

NEETI

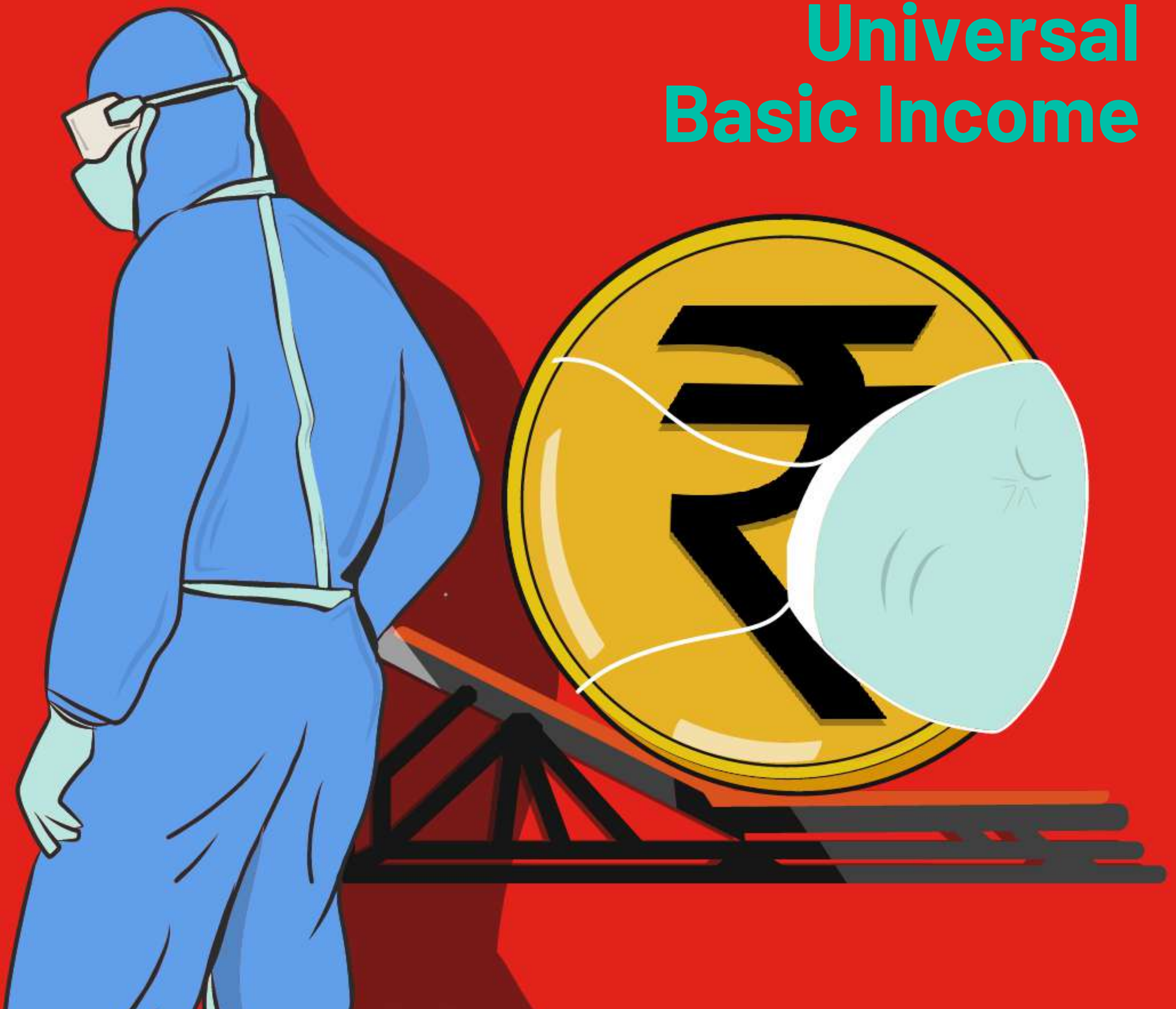


A CONTEMPORARY PERSPECTIVE

Deprioritizing Mental Health -
Indian Union Budget 2021:
The Reality

COVID 19-
Catalyst or Damage

Mind The Gap-
**Universal
Basic Income**



O U R T E A M

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SUBSCRIPTIONS

Annual Print Edition
Price: 250/Year

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FROM THE EDITOR'S DESK

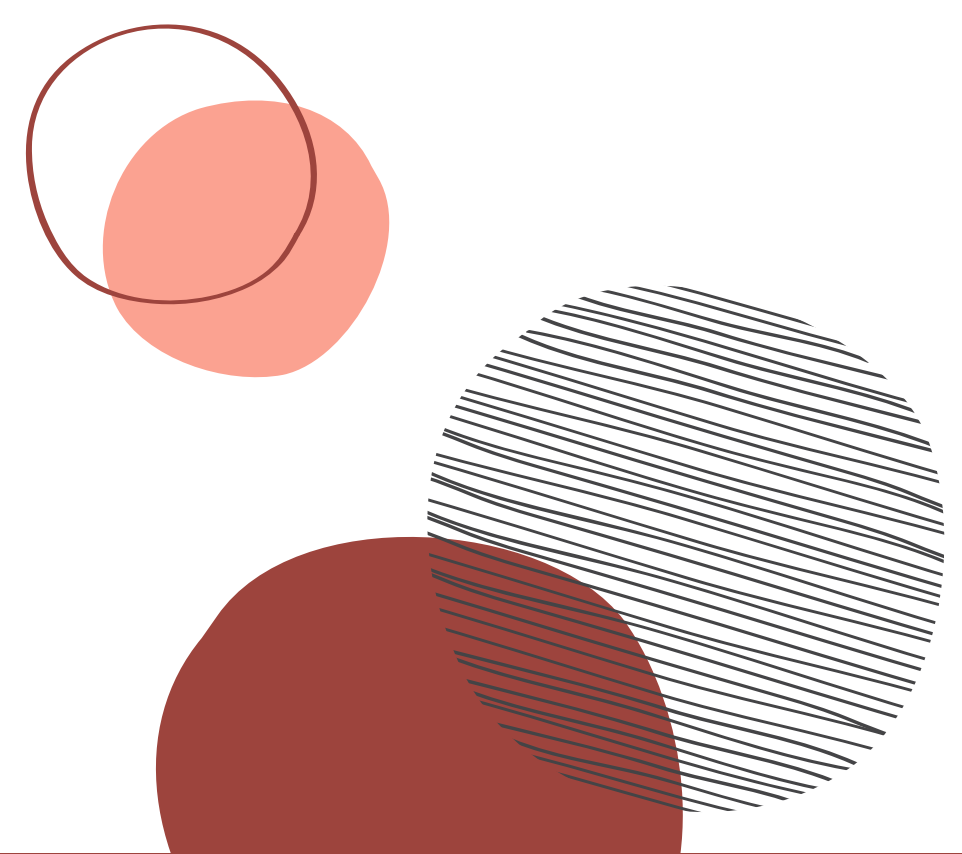
The pandemic hit the world in the most unpredictable way possible. As long planned events came down like dominoes, we witnessed the giant institutions crumbling to the ground, and everything undergoing major changes. We witnessed changes in our routine, the way we do things and the environment around us. It is important to analyze these changes as they affect us in a direct and indirect manner.

This year's edition of Neeti captures the massive changes our social, political and economic environment went through and is still in a very volatile state. We have tried to our best to bring you the contemporary issues that we feel are necessary.

We have selected and presented the topics in such a manner that will stimulate you to think about these topics from different perspectives. I hope you gain not just information but it helps you develop a different outlook and urges you to observe, analyse and question the things around you.

Lastly, I sincerely want to thank everyone who has contributed towards this newsletter and has helped us in achieving this dream of ours to continue this annual student-run newsletter.

Happy reading!
Ruchika Rao
Editor-In-Chief



FROM THE EDITOR'S DESK

This year's Neeti is very special to us as we bring it to you during a full blown raging second wave of the COVID-19 pandemic. The country is grappling with a once in a lifetime pandemic and the worst economic recession since the great depression. The future is perplexing, but it is in times of crisis that the door to reformations is widened.

Recovery patterns remain a subject of high ambiguity, both in terms of shape and extent. The post pandemic world is not going to be a mere reflection of the pre pandemic world. From geo politics to technology to consumer behaviour, changes have been massive. There is chaos, complexity and complete lack of certainty.

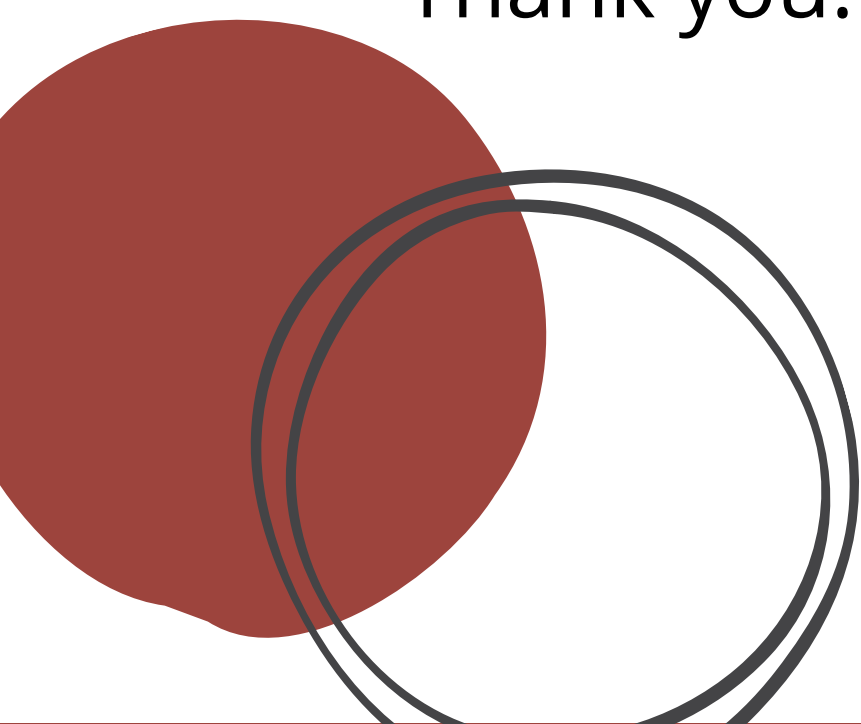
In these topsy-turvy times, flexibility and resilience are the key qualities that we need to cling to. This year's Neeti is an output of our passionate team and their hard efforts to bring you insights, ideas and perspectives to get you a gist of the fast-changing world.

We would like to end with a dash of optimism, with this quote by Rabindranath Tagore - "Faith is the bird that feels light when the dawn is still dark".

We hope that you will enjoy reading the magazine as much as we enjoyed writing and editing it. We look forward to your precious feedbacks and thoughts on the topics covered here.

Thank you!

- Anshita Banga and Medhawi Rajgaria
Deputy Editors



WARZONE OF ECONOMICS

~Ayushi Rai



It is unfair and incomplete to talk about world history without including the most vicious and gruelling warfare raged by humans against each other, World War II. It wasn't just a military conflict, but also an economical and a social catastrophe, which involved 30 countries from across the globe. There were four major causes of World War II, they are explained below:

- The biggest cause was **World War I** and its after effect. To meet its high reparation payments, the German government printed currency, resulting in hyperinflation.
- A second major cause was the **Great Depression**. It reduced global trade by 25%. In Germany, unemployment reached 30%.

The Great Depression was a worldwide economic downturn that began in late 1929 and lasted many years. It started as an American crisis, with a massive stock market crash, but it spread around the world. For the next four years, American exports dropped from about \$5.2 billion in 1929 to \$1.7 billion in 1933; not only did the physical amount of exports fall, but so did the prices. Wheat, cotton, tobacco, and lumber were among the hardest hit agricultural commodities. The worst-affected countries were those that relied on manufacturing or agricultural exports, such as the United Kingdom and Australia.

