capita income POV or even a gender neutral POV. References and grammar have absolutely no problems, so not even a single change was required to be made.



## Introduction

Economic development is the process by which a nation improves the economic, political and social well-being of its people. In a multilevel federal democracy, a state often represents a middle level between the central government and the local bodies. Within broad constraints, different state governments in India have been following their own specific development strategies (Dholakia, 1994). After the economic reforms, states had greater autonomy to follow their own socio-economic agenda.

Kerala and Gujarat adopted distinct strategies for development. Kerala model focused on desirable social changes to bring about economic growth while Gujarat model tries to bag desirable social changes through sound economic growth. Both models are entirely dissimilar in terms of approach towards development. Both models were lauded for their achievements and were criticized for the drawbacks.

The objective of the paper is to identify the distinct features of models of development adopted by Gujarat and Kerala and contrasting their respective achievements in socio-economic sectors.

The first two sections of the paper discuss in brief the models of development adopted by the two states. The sections, thereafter, compare the respective achievements of the states. Further, it talks briefly about the existence of the paradoxes in these models, followed by the conclusion of the paper.

## Gujarat Model of Development

Development strategy in Gujarat State has been very clear and unambiguous ever since its inception in 1960 in according a high priority to industrialisation. Gujarat has followed “an open door” policy with regard to the factor mobility. The endeavour of the Gujarat government has all along been to provide as far as possible the most conducive environment to promote business and industry in the state irrespective of who provide and own them. Efforts made by Gujarat government during the nineties to promote the private sector in the state. It followed the following policies (Sengupta, 1996):

### (1) Providing tax and cost related incentives

In the industrial policy of Gujarat State during the nineties, the major instrument used by the state until recently was reduction, exemption or deferment of sales tax by the new business and industry to encourage them to locate in the state. Gujarat’s Industrial and Agro Industries Policies, 2000 have attempted to provide cost related incentives to the private sector by increasing subsidies in various forms (interest subsidy, R&D subsidy, land provision, capital subsidy). There was no change in the basic theory of State government that was, first to provide direct productive activity rather than creating social overhead capital. Most of these state subsidies are offered to the Small Scale Industries (SSI) as they create major employment opportunities outside agriculture. It also abolished Octroi in May 2001, which was a major barrier on free movement of goods leading to adverse impact on resource allocation and efficiency.

### (2) Provision of infrastructure and input supplies

In the second half of the nineties, there have been major liberalisation initiatives in Gujarat in terms of providing infrastructural support and input supplies to the productive units in the state. Following certain recommendations from the report of the Gujarat State Finance Commission (1994), major *reforms in the power sector* were initiated around 1995-96. The power sector was opened up to private sector but without tackling the issue of inefficiencies in administration of electricity board. With captive power policy and independent power projects (IPP), Gujarat became a power surplus state from being a power shortage state. Gujarat Electricity Regulatory Commission (GERC) was formed in 2000, to monitor the functioning of both Gujarat Electricity Board and IPPs and is empowered to take pricing and investment decisions in the power sector. In the other infrastructural sectors like ports and roads, the private participation is now encouraged.

Gujarat is not doing very well in terms of *social infrastructure*. Though it showed moderate performance in primary education, secondary and tertiary education systems are weak. Similarly, healthcare also needs to be addressed. Good health care facilities are available in the state at a high at cost but only selectively.

### (3) Granting approvals and clearances for industries

To promote industrial activity in the state, separate incentive scheme including speedy approval has been introduced. At the district level, it is the District Industries Centre (DIC) with principal objective of establishing the DIC is to provide all assistance under one roof to the entrepreneurs engaged in different types of industries and to those proposing to

establish small and cottage industries in the district (Government of Gujarat, 1999). To ensure better co-ordination among various agencies working in the district, a Single Window Industries Follow-up Team (SWIFT) is constituted in 1996-97 in each district.

For larger units, states in India have a limited role. After liberalisation in this sector, approvals are needed only for the 6 groups of strategic industries. The DICs and the Office of the Industries Commissioner at the state level assist these large industries in getting what they want. DICs also perform the task of follow-up and monitoring their progress.

(4) Restoring the market forces in the land market in the state

Another major liberalisation initiative is the abolition of the urban land ceiling in the state from April 1999 to restore the legitimacy of the transactions in the land market in the urban areas. It also amended the Town Planning Act in 1999, which now requires the buyer of the barren and undeveloped land under the urban development authorities of different metropolitan areas to keep or surrender 50% of the land for various infrastructure developments. The purpose of this amendment was to avoid excess cost and disputes in the matters of providing the required infrastructure in future as well as make the users pay for the cost of infrastructure. In the matter relating to making the land available to industries, the unique measure taken by the Gujarat government in 1997 is to grant permission to convert agricultural land to non-agricultural (NA) uses up to the limit of 10 hectares almost automatically. This cuts down the elaborate process and delays in obtaining the NA permission for land.

### **Kerala Model of Development**

Kerala's achievement of high human capabilities with relatively low levels of

income, industrialisation and employment has been a major topic of discussion in Development Economics, ever since the publication of *Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala* by the Centre for Development Studies (CDS), Thiruvananthapuram in 1975.

The Kerala model has been defined as:

1. A set of high material quality-of-life indicators coinciding with low per-capita incomes, both distributed across nearly the entire population of Kerala.
2. A set of wealth and resource redistribution programmes that have largely brought about the high material quality-of-life indicators.
3. High levels of political participation and activism among ordinary people along with substantial numbers of dedicated leaders at all levels. Kerala's mass activism and committed cadre were able to function within a largely democratic structure, which their activism has served to reinforce.

### THE "OLD" KERALA MODEL

Kerala exceeded other states in terms of social development from the time of independence. Since then much more progress have been achieved through state interventions comprising of welfare policies such as effective public distribution of food, systematic expansion of public health and education facilities and effectual land reforms.

Comprehensive *land reform* and other redistributive programmes were implemented by the state government. The elimination of absentee landlords and the return of land to the tiller was the key feature of the land reform programme. The most notable part of the land reform and redistributive programme was the right given to the tenants of the households to retain full ownership of their dwellings plus full title to one-tenth of an acre of the house-compound land. State government

introduced Agricultural Workers Reform Act in the 1970s that provided permanency for labourers attached to the farms, a provident fund and old age pensions and a minimum wage which is the highest in India.

The state government spent large amounts of the state budget for primary and secondary education, health care, immunisation, agricultural credits and housing targeted at poor citizens of the state. Establishment of fair-price or 'ration shops' through which essential staples were made available at subsidised rates. School lunch and feeding programmes have also helped to improve the nutritional standards of young children.

The people of Kerala are more politically active than the rest of the country. People are highly sensitive and actively participating in election campaigning, voting etc. This peculiarity of higher political activism among people helped the state to bring many changes in the economic and social developmental aspects of the state.

These achievements on social indicator did not get translated into economic performance. Overemphasize on redistribution and welfare policies resulted in scarcity of financial resources which threatened the sustainability of the old Kerala model.

#### THE "NEW" KERALA MODEL

During 1990s, greater attention was given to productive needs and democratic decentralisation. It took the directive policy of decentralisation more seriously and decided to allocate 34-40% of its annual budget to new development projects designed by local bodies. The decentralised and democratic planning gave people's participation a greater role. The new model relied on the similar basic principle of development through public action by a responsible state and popular participation. But, unlike old model the policies shifted from welfare to

participatory growth and from top-down intervention to bottom up planning.

New participatory initiatives try to overcome class conflict and party politics at local level by emphasizing joint productive interests and building mediating bodies in which different interest groups are represented.

At the onset of 1996, planning explicitly aimed at increasing production and productivity in agriculture, alleviating ecological problem, improving quality of social infrastructure and gender inequality.

The challenge to accelerate industrialisation and to develop the power sector remain in the realm of state and central government (Isaac and Harilal, 1997)

The new strategies adopted seem to have contributed to higher growth rates of 6-7% in 1990s (Franke and Chasin, 2000). Thus the new Kerala model pursued objectives of productive development, social improvement and environmental sustainability.

#### COMPARISON OF ACHIEVEMENTS

##### 1. NSDP

As shown in figure 1, Gujarat has been ahead of Kerala in terms of net state domestic product especially after the reforms of 1991. In 2013-14, NSDP (at current price) of Gujarat was Rs. 651916 crores which is almost twice of Kerala which was Rs. 351245 crores. But there is only a marginal difference in terms of NSDP per capita of the two states which is Rs.106831 in Gujarat and Rs.103820 in Kerala indicating a more inclusive nature of development in Kerala as compared to Gujarat.

## 2. INFRASTRUCTURE

Infrastructure development plays a major role in economic development of any region. Sound infrastructure encourages private investment and hence increases employment opportunities.

**POWER GENERATION:** The following table shows the total installed capacity in both the states as on 31st march, 2015 (in percentage). Gujarat through the reforms became a power surplus state with the highest electricity generation capacity through thermal power. The Kerala power sector is being congested presently by some serious hurdles such as inadequate production, over dependence on hydro power still and less dependence on renewable resources. Gujarat was able to diversify to renewable sources of power generation, while mere 1.24% of Kerala's installed capacity was from it.

**PUBLIC ROAD NETWORK:** Kerala has a huge road network of 243,374 km with per capita availability of 73 meters road length (KSPB, 2014). While the total road length in Gujarat in 2012-13 except non-plan, community, urban and project roads is 78,558 km with the per capita availability of mere 12.3 m (DES, 2015). The length of state highways in Gujarat is clearly in front of Kerala with per capita availability of 30.65 cm while it is even lower than half of it in Kerala. In major district roads Kerala had clearly advantage with the per capita availability of 822.73 cm length while it was mere 338.93 in Gujarat implying better rural road network in Kerala.

## 3. SOCIAL INDICATORS

**EDUCATION INDICATORS:** Phenomenal educational outcomes played key role in Kerala Model. As shown in the table below that Kerala has advantage in all major education indicators such as literacy, dropout and schooling. While Kerala is at first among Indian states and

union territories in adult literacy with 93.91%, Gujarat is far behind at 18th with 79.31% but well above the national average of 74% in 2011. Though Kerala had a greater level of education in 1961 and both the states showed an approximately equal increase in adult literacy but it was more gender equal in Kerala. Women's education has played important role in declining the mortality rates and enable women to take better charge of their lives. Also Kerala has a very low dropout ratio as compared to Gujarat.

**HEALTH OUTCOMES:** Kerala ranks first in India in all major health indicators such as life expectancy at birth (total, male and female), infant mortality rate, maternal mortality rate, fertility rate and birth rate. Life expectancy of Kerala which is 74.8 years in 2013 is much better than that of Gujarat where it is and comparable to that of US which is 77 years. Another achievement of Kerala model was the population control.

### PARADOX IN ACHIEVEMENTS

With the brief analysis of achievements of both the models, let us look at the some of the paradox that exist in their respective achievements.

The biggest paradox in the achievements of Gujarat and Kerala is in terms of poverty and unemployment rate. According to NSSO 68th round, Kerala has the lowest poverty ratio of 7.05% in 2011-12, but with highest unemployment rate (98/1000) amongst the states. Unemployment problem in Kerala is largely a problem of the educated population More than one-fourth of the rural educated and one-fifth of the urban educated were unemployed in the State. On the other hand Gujarat has the lowest unemployment rate but very high poverty rate but lower than the national ratio of 21.92% as per Tendulkar methodology.

Another contrasting aspect is the *crime rate against women and suicidal deaths* in the two states. Kerala praised for its women centred development have a considerable higher crime rate against women than Gujarat. Education has not brought with it the social enlightenment it should have. The state consumes the highest amount of alcohol per capita. Behind the natural beauty is a tale of despair, alcoholism, wife battering and suicides.

Mental strength better judged by suicide rate shows the strength of development models also. Kerala blessed with top level health and education standards was at 27th among the Indian states and 32nd among states/union territories with the suicide rate of 23.9 during 2014 while Gujarat with the suicide rate of 11.7 little above the national average of 10.6 was at 15th among states.

## Conclusion

‘One Economics, Many Recipes’ the title of the book by economist Dani Rodrik clearly suggests that there can be various ways to reach the final goal of development. The process of policy reforms at the state level assumes significance in providing a conducive environment for socio-economic development of the region. The paper tries to analyse the contradictory models of development implemented by Gujarat and Kerala.

Gujarat focused on providing the ‘direct productive activity’ rather than creating a social overhead capital. Kerala tried to

bring about desirable social change even with low income levels. Although Gujarat is ahead of Kerala in terms of economic performance, yet, Kerala has social indicators that are comparable with that of developed nations.

Along with these achievements there also exist interesting paradoxes. Despite having low unemployment rates, Gujarat has high poverty rate which is reverse in the case of Kerala implying more inclusive approach to growth. Though, Kerala has excellent social indicators, but, it failed in providing equality between men and women. The problem of crimes against women and high level of educated unemployment highlights the loopholes that exist in the model of development. Gujarat, with low crime rates, is considered a prosperous and safe state.

There have been debates between two eminent Indian economists, Amartya Sen and Jagdish Bhagwati over the issue of how development can be appropriated and what approach should be followed by the entire nation. Sen believes that capability development can lead to long term economic prosperity, while Bhagwati prefers Gujarat model with focus on achieving economic growth first leading to development of social infrastructure later. Both the models have acquired acclamations and subjected to some criticisms. Therefore, it is important to mix the correct ingredients from both the models to cook perfect the meal of economic development.

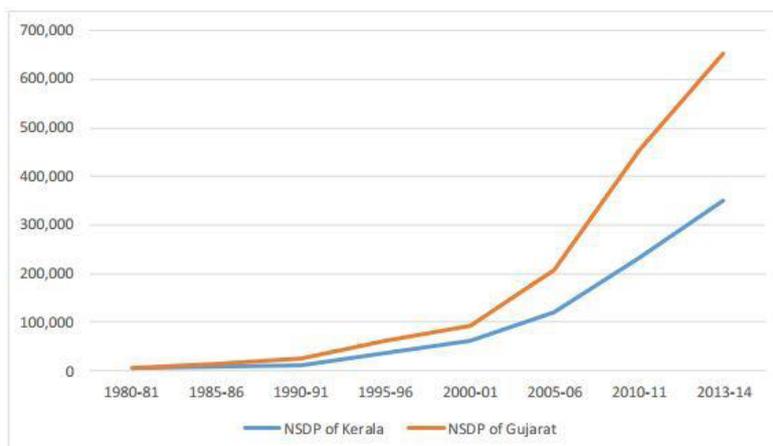


Figure 1: NSDP of Gujarat and Kerala (at current prices) in Rs. Crores Source: Economic Survey

Table 1: Total installed electricity capacity in Kerala & Gujarat as on 31.03.2015 (in %)

Fuel	Percentage		
	Kerala (2836 MW)	Gujarat (40950 MW)	India (278734 MW)
Thermal	25.35	75.25	69.6
Hydro	73.41	11.68	15.2
Nuclear	0	1.73	2.1
Renewable resources	1.24	11.34	13.1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Kerala economic review 2015 & Socio-economic review of Gujarat

Note: Figures in brackets show total production capacity in mega watt

Table 2: Education indicators

Education Indicators	Kerala		Gujarat		India	
	I	II	I	II	I	II
Adult literacy	55.08	93.91(1)	39.33	79.31(18)	12.95	74.04
Female literacy	45.56	91.98(1)	24.73	70.73(20)	5.05	65.46
Male literacy	64.89	96.02(2)	53.00	87.23(15)	19.75	82.14
Dropout ratio	-	0.27	-	6.91	-	-

Source: Census India 2011, Kerala economic review, socio economic review of Gujarat

**Table 3: Health indicators**

Health indicator	Kerala		Gujarat		India
	1991	2013	1991	2013	2013
Life expectancy	70.6	74.8	n.a	68.2	67.5
Life expectancy (female)	72	77.8	64.4	70.5	69.3
Life expectancy (male)	69	71.8	62.4	66.0	65.8
Infant mortality/1000 live births	17	12	69	36	40
Maternal mortality/lakh live births	133	81	389	148	212
Fertility rate	n.a	1.8	3.1	2.3	2.3
Birth rate (per 1000 population)	19.8	14.7	27.5	20.8	21.4
Death rate (per 1000 population)	5.8	6.9	8.5	6.5	7.0

Source: Economic Survey 2015, Kerala economic review, Socio-economic review of Gujarat

**Table 4: Poverty and unemployment (in 2011-12)**

Category		Kerala	Gujarat	All India
Poverty	Rate	7.05	16.63	21.92
	Rank	1	14	-
Unempt	Rate*	98 (41, 232)	7 (6,7)	29 (26,39)
	Rank	26	1	-

Source: National Sample Survey Office 68<sup>th</sup> Round & Planning Commission 2013

Note: \* Unemployment rate per 1000 (male-female unemployment in brackets)

**Table 5: Crime against women during 2013**

Category	Kerala	Gujarat	All states	All India
Crime rate	62.43	42.63	50.86	52.24
Rank	22	15	-	-

Source: National Crime Records Bureau report 'Crime in India 2013

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# The Inscrutability of Economics

**Manpreet Dash**

## Summary

Economics is everywhere and sometimes it may seem difficult and complex. It is a science as well as an art. And sometimes, it so happens that it is deliberately made complicated and difficult. It can be used innumerable ways and is regarded as common sense at its best.

