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Department of Business Economics and Department Banking and Finance

UNIVERSAL BASIC INCOME

Social justice, equality and dignity of individual are the corner stone of social democracy. The concept of “Social Justice” has been enshrined in the basic structure of the Constitution of India. So as to achieve the goal of equality, dignity, status, opportunity and to eliminate poverty, Universal Basic Income can be a powerful tool. The Economic Survey 2016-17 made an argument in favour of Universal basic income and how it can be used effectively to reduce poverty by 0.5% if you spend 5% of GDP on UBI for every Adult Individual.

Universal Basic Income pronounces that a fixed monthly cash grant should be provided for every adult individual of the country with no strings attached so as to cover the basic living expenses with the underlying assumption that it will eliminate poverty and reduce inequality and provide an opportunity for individuals to live with dignity.

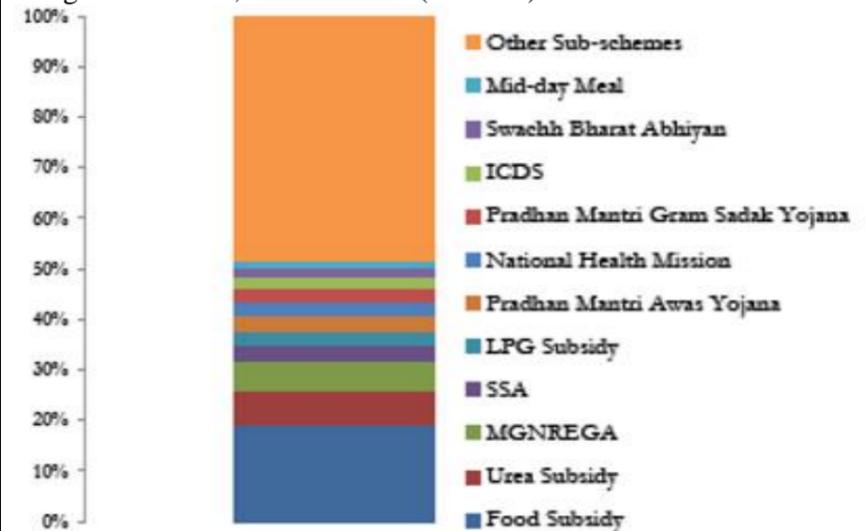
If we look at the global context Canada became the first country to experiment with Basic Income in small parts of the country. Further Iran implemented nation-wide basic income when they removed subsidies for gas and bread in 2011. Brazil also has a wide basic income programme for families with children (La Bolsa Familia).

In Indian context UBI can be made possible if we eliminate the existing schemes provided by centre and or states. The Budget for 2016-17 indicates that there are about 950 central sector and centrally sponsored sub-schemes in India accounting for about 5 % of the GDP by budget allocation (Figure 1).

A large majority of these are small in terms of allocation with the top 11 schemes accounting for about 50 percent of total budgetary allocation. As is seen in Figure 1, Food Subsidy or Public Distribution System (PDS) is the largest programme followed by Urea Subsidy and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

The other programs include Crop Insurance, Student Scholarships, and National Handloom Development Programme etc. One must acknowledge though that many of these schemes have diverse benefits beyond immediate poverty reduction – for instance, student scholarships have inter-generational consequences for individuals.

Figure 1. Centrally Sponsored and Central Sector Sub-schemes by Budget Allocation, 5.2% of GDP (2016-17)



The Survey says that a UBI that reduces poverty to 0.5 percent would cost between 4-5 percent of GDP, assuming that those in the top 25 percent income bracket do not participate. On the other hand, the existing middle class subsidies and food, petroleum and fertilizer subsidies cost about 3 percent of GDP.

How to make it happen?

Exploring the principles and prerequisites for successful implementation of UBI, the Survey points out that the two prerequisites for a successful UBI are:

- (a) Functional JAM (Jan Dhan, Aadhar and Mobile) system as it guarantees that the cash transfer goes directly into the account of a beneficiary.
- (b) Centre-State negotiations on cost sharing for the programme.

Limitations of UBI includes firstly that it May boost conspicuous consumption. Secondly it will act as a disincentive to work and engage the population into leisure. Thirdly it will breed dependency of people on the state for living expense.