The number of people out of work in the United Kingdom has more than doubled to 2.5 million. Unemployment was as high as 70% in the country's northern manufacturing regions.

Demand for wool and food exports in Australia fell, as did costs, salaries, and unemployment. By 1932, almost a third of Australian people were unemployed.

The consequences were especially severe in Germany. Germans were not so much dependent on exports as they were on American loans, which had become the foundation for economic recovery from the catastrophe of hyperinflation. The loans aided in the funding of German industry as well as the payment of reparations. Without these loans, Germany's economy would have failed, and a crisis would have ensued. The most visible result of this collapse was a massive increase in unemployment.

Around 1.5 million Germans were unemployed by the end of 1929. This number had more than doubled in a year. By early 1933, Germany's unemployment rate had risen to six million people, accounting for more than a third of the country's working population. The Great Depression had an effect on all German classes, not just factory workers. Unemployment among white-collar employees and professionals increased dramatically.

- Third, nationalism in Italy, Germany and Japan. People turned to fascist leaders as a result of the harsh economic conditions. This made the countries turn away from individual's self interest to achieve glory.

- Protectionism was the fourth major cause. In 1930, Smoot-Hawley tariff and other forms of protectionism forced Japan to military expansion. This caused frictions between Japan and other countries and led to the attack on Pearl Harbour.

When the United States fell into depression in 1929, the Smoot Hawley Tariff Act, also known as the United States Tariff Act, was passed in 1930, increasing import duties to protect American businesses and producers, putting a strain on the international market situation of the Great Depression.

Over thousands of economists objected to the tariff, which lifted the barriers by 20%. It caused a depression in Japan's economy because the tariff cut silk exports in half and over one-third of families were involved in sericulture, resulting in sky-high unemployment rates.

It was also argued that Japan's rapid population growth mandated significant food imports, and that in order to maintain such imports, Japan needed to be able to export, while Western tariffs restricted exports, and discriminatory legislation in many countries, as well as anti-Japanese racism, served as barriers. When Japanese attempts to secure racial equality in the League of Nations were dismissed by Western statesmen, a similar feature was observed. The idea of expanding by military conquest to solve Japan's economic problem gained a lot of traction during the Great Depression of the 1930s, based on these economic and racial claims.

Wars alter long term economic growth. They permanently depress the economic prospects of future generations. Welfare reduces optimal state through destruction of infrastructure.

THEN WHAT IS THE SOLUTION?

Peace economics is a specialised branch of Economics, which focuses on the design of social-political and cultural institutions and interacting policies with the goal of preventing, mitigating and resolving violent conflicts. While a small bunch of people emerge with a benefit from war, the majority suffer not just on humanitarian but also on economic grounds.



In 2016, the global economy lost \$14.3 million to violence in terms of purchasing power parity (PPP). Wars and conflicts have an extreme impact on economic activity as it causes destruction to the physical assets. Adding to this, warfare has an immediate and long-run impact on human resources and development, which may take ages to improve.

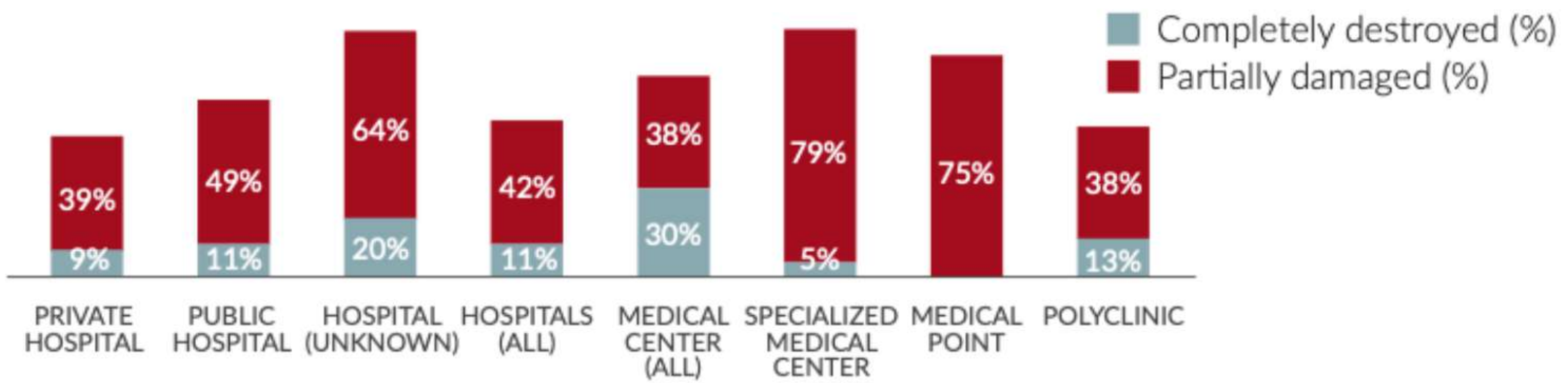
Syria is a prime example of losses due to war. Conflicts cost the Syrian government close to 67% of its GDP, but the long term impact of recovery from conflict shall take more than 20 years. The impact can be further seen on basic necessities such as housing, water and sanitation and education.

Prior to wars, Syria had close to **56% urbanisation**. However, post wars, a lot of buildings and establishments have been destroyed. According to a World Bank report, Syria has lost close to **3,16,644 houses which makes up close to 27% of the housing stock**. The Education sector has also taken a massive hit. Many of the educational intuitions have been made into military establishments while others have been destroyed or damaged. According to a World Bank report, only **57% of the existing educational institutes which include primary and secondary schools and colleges are functioning**. Another major factor that has impacted the lives of the people is water and sanitation. Water shortages were already common before the conflicts began. According to various reports, due to wars, close to **78% of the groundwater has been adjudged unfit for human consumption. Further, 457 water supply and sanitation infrastructures have been damaged**. All this has made it difficult for citizens in getting fresh drinking water. These figures show the stark reality of wars: they not only damage the economy but also impose extreme hardships on the lives of its citizens.

The two major factors contributing to the economic impact of violence are containment related. Military and internal security expenditure, which while necessary for peace, can incite violence. Better understanding their relation between consequential and containment cost is the idea of lowering the economic burden of violence, especially in countries that are engaged in war, for ex: overspending on containment reflects misaligned priorities or the pursuit of policies that do not succeed in increasing prices.

In a world where there remains a constant threat of war and conflicts, it becomes increasingly important to address these issues and fully understand the importance of peace. Peace Economics helps us in understanding positive peace which is more lasting and that is built on sustainable investments in economic development and institutions as well as societal attitudes that foster it. If we start fighting the issues of conflicts one by one, we can certainly achieve staggering advances with context of peace and prosperity instead of fuelling another war.

Figure 1. Damage to health facility by type, February 2017



Credit: The Toll of War, World Bank Group (World Bank Staff calculations)

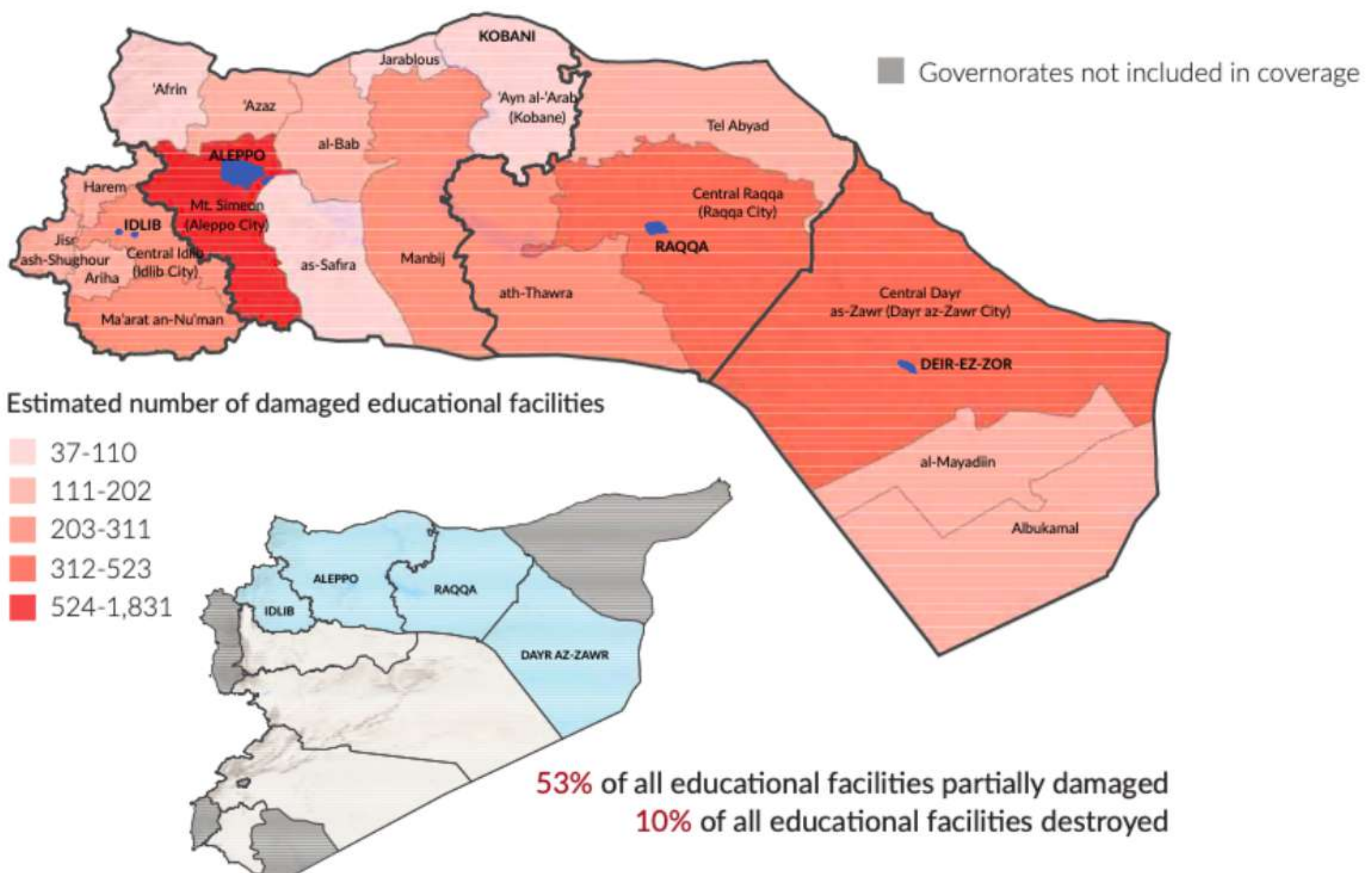
Table 1. Damage in water & sanitation structure in Syria

Asset type	Baseline coverage	Destroyed	Partially damaged	Total damaged	Percentage of assets with damage
Well	234	3	29	32	14%
Water Tower/Tank	176	18	34	52	30%
Water Treatment Plant	8	0	5	5	63%
Sewage Treatment Plant	4	0	1	1	25%
Dam	6	0	0	0	0%
Other Drainage Str.	3	1	1	2	67%
Pumping Station	21	0	12	12	57%
Storage Reservoir	2	0	0	0	0%
Water/Sanitation Office	3	2	1	3	100%

Credit: The Toll of War, World Bank Group (World Bank Staff calculations)