The joke goes, “Economics is common sense made difficult.” It is a difficult science understood by few. Economics is often like the art of advocacy. You make complex things simple and not vice versa. But just as lawyers mint money by first convoluting their clients’ case and then navigating them through the labyrinth, economists too have to make simple common sense sound big to be in business. Studying economics equips people with various levels of financial literacy, which allows them to effectively manage their own finances and even advise others in financial management and planning too. But at the end of the day, it’s a difficult science, understood by only a handful of dialecticians and logicians.

Economics is inspired by pure common sense, made to look like rocket science so that people can be hired to work on it, and then ultimately what they say is what one would have guessed. Economists intentionally make the theories that they

come up with, complicate it and make it difficult to understand; else they have been out of jobs. Because if everyone started to understand this complexity then economists would lose their value. Hence, the inscrutability is not unintentional. In short, economics is a subject based on logic and everyday life, which can be understood by everyone but it’s simply

made difficult by the outside world. We use economics very frequently in our daily lives. As the science of decision making, economic philosophy operates in our daily life, whether we realize it or not. When we are evaluating the interest rates on our credit cards, or trying to decide whether to buy or lease a new car, or go out to dinner or a vacation, these are all decisions we make using economic thinking. Economics is also a large field with a rich history that’s been explored and examined by hundreds of influential people, ranging from philosophers to politicians. It is alleged that statistics with economics can prove or disprove anything. But yeah these data can easily be manipulated to make them in someone’s favour. Covering up losses or cooking up figures which are less susceptible to conviction isn’t very difficult.

Someone who indulges in subterfuge in daily life will soon be caught and thrown behind bars, but that when done in economics is innovation. A famous US president once said that five economists give six opinions. Economists never agree

because ultimately the objective, unlike physics or chemistry, is not to find the truth; but to foment diversity of opinion. The economics fraternity has made financial engineering a high discipline, which would otherwise be adjudged criminal. It is better that people do it professionally, thereby causing less harm, than they try their conjuring tricks on common populace innocent of economics. But when it is practiced in close circles, and common man is unaffected then the repercussions are less serious. That's how economics gives employment to people, who would otherwise be a threat to society; turn into frauds, swindlers, tricksters and what not. We should understand the limitation of the things in practice and why financial models should always be treated with a healthy degree of scepticism.

The greatest example of this is the financial crisis in the US. The reasons behind this crisis were recently unfolded. People far away from the US didn't know that what they are actually investing in is the US banks' NINJA loans. They thought they would end up making a huge profit but ended up losing all their money. That's a financial innovation that paid hugely to its practitioners. Sometimes lack of proper

information and knowledge leads to such things. Similarly there are many such cases where the general public is somehow fooled for the benefits of the so called "intelligent, logical and intellectually high people". So, primarily my argument to this is that things in economics are not as complicated and difficult as they seem to be. They are made so to favour a certain group of people. This so called inscrutability of economics can be used for the welfare of the society or to fool people. Thus, gives immense employment to dialecticians; can make you a renowned economist or a fraud. Economics is basically a knife in hand which can be used in any way we want.



# How Domestic-Global Interaction Help Global Economy

Ritisha Mishra

## Summary

Globalisation isn't just limited to goods and services but also ideas, particularly those pertaining to economic policy making. While international trends (pressures) might be responsible for policy implementation, it is the domestic factors that influence its form and diffusion.

## Introduction

The globalization of the world economy has not only provided a conduit for importing international trends in policy making, but also for exporting domestic policies and influencing global trends. In such a dynamic feedback system, it becomes necessary to examine exactly what kind of factors affect policy making in any economy. To that end, this essay explores the case for domestic factors, the case for global pressures, as well as domestic-global policy interactions.

The argument of this essay is that although both domestic factors and global trends play a crucial role, their roles are quite different. I argue that while international policy diffusion determines the overall course of economic policy in any economy, it is the domestic factors that

limit the *extent* to which international trends can influence policy. The exact

nature and shape of policy is ultimately contingent on domestic interests, ideas and institutions.

This essay will proceed in the following steps. First, on the basis of existing literature in the field of International Political Economy, I will lay out the case for international trends affecting economic policy and the role of policy diffusion.

Second, I will study the role of domestic factors in shaping economic policy. Finally, I will summarise the salient features of the argument and briefly mention its implications.

## The case for policy diffusion

No industrialized or industrializing nation can insulate its economy from global economic pressures. (Dolowitz and Marsh, 2000, p.6) Policy diffusion is the process by which policy decisions in an economy are systematically conditioned by policy choices made elsewhere. Four mechanisms of interdependent policy-making are usually recognised: coercion, competition, learning and emulation (Simmons, Dobbin and Garrett, 2006). I will now delve into the role these mechanisms have had to play in the six areas of economic policy.

In the case of privatisation in OECD and Latin American countries, Meseguer (2004) has found that *learning* and *emulation* played an important role in the privatisation wave of the of the 1990s. She finds that economic rationales alone are

insufficient in explaining why so many countries privatised together, and why then. Purely economic rationales cannot explain why countries where public enterprises were working well—such as France, South Korea, Austria, Taiwan—decided to divest. Efficiency considerations are also inadequate as “it may well be the case that privatisation merely transforms a state monopoly into a private one.” (Meseguer, 2004, p.302) Ideology, too, cannot explain why countries such as France and Britain saw both right-wing and left-wing governments supporting privatisation. In fact, it is learning from the experiences of countries which benefited from privatization or even emulating their “best practices” that played a major role in the incremental rise in privatization that was witnessed in the 1990s.

Closely related to the diffusion of privatisation has been the rise of regulatory capitalism. In an era where the logic of neoliberalism has gained eminence, it might seem paradoxical that regulation of the private sector should increase. However, this regulation does not come in the form of old-fashioned state command and control. Privatisation, it is argued, is accompanied by a new division of labour between state and society, which has resulted in an increase in delegation and new technologies of regulation. The following table (Majone, 1997, p.149) is useful in understanding the differences between the traditional Keynesian state and the modern regulatory state.

In fact, studies suggest that the rationale for regulation might be stronger than the rationale for privatisation. Regulatory solutions to market failure were initially

shaped in North America and Europe and are increasingly internationalized and projected globally as models of good governance. Coercion (through non-governmental and inter-governmental organizations) and the spread of the ideas of “best practices” have contributed to this diffusion. (Levi-Faur, 2005)

Even transitions to economic liberalisation, it has been found, cluster in time and space. The most influential factor in this instance of policy diffusion has been found to be *competition* for global capital, i.e., governments tend to liberalise when their competitors do. If country A’s foreign competitor B chooses to liberalise, B becomes a relatively more attractive venue for investment. Fearing that investors will be drawn away from it, country A will feel a pressure to liberalise as well. (Simmons and Elkins, 2004) In an era when developed countries are struggling to maintain positive growth rates and developing countries are racing to grow as quickly as possible, the significance of these pressures cannot be overstated.

Interesting policy convergence is also seen in the area of central bank independence, which has been on a radical rise since the 1990s. (See Figure 1) A central bank is said to be independent once it has gone through institutional reform whose explicit purpose is to grant it more autonomy from the government. Generally, functionalist explanations are provided by governments to justify such a reform: to tackle high inflation, increase credibility, acquire more expertise, et al. However, these demand-side explanations fail to explain rise of central bank independence in countries without high inflation. Moreover, studies

have failed to prove a significant relationship between central bank independence and low inflation rates. Therefore, the waves of convergence in such policies are explained by policy diffusion – in particular, though *coercion* and *emulation*. (Marcussen, 2005) Further, scholars like McNamara (2002) have critiqued this “one size fits all” type of governance that claims to result in better economic outcomes, even though no conclusive evidence is found to justify such rationales. ‘Normative isomorphism’, McNamara (2002, p.64) writes, plays a significant role in the spread of central bank independence.

Fiscal policy, too, is not insulated from global pressures. Swank and Steinmo (2002) conducted a study that suggests that internationalization has required a change in tax regimes across the world. Tax impacts of internationalization are more complex than globalization theory suggests, but it cannot be denied that there has been significant policy convergence in this area of economic policy as well. Figure 2 illustrates how the top income tax rates have fallen systematically across various economies.

Although the argument for policy diffusion in the case of industrial policy is a weak one, modern industrial policy remains an important aspect of economic policy. This is especially true in a globalized economy—where domestic groups are favoured over foreign players because of their territorial status. (Clift and Woll, 2012, p.308) Industrial policy as a terminology has largely disappeared from modern economic discourse; however, it is aimed at protecting the interests of domestic groups, which is something

governments are indeed interested in doing, particularly in light of increased foreign participation in domestic markets. Thus, the impact of international factors on such policies cannot be disregarded.

### **The practicalities of the domestic economy**

As discussed in the previous section, the impact of international factors on domestic policies is tremendous. However, this is not to say that policy diffusion implies that all nations will eventually have identical policies. On the contrary, it has been observed that more often than not nations tailor internationalized policies to suit domestic interests. These interests may be of powerful producer groups, or of politicians, or even (in an ideal scenario) of the citizens at large. These interests are aggregated through institutions, i.e., how interests are translated into outcomes depends on the strategic domestic environment, especially institutions and information. (Frieden and Martin, 2002, p.120)

Let us consider, first, the case of privatisation. The decision to privatise in most economies might have been a result of learning by experience; however, policy diffusion proves to be inadequate in explaining regional variations in privatisation. In some countries, privatisation was undertaken for pragmatic reasons (for instance, in Southern Europe and India); in others, it reflected a shift in ideology to roll back the state (examples are Mexico and several Latin American countries). Thus, it is local economic and political conditions that dictate how privatisation is carried out, what is privatised and how much is privatised.

(Murillo, 2002 and Schamis, 2002 cited in Meseguer, 2004) Moreover, since privatisation implies a change in ownership structure, it is the environment in which firms operate that determines the outcome of the new ownership structure. (Meseguer, 2004)

As in the case of privatisation, the timing of the rise in regulatory authorities can be attributed to policy diffusion. This does not imply, however, that the nature of regulation was the same in all countries. The increase in regulation in capitalist countries implies a growth in newer and more sophisticated instruments of regulation. The nature of these instruments, in turn, depends on the nature of the division of labour between state and society, which is contingent upon the policy goals and interest groups in the economy. This gives rise to national diversity in regulatory innovations and practices. (Levi-Faur, 2005) Regulation also sees diversity across sectors within an economy. For instance, financial regulation in a country like the United States faces more veto points and deadlocks than most other sectors in the economy. (Carpenter, 2010)

The case of liberalisation is an interesting one. Although all globalised economies face competitive pressures to liberalise, they do not do away with protectionist institutions altogether fearing political backlash. There continues to be a need to protect vulnerable groups, especially in underdeveloped countries. Moreover, studies on the diffusion of liberalisation do not predict a universal convergence towards liberalisation; rather, they predict convergence among competitors only. (Simmons and Elkins, 2004, p.173) This

can perhaps be seen in the fact that world trade liberalisation has hardly affected the continent of Africa, where trade-distorting support measures prevent access to international markets as late as 2004, and even afterwards. (Amoako, 2004)

Liberalisation in several economies is generally attributed to the coercive influence of the International Monetary Fund (IMF). However, some scholars (Mukherjee and Singer, 2010) have found that IMF loans have a positive effect on capital account liberalisation of an economy *conditional upon* the amount of welfare spending in that economy, and the ability of the government to compensate domestic groups that are harmed by liberalisation.

Some studies have found that liberalisation has been a result of democratisation, which can be viewed from an interest-based perspective. (Milner and Kubota, 2005; Hall, 1997) “Democratic leaders”, Milner and Kubota (2005) write, “...chose trade liberalisation as a means to garner political support”. Liberalisation can therefore be viewed as an interest-based political move. Financial sector liberalisation, in particular, is heavily dependent on the state of technology in the economy, especially the economy’s ability to fully exploit the advantages of telecommunications.

In the area of central bank independence, cross-national variations are quite clear. To begin with, the definition of ‘central bank’ and its functions varies from state to state. Independence of a central bank can be functional, legal, financial, or any combination of these. Moreover, the degree of autonomy and legal independence is a continuum—and no two

central banks have the same combination of functions and powers. (Marcussen, 2005) The following excerpt explains such variations well:

“...central bank independence also hinges on a broad series of factors and customary practices, which are partly determined by historical developments in the different countries. In particular, the way in which certain conflicts with other bodies of government have been resolved influences the extent to which a central bank is effectively protected against external interferences and marks the boundaries of independence.” (Bini Smaghi, 2008, p.447)

Taxation is another area where variations are evident. Although neoliberalism has required a change in the content of tax policy almost everywhere, these changes themselves are specific to each country. This is, in part, owing to the degree of dependence on fiscal policy in the economy. More importantly, the design of tax policy is significantly affected by the number and nature of actors in the tax-design process. This number is far lower in developing countries than in developed countries, and results in important variations. (Gould and Baker, 2002)

In the case of industrial policy, domestic interests play a vital role. An important point to keep in mind is that economic liberalism does not imply the disappearance of the state—in fact, most governments engage in some sort of industrial policy for domestic prerogatives. This phenomenon is referred to as ‘economic patriotism’ and can be either liberal or protectionist in nature depending

on the government’s policy targets. (Clift and Woll, 2012) In recent times, we have seen governments engaging in industrial policy in subtle and creative ways to avoid international criticism. Some economists find the recent rise in protectionism quite worrying and have found that countries as varied as India, Russia and USA are the “leading culprits”. (Johnson, 2016)

## Summing Up

In this essay, I have attempted to demonstrate how the course of economic policy is affected by international factors and policy diffusion, while domestic factors determine the objectives of policies and their final forms. I have done so by looking at six areas of economic policy. In the case of privatisation, learning and emulation contribute towards international convergence, even though the nature of privatisation can be pragmatic, tactical or systemic depending on domestic policy objectives. (Feigenbaum and Henig, 1994) Privatisation is closely associated with re-regulation, rather than widespread deregulation; however, the regulatory authorities and institutions vary immensely across countries and the extent of regulation varies across sectors. While liberalisation is propagated by neoliberalism, its limits are determined by powerful societal groups, government welfare objectives and the extent of democratisation. Central bank independence for monetary policy saw a drastic rise in the 1990s, despite the fact that the nature of such independence and the powers of central banks are as varied as they are numerous. Fiscal policy, while facing pressures to be less stringent, depends on government ideology and the nature and number of actors in the policy

design stage. Finally, industrial policy, although frowned upon by champions of neoliberal ideology, continues to be an important part of economic policies for the logic of prioritising domestic interests.

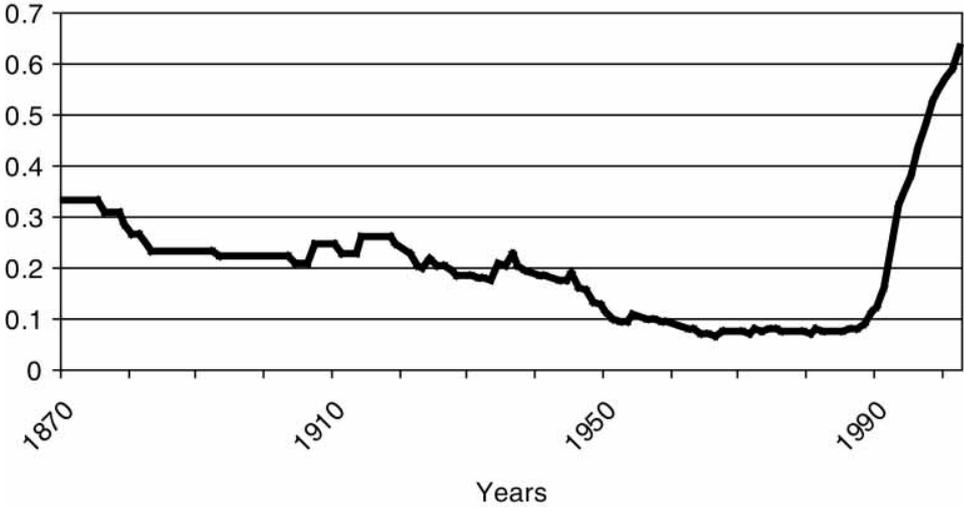
These observations lead to some pertinent questions about economic policy in the international context. First, why is it that global factors influence some countries more than others? What determines the extent to which a country can resist outside pressures? For instance, a country like France has a more active industrial policy than that of most other developed countries. Perhaps it is possible that the more developed a country is, the more it can afford to resist global pressures. On the other hand, it is also possible that

policy diffusion plays a role in the rapid development of a country, making it difficult for the country to oppose international trends. Second, given that certain policies are propagated as “best practices” and enforced by the hegemony of certain countries and organizations, there arise important implications about the sovereignty of countries. The 20<sup>th</sup> century has been a century of decolonisation, but is any country truly free in a globalised scenario where there is hegemony of a few powerful nations? Interactions between domestic and international forces are evidently complex—hence, these are some interesting areas where further research may be undertaken.