References link :- Economic Survey 2016-17

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Cartooning: Ms. Shikha Jha, (S.Y.B.Com)



US-China Trade War

“Nobody is more conservative when it comes to trade than I am” - Donald Trump

2018 will be remembered as the year where the United States of America, picked a fight with another contending world power for the second time. Only this time, it was with regard to trade with China and not supremacy vis-à-vis the Soviet Union. Over the course of history, the USA has influenced world trade immensely and now, in its quest for righting the scales of trade and actively gunning for fair trade instead of free trade, it has declared a trade war.

The war started with the US raising its tariffs on steel and aluminium imports by 25% on the 1st of March 2018. China adopted a defensive stance, proposing several tariff changes in retaliation. Trump defended his actions by pointing out the \$375 billion trade deficit America had with respect to Chinese trade. On April 2nd, China issued tariffs on \$2.4 billion in U.S. exports. This list of 128 goods rivaled the \$2.7 billion worth of Chinese steel and aluminium imports that the Trump administration taxed in March. The list of products also included agricultural products such as pork, adversely affecting U.S. farmers. Immediately, the US levied a 25% tax on over 1300 Chinese goods, mainly consisting of technology worth \$50 billion. Just a day later, China levied the same percentage of taxes on soybeans, cars and airplanes, all imported by the States. On July 6th, US updated the list to include another \$34 billion of Chinese products, indicating another \$200 Billion would follow by September 2018. USA's bold and offensive strategy took the world back and we analyze the reasons further.

Throughout his presidential candidacy, Donald Trump rallied for the eradication of free trade policies in order to reverse the trade deficits it has with other countries. There was no better country to start with, than its biggest trade partner, China. The US-China trade relationship covers different goods and services like steel & aluminium, electronics, household goods, satellites & robotics and agricultural products. In most of these cases, the American companies outsourced the manufacturing to China and simply imported goods back because of the labour and cost benefits. This led to a spike in unemployment rates in the States as a large number of workers lost their jobs due to 60,000 factories closing down since China's involvement in the WTO.

Another reason for this war is to curb systematic Intellectual Property Rights theft by China. USA, a world leader of tech supremacy, may have felt threatened. China is accused of the following-

- 1- Chinese Laws and regulations don't provide enough protection to foreign entities and the domestic manufacturers infringe the patents and designs, violating IP rights. This has resulted in losses of at least \$250 Billion to American Companies and yet Chinese officials turn a blind eye.
- 2- Made in China 2025 Policy aims to transform China from the 'Factory of the World' to 'Global Technology Leader'. Beijing has urged Chinese companies to invest abroad while restricting access to its own markets, leading to cutting edge innovation that rivals the States.

Thus, by using these tariffs as leverage, Washington is pressurizing China into opening its market for American companies.

Another area where the American Tech Supremacy is challenged is the introduction of 5G Technology. Valued as a \$12 Trillion technology, 5G is being touted as one of the primary hidden agendas of this particular war. Nearly every new innovation in the pipeline, like the Internet of Things, Smart Cities or Driverless

Cars will require 5G. Thus, this is an attempt to strong-arm the Chinese Government into giving up its head-start.

The impact of the trade war between the US and China is multi-faceted. The Chinese Tariffs have hit American agriculture the worst. China is the largest importer of soybeans from the USA and has now imposed tariffs on them. This has resulted in excess supply and lower prices for the same. Allegedly, the goods have been chosen with a political motive, to hurt the key Trump supporter states who produce these.

However, consumers cannot find substitutes and are forced to either purchase the imported goods at higher prices or settle for the existing domestic supply, which may be inferior in nature. The former results in an increased cost of manufacture which cascades down to the ultimate consumer, whereas the latter results in a delay in production which eventually slows down all other activities. Therefore, monetarily, the US federal government is expected to raise the interest rates to curb the inevitable inflation caused by the rising prices of commodities.

The war has also affected China as, in 2016, the government had encouraged credit creation to meet its growth targets and the large amounts of credit have given rise to fears and the government must contain these debts. This is hindering its initial growth strategy.