Map 1: Governorate Level damage to Syria's Education sector Facilities

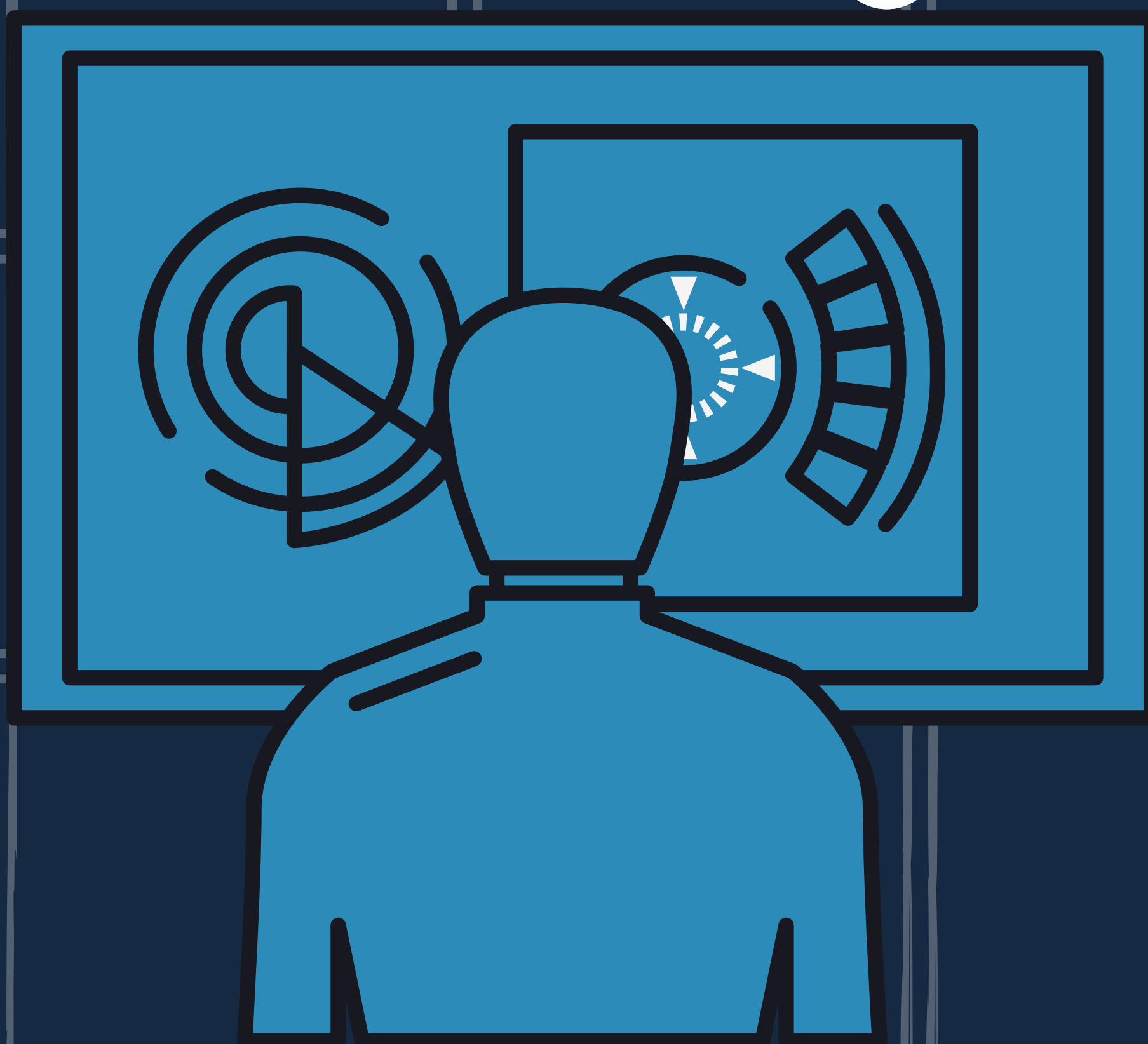
ESTIMATED DAMAGE TO SYRIA'S EDUCATIONAL SECTOR (within the 8 surveyed governorates)



Credit: The Toll of War, World Bank Group (World Bank Staff calculations)

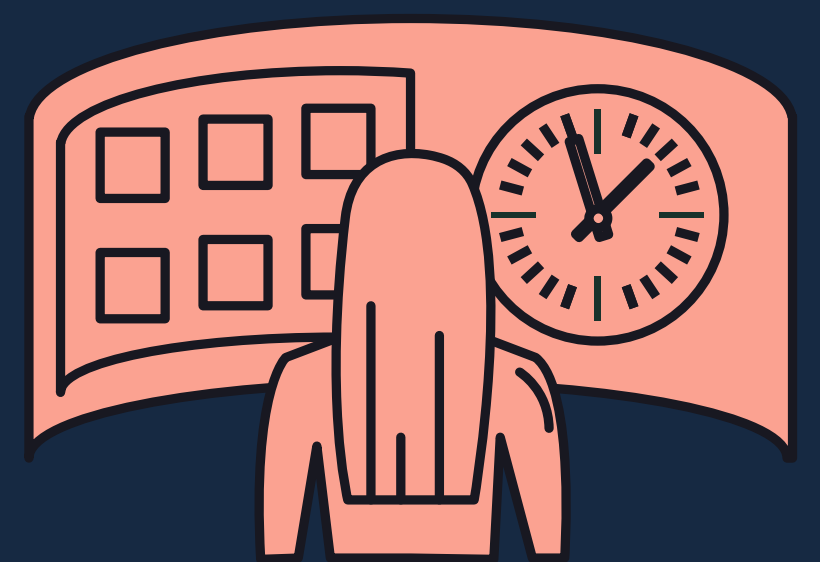
THE FUTURE OF WORK

- ANSHITA BANGA (Deputy Editor)



Change is the only constant thing. It's heard by each one of us but also detested by all our hearts. The world was already changing at a threat never seen before rapid pace but little was mankind aware that a virus was getting ready to press the accelerator. Covid 19 has accelerated the trends already underway. What was going to happen after decades is happening now? As Lenin said, "There are decades when nothing happens and then there are weeks when decades happen." It's not often that history gives mankind the chance to shape it. It's only in the crisis that the direction of history is shaped. The pandemic has forced businesses to ramp up automation and digitization and scale-up remote work. This is truly the double disruption. The World Economic Forum projects that 85 million jobs will be lost due to this and yet 97 million new ones will emerge. It's also surprising to note that by 2025 humans and machines will be spending an equal amount of time on work. The most important skills of the jobs of tomorrow are going to be analytical thinking, problem-solving, and EQ. Most of the students will be doing those jobs that don't even exist today. Around 1.5 billion people are in an education system designed 100 or 200 years for the jobs of yesterday.

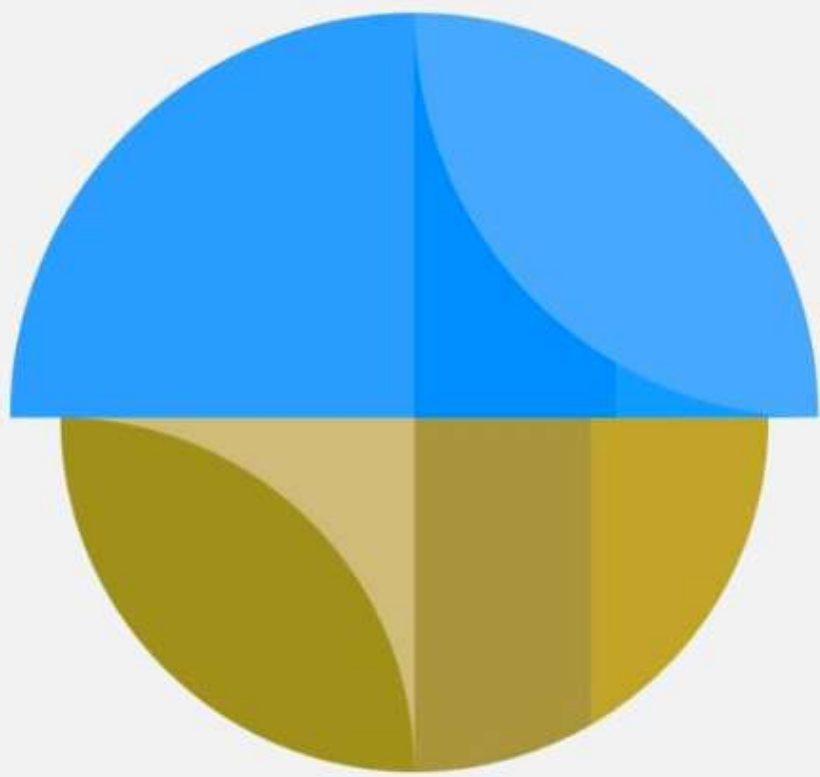
What is easy to teach and test is also the easiest to replace. It's needless to say that reskilling the workforce is the need of the hour. We have to prepare for tomorrow or there would be unemployment among the masses and companies struggling to hire a quality workforce. Lot has been said about the disadvantages of online education during Covid and resorting to a pre-covid world seems the only idea for us to prevent the digital haves and have nots. Digital need not always create a Divide but can be Developmental as well. Technology has given China's rural children access to quality teachers from cities. Over the years, this has improved their scores and earning potential, finds a study. The percentage of school students owning a smartphone in rural India has increased to 61% from 36% two years ago, the Economic Survey noted and stated that if utilized well, the resultant reduction in the digital divide is likely to reduce inequalities in educational outcomes.



Job landscape

By 2025, new jobs will emerge and others be displaced by a shift in the division of labour between humans and machines, affecting:

97 million



85 million

Growing job demand:

1. Data Analysts and Scientists
2. AI and Machine Learning Specialists
3. Big Data Specialists
4. Digital Marketing and Strategy Specialists
5. Process Automation Specialists
6. Business Development Professionals
7. Digital Transformation Specialists
8. Information Security Analysts
9. Software and Applications Developers
10. Internet of Things Specialists

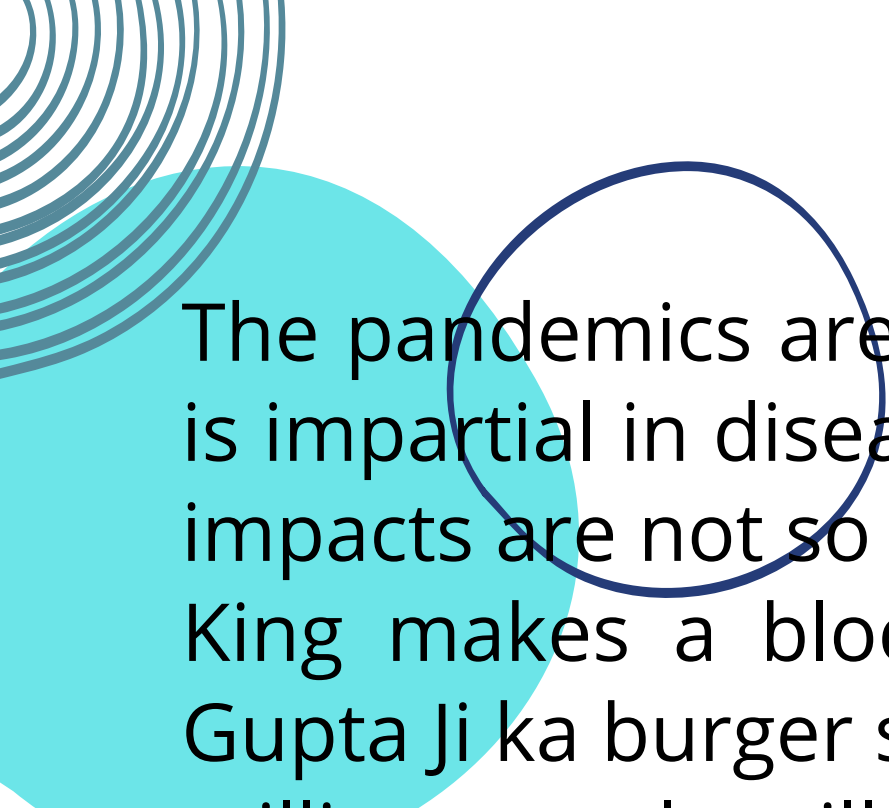
Decreasing job demand:

1. Data Entry Clerks
2. Administrative and Executive Secretaries
3. Accounting, Bookkeeping and Payroll Clerks
4. Accountants and Auditors
5. Assembly and Factory Workers
6. Business Services and Administration Managers
7. Client Information and Customer Service Workers
8. General and Operations Managers
9. Mechanics and Machinery Repairers
10. Material-Recording and Stock-Keeping Clerks

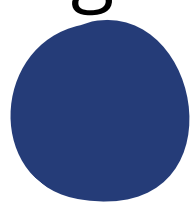
Source: Future of Jobs Report 2020, World Economic Forum.