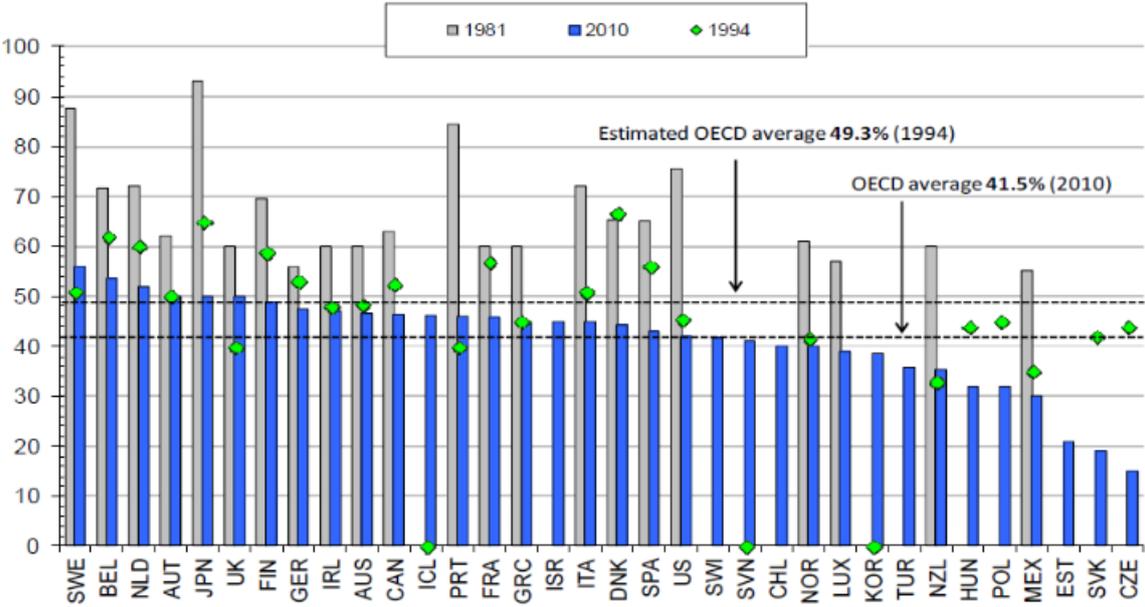
**Table: 1**

	Positive State	Regulatory State
<i>Main Functions</i>	Redistribution, macroeconomic stabilisation	Correcting market failures
<i>Instruments</i>	Taxing (or borrowing) and spending	Rule making
<i>Main Arena of Political Conflict</i>	Budgetary allocations	Review and control of rule making
<i>Characteristic Institutions</i>	Parliament, ministerial departments, nationalised firms, welfare services	Parliamentary committees, independent agencies and commissions, tribunals
<i>Key Actors</i>	Political parties, civil servants, corporate groups	Single issue movements, regulators, experts, judges
<i>Policy Style</i>	Discretionary	Rule-bound, legalistic
<i>Policy Culture</i>	Corporatist	Pluralist
<i>Political Accountability</i>	Direct	Indirect

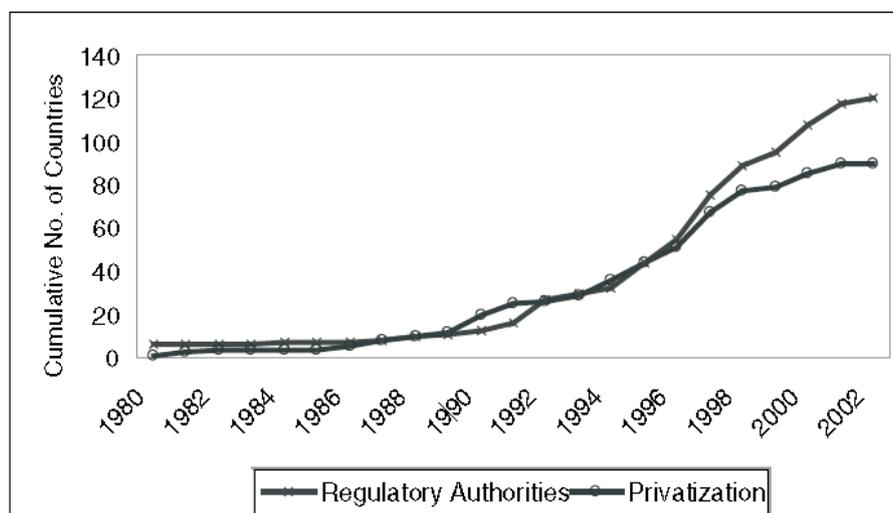
**Figure 1 - Proportion of central banks with legal independence, 1870–2003 (Source: Marcussen, 2005, p.906)**



**Figure 2 - Top (wage) income tax rates decreased (Source: Brys, Matthews and Owens, 2011, p.4)**



**Figure 3 – The diffusion of privatisation and regulatory authority around the world  
(Source: Levi-Faur, 2005)**



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# Living in Trans: A study on the socio-economic condition of the transgender community in India

Shivani Mohan and Shreshtha Mishra

## Summary

During the medieval and vedic age, transgenders were not only identified but also incorporated in the society. They held important positions and led respectable lives. However, presently the prejudice and ignorance of the majority has made them an object of travesty. Their position as deteriorated to such an extent that being harassed and humiliated has become a part of their existence. This articles sketches out their role in society from the vedic era to the present day, with an explanation of what brought about this drastic change. Through this article, we also seek to explain, if anything has really changed or whether there are any insinuations of change. By examining the results of 2011 census report, we try to find out the cause of the life that the transgenders are forced to live and understand what pushes them into the vicious circle of poverty, humiliation and helplessness. Having listed out the causes, we list out the possible solutions that can be adopted to make their lives better and provide them with basic human rights that our constitution guarantees to all its citizens.

## Introduction :

*“What is different will always be misunderstood, but it will always find a way”*

Life as a Transgender in India is a life full of being misunderstood, of being shunned, judged

and stared at. It is a life where you're discriminated against and forced to live below what you

deserve, even by the rights of humanity.

Called by several names such as hijras, kinnars (eunuchs), Jogtas, Aradhis ,sakhi,etc. , they are covered under the larger group of LGBTQ : Lesbian, Gay, Bisexual, Transgender, Queer.

## So, who are the transgender?

Unlike 'sex' which is assigned at the time of a person's birth, 'gender' is defined as the range of characteristics pertaining to, and differentiating between, masculinity and femininity. Depending on the context, these characteristics may include biological sex (i.e. the state of being male, female or an intersex variation which may complicate sex assignment), sex-based social structures (including gender roles and other social roles ), or gender identity . Thus, **"Male" and "female" are sex categories, while "masculine" and "feminine" are gender categories,** as defined by the WHO.

'Transgender ', as the name suggests, does not include sexual orientation and instead pertains to gender identity or gender expression. Thus, their gender identity differs from their sexual orientation and from the generally accepted stereotypical gender norms of the society.

## Lifestyle :

*“The mothers are usually called as Gurus and the daughters as Chelas. This was a family*

*hierarchy which is fully matriarchal. We have great grand mothers, grand mothers, mothers, aunts, mother in laws, daughter in laws, daughters, grand daughters and great grand daughters. Apsara, my mother from the trans family is my Guru. The chronological age has no value here, whoever joins the family becomes the part of the hierarchy and trans women who join thereafter will be the daughters or grand daughters of that person. This is a unique family system which the trans women have been following for more than 100 years and it is a strong bond which unites us as a family network throughout the country. Girls from any religion or sect can become a Chela (daughter). It is a true bonding based on loyalty, love and faith. Transwomen who run away fearing the stigma from their family and relatives usually join or create these families. Transwomen who stay with their biological families can be a part of these families too."*

(Excerpt from: **My Story**, by **Kalki** )  
(Cited)

### **Historical Role of Transgenders in Ancient Indian societies :**

#### **Transgenders and Hinduism :**

The "transgenders" have been mentioned in the 'Vedas' and there are several stories and art sculptures based on them in ancient Indian culture. There is an overwhelming presence of homosexual iconography in Hinduism. Copulation between the same sexes is represented in Hindu art in sculptures, carvings, and paintings. In Hindu religion and philosophy, erotic carvings representing sexuality and fertility, are highly revered. There are

several instances of transgenders mentioned in many Hindu scriptures and spiritual books. The Hindu God 'Shiva' has often been portrayed as having both 'masculine' and 'feminine' nature. The Hindus even have a transgender God "Ardhanarishwar", who represents neither Lord

Shiva or Goddess Parvati, but the two in unison. In Kama Sutra, the Hindu book on sexuality, homosexuality is considered permissible in some communities and forbidden in others.

A third sex has also discussed in ancient Hindu law, medicine, linguistics and astrology.

In Vedic Astrology, each of the nine planets has been associated with male, female or trans.

#### **Role in Indian history :**

The word "Eunuch" literally means 'keeper of the bed' as castrated men were in popular

demand to guard women of the royal household. During the mughal periods, they rose to well

known positions as administrators, political advisors, generals and even guardians of the

harems. Hijras were considered to be clever, trustworthy and fiercely loyal and had free access to all spaces and sections of population, thereby playing a crucial role in the politics of empire building in the Mughal era. The Hijras also occupied high positions in the Islamic religious institutions, especially in guarding the holy places of Mecca and Medina, they were even able to influence state decisions and also received large amount of money to have been closest to kings and queens. There is a detailed reference in Jain Texts to Transgender, which mentions the concept of 'psychological sex'. In ancient Hindu traditions, transgenders were accepted and considered to be an auspicious group. They gave their blessings at weddings and childbirth since

they were considered to bring special luck and fertility.

## **So, what brought about deterioration in their status?**

### Criminal Tribes Act 1861

This legislation was enacted during the British rule to supervise the deeds of the transgender community. It deemed transgenders as innately 'criminal' and 'addicted to the systematic commission of non-bailable offences'. It allowed the colonial government to arrest transgenders without warrant and sentence to imprisonment upto two years or a fine or both. Act has, however, been repealed in August 1949. But the damage to the social status of transgenders was done as now society began to view them as criminals.

### Section 377, IPC

Under the Colonial Rule, Section 377 of the Indian Penal Code was introduced in 1860. This criminalised the sexual activities "against the order of nature", arguably including homosexual sexual activities.

**“Unnatural offences:** Whoever voluntarily has carnal intercourse against the order of nature with any man, woman or animal shall be punished with imprisonment for life, or with imprisonment of either description for term which may extend to ten years, and shall also be liable to fine.” Because of this, the fact that people are transgender became a criminal offense. They started facing a social stigma, which overtime became social abuse, with numerous incidents of hate crimes against the LGBT community. Instead of considering it as a state of being, people considered it as a social vice which gave the power to the state and made it their responsibility to contain it.

Over time, transgenders began forming their own close communities that even had their own language in some instances. They would go to birth ceremonies of children to give their blessings, and additionally to see if the child is normal. In case he is not, they take the child with them, where he lives as a part of the transgender community. People living in such communities are outcastes and rarely have any access to education or any other government resources. They have to live their lives in poverty and are seldom forced to go into sex work, to earn an income.

Census in India started in 1871, but it was not until 2011 that the population of transgenders were calculated. This was done by including them under the category of “others”. This was a monumental step since it allowed transgenders a recognition, and allowed them basic rights such as voting, and crimes against them being registered.

### **Census Results from 2011 :**

Some salient features of the results regarding the transgender community in the census of 2011 include:

1. No. of transgender in India presently: more than 490,000 ; of which 55,000 are in the 0-6 years old population.
2. Literacy rate: 56.07% as compared to an overall literacy rate of 74%
3. Maximum number of eunuchs found in Uttar Pradesh state of India with around 5% of the total percentage of state population.
4. Number of them found in Andhra Pradesh, Maharashtra, Gujarat, Bihar, Rajasthan and Delhi are 5%, 11.0%, 6.0%, 6.5%, 4.5% and 2.0% of the total percentage of state population respectively.
5. Over 66% of the population identified as third gender lived in rural areas, very close

to the 69% of the overall population that lives in villages.

6. Among several hideous measures that they resort to in order to earn money, many of them start working as sex workers which in turn has its own implications. For example, HIV rates are very high among the Hijra community. Statistics vary between 50 and 80 %.

7. Majority of them belonging to the age of 23, 24, 25, 26 years are dying of diseases or suicide.

### **Further explanations and evidence**

While transgender rights activists believe the number of transgenders to be around six times more than the number reported, they are surprised by the large number of 0-6 year olds in the count. A surprising fact is that such a large number of parents have chosen to identify their children as transgenders. "Parents of transgender individuals tend to be in denial. They feel that this can't be happening to their children. There is shame associated with the issue. They worry about what people will say or if at all the society will accept their child." (cited) An aberration from this norm, surely provides a reason to be optimistic about the future

Further, the low literacy rate among the group is not very surprising, as discrimination, harassment and the fear of being misunderstood and judged, usually forces them to quit school (as proposed by Anjali Gopalan of the Naz Foundation, an Indian HIV/AIDS awareness organization). Because of the low literacy rate and prejudices in people's minds, transgenders find it very difficult to find regular jobs. Even if a trans person gets a job, more often than not, due to non-sensitisation of the workplace, they are forced to leave and go back to the street to sell their body or beg for a living. A study conducted across 17 states by Department of Aids Control (DAC) under the National Aids Control Programme-IV found that

around 62 percent of the transgender in India are involved in sex work and number is highest in Uttar Pradesh. This leaves them highly vulnerable to HIV, as according to studies done globally, trans women are up to nine times more prone to be infected with HIV than their female counterparts. A study conducted in a Mumbai STI clinic reported very high HIV seroprevalence of 68% and high syphilis prevalence of 57% among Hijras. In Southern India, a study documented a high HIV seroprevalence (18.1%) and Syphilis prevalence (13.6%) among Hijras. Even in the sex workers community, they are considered to be at the bottom rung of the sex workers and are often mistreated. They are accepted only behind bushes and in dark corners of the city and most of them do not even make it to hotel rooms. In event of a complaint regarding the work conditions, due to their class and gender, they are often also harassed by the police.

### **Difficulties in Data collection :**

While transgenders were included for the first time in the Census of 2011, there were major trust issues on their part while replying to the questions. While many did not know their ages, others were afraid that the personal questions would lead to further police harassment and chose to not answer many questions. When asked about what they do for a living, they gave curt replies like, "Don't you already know that?" Further, they refused to answer many questions and asked the data collectors to 'just write what was best for their child' Refusal to spell out their exact profession, age, etc. has led to a lot of confusion and statistical inconsistency for the data collectors. This problem can only be solved when they are made to believe the data collectors and are free of all fear of harassment from the local authorities. This trepidation of theirs also speaks volumes of their woes and sufferings. While inclusion in the census is definitely a big step, it will not serve a purpose until

the reasons behind the dismal statistics are carefully studied. The low literacy rate among them must act as an eye opener for the people as well as the government. Sensitization of the workplace and encouraging companies to hire transgenders is necessary to pull them out of the vicious cycle of sex work and beggary.

## Supreme Court judgement

### NALSA vs. Union of India

The case was concerned with the legal recognition of the transgender people, and whether the lack of such measures was against the Constitution. Before this judgement the Indian law only recognised two genders - male and female. The gender assigned to the person at birth would determine their rights with regards to marriage, adoption, inheritance, succession, taxation and welfare. Since this law does not extend to transgenders, several fundamental rights such as rights to a dignified life, equality before the law, nondiscrimination and freedom of expression, were being violated. The court acknowledged the discrimination that transgender people face in areas of life including health care, employment and education, which often leads to social exclusion. Court stated gender identity to be an integral part of personality which cannot be overruled through medical procedures as a part of conforming to two genders for gaining legal recognition. The right to choose one's gender identity was upheld as integral to the right to lead a life with dignity. Additionally, the court asked government to address the educational, social and health care issues faced by transgender people.

### **Has anything really changed ?**

The Supreme court's judgement, unfortunately did not cover the unorganised and the corporate sector. Here

again we see the gap between the law and the implementation of the law. There are several examples of transgenders who are gainfully employed and happy, but these cases are exceptions rather than being the rule. The judgement in itself had a loophole that it was not effective on the corporate sector. The major part of the problem is that, as the census indicates only 57% of the transgender population is literate. And even a lesser percentage has a college education and degrees from well-established institutions of the country. This ultimately results in them not being suitable to get a good job, since they are not able to compete with the mainstream. At best, they get low paying jobs, but majority still remain jobless, which throws them into the vicious circle of poverty. Poverty forces them to become sex workers, which increases the incidence of STD's among the transgenders. This strengthens the stereotypes of public against them, who try to avoid them, ultimately outcasting them. The law, ultimately, does nothing to change the mindset of people, which is the most important tool to guarantee them a life of dignity.

The other side of the tale is the discrimination they face at the workplace. People continue to imagine them in the stereotypical get up and treat them the same way and they are continually harassed. This forces companies to restrain from hiring them as sensitization of the workplace is considered to be a difficult task. There are, however, many institutions who have and continue to employ transgenders. The Future Group, Snapdeal, Kochi Metro Rail Limited (KMRL) being some examples. Other examples are of Padmani Prakash, who is India's first transgender to anchor a daily television news show on Lotus News; Manabi Banerjee who is India's First transgender Principal, and will be heading Krishnanagar Women's College in West

Bengal. Transgenders are also excluded from the political decision-making process. Since the vote bank formed by them is not large enough, no political party goes out of its way to appeal to them and take their problems into proper consideration. There is also a considerable amount of hatred and disgust against them in the mainstream population.