This tariff war has also been waged upon Canada, the EU, and the UK, all of which have retaliated similarly. Experts fear that this will trigger a domino effect that will take the global economy back to the Protectionism era.

India has been affected by this Trade War too. For example, soybean produces soybean oil and these tariffs create a chasm between the demand and supply dynamics, giving India an opportunity to meet global demand. Conversely, a rise in the US interest rates as predicted above would have grave implications for India as it there will be an outflow of foreign exchange from the country. This exodus will depreciate the Indian Rupee further, burdening the government when it pays the import bills.

Thus, this trade war is single-handedly managing to alter the entire global trade terrain. With key alliances breaking and global superpowers changing camps, uncertainty surrounds the future of once monumental treaties. It is only a matter of time before nations rally, charging headfirst into an unforeseeable eon of global trade.

By Aarushi Bhardwaj and Aliasgar Tamim
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Newspaper Article Review:-

The Incursions of Press Note 3 on Big Giants of E- Commerce

Article titled "Smaller firms like Snapdeal, Shopclues cheers on e-commerce FDI" (Press Note 3)

Newspaper :- Economic Times

Dated: - July 11, 2018 has been reviewed below.

The talks of implementation of Press Note 3 doing the rounds lately, is assumed to be a game changer for home grown retailers like- Shopclues and Snapdeal, sabotaging the big giants like Amazon, Walmart & Flipkart.

The Article claims that Press Note 3 on FDI (Foreign Direct Investment) forbids a retailer to have more than 25% share in the marketplace format. The DIPP (Department of Industrial Policy & Promotion) has in sighted the exertion of Press Note 3 on FDI in e-commerce of India. This will in turn lead to a level playing field of market places and dampen the green-eyed practices conducted by the giant operators.

An efficient platform for home grown e-commerce retailers will make sure that gains from e-commerce will build up to the home grown vendors.

towards the retailers due to the increased preferential bias. Also, the upsurge of deep discounting by giant e-commerce retailers who don't mind sustaining few losses will end up discouraging the home grown vendors. However, enforcing Press Note 3 will definitely bring light into the life of home grown Indian retailers by blindsiding detrimental practices of giant e-trailers.

By Atulya Padiyara
Prachi Shetty (S.Y.BBA - IB)

FARMERS SUICIDE (2017-PRESENT)

Article titled "Maharashtra: 696 farmer suicides in three months despite loan waiver

Newspaper :- Times of India

Dated:-April 17, 2018 has been reviewed below.

Maharashtra has recorded 696 Farmer Suicide in the First three months of 2018 between January and March, according to official data. The figure is higher than the 672 cases reported in the same period last year, despite a farm loan waiver declared last June. Of the 696 cases, only 206 or 29% have been declared eligible for compensation so far. These are cases which a state committee links to indebtedness. The Vidarbha region, home to chief minister Devendra Fadnis, continues to report the highest number of farmer suicides, but has seen a decline of 24 cases compared to the same period last year. Both the Vidarbha and Marathwada regions are in the cotton-growing belt, where 80% of the crop was affected by the pink bollworm pest attack last year.

The impact of the loan waiver has yet to kick in with payouts proceeding at a slow rate, say activists. Till March 7, Rs 13,782 crore had been credited into the accounts of 37 lakh farmers, when the final beneficiary list is meant to be 69 lakh farmers. "This slow pace has affected crop loan disbursements as well as with banks waiting for the waiver money to come in," said Ajit Navale from the Kisan Sabha. Farmer groups stress that the crucial issue of pricing of crops has yet to improve, without which farm incomes will not rise. Officials admit that procurement by the government of crops under the minimum support price has been slow owing to the lack of storage space. Cotton prices have additionally been impacted by the pink bollworm attack, says activist Vijay Jawandhia. "Good quality cotton is selling at Rs 4,800 but poorer quality cotton is selling at around Rs 2,500. This is the price for 30-40% of cotton sold," he added.