India leads the charts among big South Asian nations in terms of 4G Availability but trails behind even Pakistan in terms of 4G speed. We need to invest in digital infrastructure so that our youth can create online games for the rest of the world. Cities have served as the hotspots of economic growth and innovation bringing people together but have also reached a limit where they seem to be the hotspots of traffic and pollution. India's emissions saw a sharp drop, but are now back above 2019 levels. We have resorted back to the pre-normal but the road that seems easiest is never the one that is the most rewarding. Reverse brain drain can be a reality with a work from a home model and Cape Town has shown how it is done successfully. Moreover, many cities in the United States have also embarked on this path.

The pandemic has made businesses scale their remote work plans which have numerous benefits for both sides from transportation costs to real estate costs. Not to forget the mental peace from endless metropolitan traffic. It is true that a man is a social animal and yearns for the company but the space to mingle had been extremely limited to your floor till now and remote work has the potential to harness the spirit of "Vishwa kutumbakam" to integrate the world and bring innovation. It brings with it an opportunity for India to become the front office of the world. Inclusivity and diversity have never gotten a better chance but for this to be a reality we must heavily invest in digital infrastructure. Clingy urban apartments will only offer chaos. Co-working spaces have started emerging but they need to be scaled up.




The pandemics are considered great levelers. The virus spares no one and is impartial in disease. But while the pathogens are unbiased the economic impacts are not so much. Rising inequalities is the biggest truth. The Burger King makes a blockbuster debut in the capital markets while the local Gupta Ji ka burger struggles for survival. The World Bank estimates that 150 million people will be pushed into extreme poverty due to the pandemic but the equity markets worldwide haven't hesitated in making record highs.



It has been disproportionately harsh towards the young, unskilled, and the women. India's mission to bring people from farms to factories has witnessed a major setback. Loss in entry-level jobs is massive in the drop of salaried jobs. Youth composed 35% of our workforce in 2011 and is projected to stand at 32% in 2031 according to the World Bank estimates. The window of demographic opportunity is shutting fast and we must act now or otherwise, we may grow old before we grow rich. It's only entrepreneurship that can pull emerging economies and transform them into developed economies.

The female labor force participation rate has also been constantly dipping from 42% in 1993-94 to 31% in 2011-12 and 23% by 2018. India's female labor force participation rate has been falling despite the rising education standards and falling fertility rates. In every Asian economic miracle, the increasing female labor force participation rate has enabled the growth of more than 7%. India faces a triple whammy in the form of stagnating formal sector, large unskilled youth population, and lack of workforce diversity.

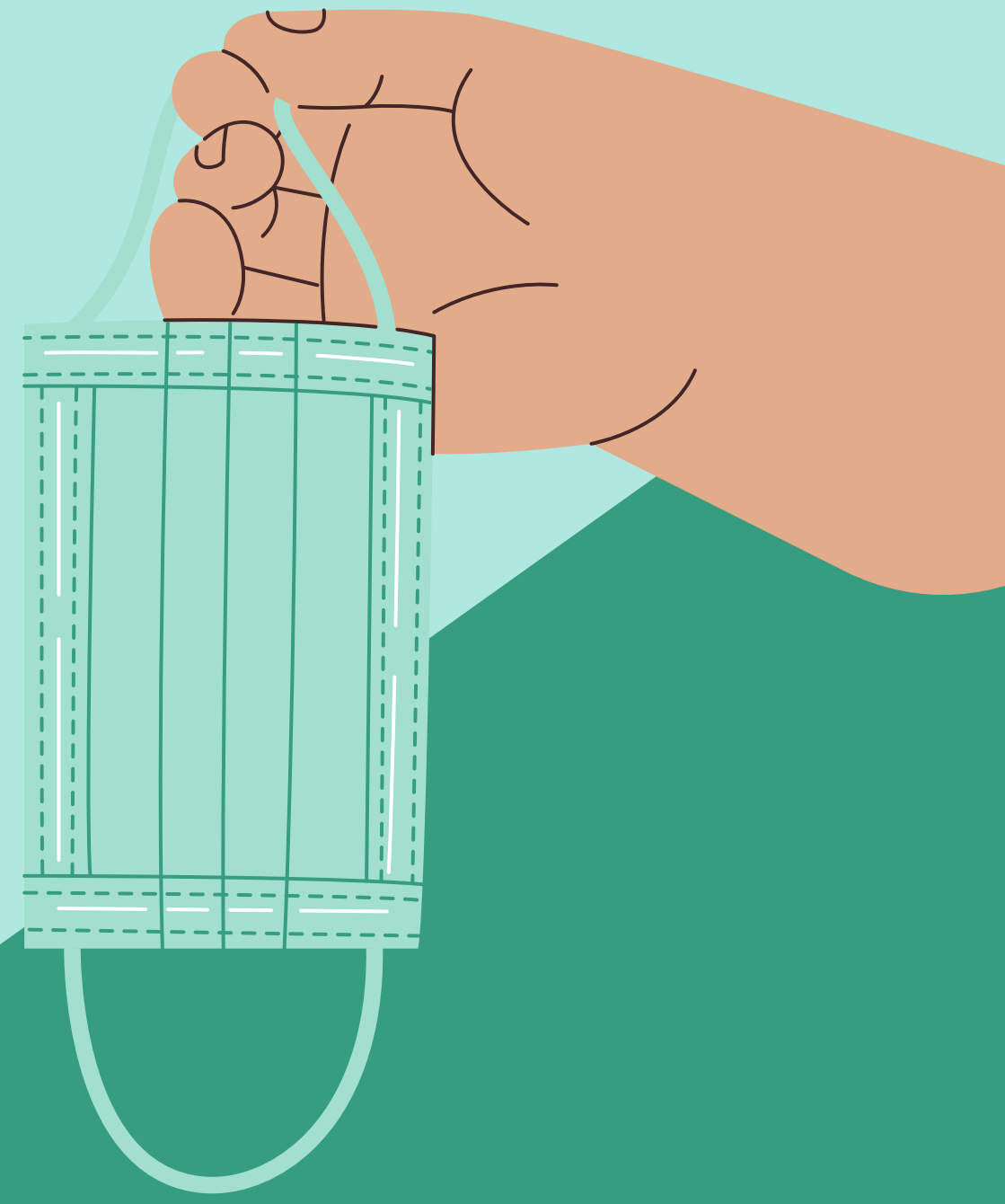
Change is knocking on the doors. Growth will be offered to the one who decides to open it and stagnation otherwise. The pandemic has the potential to send us 10 years forward or backward. The choice is ours to make and as Milton Friedman has said, "Only a crisis-actual or perceived produces real change." It's time for us to encash on our Digital Demographic Dividend. To paraphrase a popular proverb "the best time to change was yesterday, the second-best time is now."



PANDEMIC HAS DISPROPORTIONATELY HURT THE ALREADY HURT. THE NEW LABOR CODES, FLEXIBILITY, AND SHIFTING GLOBAL SUPPLY CHAINS DO GIVE A STRONG RAY OF HOPE.

BUILDING BACK BETTER

Post COVID economics



- ASTHA MUKHERJEE

The entire world is fighting a deadly pandemic, countries are on the verge of war, forests are on fire, houses are filled with floodwater, people are begging on the streets. Is this the face of the modern global economy we envisioned?

While the pandemic seems to have pressed a restart button on the entire world, many are debating whether it offers an opportunity to move to something better than 'normal'- where the governments don't rely just on GDP growth as the sole indicator of progress, but also on developing greater social and economic resilience. The priorities during policy-making are highly influenced by the measures and frameworks which evaluate the progress of an economy. While taking GDP and National Income figures as signs of development and prosperity seem practical and familiar, they are not enough. It is time that the global community starts incorporating other factors like social and economic inequality, biodiversity exploitation, happiness indices, etc to measure the prosperity of the nation thus nudging policy-makers to deliver more on these areas. The world is facing an unprecedented health crisis, which has led to an economic setback of a quantum rarely seen before for most nations. Now it is in the hands of the governments to bring the economy and public life back to shape again.

While building the new economic models, policy-makers must have the long-run impact in mind and minutely look for any leakages/discrepancies in the previous models and try to eliminate them. Thus, forming a stronger model that will be self-sustaining and not just short-term GDP fuelling. One of the key takeaways from this pandemic for any government is that the welfare of human capital is the backbone of an economy. If people are not safe and healthy, there is no question of economic growth. So, one of the major aspects of building-back better must be a greater investment in human capital growth.

Governments must work on expanding the reach of free education and promotion of research to ensure that the face of the post-crisis economy is a more educated, aware, and responsible youth in order to reduce poverty through sustainable methods.

It is also worth noting that the crisis has made people more health-conscious and aware, and this, coupled with better healthcare facilities, will lead to a generation of healthier and more enthusiastic individuals.

Education and Health should be considered as investments and not expenditures by the government as the success of these sectors is what leads to the stability and growth of a nation in the long run.

While adapting our lives to the pandemic, it is unquestionable that technology has been our best friend, making lives much simpler. There is no doubt that this realisation about the importance of technology will allow us to invest more in technological advances, in order to build a more inclusive, collaborative, and connected world where physical space would not be a barrier to personal and national development. As the saying goes, "Necessity is the mother of all inventions", coronavirus has, essentially, led to abundant innovations in the form of new start-ups & ventures, which, given the right institutional support by governments, have the capability to lead us to a better tomorrow by creating more employment and fuelling progress.

And finally, one of the key areas which urgently requires a rethink by policy-makers are the climate protection laws. The fallout from global warming, biodiversity loss, and pollution are now clear and immediate dangers, which can have cascading effects on society. Climate change has serious repercussions, from increasing the risk of future pandemics and natural disasters to decrease in quality of life of citizens due to pollution, extreme weather etc. These threats are looming closer by the day and concrete action cannot be delayed further.

The economic damage caused by climate change is predicted to be as bad as having a COVID-sized pandemic every ten years. And by the century-end, it is likely to be much worse in case the world remains on the current path of emissions. According to certain estimates, by 2060, climate change could be just as deadly as the coronavirus pandemic, and by 2100 it could be five times as deadly in terms of mortality rates. But how do we control the impact of climate change? The answer is innovation and collaboration.



We cannot stop using transport or making houses, but what we can do is find sustainable ways of carrying out these activities. Only through innovation, collaboration and global-will can we combat climate change. As nations continue to announce policies to respond to the pandemic, they must incorporate remedial measures to address environmental challenges as well. This can be done by directing stimuli towards building infrastructure and promoting research on renewable energy generation, clean technology development, nature conservation etc. which will lead to economic as

well as environmental benefits.

For the systems of recovery from the COVID-19 pandemic to be resilient and durable, countries should aim to 'build back better' rather than 'return to business as usual'. This includes implementation of policies which not only reduce the risk of future shocks but also increase bouncebackability of the society if such shocks occur by building the potential of human capital. Further, it is vital that such plans are sustainable and inclusive which will lead to a world where nature and humanity can flourish together.



COVID 19-

CATALYST OR DAMAGE?