The exclusion of the transgenders can be brought down to three levels, which are -

- Economic exclusion: Due to lack of education, and hence job opportunities.
- Social Exclusion: Social outcasts, limited access to public spaces
- Political exclusion: Limited rights to participation in decision making process

### **What is the way forward?**

Now is the time for the Indian authorities to give up on their own prejudices and work to

implement the Supreme Court's directives successfully, in order to bring the transgenders to the mainstream community. In order to provide transgenders equal opportunities and equal standing as any their citizen of our country, it is necessary to deal with the problem on all three levels. We believe that *introduction of sex education as part of curriculum* will prove to be effective. This must also include giving knowledge about the transgenders. We believe that imparting this knowledge is a major step in improvement of the present status quo. Since, part of the reason of the hatred against the transgender is that people fear them as they are not fully aware about them. It is necessary to extend this not only to the schools, but also to the rest of the population. We believe that this can be achieved through the help of print and social media.

We can *establish a campaign* in support of the transgender community to ensure that they are fully accepted in the mainstream.

Transgender kids face a lot of bullying in schools, which leads to higher dropout rates. Due to lack of proper education and requisite degrees, they are not able to enter the job market and hence are left behind. It is necessary to reduce the dropout rate. It is necessary to make the *workplaces more open to receiving transgenders* and reduce the harassment faced by transgenders when they enter the job market. This can be done by *training the teachers and management* to be more sensitive towards the transgenders. There is a need to *improve their access to the public spaces*, more importantly places like hospitals, health centres and clinics. Since many transgenders are involved in sex acts under unhygienic conditions, they are more prone to STDs including HIV/AIDS. Government should try to set up *separate HIV surveillance for the Transgenders*, to educate them about the unhealthy sex practices and provide adequate care to those suffering.

Since transgenders face a lot of harassment daily and at various levels, there is a need for *adequately trained psychologists*, to help them and their families deal with the mental and

physical harassment, the drug abuse, and continuous depression. Government should take steps in order to frame *separate social welfare schemes* that tender specifically to the needs of transgender community. It is easier to make the law, but rather difficult to kill the social problem. This task falls to the government. It is the duty of the government that the transgenders receive equal rights as any other citizen of the nation. It is upto the government to reduce the daily harassment faced by the transgenders and help them lead a life of dignity.

### **Conclusion :**

Gender identity, which refers to a person's intrinsic sense of being male, female or transgender, is one of the most-fundamental and misconceived aspects of

life. The ignorance of the society and its failure to distinguish between a person's sex and gender has led to a life of misery for certain sections of the society.

The society likes to examine everything in terms of black and white, with white being attributed to all that conforms to the commonly held belief. However, it is important to understand that there are grey areas everywhere, and that no one gets to dictate what is 'black' 'white' or 'Grey'. They are many people who do not 'swim with the stream' and everyone must have the freedom to choose who they want to live as, what their gender will be, and be respected for it. Everyone is unique and that is where our diversity lies.

Moral failure lies in society's unwillingness to accept the transgender community and ridiculing them at every level. Being a transgender is not a crime, nor is it unnatural. They have been a part of our society since ancient times and have occupied several respectable positions, sonmuch so that some societies consider them to be auspicious and their blessings beatific. Still, a majority of them are uneducated, forced to live in a state of penury, forced to resort to sex work and beggary. This vicious cycle of illiteracy, poverty and consequently unemployment or employment in such sectors can be traced back to a single reason: discrimination, fear of being misunderstood and not accepted, fear of being laughed at by classmates and teachers, being harassed by coworkers, of people seeing right through them and ignoring their existence. This is how it starts and this is why their future seems so dismal. Sensitization is an arduous task but all that it takes is for one to accept and respect that transgenders are people, they have suffered a lot and it's high time we started treating them as one of us.

Ultimately, it lies in the hands of people and that how sooner they agree to change.

For the well being of the transgenders, it is necessary that general public understand their feelings and mental status. Government should be more sensitive towards the fear, shame, gender dysphoria, social pressure, depression, social stigma that the transgenders have to face.

Authorities should ensure that transgenders can live safely and don't have to deal with harassment, on family level or in public. They should ensure that transgenders regain the respect they were once given in our society. In the 21st century when the world believes it has achieved major feats, learnt from history and proved its technical prowess, it is about time that we accept transgenders as 'normal' and not aberrations from the norm. Only when we live and let live, can be truly claim to be human, and only then, can any government claim to be working for its people. Without that, we are just a bunch of hypocrites!

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# The Risk and Vulnerability Assessment of Delhi's Water Supply Shocks

**Anshu Kumari, Rahul Singh Chauhan, Tanya Sethi**

(As a part of Researching Reality Internship 2016, Centre for Civil Society)

## Summary

This paper analyses the water supply shocks in Delhi and identifies the various possible hazards that can result in such shocks. Further it does a risk assessment of these hazards by developing a risk score matrix and by likelihood description. This is complemented by primary data analysis to understand the water supply problems in 3 areas across Delhi.

Water has been at the centre of political and socio-economic turmoil in recent times. With the ever-growing needs of a growing population, provision of water has become a quintessential policy issue. Water, which has been seen as an unalienable right and one of the basic needs for survival, has ceased to be an unlimited resource. In recent times, the exponential increase in demand for water and its rampant wastage has made it necessary to put a valuation to it.

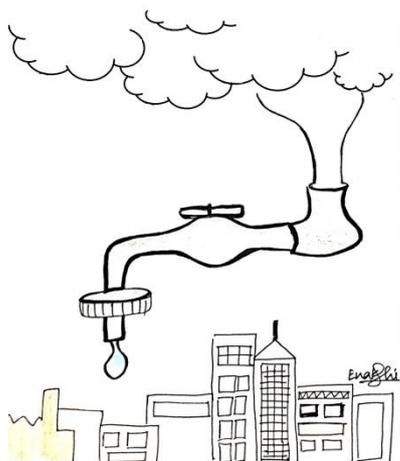
Hence we ask, what is the value of water in Delhi? Of late, that question has been answered by blatant water supply shocks due to human activities. The Munak Canal sabotage, ammonia contamination and similar detrimental hazards have

repeatedly paralyzed Delhi's Water Supply.

This necessitates a policy framework that analyzes risks and associated socio-economic vulnerabilities posed by such water supply disruptions. The paper is a step towards formulating this framework.

## Background & Definitions

The present study evaluates the risk associated with water extraction, transportation and treatment on quantum of water supply. This study does not take into account the distributional aspect and the quality of water supplied. Risk assessment in water supply refers to evaluation of the potential risks that may be involved in the process. It is, here, calculated as the cross product of the likelihood of occurrence of a Hazard and the severity of its consequence. The distinction between hazard and risk needs to be understood so that attention and resources can be directed to actions based primarily on the level of risk, rather than just the existence of a hazard. Vulnerability is again a distinct concept from risk. Risk assessment examines the ability of different groups to resist the impact of hazard, once it has already taken place. In this context, it would imply how different groups respond and resist to water supply shock



## Methodology

### *Hazard Identification*

For the purposes of Hazard Identification, a comprehensive list of all the plausible hazards is made through reading case studies of water supply shocks across the world and brainstorming. After a careful study, relevant hazards are identified.

### *Risk Assessment*

Risk is assessed qualitatively by gauging the likelihood of the occurrence of identified Hazards and attached severity of their consequences.

### Likelihood Description

Likelihood in the context of the present research means the probability of occurrence of the hazard. The paper utilizes a qualitative assessment of grading likelihood under the five heads given below. In a qualitative assessment, likelihood may be calculated with the following parameters: -

- a. Historical Data
- b. Trend Analysis and Forecast
- c. Anecdotal evidence

### **Assessment I:**

For the survey, a random sample of 50 RWA's from Central and South West districts of Delhi was taken.

Both these districts were affected because of the sabotage (DJB press release).

RWA's of both planned and unplanned colonies were chosen through methods of random sampling from telephone directory. All the RWAs interviewed had been registered with the government.

Following factors have proven to determine the vulnerability of localities in face of water cut:

**Availability of boring in locality:** Though 25 of the 40 localities that had access to borings depended on external water supply during water cut, average out of pocket payments of households were reported to be lower than of colonies without any access to groundwater.

This happened because demand of water for non-potable purposes was fetched by borings. Those who did not own one, shared from the neighbors.

### **The ease of getting water from DJB tankers**

As noted earlier, the level of dependency on tankers vis-a-vis borings has been low. One reason has been the shortage of water while the relative ease of getting water from boring rather than tanker is also a factor. Few localities complained that they didn't get DJB tanker during the period even after repeatedly calling at the DJB emergency service number. They either had to call incur cost of calling private tanker or had to limit their water consumption. There were also examples where RWA president/secretary pointed out the help of sources like Zonal engineer

and MLA who helped them ease the process of procuring DJB water and also prioritize their locality when water supply was rationed. Furthermore, an RWA President based his case against not calling on tanker on an incident of murder in procuring water from tankers. There was an interesting case where price paid to DJB tanker was more than that charged by private tankers\* The plying of both these DJB and private tankers is subject to a lot of transparency issue and has been under scrutiny. Since, tankers form an important contingency measure, the lack of transparency and susceptibility to political interests further increases the vulnerability of localities, especially for those lacking political power.

### **Unsustainability of contingency measure**

From this analysis, it comes out very evidently that groundwater connection can prove to be a lot helpful even when there is a pipeline supply of water. But going beyond the immediate results, it is realized that such incentive is self-destructive. Once the access to groundwater is lost, no contingency measure will be left in case of any shock to supply system. Even in the present hazard, since the groundwater has depleted in many regions and is not fit for drinking, households were forced to buy drinking water even if they were not buying in normal scenario. And families who couldn't afford the cans had to suffer. The accelerated rate of depletion as identified earlier in risk assessment section means that the primary contingency measure is unsustainable.

### **Assessment II: Data collection at household level**

Three different kinds of localities were visited and a sample of 20 people were interviewed in each. Localities: Kautilya Apartments, Dwarka, Sector 14; Malkaganj; Bharat Vihar, Dwarka

### **Observations**

- If water is being provided by tankers which is done once or twice a week, people become habitual of consuming less amount of water. In case of Jat agitation, the provision of water tankers in Bharat Vihar to delayed by a day or two at maximum. Though some had to buy drinking water cans from outside, there was not much of problem faced by the community.
- In case water is solely provided by water supply, people face a lot of problem when water supply is cut off.
- However, living in a society reduces the vulnerability as collective action helps. In most societies, there also exist society level borings which though used to water gardens are used when water supply is cut off.
- Living around neighbors with boring also reduces vulnerability as non-drinking water is obtained free of monetary cost.
- In case boring is used additionally, people prefer to use DJB's water to drink. In case of water supply cut, the only cost involved is related to procuring drinking water, that too when RO is not put and ground water cannot be used at all.

### **Likelihood Index for Risk Matrix**

- i) Point Risk (A point risk reflects the risk posed by abrupt and

unpredictable events that last for a short duration but may endure larger and long term damage.)

- ii) Continuous Risk (There also exist persistent risks that persevere through time. These

include risks posed by Climate Change, Mining, and Excessive Groundwater Extraction. In this case we may take into account the rate of damage caused by the given hazards.)

### Risk Matrix Score

RISK SCORE	Low	Average	High	Very High	Extreme
Highly likely	11	16	20	23	25
Likely	7	12	17	21	24
Somewhat Likely	4	8	13	18	22
Unlikely	2	5	9	14	19
Highly Unlikely	1	3	6	10	15

### Risk Table

Hazard	Type	Likelihood	Severity	Risk Quotient
<b>Earthquake</b>				
	Low Intensity <3.5	Highly Likely	Low	<b>11</b>
	Medium Intensity 3.5-4.5	Likely	Average	<b>12</b>
	High Intensity 5.5<	Somewhat Likely	High - Very High	<b>13-18</b>
<b>Flood</b>	Major- Water levels above 205m	Unlikely	High	<b>9</b>
<b>Climate Change</b>				
	Reduced river flow	Persistent and constant rate of decline - somewhat likely	High	<b>13</b>
	Reduced Groundwater	Persistent and Increasing rate	Very High	<b>21</b>

	recharge	- likely		
	Disappearing water bodies	Persistent, Irreversible and Increasing rate - Highly Likely	Average	<b>16</b>
<b>Contamination</b>	Ammonia	Highly likely	Very high	<b>23</b>
	Heavy metals	Likely	High	<b>17</b>
	Eutrophication	Somewhat likely	Average	<b>8</b>
	Organic contamination	Somewhat likely	Average	<b>8</b>
<b>Mining</b>	Floodplain and riverbed	Persistent and Constant rate	High	<b>17</b>
<b>Accidents</b>				
	Drawing water tragedy	Somewhat likely	average	<b>8</b>
	Chlorine leakage	Somewhat likely	average	<b>8</b>
	fire	Highly unlikely	Very high	<b>10</b>
<b>Power cut</b>	WTPs, Tube wells	Likely	High	<b>17</b>
<b>Non-water related acts of violence</b>	Deliberate Sabotage	Somewhat Likely	High-Very High	<b>13-18</b>
<b>Water Development Disputes</b>				
	International water development disputes	Highly Unlikely	Extreme	<b>15</b>
	Intra-national water development disputes	Unlikely	High-Very High	<b>9-14</b>
<b>Adverse change in inter-state water sharing agreements</b>				
	Inter-state Yamuna-water sharing	Highly Unlikely	Extreme	<b>15</b>
	International	Highly Unlikely	Extreme	<b>15</b>

	sharing of Indus river basin			
	Inter-state sharing of Ravi-Beas river	Highly Unlikely	Extreme	15
	Inter-state Ganga water sharing	Highly Unlikely	Extreme	15

## **APPENDIX**

### **Severity Index for Risk Matrix**

Extent of shortage in water supply	Severity of Risk
Major part of water cut for 30 days or more	Extreme
Minor part of water cut for 30 days or more; Major part of water cut for five days or more	Very High
Minor part of water cut for 15 days or more; Major part of water cut for 1 days or more	High
Minor part of water cut for 7 days or more; Major of water cut for or more	Average
1-5% of water cut	Low

Level	Description
Highly Unlikely	Probability or Past frequency below 2% in a given time period
Unlikely	Probability or Past frequency between 2-10% in a given time period
Somewhat Likely	Probability or Past frequency between 10-25% in a given time period
Likely	Probability or Past frequency between 30%-50% in a given time period
Highly Likely	Probability or Past frequency above 50% in a given time period

Rate of Damage/ Damage	Likelihood of Risk
Persistent, Irreversible and Increasing Rate of Damage	Highly Likely
Persistent, Reversible and Increasing Rate of Damage/Irreversible and Constant Rate of Damage	Likely
Persistent, Reversible and Constant Rate of Damage/ Irreversible but Decreasing Rate of Damage	Somewhat Likely

Persistent and Reversible but Decreasing rate of Damage	Unlikely
Reversible and Decreasing Rate of Damage	Highly Unlikely

#### Observations for vulnerability assessment of RWA

Colony Profile	Total Number	Number of colonies dependent on external water sources during water cut	Percentage of colonies dependent on external water sources during water cut
Number of colonies with provision of DJB water pipeline for households	41	27	65%
Number of colonies with only individual borings for at least of the households	23	17	N/A
Number of colonies with only community borings for households	3	1	N/A
Number of colonies with both individual and community borings for households	6	4	N/A
Number of colonies without any access to groundwater	8	5	N/A
Number of colonies without provision of DJB water pipeline for households	9	2	22%
Number of colonies with only individual borings for at least some of the households	4	1	N/A
Number of colonies with only community borings for households	2	1	N/A
Number of colonies with both individual and community borings for households	2	0	N/A
Number of colonies with no access to groundwater	0	N/A	N/A
Total number of colonies surveyed	50	29	58%

# Research Papers



# The Story of Migrants in Delhi

**Ritisha Mishra, Maitreyee Krishna, Shubham Kaushik**

*This essay is a product of research conducted under the Research Programme of the Economics Department in the year 2016-17. The authors are grateful to Urja Jain and Nikita Sharma for their invaluable assistance.*

## Introduction

According to the 2011 Census, internal migrants make up one-third of India's population, with a figure close to 400 million. Employment and marriage are the two main drivers of migration. The widening rural-urban divide, with a lack of employment opportunities and social services, has led to acceleration in the movement of people in search for livelihood. According to studies, Delhi is one of the leading destination states for internal migration, with most migrants coming in from Uttar Pradesh, Bihar, Haryana and Punjab.

Migration impacts the labour markets, expenditure patterns and relations on a household and community levels in the places of origin and destination. The phenomenon is an essential and inevitable part of the economic and social life of India and has potential to contribute to economic prosperity, social cohesion and cultural diversity of the destination. However, due to the absence of a coherent policy framework and strategy, migration has taken the form of issues like urban

congestion, considerable costs in terms of human development of the migrants like poor working conditions, lack of social security and limited access to services like health and education.

Despite the large number of internal migrants and India's history of labour mobility, internal migration streams have not been studied extensively. The State has also failed to accord due importance to this invisible 'floating' population of millions.

## Theoretical background

Theories on the initiation of migration generally make distinction between 'push' and 'pull' factors—the 'push' from the rural areas and the 'pull' of the urban areas. However, these forces seldom operate in isolation. Migration occurs when workers are unable to find suitable employment at their source ('push') and expect to achieve an improvement in living by migrating ('pull').

Neoclassical Economics focuses on differentials in wages and employment conditions between regions, and on migration costs. It generally conceives movement as an individual decision for income maximization. However, according to the New Economics of Migration (proposed by Stark et al), wage differential is not the necessary condition for any

migration to occur; households may have strong incentives to diversify risks through migration even in the absence of wage differentials. This is certainly true in the context of rural-urban migration in India, where high risks involved in agriculture force rural labour to migrate in search of alternative employment.