By: Vinit Dhiwar
M.COM IInd Year Div A

Indian Agrarian Crisis

Sri. Lal Bahadur Shastri, second Prime Minister of India gave the slogan of *Jai Jawan, Jai Kisan*. India has achieved a commendable growth in the Defence sector, but what about the agriculture sector? Indian Agriculture sector is lying in heaps of ruins, The burning issue, which our Indian farmers and the agricultural sector are facing, are so many, but the main issue is Farmer Suicides. Maharashtra ranks first in terms of farmers suicide in India. The three main factors causing farmers suicide are:-

1. Societal Pressure forces them to suicide.
2. Ignorance of the farmer.
3. No other option.

As per the reports of NATIONAL CRIME RECORDS BUREAU of India, the highest number of farmers suicide were recorded in the year 2004, with a total of 18,241 farmers. In Maharashtra as of 2012, total farmers suicides were 3,786. From 1995-2003 the total number of farmers suicide that took place was

23,902 and from 2004-2013 farmers, suicide were recorded as 36,848 deaths. Out of the total suicides, Farmers suicides have 16% share, where 8% are female. Commodity Prices is the main issue in agriculture. Drought and Flood like disasters makes the situation worst. Loan waiver is something which the political parties have taken as their weapon to win the elections, but waiving of loan won't benefit the farmers in a long run. Even in some states, 5 rupees and 1 rupee were waived. M.S. Swaminathan a famous person related with India's Green Revolution and Chairman of National Commission on Agriculture, in his report suggested measures for farmers, NCF (National Commission on Farmers) suggested

- Cover all crops by crop insurance with the village and not block as the unit for assessment.
- Promote aquifer recharge and rainwater conservation. Decentralize water use planning and every village should aim at *Jal Swaraj*, with Gram Sabhas serving as Pani Panchayats.
- Ensure availability of quality seed and other inputs at affordable costs and at right time and place.

Many more reforms were suggested, but accepting it or not is a matter which the governments has to take. Union Agriculture Minister Radha Mohan Singh, said: "*The government is implementing the Swaminathan Commission report for improving living standards of farmers and upliftment of farm sector*". The crisis of agricultural sector must be solved as soon as possible. Government should try to take the help of such nations where they have achieved sustainable growth. Agro-based industries should be promoted. Farmers are considered as the "sons of soil" and they should not be ignored. Farmers should unite themselves keeping aside all political, religious, caste, language-based differences. The strong protest organized by the farmers of Maharashtra by walking from Nashik to Mumbai was taken as a model and farmers from various regions started agitating against the ignorance made by the governments. Political Parties promise great things before elections but after winning they forget the promises made to farmers. India got independence in the year 1947 and now we are in 2019, still, India is discussing the issues of farmers instead of high international level issues, such as the fate of India.

Jai Hind

Jai Bharat

By Alex Joykutty
F.Y.B.COM, Div-B

Is Keynesian Theory Applicable in Developing Countries?

In recent times various attempts have been made to present Keynesian economics to solve the problems of less developed countries. But these efforts have met with limited success. Keynes himself admitted this when he said that "the theory of economics does not furnish a body of settled conclusions immediately applicable to policy".

The fact states that there is a distance between theory & policy but it is considered to be greatest in the area of development economics.

In short, Keynesian Theory states - the root cause for unemployment is deficiency of aggregate demand. The only solution to the problem is to increase the aggregate demand. This can be achieved by adopting fiscal policy (eg. Raising government expenditures or reducing taxes). Through proper use of fiscal policy, governments can boost the economic activities & ensure great level of employment. Contrarily, if there is inflation originating out of aggregate demand exceeding the productive capacity of the economy, then the government adopts another fiscal policy. By adopting this policy it cut downs its own expenses and increases the taxes where people are left with less amount of money to spend on already produced goods and services. Keynes economic theory reveals different inefficiencies when applied to less developed countries which are disintegrated in resources, products, money & capital market.

According to M.P. Todaro:

"The traditional Keynesian policy for alleviating industrial unemployment, the creation of more urban jobs in real world conditions in poor countries actually increases the level of urban unemployment as a

result of induced rural Urban migration. It may simultaneously exacerbate domestic inflationary pressures”.

The Keynesian theory suffers two main deficiencies making it less applicable to developing countries:

First Deficiency:

The Keynesian prescription for reducing or eliminating unemployment is to increase aggregate demand through an expansionary fiscal policy a policy that encourages private business investment. So if supply conditions are favourable Keynesian theory will work automatically to ensure full employment. However the Keynesian model is derived from the experience of industrially advanced countries and it is implicitly based on the institutional and structural assumption of well-functioning commodity, resources and money markets.