-NABIHA NAAZ



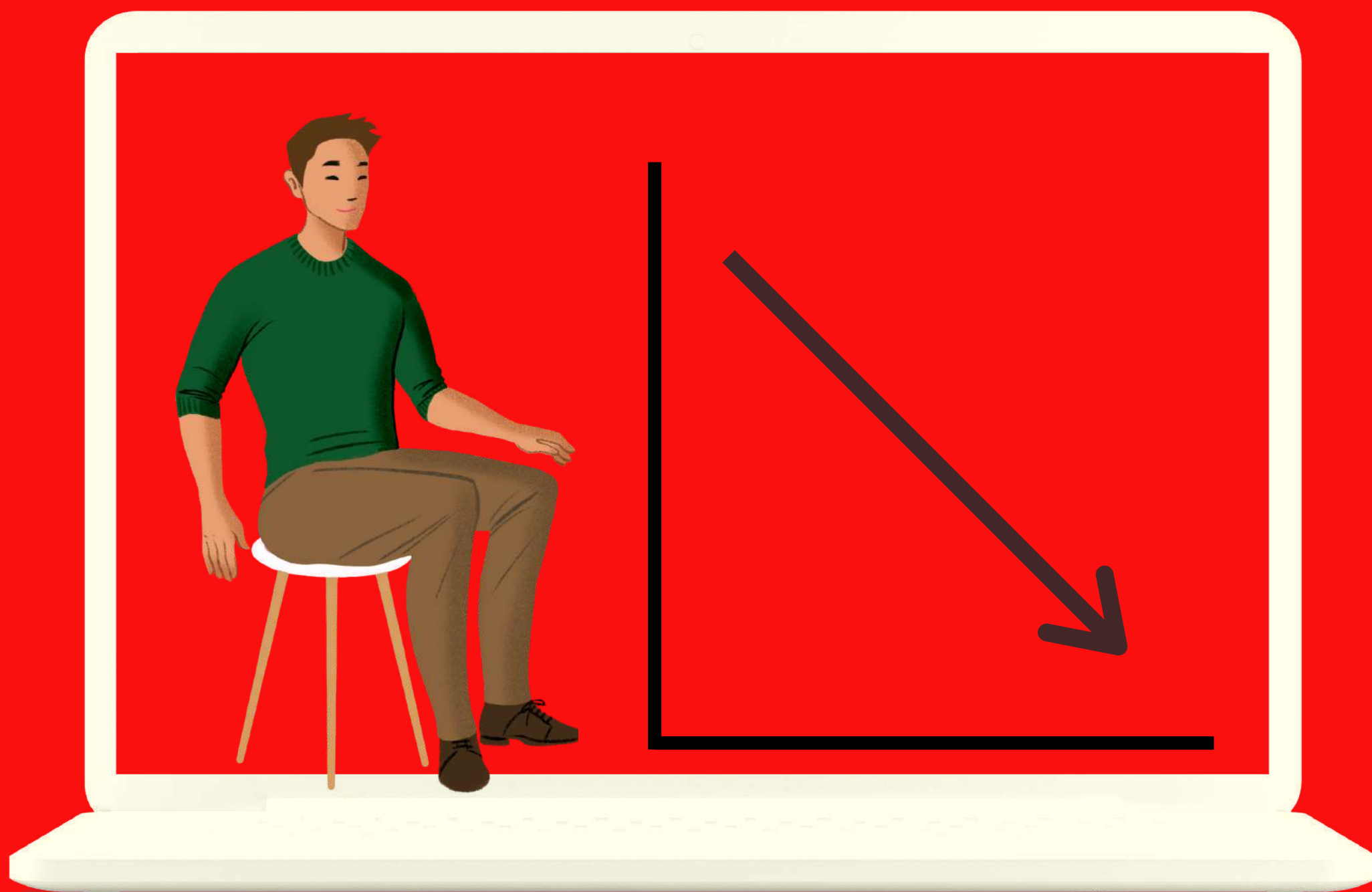


In the universally revered doctrine, The Art of War, Sun Tzu states that

'If you know the enemy and you know yourself, then you need not fear the result of a thousand battles.'

In history, there are certain prodigious events which change the status quo, change the 'normal' conceptions of human society, they may be fortuitous or catastrophic, but these catalysts guarantee a change in entropy of mankind. The COVID-19 pandemic falls in the rank of these events.

The reason why this pandemic is different from say the Spanish flu of 1920, is because of its unforeseen impact on not just the health of society and mortality, but its ability to make irreversible socio-economic changes in the anthropogenic era. To envision what society may look like 'once the dust settles' is entirely impossible because of the complexities of modern society and economy as well as the fact that we don't know when the dust will eventually settle, if at all. We are battling a war in which we do not know the enemy and by virtue of this naivete we are uncertain of how to approach the victories in the battles circumscribed within the larger war.



In the report by IMF for this year, it has predicted a decline of 4.4% in the global GDP and a 10.2% decline in Indian GDP. It is comforting to pin this decline on the jump scare of the pandemic, but data has shown that global demand had been decreasing for the past few years, in fact the demand had not fully recovered from the 2008 mortgage crisis. The backbone for every economy is demand, which is dependent on consumer behavior. During the pandemic, there has been an increasing trend of focusing on essentials, edibles and there has been a shift from consumer materialism to consumer spiritualism, with people focusing on learning to live with less, so what was considered essential before may not be anymore.

People are much more frugal in their spending, according to a McKinsey survey in May of this year, 70% of the respondents answered that frugality and caution was their prime concern. These consumers have also tried to shift from big brands with multi level supply chain models, to more local outlets to satisfy their needs. Moreover, they have deferred their purchases to a time post COVID. Corporate businesses have realized that they don't need decadent offices and infrastructure and will possibly cut down on those expenditures, they may even remove this kind of in office set up altogether, as efficiency is key in a competitive market.



During times of crises, risk perception changes causing the aforementioned consumer behavior changes, the challenge then becomes to assess what will return back to a pre-COVID time and what will be changed forever. It looks likely that the need based compartment of people is here to stay, not only in response to the crisis but also as a reaction to the increasing dissatisfaction with the globalization model. Although we can say that the deferred demand may accumulate and boost the economy once a vaccine finds its way to every household, but relying upon this may seem juvenile and ill advised.

The rapid digitalization of the economy and the crash course that everyone received on how to operate in the online world has become indispensable for the economic functioning of countries as well as companies and even households. In the short term, a decline in demand can be weathered out with patience and prudent policies, but when this decline increases its stay, firms respond by cutting down supply leading to an overall decline in production as we have seen from the numbers. In the United States around 26% of small businesses have closed permanently without any hope of reopening. The pandemic even halted the different stages of the supply chain, and forcing companies to start producing nearby or local instead of outsourcing it to Southeast Asia This puts countries like India in a tight spot with the state of the economy being etiolated prior to the spread of the corona virus. Like the US, SMEs in India have also suffered heavily, with digitalization, those who do not have the means to digitize themselves have found themselves bearing the brunt of the damage.



One such sector where this has impacted profoundly is the education sector, with classes being held on Zoom and Google, students not having access to secure and stable wifi are left to scramble. With inefficiency looming heavily on government universities, it seems unlikely that education in India can suffice on digital platforms, so a return to institutions may be ineluctable. In the meantime, however, these students need to be taken care of by systematic responses by institutions.

The government of India has recently announced a stimulus package of 20 lakh crore for SMEs, although this number may be aurally comforting, on further dissection the situation is quite unappetizing. We have allotted 2% of the GDP in the form of fiscal stimulus compared to the US' 14%. What has happened in India is, because of the increasing unemployment and risk of unemployment, a lot of families that made their way from poor income to lower middle income have slipped back. To push these households back we need to significantly increase the support and packages for small businesses to pump money and incentivize production in order to propel demand, then supply and then growth. Before we discuss what the government's response should be, we should look at what it shouldn't be.

Milton Friedman devised the shock doctrine, which essentially was the idea that whenever there is a crisis, actual or perceived there should be rapid and irreversible changes that should be carried out as that is the optimal time. While this may seem innocent enough on the surface the rationale behind it is to use moments of collective trauma to engage in radical social and economic engineering, writes Naomi Klein in her book Disaster Capitalism. We can see disaster capitalism being practiced throughout different landscapes like in the post 9/11 days, there was rapid deregulation and lowering of taxes that was carried out by the Bush administration, or in Sri Lanka after the deadly 2004 Indian Ocean tsunami, international hoteliers flocked to the shores to create a tourist destination while obliterating livelihoods of the large households that relied on fishing in those waters. These examples serve as a warning as to what the government ought not to do. Following the lead of Keynes, the architect of the New Deal, government should support the small industries, the migrant workers and those at the losing end of the COVID battle by devising stimulus packages and welfare schemes to ensure the economic security of people.

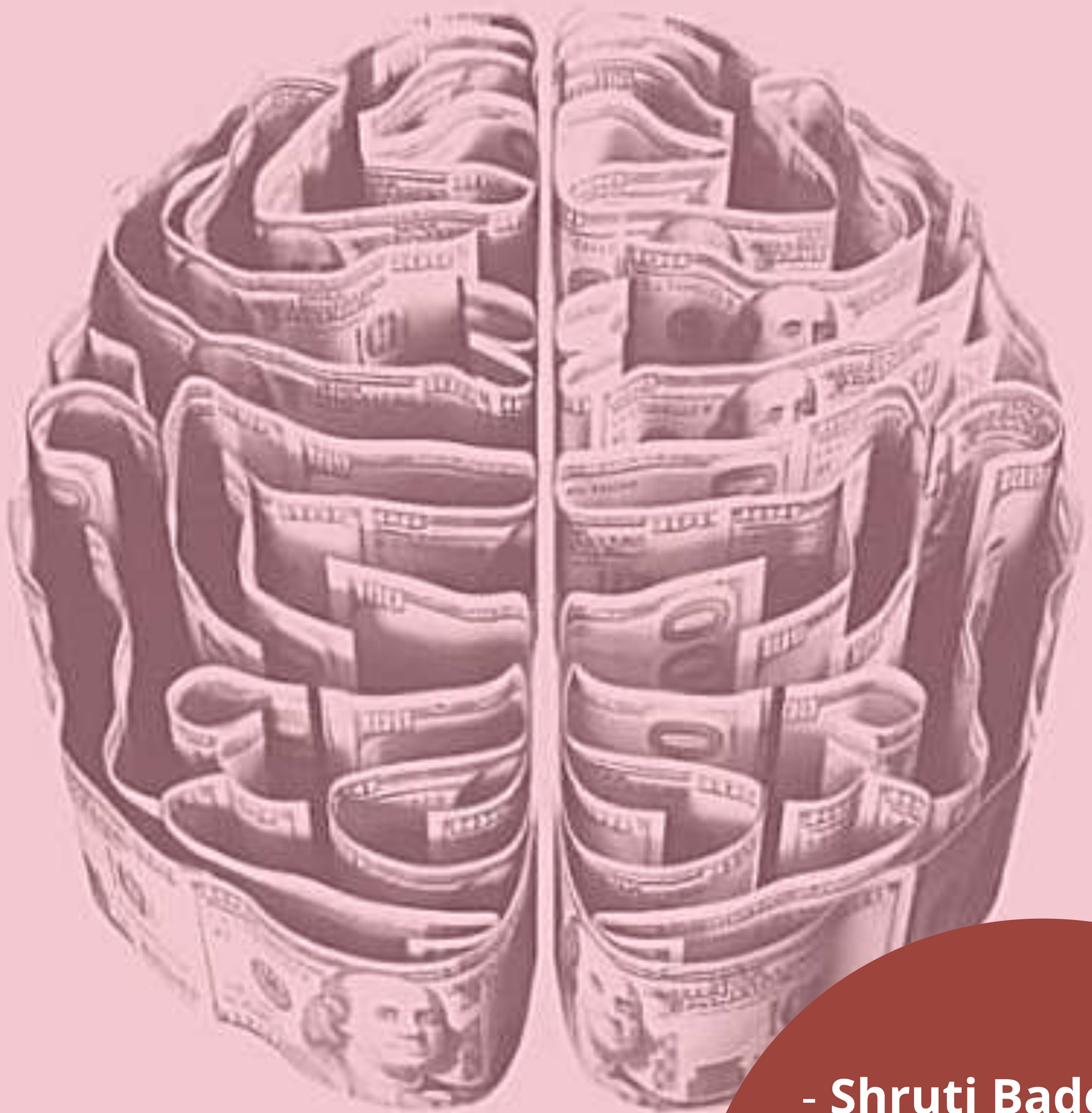
CAPITALISM
THE ENDLESS CYCLE OF
EXPLOITATION



We saw a success story of the New Deal led to an era of decreased inequality, social security and increased welfare for the people, this is how India can use this one last chance of redemption. Unfortunately, the current administration is responding to this crisis by creating protectionist and inward looking policies through the Aatmanirbhar initiative. This import substitution idea has done us disservice in the past and may do so again, as countries will not want to import our goods if we don't import from them, trade is a two way street. At the risk of sounding crass, this pandemic is a game of speed, if we don't catch up to the damage done by it and reverse it, we may end up with everlasting changes that may be fueled by even the slightest miscalculation. Understanding that there is a shift from globalization to what experts are calling 'slowbalisation', policy making is not a binary between globalization and protectionism, there is a third option that countries need to realize and that is cooperation. Only with cooperation and information exchange can we find a cure for the COVID pandemic as well as the economic plague.