An important factor in the initiation of migration is the demand for low-skill labour generated in urban regions as they become increasingly industrialised and modernised. This is a crucial aspect of the Dual Labour Market theory, which links immigration to the structural requirements of modern industrial economies (Piore, 1979). In the case of large, urbanised cities such as Delhi, this is observed in the acceleration in the inflow of low-skilled migrants particularly in areas of rickshaw-pulling, construction, cleaning and vending. In this research, we choose to focus on this particular class of migrant labour as they are the ones facing the highest uncertainties and are the most vulnerable. Moreover, several conditions associated with their migration are also found in the case of other types of migrants.

### **Description of sample**

For this research, primary data has been used—collected with the use of a formal, structured questionnaire. The questionnaire includes (but is not restricted to) questions about family background, motivations for migrating, incomes (both before and after migration), savings, remittances, health, education, living conditions, et cetera. For this survey, a migrant has been defined as **a person who has moved to Delhi from their place of birth or place of previous**

**residence on a temporary, semi-permanent or permanent basis.** A migrant household is one survey unit. A household was selected as the appropriate unit of analysis for migration research because of two reasons: one, in all these cases, the decision to migrate was not an individual one even in cases where only one person in the household had migrated, and two, the income earned through migration was consumed by the household and not by the migrant alone. The survey was conducted on 96 migrant households across Timarpur, Majnu ka Tila and the north campus of University of Delhi in North Delhi, and Chanakyapuri and Okhla in South Delhi.

The target migrants of the survey were those employed in low-skill jobs like those of rickshaw-pulling, manual labour, construction, vending et al. The migrants surveyed were found to hail predominantly from Uttar Pradesh and Bihar, with a few from Jharkhand, Madhya Pradesh, Rajasthan, Haryana and Orissa. In the sample, the oldest migrant came to Delhi in 1979, and the most recent in 2016.

### **Problems with the study**

While the overall objective of the study, which was to analyse the lives of migrant workers in Delhi, was achieved to a considerable degree, there were several issues during the survey process due to which analyses of certain nature were not possible:

- During surveys, we largely encountered females of the migrant households available as responders due to the males being out for

work. In most cases, women were not able to provide us with accurate figures for household incomes, remittances sent, and monthly savings, because this was information the men of the household did not share with them.

- While construction workers form a considerable proportion of the migrant population in Delhi, there were logistical issues with surveying them. They work on hazardous construction sites under strict supervisors who would not allow them to be surveyed while working, and it was difficult to survey them at their residences since most of them live in temporary tents near or at the construction sites and work from dawn till dusk.
- Figures on the amount of loans taken and the proportion of income used to pay off debts were not recorded because most respondents were uncomfortable with discussing debt.
- One of the initial objectives was to compare the standards of living of the migrant households in origin and destination states in terms of their nominal incomes and access to basic facilities like health and education. However, this comparative analysis could not materialise since a number of respondents came to Delhi as adolescents and did not have reliable information on their family incomes and access to facilities in their origin states.

## Findings and analysis

### 1. Income

Incomes recorded have been segregated into income classes of width INR 5000 for analysis, to yield the following results:

The lowest monthly income recorded was Rs. 3,000 while the highest was Rs. 45,000 – both of which were earned by food vendors. The highest proportion of respondents falls in the income-category of Rs. 5,000 to 10,000.

While 79.56% of surveyed households are living above poverty line, only 35.48% of the earning members in these households earn at least the official minimum wage.<sup>1</sup>

- **Consumption expenditure**

In our study, per capita consumption expenditure has been calculated as a residual—first, remittances and savings were subtracted from total monthly income, then this amount was divided by the number of members of the household residing in Delhi. The average per capita consumption expenditure of our sample worked out to Rs. 3619, a little under the Delhi average.<sup>2</sup> However, this average value is not a representative value due to several outliers: while there are a couple of households with per capita consumption expenditure as high as Rs. 9000, there are also

many others where this value is below 1000.

- **Savings and Remittances:**

30.1% of respondents in the sample were able to save from their monthly incomes, with the average saving being 8% of monthly income. However, only 50.54% of such households put their savings in bank accounts.

65.59% respondents send back remittances on a regular basis to their hometown or village as the case may be. Of these, only 63% migrants earn at least the monthly minimum wage. While a majority of the respondents reported that agriculture is carried out by their families in their village, in all but 3 cases the crop grown is for self-consumption only and rarely sold in the market. Thus, such families depend heavily on the remittances they receive. Coupled with the fact that these migrants have dependents living with them in Delhi—school-going children and unemployed spouses, for instance—remittances are a large drain on their incomes, resulting in very low disposable incomes per capita. On the average, the respondents send home 27% of their income—and in some cases this proportion is greater than 80%.

## 2. Educational attainment

The educational attainment of the earning member with the highest level of education in the household was recorded. Of the respondents, 25.7% had never had any kind of formal education. 20.3% of the respondents were educated up to the

primary school level, 21.6% were educated up to middle school, and 31.1% of them were educated up to secondary school or high school. Only 1.4% of the respondents were educated beyond class 12. Level of education of migrant workers showed no correlation with the level of income in this study.

## 3. Nutrition

Respondents were asked about their consumption of various food items in order to ascertain the nutrients they receive through their typical weekly diet. All households consumed sufficient levels of carbohydrates through potatoes and cereal. Main sources of protein in a typical diet were pulses, which respondents consumed 4.07 times a week on the average. 67.4% of the respondents ate non-vegetarian food, and consumed it 2.27 times a week on the average. Respondents consumed milk, a source of vitamin D and calcium, 4.7 times a week on the average. 95.7% of the respondents consumed vegetables, with potatoes, cauliflower, and spinach being the most accessible items. Only 51.6% respondents could regularly consume fruits. Most respondents and their families had a fairly varied weekly diet. However, due to lack of ration card in most cases (elaborated in the following section), this also means that expenditure on food erodes a large part of their monthly incomes.

## 4. Documentation and Social Integration

A major issue faced by migrants is the lack of documentation in the destination states, which deprives them of social services they would otherwise be eligible to avail of.

While the reach of the *Aadhaar* Card in the sample was 86%, only 39.13% of respondents had a ration card. 35.86% respondents had other forms of identity proofs, like a PAN card, voter ID card, and in one lone case, a passport.

Voter ID cards are specific to the constituencies in which the voter has to cast his/her vote. When migrating from one state to another, the eligible voters encounter a change in their current address, whereas permanent address remains the same, i.e., the state they have migrated from. After migration, they are required to apply for a new voter ID card, as they have moved into a new constituency. Now, the application form requires proof of current residence through:

- a) Bank / Kisaan / Post Office current Pass Book, or
- b) Applicant's Ration Card / Passport / Driving license / Income Tax Return filed or Assessment Order, or
- c) Latest Water / Telephone / Electricity / Gas Connection Bill for that address, either in the name of the applicant or that of his / her immediate relation like parents etc. or
- d) Postal department's post received / delivered in the applicant's name at the given address.

In case the applicant does not have any proof of residence in his name, the verifying officer may take witnesses from neighbourhood about the factum of residence and identity of the applicant. However, most respondents without a ration card reported that their landlords were not willing to vouch for them on paper. Since India does not yet have an absentee ballot system for all citizens,

most of such migrants are unable to cast their votes. Travelling to their village to cast a vote can prove costly in terms of both time and money, as most of these unskilled migrants are daily wage earners. Therefore, despite being on electoral rolls, these citizens inadvertently drop out of the electorate.

As far as ration cards are concerned, they serve no purpose other than providing access to public distribution system (PDS). They are two types of ration cards: red for BPL, and blue for APL. There are several issues with ration cards as well:

- a) Since December 2013, ration cards have been issued in the name of the oldest woman (above the age of 18 years) in the family, as the head of the family. Other families with women who are not of voting age yet, with only men, cannot apply for or successfully obtain ration cards.
- b) While moving from one state to another, the family needs to apply for a new ration card, which requires proof of current residence in the form of bills or other identity cards. These proofs are difficult to acquire.
- c) Ration card requires proof of Indian nationality, which is usually guaranteed by the voter ID card. Aadhar is taking over as the new proof of Indian citizenship, although, it has not been mandated by the Government of India yet.

A majority of the low-skilled workers, who migrate to Delhi in search of employment, are thus left without any proof of identity. Without a ration card, they cannot avail of the benefits of the

PDS. Sugar, oil, wheat, rice, kerosene are some of the most important things that are needed by them in their day-to-day lives.

It was also found that possession of a ration card was in no way related to the number of years the migrant had lived in Delhi. Most of the respondents who had been living in Delhi for two more decades did not have ration cards. A probable reason for this, as reported by a large number of respondents, was that proof of current residence was difficult to obtain because their landlords refused to vouch for them. Obtaining a ration card does not require a permanent address, but it does require a No Objection Certificate from the landlord of the applicant. Another reason mentioned by several respondents was that application and receipt of ration card requires them to spend long hours in queues, which they cannot afford to do, due to the nature of their jobs. There were also cases where the (male) migrant had lived in Delhi for decades, yet had not been able to acquire a ration card because there was no woman in the household (because the rest of his family lived in his native place).

Aadhar card is a big success in terms of the number of people who have it. The Government of India is putting tremendous effort to ensure that all citizens of India have Aadhar and to make everyone's lives simpler by linking all the identity proofs. The Government is also attempting to link Aadhar to the PDS, and if successful, this move will render the ration card redundant.

Opening and maintaining bank accounts is another issue for these migrants. Jan Dhan Yojana (JDY) launched in 2015 was done so as to enable those without access to

banking to open bank accounts. A minimum of eleven rupees is all it takes to open an account, and so, millions of people now have JDY accounts. However, mere possession of JDY accounts has done little for the intended beneficiaries. Many of the respondents reported that they barely save money at the end of the month, and when they do, it is too little an amount to be put into the bank. Therefore, the mere existence of an economical banking scheme is not sufficient to ensure financial inclusion for low-skill, low-income workers like the targets of this study; supplementary schemes for social security, food security and affordable housing are required to raise their real incomes.

## 5. Other services

Respondents of this survey were satisfied with the supply of electricity, which was regular in most cases. The water supply available to respondents was through a variety of sources, which included private boring, government taps, and government tankers. However, wherever households could afford it, they preferred bottled water for drinking.

Sanitation, however, was a major issue. Even though most of the migrants in our sample lived in *pucca jhuggis*, only 43.95% could afford to have toilets built inside their homes. Among the rest, 43.95% used public toilets while the remaining 12.10% defecated in the open.

Those who used public toilets on the regular basis reported that despite paying Rs. 5 per day to use these facilities, maintenance in these toilets was very poor. Although we did not inspect the aforementioned toilets ourselves, the fact that migrants who are used to defecating in

the open found sanitation in these toilets unsatisfactory might be insightful commentary on the efficacy of the *Swachh Bharat Abhiyaan*.

## 6. Perception of migration and other issues

On being asked about their motivation for migrating to Delhi, nearly all respondents said that there was little or no scope for gainful employment in their village—for most, it was a choice between migrating and remaining practically unemployed.

Respondents were also asked questions to gauge their personal assessment of their migration experience. Of all the respondents, 77% reported that they had mingled with the local community and 82.2% were satisfied with the people in their neighbourhood. While 79.1% reported to be happy with their lot, only 62.64% said that their expectations from migration had been met. When asked about their intentions of remaining in Delhi in the foreseeable future, 41.1% said that they wanted to return to their villages, 36.67% said that they wished to continue living in Delhi, and 22.2% said that they did not really have a choice because either they had no avenues for employment in their hometowns or their children were studying in Delhi, or both.

We also asked the migrants about other problems that they faced in their day-to-day lives since they migrated—such as harassment by the police and municipal officials. Even though most respondents reported to having faced no such issues, further enquiry revealed that most vendors and rickshaw-pullers in fact made informal

monthly payments to the police or Municipal Corporation or both for being allowed to conduct their business. For these migrants, these payments are the rent that they pay for being allowed to earn a living in the city, and they do not see the imposition of these fines as “harassment” in the first place, despite them often being extremely arbitrary. However, it must be noted that these fines are not small amounts. In the case of one cigarette vendor in the Okhla area, these fines combined amounted to Rs. 2000. Since his entire monthly income was Rs. 10,000 and he paid Rs. 3000 in rent to live in Delhi, he was left with Rs. 5000 from which to spend on himself and send as remittances to support a family of eleven.

## Migration in India – the latest numbers

According to data cited in the Economic Survey of 2017, Delhi is the largest recipient of migrants in the country, accounting for more than half the number in 2015-16. In the five years ended 2016, an average of nine million people migrated between states every year for either education or work. This is almost double the inter-state migration recorded in 2001-2011. The study based on the analyses of new data sources and new methodologies also shows that the migration is accelerating and was particularly pronounced for females. However, policies and institutions required to ensure maximum (or even minimum) welfare gains from migration have not kept pace. “Portability of food security benefits, healthcare, and a basic social security framework for the migrant are crucial,” states the Economic Survey of 2017.

## Internal Migration – policy challenges

Due to the low priority accorded to internal migration by the State, policies have also failed to provide any sort of relief in terms of social benefits or legal protection to the already vulnerable population of migrant workers. While certain policies and schemes do exist to ensure migrant welfare, there are various shortcomings in the existing policy framework.

Under the existing structure for policy implementation concerning migrant workers, the Ministry of Labour at the central level, and Departments of Labour at the state levels are responsible for implementing protection measures. Certain existing labour laws are applicable to migrant workers in general, among which the important ones are:

- the Inter State Migrant Workmen (Regulation and Conditions of Service) Act, 1979
- the Minimum Wages Act, 1948
- the Contract Labour (Regulation and Abolition) Act, 1970
- the Equal Remuneration Act, 1976, and
- the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996

However, the nature of the employment situations of most low-skill migrant workers practically ensures that they fall out of the ambit of these labour laws and most other policies enacted for welfare and security of workers. For example, the Inter State Migrant Workmen Act, 1979, defines an ‘inter-State migrant workman’ as “any person who is recruited by or through a

contractor in one State under an agreement or other arrangement for employment in an establishment in another State, whether with or without the knowledge of the principal employer in relation to such establishment”, due to which the law isn’t applicable for most low-skill migrant workers, such as the ones in this study, since they mostly migrate independently and not through contractors or similar agencies. The 2011 amendment made the act gender neutral by amending its title and replacing the word ‘workman and workmen’ by the words ‘worker and workers’ respectively but did not add any other provisions to ensure coverage of more migrant workers or improve the implementation of the act. The act, which could prove to be tremendously beneficial to inter-state migrant workers with some revision, currently suffers from several shortcomings:

- It excludes a considerable number of migrants from its ambit because the act is only applicable to migrants crossing state boundaries
- It does not monitor unregistered contractors
- It does not cover migrants who migrate independently and not under contractors
- It includes no guidelines for inter-state cooperation
- It does not address social protection of migrants
- Important provisions such as minimum wages, displacement allowances etc remain unenforced

Similarly, the other listed acts also exclude low-skill migrant workers from the benefits and protection they aim to offer by being applicable to only particular

kinds of jobs or their limited definitions of the term ‘migrant’.

### Conclusion

The aim of this study was to get an insight into the living and working conditions of low-skilled migrant workers in Delhi, and to analyse this in light of their own perception of their migration experience.

We found that the motivation for migration for most of the respondents was the lack of gainful employment in their villages or hometowns. The decision to migrate was made for them since it essentially came down to migrating or being unemployed. All the respondents of the study are employed in low-skill jobs like those of rickshaw-pulling, manual labour, construction and vending, and the most number of respondents earn a monthly income between Rs. 5000 and Rs. 10,000. Moreover, jobs like manual labour and construction often involve working long hours in hazardous conditions. While 79.56% of surveyed households are living above poverty line, only 35.48% of the earning members in these households earn at least the official minimum wage. Water and electricity supply were satisfactory for most respondents while sanitation, in terms of access to toilets and their cleanliness, was an issue.

While the households’ decision to migrate has accorded them with some form of employment enough for their sustenance, it is evident that in most cases it has done very little beyond that. In fact, migration comes with costs of its own for households surveyed. The incomes earned by workers in Delhi were sent back to their villages or hometowns in 65.59% of the cases in the study because their families back home are dependent on this income. These

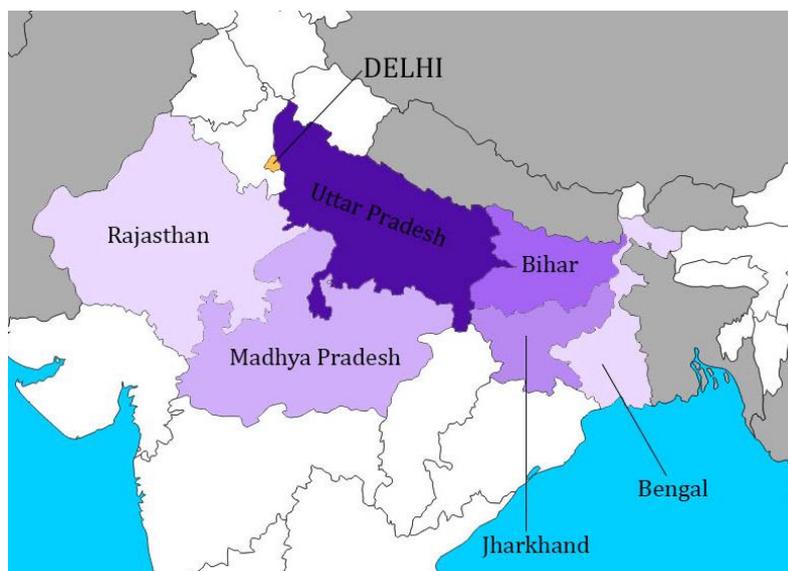
remittances are a considerable drain on the incomes of the households in Delhi and leave them with very little disposable income for self-consumption, let alone saving. In fact, only 30.1% of the respondents were able to save from their monthly incomes—on an average of 8% of their monthly income.