Second Deficiency:

The Keynesian model for most LDCs relates to the nature of the labour supply curve in such countries, on the basis of his own empirical study on rural urban migration in certain African countries, Todaro reached a conclusion that the creation of additional modern sector jobs through increased aggregate demand is likely to attract many more workers from rural areas, more so due to differences in wages in the two areas.

The result may be that the creation of additional urban jobs through Keynesian demand-oriented policies designed to reduce unemployment may, in fact, aggravate the problem by inducing workers to move to urban areas.

Conclusion: With the above backdrop of inefficient structural, with institutional setup, supply constraints and labour issues, the relevance of Keynesian Theory is reduced in developing countries.

Reference: economicdiscussions.net

By Swaroop Dahiwelkar
Class: S.Y.BBA

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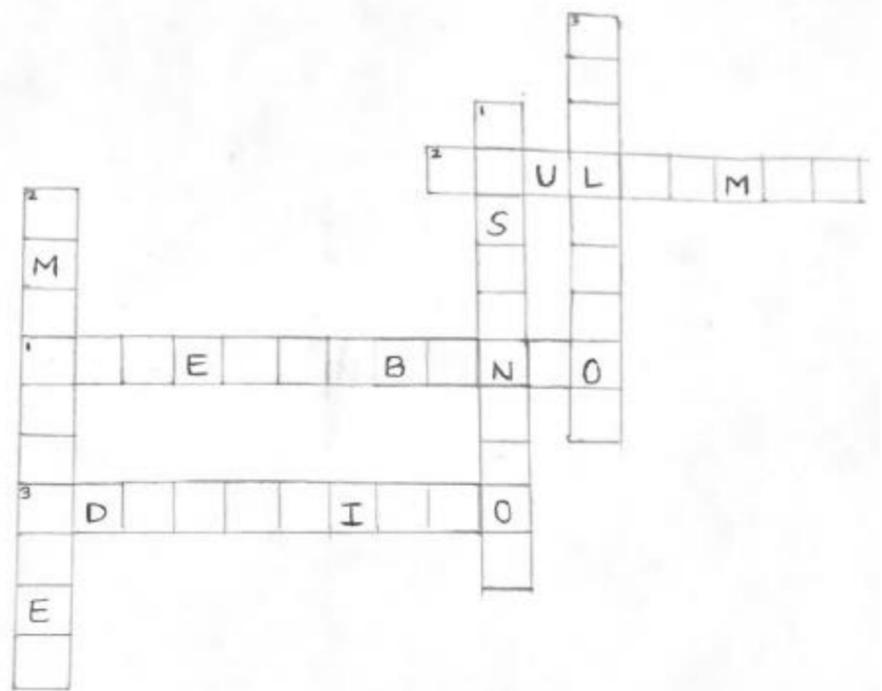
ECONOMISTS	BOOKS
1. E.F. Schumacher	A) General theory of Employment, Interest and Money
2. John Maynard Keynes	B) Fault Lines: How Hidden Fractures Still Threaten the World Economy
3. Amartya Sen	C) Principles of Political Economy and Taxation
4. David Ricardo	D) The Argumentative Indian
5. Raghuram Rajan	E) Buddhist Economics

OUT of the BOX

Menu Cost:

This refers to the cost incurred by firms due to the change in prices of goods and services that they sell. As prices change frequently, firms may need to print new menus to display their new prices, remove old price tags and replace them with new price tags, and in general invest more time and effort in managing the pricing of their products. A firm, however, may willingly incur menu costs only if there would be significant losses incurred by the firm if its prices are not changed immediately. The concept of menu costs was first proposed by Israeli economists Eytan Sheshinski and Yoram Weiss in their 1977 paper “Inflation and Costs of Price Adjustment”

Word Puzzle :



Across:

- 1) Indian Central Bank.
- 2) 2018 Noble prize winner (In Economics).
- 3) Father of Economics.

Down:

- 1) IMF Headquarter.
- 2) First Asian who win noble in Economics Sciences.
- 3) Too many Goods chasing too Few Goods.

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