DEPRIORITIZING MENTAL HEALTH

- INDIAN UNION BUDGET 2021: THE REALITY



- **Shruti Badoni**
Maitreyi College,
Batch of
2017-2020

India Inc's Hidden Mental Health Problem

1 in 5 Indians

will suffer from depression in their lifetime

42%

of private sector employees have general anxiety disorder or depression



150 million

people across India are in need of mental healthcare interventions, both short- and long-term

46%

of private sector employees report extreme stress as a result of their work

With the ever-increasing talks around mental health, India is slowly coming out of the derogatory and orthodox norms of viewing mental illnesses as a myth or a 'problem'. However, the same is not noticeably visible at the administrative level.

Ever since the establishment of the first Indian Government, less has been the focus around mental health. Even in the year 2021, when not only celebrities but the youth has aggressively come forward to talk about it – it is not a status of concern for the legislative authorities.

Ms. Nirmala Sitharaman, Minister Of Finance of the Government of India, presented the union budget for the year 2021-2022 on 1st February 2021.

The citizens of India were eagerly waiting for the announcement of the Mental Health Budget this year, which has been less than Rs. 1 per person per year for over decades now. However, only Rs. 597 crores were given to the mental healthcare, out of which only a small sum of Rs. 40 crore was proposed for the National Mental Health Program, about 7 per cent of the total mental healthcare budget.

This figure has been the same for quite a few years now. Rs. 500 crores out of the budget were given to the National Institute Of Mental Health And Neuro Sciences.



For the financial year 2022, our honourable finance minister said that health and well-being are the key pillars of a self-sufficient Bharat. However, with just Rs. 40 crores to serve a population of 137 crores, the statement seems far distant from the truth. Experts also believe that the proposed budget will leave India absolutely unprepared and unable to deal with the population's requirements, especially after the addition of the mental trauma and health after the fallout of the COVID 19 pandemic.

The pandemic hit the Indian population quite hard, leaving millions jobless and several homeless. An estimated 12.2 crore citizens of India lost their jobs amidst the pandemic, nearly 9 per cent of the workforce.

Most of the youth has been locked inside their homes, with little to no social interaction. This has been a conspicuous situation of the increasing mental health issues in people as young as 15 or 16 years old.

Värnik claims that India's adjusted annual suicide rate is 10.5 per 1,00,000, against the world's rate of 11.6 per 1,00,000. According to a 2017 study in Lancet Psychiatry, 14.3% (197.3 million people) of the Indian population suffered from mental illnesses.

8 million people around the world die every year due to some or the other mental illness. This is how crucial it is for us to identify the seriousness of the matter



When the Government fails to identify it, allocating less than Rs. 1 per person per year for their mental health stability, it clarifies how significant this aspect is to the authorities. The Indian Government spends 0.05% of the total healthcare budget on mental health, whereas other developed countries spend at least 4%-5% annually.

This is one of the primary reasons why India is still coming to terms with the fact that mental issues are real and absolutely normal, even in the 21st century. We have started accepting it, but not acting on it.

Despite the productivity loss caused due to mental problems and a shortage of doctors and agencies to suffice the need for a proper mental healthcare mechanism, the budget does not seem to increase at all. In fact, the first time the mental health funding was brought down instead of adding onto it, was in the year 2011. Since 1982, India, as a part of its yearly Union Budget, spent more than Rs. 100 crores on the NMHP. In 2020, the actual spending was less than Rs. 5 crore on the same. Additionally, In FY2019, the funding was dropped to Rs. 40 crore from Rs. 50 crore in the financial year of 2018.

It would be right to say that the Indian Government is slowly and silently deprioritising mental health, and now it is evident more than ever.

If we calculate the exact cost required to fulfil the mental healthcare positions and issues in India, it comes down to a whopping Rs. 94,073 crores, according to the Indian Journal of Psychiatry. As in front of us, the actual current spending is not even a mere fraction of this amount.

The Mental Health Care Act guarantees every affected person access to mental healthcare and treatment funded by the Government. The Government is said to make sufficient provisions for a range of services required. However, one does not need to be a mathematician to do the simple math here. The Government's budget for mental healthcare is Rs. 40 crores, on an average of about 197 million people (as stated above) are going through some mental illness. The amount is certainly not even enough for 20% of the said population. From doctor consultations, medications, tests, to whatnot – mental healthcare check-up is a routine which the Indian citizens do not even get to follow regularly. No wonder what the allocated budget is going to do, for it will never even reach a maximum of the population in need of the same.

Dr Devraj Sinha, a top player in the category of Psychiatrists in Mumbai, expressed the system's attitude towards mental health by citing an example that is definitely an eye-opener.

"If the cardiology department, for instance, asks for funds for a transplant, they get cleared the next day. However, suppose the psychiatry department asks even for medication. In that case, that does not fall under the ambit of the Government's free medication, and there is no response for days. How will the patient afford this medication, the treatment then gets stuck."

said the doctor. This one statement tells a lot about the system's attitude, and the importance it has been giving to sensitive issues like that of mental health.

Numerous individuals and multifarious organisations in India have been coming up as registered establishments for mental health, trying to help as many people as possible. Nevertheless, to reach out to a population as diverse and as large as ours, spread in a land size of 3.287 million km², without the authority's and system's support is more like feeding a bird, when in reality you want to feed the entire biodiversity.

What the Government is also failing to do is create awareness. Only 2 out of 10 affected people actually seek medical help when suffering from a mental illness. There are no campaigns, centres, or counsellors that the Government provides for its citizens who can actually come forward and educate the unaware, about what is the thing which has been acting as a toll in their lives.

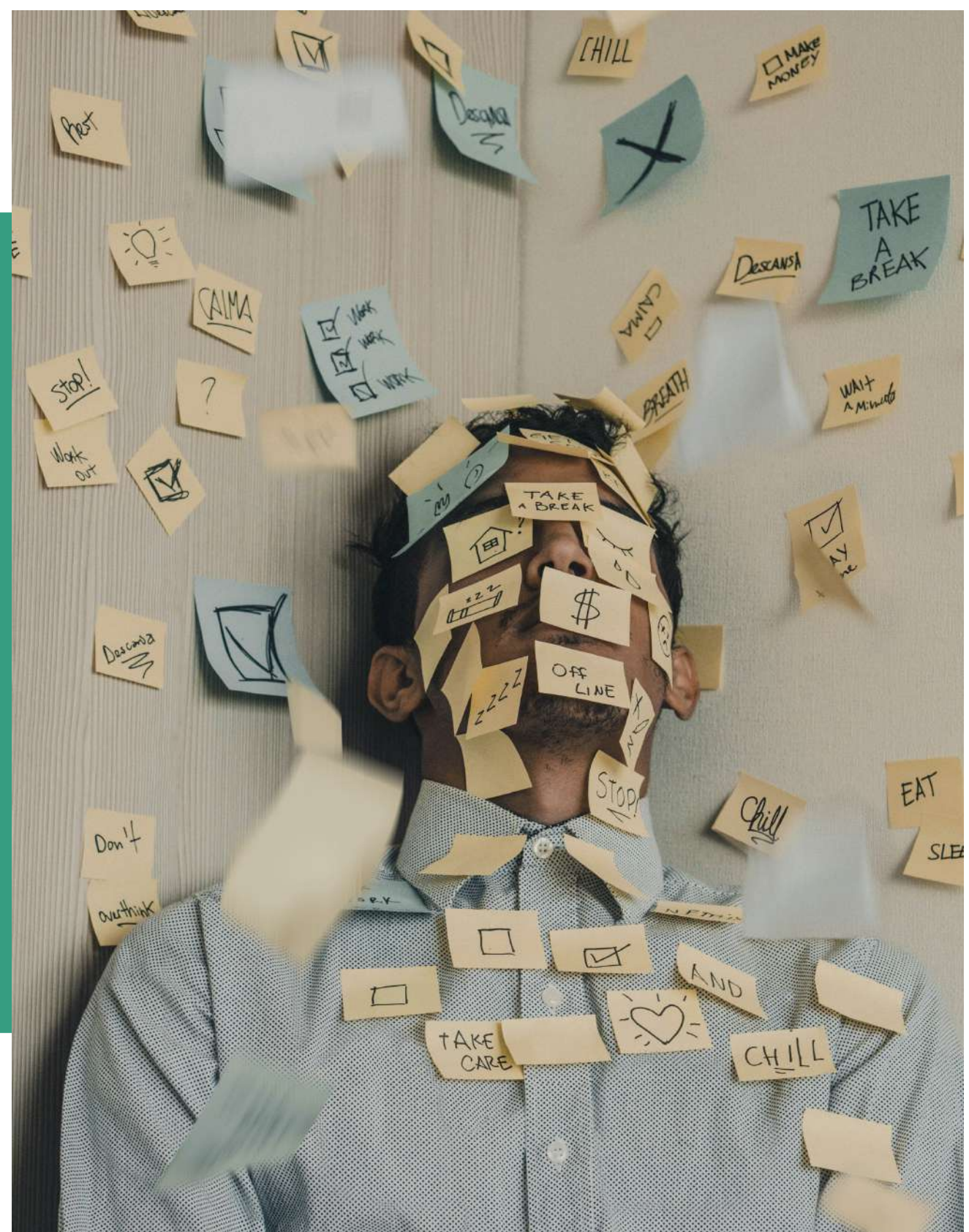
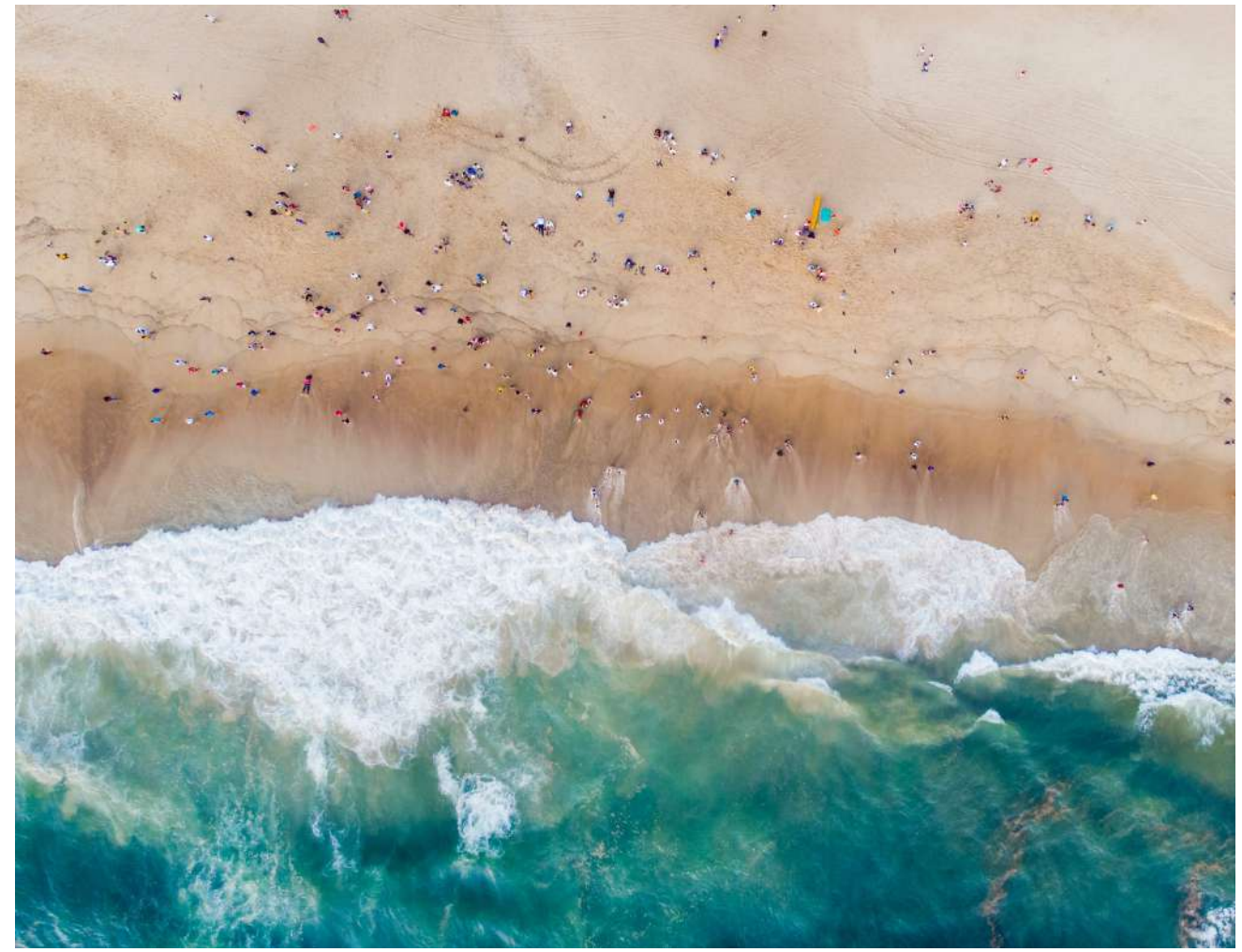
"There is a shortage of doctors for the already affected patients; to expect trained paramedical staff and social workers to spread awareness and provide counselling seems far-fetched,"