Migration also brought along issues of documentation and identification for most respondents, which excluded them from various social benefits that they would be eligible to avail of otherwise. While Aadhar Cards had a considerable reach within the sample of our study, only 39.13% of the respondents had ration cards and even few still had voter ID cards. Many respondents were unavailable to get ration cards due to requirements of proof of current address, which are hard to get for them, and the restrictions of the card being issued only in the name of the oldest woman. The lack of voter ID cards amongst respondents also signalled to a political exclusion of this already vulnerable group from the electorate. This political exclusion is especially relevant given the low priority accorded to internal migration by the State. Most low-skill migrant workers fall out of the ambit of the existing policy framework due to the nature of their work, leaving them without any binding social benefits or legal protection, almost making them second class citizens in their own countries.

The constitution of India guarantees all citizens the right to move freely throughout the territory of the country, and the quasi-federal structure of India allows for easier coordination of policies aimed at internal migrants. With the large number of internal migrants in India and India’s

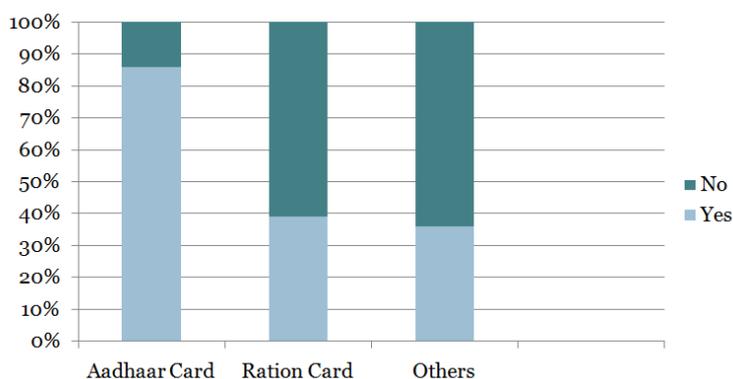
history of labour migration, it is imperative that the policy framework integrate this portion of the population so as to reduce the heavy costs on human development brought on by poor working and living conditions. The issues of political

exclusion and social and legal vulnerability may be remedied with a show of political will for more inclusive policies, and more stringent and implementation of existing policies.



Monthly household income (rupees)	% of surveyed households
< 5000	2.17
5000 to 10000	45.65
10000 to 15000	27.17
15000 to 20000	16.30
20000 to 25000	5.43
25000 to 30000	0.00
30000 to 35000	1.09
35000 to 40000	1.09
> 40000	1.09

Educational attainment	%
None	20.4
Primary school	20.4
Middle school	25.8
Secondary/HS	32.3
Graduate	1.1



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# Pratyaksha Hastaantarit Laabh (PaHaL) Scheme: A move towards fixing India's broken subsidy regime

Rituparna Sanyal, Shraddha Shrivastava, Payal Priyadarshini,  
Enakshi Panda

## I. Introduction

"If the JAM Number Trinity can be seamlessly linked, and all subsidies rolled into one or a few monthly transfers, real progress in terms of direct income support to the poor may finally be possible," stated the Economic Survey 2014-15. It acknowledged that price subsidies are often regressive<sup>3</sup>. In a move to eliminate leakages in subsidies without reducing the amount of subsidies themselves, the JAM (Jan dhan, Aadhaar, Mobile) Number Trinity was extended to directly transfer subsidies to LPG customers, and is being considered for food and kerosene subsidies as well. The Trinity can cut the government's subsidy burden by 25-30%.

The Indian government has been providing LPG subsidies since late 1970s, in order to make clean cooking fuel affordable for Indian households (Jain, Agrawal, & Ganesan, 2014). With the rise in LPG consumption and prices, the overall annual subsidy burden on the government has more than tripled over the last 10 years, from INR 10,246 crore in 2005/06 to INR 36,580 crore in 2014/15 (Petroleum Planning and Analysis Cell, 2015). In order to target the rising burden on the government, among other major issues, direct cash transfer of subsidy and targeting the beneficiaries was recommended. In line with the

recommendations of the 2010 Expert Group, the Government of India launched the Direct Benefit Transfer for LPG Scheme in 2013.

The PaHaL (DBTL) Scheme for direct transfer of subsidy to the LPG customers, which was earlier launched on 1<sup>st</sup> June 2013, and covered 291 districts, made Aadhaar mandatory for the customers to avail the subsidy. A modified version of the scheme, re-launched in 54 districts on 15<sup>th</sup> November 2014 in the first phase and on 1<sup>st</sup> January 2015 in the rest of the country, removed the requirement of having an Aadhaar number. With effect from 15<sup>th</sup> May 2015, all LPG customers obtain cylinders at market price and only those who enter the scheme receive a one-time permanent advance and subsidy directed to their bank accounts on the purchase of each cylinder. As of January 28, 2016, the scheme covered 149.7 million domestic connections (more than 90% of the total active user base) (MoPNG, 2015). PaHal is now the world's largest subsidy benefit transfer scheme (MoPNG, 2015). It aims to curb diversion and weed out fake/duplicate connections.

Our study aims to analyse the overall efficacy of the scheme, while highlighting its challenges and providing our recommendations to overcome awareness, availability and administrative hurdles. We also wanted to study whether the

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beneficiaries are able to access their money easily.

In this paper, we start off with reviewing existing literature on the topic and outlining our methodology. We move on to talk about the existing banking scenario among the poor (especially urban poor) and give a brief overview of the LPG market in India. Finally, we discuss the scheme in detail, its limitations and our suggestions for its improvement.

## II Reviewing Existing Literature

Over the past few years, many reports and articles have been written, reviewing the functioning of the DBTL scheme.

The Economic Survey (2015-16) examines the first variety of JAM—the PAHAL scheme of transferring LPG subsidies via DBT. The Pahal scheme has been a big success. The use of Aadhaar has made black marketing harder, and LPG leakages have reduced by about 24 per cent with limited exclusion of genuine beneficiaries. However, diversion of LPG from domestic to commercial sources continues, because of the differential tax treatment of “commercial” and “domestic” LPG. In other words, the One Product One Price principle is still being violated. Despite huge improvements in financial inclusion due to Jan Dhan, the JAM preparedness indicators suggest that there is still some way to go before bank-beneficiary linkages are strong enough to pursue DBT without committing exclusion errors.

A Government Committee (May, 2014) has examined the functioning of the DBTL scheme in depth by meeting all stakeholders to understand every aspect of the scheme and the difficulties

encountered by the stakeholders, primarily LPG consumers. After a detailed study, the committee strongly recommends that the DBTL scheme be recommenced as it is a very efficient way to disburse subsidies. However, it has suggested several systemic changes and enhancements to mitigate the hardships reported by the LPG consumers.

The Council on Energy, Environment and Water (CEEW) is one of India’s (and South Asia’s) leading think-tanks with a vast scope of research and publications. CEEW addresses pressing global challenges through an integrated and internationally focused approach. CEEW conducted an independent performance evaluation of the modified DBTL scheme (April, 2016), with a focus on assessing the efficacy of the scheme against its stated objectives and its implementation process, as well as the experiences of key stakeholders with the scheme’s implementation and impact. The study also unravels the difficulties faced by different stakeholders and puts forward suggestions for reforms. Finally, it provides insights into the lessons learned from the scheme’s implementation. Besides achieving its objectives to a significant extent, the DBTL scheme elicited high levels of consumer satisfaction. Moreover, all the key stakeholders expressed a positive outlook towards the scheme, except the banking personnel.

## III Methodology

This paper is based on a household survey covering 100 urban households in the capital city of New Delhi. With an aim to evaluate the modified DBTL scheme and assess its efficacy, we surveyed urban poor households with an average income of Rs

7,365 per month. A purposive sample<sup>4</sup> was chosen to see whether the poor had access to the subsidised LPG cylinders. Our focus was on the customer only, not on the other stakeholders<sup>5</sup>. We carried out the surveys in Timarpur, Vijaynagar, Patel Chest Institute area, Burari and Adarsh Nagar in North Delhi, and Dhaula Kuan and Chhattarpur in South Delhi. The areas were selected based on our convenience, in terms of proximity and access. We also interviewed a few support staff in our college.

We personally interviewed the respondents and prepared a comprehensive questionnaire for the same. Interviewees were asked about their awareness of the scheme, whether the payment of subsidy was regular and whether they had any difficulties in accessing it, among other questions. The questionnaire was designed to understand consumer awareness, their perspective and their experience of the scheme, as well as the issues they faced. We also tried to elicit the users' views on how the scheme has affected them.

All the interviews were conducted in September-October 2016. (Note, the survey was undertaken before the government's demonetisation move.) The paper was written in January 2017.

#### **IV Financial Inclusion and Literacy**

As LPG coverage expands in rural areas, the subsidy program could create additional barriers for economically weaker strata of the society. These could be in the form of no bank account or the

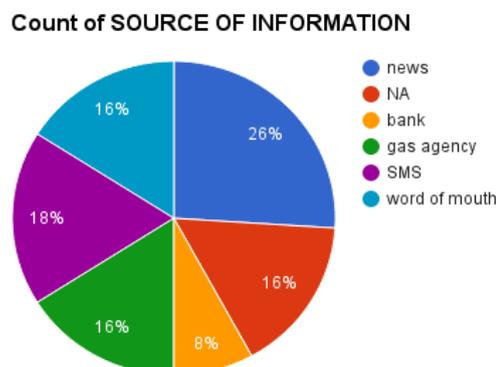
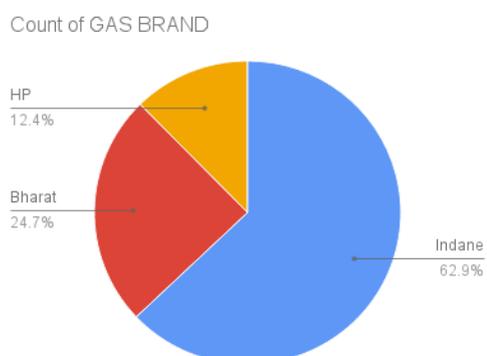
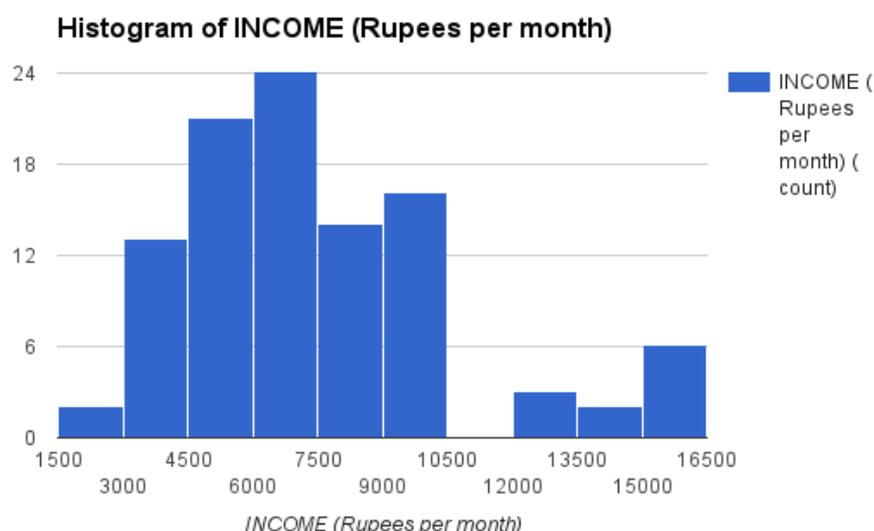
distance the person travels to have access to banking services. While the Pradhan Mantri Jan Dhan Yojana has increased the number of rural households with bank accounts, we need innovative payment approaches to fill the gap of last mile access to banking services. Our survey that was conducted in urban poor areas gave the result that only 12% of the households knew when the subsidy is delivered, while 22% knew the amount of subsidy delivered. Our inference from the data is that though banks are located close to households, they aren't used at frequent intervals and very few people keep a check on their bank account activities.

Of the sample urban poor population, only 1% did not have a bank account and 4% did not have an Aadhaar card. Reasons of not having an Aadhaar card included distance between people's homes and the enrolment centre and the inconvenience of the process. We assessed the scheme's efficacy in terms of the extent to which it could achieve its stated objectives. Close to 71 % of the consumers enrolled in DBTL reported receiving their subsidy in their bank accounts. However, issues such as non-receipt of subsidy and lack of information about the subsidy transfer need to be resolved urgently to ensure that the subsidy reaches all deserving households, not only for economical purposes, but also in the quest for providing clean fuel across the nation. Thus, the DBTL scheme could help accelerate PMJDY, the financial inclusion scheme, to cover the unbanked households. This would also improve the overall outlook of the scheme for the public at large.

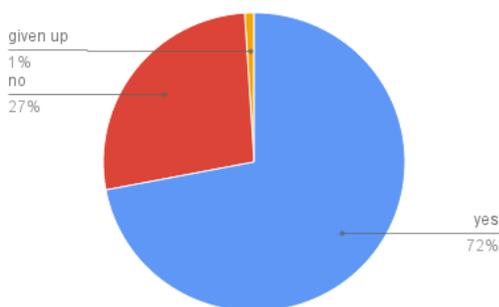
#### **V The LPG Market in India**

The rising preference for LPG (Liquefied Petroleum Gas) for domestic consumption has been witnessed through the expanding customer base of the LPG market in India. At the same time, as our data suggests, 8% of the sample still uses coal for their cooking and heating needs, whereas another 8% uses LPG along with coal. LPG customers are tied to LPG distributors, usually determined by the geographical location, thereby providing customers very little freedom to choose their distributors. LPG distributorships are appointed by the Public Sector Oil

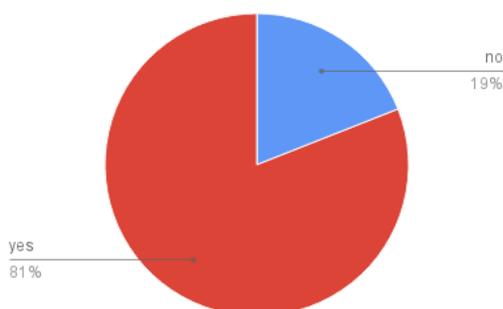
Marketing Companies (OMCs). Heavy subsidies in domestic LPG sector by the government makes it difficult for private firms to survive in this sector. As per our survey, there were three major market players, all from the PSU sector, viz. Indane, Bharat and HP. Their respective market share was 69.2%, 24.7% and 12.4%.



Count of LPG SUBSIDY



Count of AWARENESS ABOUT SCHEME



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# To Identify and Study Variables Affecting the Demand for Swadeshi Products

**Shreshtha Mishra, Aanchal Goyal, Khushboo Goyal, Shubhangi Sharma**

*This essay is a product of research conducted under the Research Programme of the Economics Department in the year 2016-17. The authors are grateful to Tanya Sharma and Annapurna Kumar for their invaluable assistance.*

We are witnessing an era where “Start-up India, Stand Up India” and “Swadeshi Lao, Bharat Bachao” are establishing norms of the society. With the Prime Minister urging people to buy Swadeshi or Domestic goods, there is a of shift in consumer behaviour across the country. This is akin to the Swadeshi movement first begun by Mahatma Gandhi during the struggle for independence. Though, much less in intensity, the changes in the economic behavior are very apparent and startling.

Indian companies are increasingly trying to portray themselves as a better alternative and trying to woo the buyers by evoking a feeling of “nationalism” and patriotism. In this backdrop, it is extremely important to ascertain whether such a shift is occurring or not.

Through our research paper, we aim to establish whether there is a surge in demand for swadeshi products. If yes, then we also seek to study the variables that affect this demand.

Using methods of direct interrogation (interviews and questionnaires) as well as

secondary sources, we break down this shift and attribute it to several variables.

Due to lack of perfect information, inadequate knowledge of economics terms by the general public and the enormity of variables that affect the demand for swadeshi products, we restrict our attention to a few variables only. While we seek to increase the number of variables and make the paper wholesome in the future, presently, we consider a few direct and indirect variables.

Direct variables are those that a respondent does not have to carefully think about while answering like age, income, gender, education level etc.

Indirect variables, on the other hand, are subjective and require careful analysis like the effect of advertisements, brand reputation, recommendations etc.

In the paper we also seek to examine the intricacies such as: in which sector does it not matter if the product is swadeshi or not, whether people believe that these brands focus on certain religious identities rather than the “Indian identities”, if people believe that Indian companies make products better suited to the demands of the public or believe that foreign brands make better quality products.

This paper has important implications. Not only will it help us to ascertain if patriotism is indeed a determinant while demanding goods, it can be used for policy purposes too. In an era when domestic demand is considered to be the most sustainable form of demand, an analysis of consumer behavior and the distinction that consumers make between foreign and domestic goods is very relevant.

This surge in demand has been attributed to several variables like Age, Gender, Income levels, Awareness levels, Education levels, Advertisements, Promotion techniques, Brand Reputation, Price, Quality, Habit (Elasticity) etc.

These variables have been studied and trends noted in the research paper.

\*\*\_Swadeshi products: Products made by Indian (fully owned by an Indian or more than 50% shares under Indian ownership) companies

## **INTRODUCTION (SECONDARY RESEARCH)**

The word Swadeshi is derived from Sanskrit. 'Swa' means 'self' or 'own' and 'desh' means 'country', so Swadeshi means 'of one's own country'.

Corresponding to this Swadeshi product / domestic product refers to the products or goods that are produced in one's own country. In the context of our paper, it refers to products or goods produced in India.

### 1. Origin-

The idea of labelling goods as swadeshi or non-swadeshi has been quite prevalent in pre and post independence era of the Indian economy. In the pre-independence period, people of the country joined hands together and swore to boycott the products made by British companies. The hint of Swadeshi movement, which aimed specifically at boycotting foreign (British) goods and resurrect the Indian handloom industry in order to attain self sufficiency during the British rule, can also be seen today, through the trends of an average Indian's consumer behaviour. Whether this is a phenomenon originated from demand side or a consequence of marketing strategy of Indian companies, is the question of interest.

### 2. Relevance-

The taglines of various Indian brands:

- AMUL- The taste of India.
- TATA salt- Desh ka namak.
- Hero- Desh ki dhadkan.
- Voltas- India ka dil, India ka AC.

and their marketing strategies focus at forming a local/ national image among the Indian consumers, show how crucial the 'Indian identity' is for the brands.

A case study on Uber Technologies Inc. reveals how important the Indian origin is for the sellers to win the battle of acquiring maximum market share. The CEO of Ola, Bhavish Aggarwal, accused Uber of capital dumping and urged the govt to design policies in favour of homegrown companies, at the Carnegie India Global Technology Summit, saying: "It is much easier for non-Indian companies to raise capital because they have profitable market elsewhere. You might call it capital dumping, predatory pricing or anti-WTO

but it is a very unfair playing field for Indian startups".<sup>[11]</sup> To which the Uber CEO replied: "I will apply to be a citizen of India if that is what will get us over the hum".<sup>[12]</sup>

However, the companies accusing Uber, Ola and Flipkart, are themselves not completely Indian and have raised huge amounts of foreign capital.<sup>[13]</sup> So, what is the hullabaloo about?

Another case study on Patanjali Ayurved Ltd. shows how Baba Ramdev made optimum use of the 'Indian Identity' in the marketing of his brand and captured a wide proportion of Indian FMCG industry. "Apart from regularly criticizing the MNCs for taking up Indian money abroad, he always stressed to use the swadeshi products, i.e., Products that are made in India. The general elections in 2014 too helped Ramdev to showcase the concept of swadeshi".<sup>[14]</sup>

The result was an increased turnover by almost 150% from 2,006 cr.(INR) in fiscal year 2014-15 to 5,000 cr.(INR) in 2015-16.<sup>[15]</sup>

The wide reach that a brand can get by correctly sensing the need of 'Swadeshi-fication' of their products is a very important factor that companies should keep in mind while making decisions based on marketing.

### 3. Direction of shift -

According to the information available on the website of Indian Brand Equity Foundation, following companies are the market leaders of Indian FMCG sector (January, 2016):

HAIR OIL	:	Marico (29%)
SHAMPOO	:	Hindustan Unilever Limited (47%)
ORAL CARE	:	Colgate (54.9%)
SKIN CARE	:	Hindustan Unilever Limited (54%)
FRUIT JUICE	:	Dabur (55%)

Indian companies are already doing fine in the FMCG sector. However, larger share of market is still with the foreign companies.

The following information is available on the condition of Swadeshi products in India:

- Sale of Khadi registered a 6% growth in 2013-14 across the country.<sup>[16]</sup>
- 63.3% of the people Strongly agree with the Swadeshi factor for the reason behind their decision of buying Patanjali products.<sup>[17]</sup>
- Various wholesalers across the country have reported 10-20% fall in demand of chinese goods: "Retailers from NCR and other states come to this market to purchase items. And, there has been huge demand of chinese items as they are cheaper. But, this time they have taken lesser amount of such items. Instead, they specifically asked for Indian items."<sup>[18]</sup>

Clearly, there has been a shift of consumers towards swadeshi goods. However, the volume of the shift cannot be determined due to lack of economy-based availability of information.

#### 4. Reasons behind the shift-

The 'boycott of chinese goods' is among one of the major reasons for the shift towards the demand for swadeshi goods.

"The development is an indication of a nationalist sentiment sweeping the country in the aftermath of terror attack on Uri army base."<sup>[9]</sup>

"There was an unprecedented patriotic wave across the country and the market cannot remain unaffected", Praveen Khandelwal, Secretary General of the Confederation of All India Traders.<sup>[10]</sup>

As china voted against the banning of Jem chief Azhar Masood (mastermind of Pathankot attack) in the 71st session of UN General assembly, the boycott of chinese goods comes out as a revenge card played by Indian consumers.

RSS has dedicated its annual India-only products fair in Delhi to the boycott of all foreign goods, especially China, reported IndiaToday.<sup>[11]</sup>

The wind of swadeshi movement started to blow yet again as a result of the massive appeals of the government to buy more of Indian goods:

- In September, 2014, Department of Industrial Policy and Promotion, under Ministry of Commerce, issued a statement proclaiming the possession and sale of chinese firecrackers as illegal, as reported by all the leading daily newspapers and news channels of the country.
- On August 7, 2015, Govt of India Celebrated its first 'National Handloom Day' in order to

promote the use of khadi and other indian textiles. PM said in his speech, "Only 15% of the clothes we use now are handloom products. If we just increase our usage by 5%, the handloom sector will grow by 33%. We need to popularize this among our youth. This will give the much needed boost to the handloom".

- On October 15, 2016, IndiaToday reported in one of its articles that Indian railways is very soon going to give Advertising and On-board promotion rights in trains to various swadeshi brands as railways long term strategy to improve its financial health.

5. Is India the only country?What is happening to India today, can be explained through the concept of 'Consumer ethnocentrism' ( refers to ethnocentric views held by consumers in one country, the in-group, towards products from another country, the out-group (Shimp & Sharma, 1987)), which is a worldwide phenomenon observed in consumer behaviour. Consumers may believe that it is not appropriate, and possibly even immoral, to buy products from other countries. Purchasing foreign products may be viewed as improper because it costs domestic jobs and hurts the economy. The purchase of foreign products may even be seen as simply unpatriotic (Klein, 2002; Netemeyer et al., 1991; Sharma, Shimp, & Shin, 1995; Shimp & Sharma, 1987).

The following examples can help in making this claim:

- A case study on various airlines in South african countries' marketing

strategies during the post-independence period (and for decades afterwards) and local people's reactions through their demand behaviour, depict the same case.

“For decades, the main marketing messages for AA (Air Afrique) and GA (Ghana Airways) were to appeal to Africans in the diaspora that it was unpatriotic, harmful to the domestic country or likely even to bring back colonial rule if they fail to fly with local airlines”.<sup>[12]</sup> Africans reacted to this appeal just the way the airlines wished them to. “In many instances, national affiliation was so strong that it superseded affordable and reliable services offered by rival airlines. Despite the fact that decades have passed since the colonial rule, patriotic Africans strongly opted for their national airline over a foreign airline (ARB, 2008)”.<sup>[13]</sup>

- Kenichi Ishii stated in his paper (Sample size= 600) on ‘Nationalistic sentiments of Chinese consumers: The effects and determinants of Animosity and consumer ethnocentrism’ (2009): “The results indicate that the effects of animosity and consumer ethnocentrism are significant in the case of Japanese and U.S. producers in the case of China, and that Chinese consumer ethnocentrism is a combination of patriotism and internationalism.”<sup>[14]</sup>

He gave an example: After mid 90s, growing nationalism in China has compelled foreign companies to change their marketing strategies. “Results of a

content analysis of advertising in 2004 suggested that Japanese companies were not disclosing the country of origin (of product)”.<sup>[15]</sup>

- The Government of South Africa launched its ‘buy-local’ campaign ‘Proudly South African’ in year 2001. “Buying South African stimulates an increased demand for locally-produced products and services. This translates into the safeguarding of existing employment opportunities, economic growth, and the creation of more quality employment opportunities in our country. By buying Proudly South African, both consumers and businesses are making a personal contribution to nation-building.”, says the its official website. Consumers get an assurance of quality because only quality products carry the Proudly South African mark, while members of the Campaign are furthermore committed to an uplifting ethos and socially responsible business practices which are reflected in the membership criteria.<sup>[16]</sup>

### Relevance of the paper :

The paper is relevant to the present day scenario when most Indian companies are trying to showcase themselves as “swadeshi companies” and are trying to capture the interests of the common Indian by evoking the feeling of nationalism and patriotism. It is thus, extremely important to know if such a phenomenon is taking

place at all or are most people still oblivious to the sudden surge in demand for products by Indian brands. Through this paper, we seek to establish whether there is an increase in demand for swadeshi products. If yes, then we seek to understand what are the variables which affect this demand and in what direction. We also try to examine the effect of advertisements on the demand for swadeshi products as well as seek to examine if people believe that advertisements by certain Indian brands cater to a certain religious group rather than on the “Indian” identity.

This is important for both policy as well as industrial purposes. The findings can not only be used by relevant industries to understand the sentiment of the market but also to determine future marketing strategy. It can serve as a major boost to the Indian companies. The paper can also be used to affect policy changes in a time when domestic demand is considered to be the most sustainable form of demand.

### **Research methodology:**

Through our research paper, we seek to find out if there is a correlation between the usage of swadeshi products and the following variables : Age, Income, Price of the product, Awareness levels, religion, gender and education level.

#### Methods used for collecting primary data:

##### Quantitative:

##### **Data collection:**

We followed the stratified sampling technique for data collection i.e. divided the population in several parts and randomly selected certain localities and markets in Delhi. This was done primarily to increase the diversity of the data set and to include individuals from different backgrounds so as to examine the effect of different variables.

Offline surveys were conducted to test the relevance of the questionnaire and people’s interpretation of it. Subsequently, offline surveys were conducted. 199 filtered responses were analyzed.

##### **Methods of analysis:**

We used the Chi square independence test to find whether an association exists between the variables being considered and the use of swadeshi products. While the chi-square test reports whether two variables are related, it does report the direction of relation. As a rough estimate of the direction of relation, we found the proportion of people who use swadeshi products from different ranges for each variable and identified the important trends, if any.

Further, we used mode ratings to identify some other variables of interest that affect the demand for Swadeshi products. We also used basic statistical methods and noted some other useful findings.

##### **Qualitative:**

##### **Data collection:**

Apart from the surveys, we took personal interviews to increase the purview of the data and understand in detail various factors that affect the behaviour of consumers towards different products.

This was done to understand the reasons behind the findings as well as to get an intuitive idea of consumer behaviour towards swadeshi products.

### **Method of Analysis:**

In our research project we have tried to see the effect of internal factors (age, education, income) as well as external factors (Advertisements, promotion techniques, Prime Minister's initiative to promote swadeshi products) on the demand for Swadeshi products. So, in order to study these variables we have conducted a diverse Interview of around 30 people (of different age group, education level, income level and religion) and asked them questions like: Does the Prime Minister's urge to promote Swadeshi product has any effect on your consumption? , Do you think that promotion technique for the Indian and foreign products is different? etc in order to know the behaviour of consumers.

### **Data limitations and Assumptions:**

There are a lot of variables that affect consumer's demand for any product. However, due to lack of time and methods of analysis, we have omitted those in this paper. Thus, we have inherently assumed that apart from the factors at hand, no other factor affects the demand for swadeshi products. Also, we have been able to undertake this research only in Delhi which may not be an adequate representation of the general behavior of consumers all over India.

As we expand our study in the future, we plan to eliminate these limitations and make the paper more wholesome.

### **General Observations :**

Sample dynamics:

Sample size - 199

Median class of population studied - 25-40 years

Median income class of population studied - 6-10 lakhs

Median range of educational qualification: Graduate

% of people who use swadeshi products: 86.93%

### **Analysis of obtained data:**

#### **Quantitative :**

- We used the Chi squared independence test to find out if there exists an association between the two variables.
- We've tested the hypothesis for a significance level of 5% i.e.  $\alpha = 0.05$
- The null hypothesis for all the tests is:

**Null hypothesis:** There is no relation between variable X and the use of swadeshi products

**Alternative Hypothesis:** There is a relation between variable X and the use of swadeshi products

(where, X= Age, Education Level, Annual Income, Religion, Gender)

- We reject the null hypothesis if the calculated chi square value exceeds the the critical chi squared value

(as seen from the chi-squared distribution table).

- Here, we report the calculated chi square values and the critical chi square values for each variable.

Thus, we can see that for all the variables, the calculated values of chi square exceeds the critical value (defined for a given degree of freedom and alpha), and hence, the sample evidence is strong enough to reject the null hypothesis. Thus, in each case, we notice that there does exist a relation between the variable under study and the use of swadeshi products. Hence, these variables are determinants of demand for swadeshi products.

- To identify the direction of the relationship between the variable and the demand for Swadeshi products, we found the proportion of each category of people who use swadeshi products, for every variable. Further, we identified trends in how the proportion of people using swadeshi product changes to figure the direction of association.

We found the following results for different variables:

Using this table, we find that with an increase in age, the proportion of people who use Swadeshi products, first increases.

It was also noted that the proportion of people using swadeshi products among females is higher in comparison to males.

People who belong in the Income range of 2-6 lakhs have the highest proportion of people using swadeshi products, whereas

people below the income level of 2 lakhs tend to have the highest proportion of people not using Swadeshi products.

With an increase in Education level, we have noticed an increase in the usage of swadeshi products (with the proportion of people who are Post Graduates and above being only slightly lesser than that of Graduates)

To identify other variables that are determinants in the demand for swadeshi products, we asked people to rate how these particular variables affect their demand for Swadeshi products on a scale of 1-5 with 5 being 'highly affects'. Further, we calculated the mode rating for each variable and analyzed the results. Certain important trends were noticed:

\*\*We had calculated the mean, median and modal ratings for each variable and they turned out to be nearly the same, and hence, we have considered only the modal ratings.

From the table, we note that "Previous experience with a product" highly affects consumers when deciding whether to purchase a Swadeshi product or not.

Brand Reputation and price of a products are also major factors in the decision making process.

On the other hand, whether a product is available online or not, matters least.

#### **Other useful findings:**

- When asked if people would prefer a swadeshi brand product over a

foreign product if the price of the former were higher, 21.11% agreed to doing so, while only 11.1% said they would prefer the product by the foreign brand. This shows that 21.11% people have inelastic demand when it comes to products by swadeshi brands and they are unwilling to shift away from these products even if it were slightly more expensive.

When asked about the general reaction of people towards Swadeshi Products, most people accepted that they like 'what the indian brand stands for and it makes them feel good buying from them'. 34.17% of the people believe in the motto of the Indian brands. This is one major factor that causes people to buy Indian products. This can be attributed to the feeling of 'Nationalism and Patriotism' associated with purchasing Swadeshi products.

- To study the effect of Ads on the demand for swadeshi products, we found that 26.633% people believe that ads are extremely important in affecting their choice for a product whereas 42.221% people admit to being affected by only certain types of Advertisements. This combined with our findings from the qualitative data shows that advertisements of swadeshi brands which focus on the "Indian identity" and significantly differs from the promotion technique of foreign brands attracts more attention and thus, affects the demand for swadeshi products. Among various advertising techniques, 60.3% people notice

television and radio ads more frequently. This is an important observation for companies looking to increase demand for their products.

### **Qualitative :**

No. of respondents: 30

### **Effect of Education on demand for Swadeshi products:**

We have kept education as a variable to study consumer behaviour because education level depicts the level of awareness of a consumer and consequently, allows them to make informed choices.

After examining the interview responses of various consumers, it was found that: with a rise in the education level, the number of people associated with any religious foundation (Ex:Art of Living products,Patanjali products) decreases and they do not trust the products of these foundations blindly.

The most important factor while purchasing a product for school graduates is the price of the product whereas, for graduates and post graduates quality matters most.

The effect of advertisements seem to fall as education level of a person rises and so it is plausible to conclude that people with higher education pay less attention to Advertisements and rationally decide which product they should chose with the help of : Reviews of the product and reputation of the brand.

It is seen that as education level rises people's choice become more inelastic

indicating that people are habituated to use of certain brands. It is noticed that people with a Postgraduate degree and above seem to prefer foreign brands over swadeshi brands as they trust foreign brands more and they also believe that they make products of higher quality. In contrast, people with lower education level are more open to Indian brands because they believe that it will help in the country's progress and that Indian brands are best suited for their needs.

PM's urging to buy local goods has influenced school graduates and college graduates to buy local products because people of this education level believe that this is for the betterment of the society. In contrast, post graduates are less influenced by the Prime minister's initiative.

It is also noticed that people of any education level prefer automobile, gadget and telecom services of a non-swadeshi brand.