added Dr Sinha. There is an absolute paucity of trained human resource for all the mental health arenas, and even after several calls from the public, there has not been much change.

This lack of professional human resource to carry out tasks like understanding the patient, counselling the patient, talking to the patient; leads to a mental health system which is incomplete within its roots, in India. Medication is preferred over counselling and sensitisation, making the problem grow deeper.

This gap in budget allocating and budget spending has led to non-stop fundamental issues related to improving mental health and citizens coming forward for the same but being overshadowed every single time, by the immediate measures of 'more medication, less sensitisation.

To understand where we are going wrong as a nation, here is another little addition to our knowledge on the budget. The 2021 budget also mentioned a grant of Rs. 300 cores to the Goa Government for their diamond jubilee celebrations on the occasion of Liberation Day. As much of an important day it is for the people of Goa; the Government initially sought just Rs. 100 cores from the central Government. Rs. 200 crores were allocated for the celebration purpose in excess, whereas the Mental Health budget lacks Rs. 94,000 crore. As a student of economics and a citizen of India who prioritises mental health of each citizen, it is not only astonishing but confusing to see such less significance given to something as big as the well-being of the country-men. If a celebration deserves Rs. 300 crores, why does a health condition not?



This entire scenario that processes the low level of spending on mental health is exacerbated through an underutilisation of the government funds, which are actually the citizens' funds in the end. Low prioritisation of mental health by the centre and the Indian states and low coverage of health insurance for mental, neurological, and substance use disorder states the authorities' realisation about the matter as grave as this. The COVID 19 pandemic witnessed numerous suicide cases by not just commoners but even celebrities. Celebrities, who generally have access to luxuries and an easier approach to almost everything, lost their battle against mental suffering. The COVID 19 pandemic has only increased the need for additional financing of mental health services worldwide, but especially in our nation. The focus has to be on increased mobilisation and effective allocation of finances to address priority needs like immediate counselling, therapy sessions, agencies to support these sessions and qualified doctors. With a budget as low as that proposed, the goal does not only seem far-fetched but next to impossible.

In a country with most of its population in the working stage, the youth, where there should be a heavy focus on their mental health to promote the nation's development, productivity and growth; the Government has not been paying attention to an issue that is now out here in public. All it needs is the authorities to take over and take it seriously, by not just addressing it but acting on it. The idea of a budget that 100% fulfils the criteria of India's mental healthcare system seems truly implausible, and nothing until the next budget can be said or done, unfortunately. These are the times of crises, and what we need the most is our minds to be stable and healthy and in a position of anything but dismay. However, as down on one's luck as it may sound, this has not been the case. There is no shame in admitting that we, as the citizens of India, had high expectations from the Union Budget 2021, especially in the Mental Healthcare Act category. Now that it is clear that we are not going anywhere with this budget, all we can do is wait and hope for a better amendment in the years to come. This ground reality of the mental healthcare system in our country is genuinely agonising yet petrifying.



"A change of attitude towards mental health, an investment push, government-backed awareness campaigns, primary mental health treatment in government's wellness centres and sanctioning of more psychiatry seats in government colleges are some of the immediate steps that can be taken to start solving the issue," said Dr. Mundada, a senior specialist consultant in Mumbai.

To end my thoughts on the part of the National Mental Health Program in India's Union Budget and its priority setting, India seems like a country with no mental health at all, today, or tomorrow. There is a blind eye turned towards something affecting a large share of the population, the consequences of which will be visible in the coming years.



**THE GOVERNMENT INTENDS
TO NOT BE IN THE
BUSINESS OF BUSINESS.**

LET'S DISCUSS.

by Vinayak Sharma



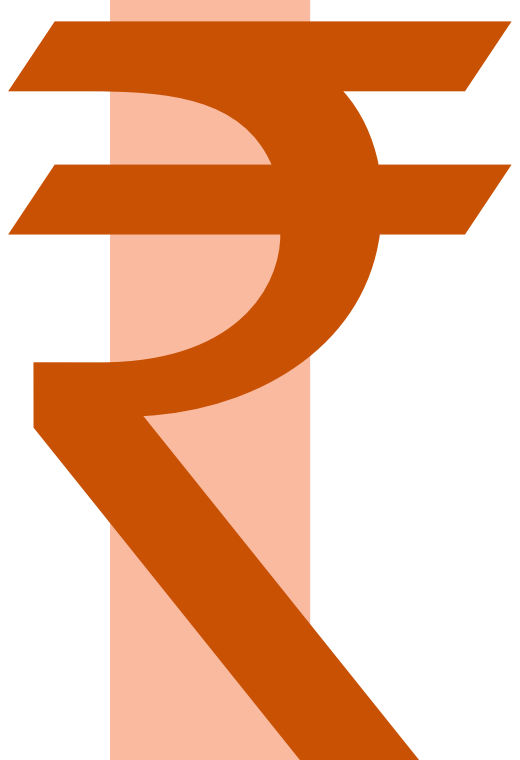
Addressing a webinar hosted by DIPAM (Department of Investment and Public Assets Management) on 24th of February, **Prime Minister Narendra said that the government has no business to be in business**, pushing the envelope of disinvestment and privatization of Public Sector Undertakings.

The government has now made its intentions clear about privatization and its support for a stronger economy, superior efficiency, and lesser government-involvement.

The Budget 21-22 which was announced in February 2021 by Finance Minister Nirmala Sitharaman, mapped the plan of completion of monetizing IDBI Bank, Shipping Corps, BPCL, among others. The government will also amend the Insurance Act, 1938 to increase the FDI limit from 49 per cent to 74 per cent in insurance companies, which however was a surprise since BJP had argued against such foreign involvement back in 2012, when it held opposition in the Parliament.

To even accelerate the process of privatization, the government has started inviting Public-private participations in sectors like Bus transportations, and operations of major ports around the coastlines of India.

Prime Minister Narendra Modi and his government has upheld their belief in privatization with this budget, which experts have seen to be on the lines of Liberalization of 1991, which was led by the then Finance Minister Manmohan Singh. What needs to be seen is how this government which is already facing its most brutal economic downfall due to the pandemic, will work on such an elaborated manifesto.



PRIVATIZATION: GOOD OR BAD?

If anybody who has traced the past economic revivals or growth of the democratic countries of the world, they would know, a large credit of any such victories would go to the decision of privatization government assets.

There are countries like France, Italy, Germany, Japan who have used privatization to its good use during the beginning of the century, and served the purpose of economic growth as well as better and efficient services. Privatization often synonymises with lesser bureaucracy, and hence, lesser corruption, and faster results. The supporters of privatization often hail private players as more dedicated, driven and diligent on giving better returns. Private companies would not have ministers who have no knowledge in the working of the sector as the chairperson, and the shifting democracy won't affect the continual working of such sectors.

Many also credit privatisation to be the reason India was the leading developing nation and was beaming with a proud GDP over its struggling counterparts not many years ago. Even in the current scenario of our country, **private companies such as OLA, UBER, Zomato, etc. are making the common man's life better, and even helping the economy run better.** Such companies are also generating greater employment which government after government has failed to do in past decades. Private players which often work on better infrastructure also help the country to be more skilled, and readily incentivised.

Local businesses/cultivators are also benefiting hugely with the emergence of private players, whether in the face of Mobile Apps, or Supermarkets.





However, often pro-privatization experts forget the virtue of the public sector in a developing country like India. Public sector's top priority is public welfare, and not profit, and even if they make profit, the money is sanctioned to be used for better infrastructure, education, employment etc. **Critics of privatization have termed it as "Good for economics, but bad for citizens"**, which is usually the case if one follows recent trends in the areas of telecom, education, airlines etc. The curious case of monopolising the industry of any such sector which comes into the hands of private players is a probable outcome.

And when it happens in India, where 22% of the population still lives Below Poverty Line, the living gets tough for the common man, and the distinction between the rich and the poor increases even more. For example, if public sector banks are privatized, they are often seen to charge higher interests on loan, etc. This is where the government needs to make rules and regulate the inflation of rates when such services come under the private players. Another possible undemocratic outcome could be that the government in power sells the country's assets to their favourites. The favourites that help it sustain longer in the elections, leaving other corporations behind, which indirectly creates a system of structural hegemony.

WHAT EXACTLY IS THE PROBLEM WITH THE PUBLIC SECTOR?

Public Sector often suffers from the disease of “Many Bosses”, the institutions are commanded by several top positioned people in the government and mostly by people who have no expertise in the service they’re given charge of. Public sector lacks accountability, and since permanent employees do not have to work to secure their jobs, employees do not show as much zeal and enthusiasm as a private company employee.

Public Sector institutions are also the organizations which see the most corruption where taxpayers’ money is stolen, and is used to fill pockets of the top positioned people of the organizations. These are the institutions which also suffer with the turning politics of the country, which results in lesser stability and even lesser productivity.

However, not all Public Sector organizations have declined with their profits, several like BPCL, ONGC, among others had shown massive profits. Public sectors have also contributed in the advancement and urbanization of smaller cities, and even generating huge employment in those areas.

CONCLUSION:

When Indian government fastens its process of privatization and disinvestment, it should combine it with effective governance to keep a check on the maximised private participation in the country. Policy-makers need to examine and establish the preconditions for success, in terms of the business environment for competition, governance, and entry.

Quality of the legal system concerning corporate governance, for example company accounting procedures, needs to be excellent. With that, the government needs to punctuate methodical redressal for grievances for minority shareholders, and itself.

What needs to be seen is if these huge privatization steps in India by the government sets an example, and follows the lines of Japan’s planned and fruitful privatized train services, or falls flat like the UK's privatization of the same.