Thus, with an increase in education, people tend to move away from the usage of swadeshi products as they believe that foreign brands make better quality products and these consumers are very inelastic in their demand. This can also be attributed to their indifference to the initiatives taken by the government to increase the demand for goods produced domestically.

#### **Effect of Income on demand for swadeshi products:**

We have kept Income as a variable to study Consumer's behaviour because budget plays an important role in the decision making process of whether to buy a good or not.

Through our survey, we found a positive correlation between the income level and awareness level of people. With the rise in income, people have more access to technology and thus are more aware of things happening around them. As income rises, people care less about price of the product they consume, rather they decide the product on the basis of its brand reputation, quality and reviews.

It is seen that the demand for products becomes less elastic with the rise in income, which means that people of high income group are habituated to use certain brands.

People of all income groups trust Dairy Products and Agro based products of an Indian Brand.

It is noticed that the maximum number of people of all income groups prefers Indian brands over foreign brands, with the reasons quoted as: it leads to the country's development, that Indian brands are more trustworthy and are suited to the Indian taste.

#### **Effect of age on demand for swadeshi products:**

We have kept age as a variable to study consumers behaviour because the age of a person often determines his/her knowledge and experience. We have found through our research that there exists a positive relation between the age of a person and his awareness level. Advertisements have great influence on people aged below 30 years and above 60 years, as people of these age groups have rated advertisements to be the most important factor in deciding whether to purchase a product or not. On the other hand, people of other age groups

have rated price and quality as important factors in their decision making. It has been noticed that people of the age group 50-60 years have inelastic demand i.e. they stick to certain brands especially, Patanjali. This can be attributed to the fact that they are highly affected by advertisements and Patanjali has attractive advertisements. People also associate a feeling of Patriotism with buying goods from a swadeshi brand.

People of any age group trust dairy products of an Indian brand but prefer gadgets from a non-Indian brand. This indicates an urgent need to improve India's electronics sector.

It is also concluded from our analysis that as age of the person rises, the belief that Indian brands should be preferred over foreign brands becomes stronger, showing an association with nationalism in people of higher age groups. The initiatives of the government to spur the demand of local products has influenced people of higher age groups more with 75% of these people wholeheartedly supporting the PM's initiative. They believe in boycotting foreign brands and purchasing goods from Indian brands. This is in stark contrast to people of a lower age group among whom only 18% of the people are influenced by these initiatives. This can also be attributed to the fact that people believe that products by foreign brands are of a superior quality and consumerism highly affects people of a lower age group.

### **Conclusion:**

Through our research paper, we conclude that there is indeed a surge in demand for

swadeshi products in India. While this can be attributed to several reasons, we identify certain variables that affect this demand and identify the groups of people who are most likely to purchase swadeshi products. This can not only be used by the swadeshi brands to identify their target group, but also find ways in which they can expand their consumer base. It can also be used for policy purposes if the government wants to increase the demand for swadeshi products and spur economic growth.

Based on the analysis of the sample as well as the interviews undertaken, we conclude that the demand for swadeshi products does have a relation with Age group, Gender, Education level, Income level. Female consumers are more likely to buy a swadeshi product as compared to an average male. Education level and the demand for swadeshi goods shows a negative relationship. Highly educated consumers believe that 'foreign brands are of better quality than swadeshi brands' and have highly inelastic demands for the same.

Further, we have identified other key variables that are directly related to the demand for swadeshi products: Brand Reputation and Previous experience with a product.

Apart from this, we also found that in healthcare sector it matters least to the consumers whether the product is from a swadeshi brand or not. Majority of the consumers prefer foreign brands over swadeshi brands in automobile and tech gadgets industries. Thus, there is a scope of improvement in these sectors for swadeshi brands,

Majority of the people have reported that the Government of India's initiatives (especially, PM's speeches) have had a huge impact on them and we found a positive relation between the number of people affected by Government's initiatives and the demand for swadeshi goods.

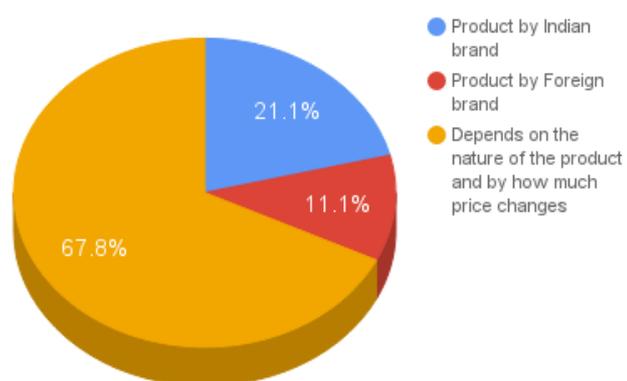
Many of those who use swadeshi products attribute it to the feeling of Nationalism and patriotism while many believe that this

will help the Indian economy to grow and thus, they take pride in purchasing from an Indian brand. Hence, we conclude that patriotism is indeed an important factor that affects the demand for products in general. This phenomenon is explained by 'Shimp and Sharma' (1987) as Consumer ethnocentrism.

Variable X	Calculated square value	Chi	Critical chi square value	Result
Age	11.5471		9.488	Null is rejected
Educational Qualification	7.8357		5.992	Null is rejected
Annual income	19.482		9.488	Null is rejected
Gender	4.034		3.84	Null is rejected
Religion	13.156		7.815	Null is rejected

Variable	Range with maximum proportion using swadeshi products	Range with minimum proportion using swadeshi products
Age	40-55 (0.9672)	18-25 (0.8059)
Gender	Female (0.9247)	Male (0.8301)
Annual Income	2-6 lakhs (0.9265)	Below 2 lakhs (0.6571)
Education level	Graduates (0.9318)	Below 12th (0.76086)

Variable	Mode rating
Nature of Advertisement	3
Brand Reputation	4
Time for which the brand has been in the market	3
Price of the product	4
Online availability	2
Recommendations	3
Whether the brand is Swadeshi or not	3
Previous experience with the product	4
Packaging	3
External Factors	3



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## In Conversation with Urvashi Butalia

**Do you think women's issues are often trivialized in the context of various historical events? Could you elaborate on the above specific to the case of Partition on which you have extensively written?**

Yes, women's issues are trivialized, you only have to watch historical serials on television to see this. During Partition this was very complicated. I don't think there was a trivialization, the State took very seriously the fact of women's abduction, the sexual violence they faced, but they did not see this as a violation of the women's rights as citizens, the state did not see its failure to ensure safety for women as a failure of its commitment to its citizens, rather it saw itself as a parent protecting its children, and sometimes taking decisions on their behalf which it believed the women were not capable of making – although when the women had the chance to make those decisions they showed themselves very capable of doing so. But in not allowing the women autonomy the State and women's families trivialized them. They infantilized them.

**Isn't history what we choose to remember? How did you deal with this aspect of history while compiling the oral narratives of the victims of partition?**

History is equally what we choose to write, what we choose to document, and what is then seen as immutable 'fact'. Just think of who writes history, who documents the happenings around us, what they choose to document and what they choose to leave out. Why has history for example always been about kings and rulers? Not because there was no one else around, but because it is their stories that got recorded and everyone else, the poor, the marginalized, women, the lower castes, got left out. So how reliable are the 'facts' of history? Similarly memory is selective, people choose to remember certain things and forget others, sometimes States wish to suppress the memory of certain things, such as lower caste uprisings, or the killing of minorities as in Nellie in Assam, so certain memories surface, others don't. The point is not whether memory is better than fact, just that the two inform each other, and enrich each other, and should be seen together not in antagonism to each other. I often recount the story of my experience in documenting the anti Muslim Pogrom in Bhagalpur in Bihar in 1989. When we were trying to get the figures of how many had been killed, we got three different sets of figures, one from the people, one from the police and the third from

state records. Who were we to believe? Which figure was the truth? And yet the point was not to arrive at a precise figure (although that is important) but to know that even one death was one death too many.

**How do you interpret the term 'slavery' in the context of the 21st century?**

This is a big question and not so easily answered. Slavery in the 21<sup>st</sup> century means many things, but basically it means that while there may be no such thing as formal slavery as we knew it in the past, there are instances all over the world of people being held in situations that are virtually like slavery, whether it is in factories, or in refugee enclaves or in other similar situations.

**You have done an extensive work on Gender and Partition. In what ways do women become the signifiers of national boundaries?**

They don't become signifiers, but are made to be. This happened during partition when they became the carriers of the so called 'honour' of the community (for example when Sikh men killed their women ostensibly in order to 'save' them from the 'dishonour' of being raped and impregnated by men of the other religion, or when Hindus and Muslims raped women in order to 'dishonour' the other community (the men of the other community to be more precise), and when the burden of retaining this honour was then placed on women's bodies. This is happening even today when women who step out of line, or who choose to marry outside their community or caste, are branded as loose and dishonourable women, and are often killed, sometimes by their own parents or by people who arrogate to themselves the right to be guardians of that honour.

**Both the nations on either side of the barbed wires were (and still are, up to a considerable extent) primarily agrarian one's. How, in your opinion did the partition affect the feminization or otherwise of the workforce in these two nations, what was the spatial distribution of this phenomenon? Did it differ in respect to the context of culture?**

Many things happened to change women's lives after Partition. People who were primarily agricultural workers, often moved into urban spaces – I am talking about India as that is what I know more. So for example when given the choice to get compensatory property, people in agriculture often asked for urban property as their families, their children, mainly their sons, did not want to remain in agriculture. This impacted women's work in the fields, and in livestock rearing etc. Then, for urban women, the field of social work opened up as an area to get into. For many middle and lower middle class women, whose lives were disrupted and who could not marry, certain kinds of jobs were opened up, such as clerical jobs, or working in stitching centres and other places, but by and large this is an area on which not much work has been done.

**What kind of impact does a situation like being displaced or migration have on the degree of a women's economic independence?**

Once again there's not much work on this but migration and the new uncertainties of being in a land you do not know and are not familiar with, was bound to cause certain anxieties and uncertainties. The widespread sexual violence that has recently taken place could not have helped and people must have felt insecure. The only thing was that sometimes when people settled as communities in the same place, so people from Rawalpindi settling in Jangpura say, they recreated the old structures of familiarity and that helped in creating some sense of security for the women.



## In Conversation with Bela Bhatia

**What, in your opinion, are the implications of the systematic marginalisation of tribal communities, not just for them but for the nation?**

Well, it is a big loss for all of us. And, a big failure. Loss because what we have been witnessing in the last decade in Bastar is the death of a civilization. Failure because like in other parts of the world, in India too, we have not been able to appreciate or respect the indigenous peoples, their way of life, their knowledge, histories, and aspirations. The government, the public, and often even the rebel groups have tended to relate with them out of relative ignorance. Our "nation" is not fully conscious of itself. It does not know of its own richness. It does not know, for example, that a place like Bastar is not only rich in minerals and forests but that the tribal world holds within itself rich human resources and knowledge systems.

The tribal people of Bastar may seem to be "underdeveloped" to someone who understands "development" only in material terms. Who may have only one idea of what being modern is about, and, therefore, the "mainstreaming" of modernity -- the *mukhyadhara* -- to which all who are judged aberrant or seen to be lagging behind need to be brought to. In this imagination, the aberrant is not acceptable unless s/he desires to be part of the *mukhyadhara*. It is often not understood that a society and a people may have less in some respects, and be able to benefit from scientific advancements in some ways, and yet in other ways they may be far more advanced than their 'developed' counterparts, even those who belong to the 'higher' castes and classes. This imagination aims at a kind of economic homogenisation of society where its members desire the same consumer goods, resulting in similar habits and lifestyles. But this homogenisation is only at the consumer end of the bargain, and does not question structural inequalities even remotely. The continuing concentration of wealth and power in a few hands and the resultant widening of inequality is not seen as a problem.

Increasingly, the *mukhyadhara* involves an imagination not only of economic homogenisation but also of cultural homogenisation, with the hindutva ideology at its core. Since this imagination is being propagated by the dominant sections of society, it excludes other plausible ways of life including those that have been practiced by the tribals for centuries. This way of life has proved in its simplicity to be sustainable, environment friendly, and one that depends on cooperation and mutual aid and therefore keeps the community alive. Tribal economies have also proved to be largely self-sufficient and the extent to which they are able to be self-reliant is awe-inspiring. Unfortunately, all that is getting lost. The tragedy is that in this process, where the talk is of their 'development', what is happening is that whatever they had is also being wrested away from them. For the adivasis, this process hides a greater loss -- a loss of self.

**Do you think that the indigenous knowledge base (especially their systems of resource management and organisation) have the potential to be developed into sustainable models that can be implemented at the macro level? How?**

To my mind, it would be useful to study these systems of knowledge for the understanding that we can acquire, and while doing so try to also observe the values and principles that informs them, not with the idea of replicating the same as "models" at the macro level but in order to be able to appreciate what worked in their specific context. Trying to see models and replicate them would be falling into the trap of centralised thinking. The tribal way of life invites us to think in a decentralized, context specific, and freeway.

**How much scope for development do the people caught in the crossfire between the state and insurgent groups have?**

The tribal residents of the war zone live as though in a cage. Their movements have become severely restricted in the last decade. Many of those who had run away across the borders to Telangana during the height of the first phase of the counter-insurgency (2005-2006) have become permanent settlers there. Families have got divided and communities dispersed. For many years, these displaced families could not cultivate their lands or could do so only furtively. Their unoccupied homes fell apart; in many cases they were also burnt by the security forces or the Salwa Judum. Their belongings were looted and their greatest wealth, in the shape of cattle and livestock was lost, died or became feral. During these years, the government had also withdrawn all welfare services (schools, health centres, the public distribution system) from the conflict areas and restricted these services to those who were in the camps. Many schools were also demolished or blasted by the Maoists, who did not want them to be occupied by the security forces. Most of these villages in the interior regions are not electrified and road connectivity is poor. Thus, what the people had by way of public services, in any case, was quite minimal and even that was no longer available to them. Those who had run away to Telangana were not eligible for these services there either. The war, therefore, has caused much hardship to people. Over the years, even though many families have returned, rebuilt their homes and resumed farming the situation is far from normal. Armed actions by Maoists as well as counter-insurgency operations continue. While the rhetoric of development continues, in reality their survival is at stake. The tribal residents of the war zone have become prisoners of state repression and class war.

**How practical, in your opinion, is the state's proposal to link the PDS with Aadhaar? What would be the impact of linking the same with mid-day meal scheme?**

This latest development (ie, linking of welfare schemes to Aadhaar) shows yet again the extent to which our government is out of touch with ground realities. Aadhaar is turning into an all-powerful biometric identification system. In a region where a large proportion of the adult population is illiterate or semi-literate and there is very poor internet connectivity, this is not only impractical but quite dangerous. It is an unnecessary invasion of people's lives which has a high potential for causing damage. A technology should be such that it is within the control of the user. It should increase rather than decrease the freedom of the people, and decrease rather than increase the power of the state because a state by its nature is coercive. Aadhaar magnifies state power because it is a tool of mass surveillance. The government has been denying these charges and maintaining that Aadhaar is not compulsory but the recent linking of Aadhaar card to basic services like the PDS and mid-day meals exposes its

duplicity in this respect. Moreover, both these schemes are crucial for ending hunger and improving people's nutrition. What this move of the government shows is that people's food security matters less to it than "national" security. Here, 'national security' seems to mean maintenance of the status quo.

**Can you tell us, from your experience, about the lesser known instruments deployed by the state to oppress and exploit the communities at the periphery?**

Besides fake encounters, sexual violence, use of draconian laws like the UAPA (Unlawful Activities (Prevention) Act, 1967) and CSPA (Chhattisgarh Special Public Security Act, 2005), there are other methods deployed by the state, which are more "everyday" in nature. For instance, during the searching and combing operations by the security forces through the villages, it is very common to find them helping themselves to rice, cooking oil and other edible items like poultry. Cash and ornaments have been stolen. When women have demanded money, they have been beaten and even raped (as happened in the mass rapes in Bellamlendra village of Bijapur in January 2016). Beatings are very common. This may happen while people are being questioned, or when they protest. Illegal and wrongful confinement is very common. Individuals, especially youth, may get picked up from public places like the market, or from the forest, and family members may not know about their whereabouts for a few days and may spend their time going from police station to police station looking for them, which in these areas is difficult since a lot of travelling has to be done on foot. Generally, people from the interior villages considered to be strongholds of the Maoists are viewed with suspicion. Arbitrary arrests, and false charges under Naxalite cases, are common.

**You have been helping women from tribal communities who have been sexually exploited by the state forces to come forth and protest. How would this experience be different had these women belonged to the relatively privileged, mainstream parts of the society?**

Because of the on-going decade-old war, the women of these villages have been at a receiving end in myriad ways. Except one or two, most of the women who were raped and sexually assaulted were illiterate. The villages where these women reside are also quite inaccessible, and at a considerable distance from the police stations and district headquarters. These women were also not familiar with government offices, police stations and courts. Moreover, since people from the interior region are looked at with suspicion if not hostility by others, because it is assumed that they are with the Maoist organisation in some capacity, it becomes all the more difficult for them to overcome these biases and be regarded by the authorities as citizens who are also entitled to a legal recourse and due process. Had these women been from relatively privileged sections of society, some of the hurdles would not apply. However the more common experience that women, irrespective of caste, class or community, face while getting the police to admit a complaint of rape or sexual assault is much the same everywhere in India.