**MIND THE GAP:
ECONOMIC
ANALYSIS OF
UNIVERSAL
BASIC INCOME
DURING
PANDEMIC**



-VIDUSHI SHARMA

As the world wrestles with the unprecedented implications of the COVID-19 coronavirus pandemic, we are facing a human crisis unlike any we have experienced and our social fabric and cohesion is under stress.

UN Deputy-Secretary-General Amina J. Mohammed during a digital meeting of the Forum's COVID Action Platform on 8 April.



The COVID-19 pandemic continues to paralyze economies causing millions of job losses worldwide. The adoption of Universal Basic Income is being intercepted as the panacea in the time of global chaos. Universal Basic Income aims at giving out a sum of money to all the citizens to guarantee a minimum level of income.

The following program has been criticized on a possible moral hazard and wastage of funds by the government.

The critics have emphasized that individuals when exposed to UBI will take more risks since this burden will be borne by others. An undesired *"taken for granted"* attitude could unfold due to the moral hazard. The animadvert approach highlighted the futility of providing funds to the richer population, which will increase the disparities between the rich and poor.

However, the UBI has come into the limelight. The Canadian experiment of the UBI conducted in the 1970s in Manitoba has resurfaced as a testimonial of its success.

The 2016-17 Economic Survey and the International Monetary Fund (IMF) had once proposed quasi-basic income schemes that leave out the well-off top quartile of the population as an effective means of alleviating poverty and hunger. The fiscal cost of a UBI pegged at ₹7,620, at 75% universality, was 4.9% of the GDP then. A UBI on par with the numbers suggested by the Economic Survey could lead to targeted household incomes increasing by almost ₹40,000 per annum. A similar experiment is being undertaken in Finland, the happiest country in the world is upping its game.

Additionally, the Nobel prize winning theory of behavioural economics which has three prominent concepts viz. inclination towards satisfactory combinations, intertemporal choices and alteration of choice set, play an inevitable role in ensuring desired, lucid results.

The theory gives an insight of how individuals prefer satisfactory combinations to optimal combinations. It highlights the concept of intertemporal choices i.e., the implication of an action taken by the individual occurs in a different time period and hence the individual is not directly affected by their own actions.

Furthermore, the theory also reiterates the idea that the preferred set of choices of an individual can be altered by the means of reinforcements by the government or the concerned institution in favour of the individual themselves who do not undertake optimal choices.

In context of the universal basic income the following theory facilitates by providing a conducive environment to reap favourable results of the scheme. Since individuals prefer satisfactory choices to optimal ones the government can undertake positive reinforcement methods to ensure that the individuals make optimum use of their given resources to attain economic growth and prosperity along with their individual growth and prosperity. In this regard, the concept of intertemporal choices to play a very crucial role in this experiment as the output of the actions undertaken can be observed with long-term prospects in mind through the above mentioned.

Positive reinforcements include proper education, counselling, subsidies, cultural and social appreciation to provide a better and more intellectual use of the fund allocated in the current paradigm.

Individuals can also be motivated to undertake entrepreneurship and allied activities. Negative reinforcements include penalisation, fines, regressive taxation, schemes can be implemented to prevent the individuals from deviating from the optimum path.

We have entered into an era of crumbling economies, increasing unemployment and recessionary trends. The limping economies have been striving to reinstate normalcy and restore the collapsing sectors. With the fall of major economic sectors and Nations falling prey to recessionary trends the major business houses have seen huge pay cuts within the employees the collapse of the automobile sector in developing Nation, the oil sector, the travel and tourism sector, aviation sector etc. traces parallel to the Great Depression. The world has found itself at an impasse where the universal basic income is the Noah's ark. The argument which criticizes the same for increasing disparities is void till sine die. The backlash of the virus and long lockdown periods along with the vaccination, health and other factors have created a high deadweight loss in the production and economic sectors providing a Universal basic income to each individual in the country is crucial. To warrant that the individuals have enough financial assistance to come out as entrepreneurs and job providers in a time when the jobs have declined or have been wiped out due to deteriorating economic sectors, the universal basic income becomes inevitable.

***"All countries need to review their strategies now,"
Dr. Michael J. Ryan, WHO
Informal Advisory Group
member.***

The same is especially true for countries which do not have any potential diversification options. Countries like the OPEC group, underdeveloped and developing deserts, island countries and countries based on tourism and travelling sectors do not have an option of diversification and hence are facing greater loss as compared to others. The catastrophic situation can further instigate a possible depression and economic failure. *With GDP declining, inflationary trends, falling production, decreasing employment rates and salaries the world is inadvertently marching towards doomsday.* Hence, the UBI is the sole choice.

Likewise, the policy for the Indian economy can provide a head start that is required to bring the economy back on track. It will eliminate poverty to a large extent by providing an income source for the people who are daily wagers, agricultural labourers, below poverty line manual labourers and other synonyms groups, thus converting them to assets.

The same Universal basic income will ensure that the middle income groups which were juggling taxes and forms have access to better facilities and astronomically contribute to their productivity. For the higher income groups this will establish that they sustain their own entrepreneurship activities which provide a source of employment for the people of the other two groups, it will also ensure that they are able to repay their loans and do not shut the enterprise which will cause a disequilibrium between the jobs available in the country and the people seeking employment. This means the government will ensure that the people who are suffering during the pandemic period will have enough to strike through. Some critics might argue that the following can cause inflationary trends in the medium and long run however, since the paradigm calls for an action and the same shall be highly appreciated. Another Nobel Prize winning theory called, the management of common pool resources which explains how commonly used resources are better maintained as compared to privately owned resources, as the community works together in a vigilant fashion to ensure that the resources are efficiently utilised.

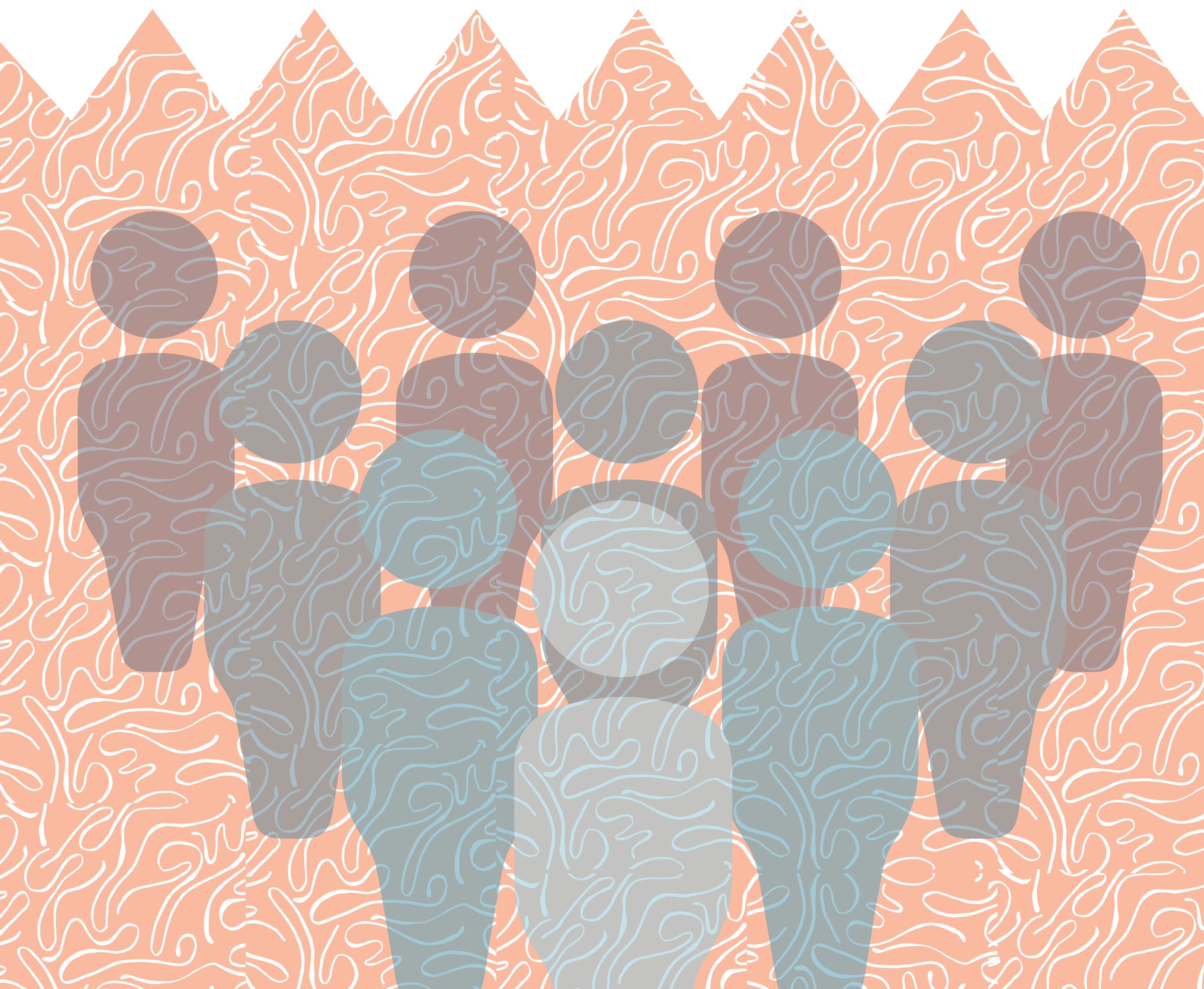
Under the basic income policy, the common resources will be optimised to maximise the economic gain of the nation, since these individuals will have better access to the facilities and thence will be better at organising and using the common pool resources which will again add to the country's GNP and GDP.

In bird's eye view, the policy of Universal Basic Income will metamorph the society to a more economically Independent and prosperous one. In the current paradigm implementation of the universal basic income policy will lead to a substantial improvement in, the infrastructure, production equation, skill set, export and allied sectors. In juxtaposition it can be observed that a Universal Basic Income policy paradigm has better results as compared to a paradigm without the same. A meticulously drafted and earnestly implemented policy will exponentially elevate the economic outlook of the country.

NUDGE THEORY IN INDIA

-Bhavya Tyagi

Master of Economics University of Sydney



INTRODUCTION

Thaler¹ and Sunstein are hailed for developing and popularising a strategy for new paternalism, called Nudge. “Nudging” is a way to coax and positively assert our behaviour using insights from mental processes. It’s not synonymous to the coercive “traditional paternalism” but more like a “libertarian paternalism” where a nudge would just tweak the environments in which we make choices while preserving the freedom of choice.

If you want to get somebody to do something, make it easy. If you want to get people to eat healthier foods, then put healthier foods in the cafeteria, and make them easier to find, and make them taste better. So, in every meeting I say, “Make it easy.”

- Nudge²

Policymakers all around the world have now taken up to this idea and are using it extensively in setting up government nudge programs in order to make the policies more effective without significantly altering the incentives and hence, behaviour of the people.

In this article, we’ll steer away from the ethical problems and political consequences that may be brewing in the reader’s head. Rather, we’ll focus on it’s interesting application in Swachh Bharat Mission scheme in India, the largest democracy in the world. We’ll see how technocratic coercion can actually give incredible informational advantages by building a feedback loop through which suboptimal policies can be made more effective.



एक कदम स्वच्छता की ओर

NUDGE THEORY

Adam Smith noted that human choices are driven by our limited mental resources.

This is saying that humans are not mere rational and unbiased robots. There are two possible ways in which a person can react. One, by intuition and two, by rationally analysing the choice states. Nudge Theory attempts to alter the by changing the default option.

¹ Winner of Nobel Memorial Prize in Economics 2017 for ‘contribution to behavioural economics’

² Nudge: Improving Decisions about Health, Wealth, and Happiness, 2008

It was noted by Thaler & Sunstein (2008) that people tend to stick to a default option when making choice.

This reflects a cognitive bias, called anchoring bias, that creates a gap between people's intrinsic preferences and their default choice. Nudging can therefore bridge this gap to enable effective policymaking.



Source: Economic Survey of India

NUDGE THEORY IN INDIA

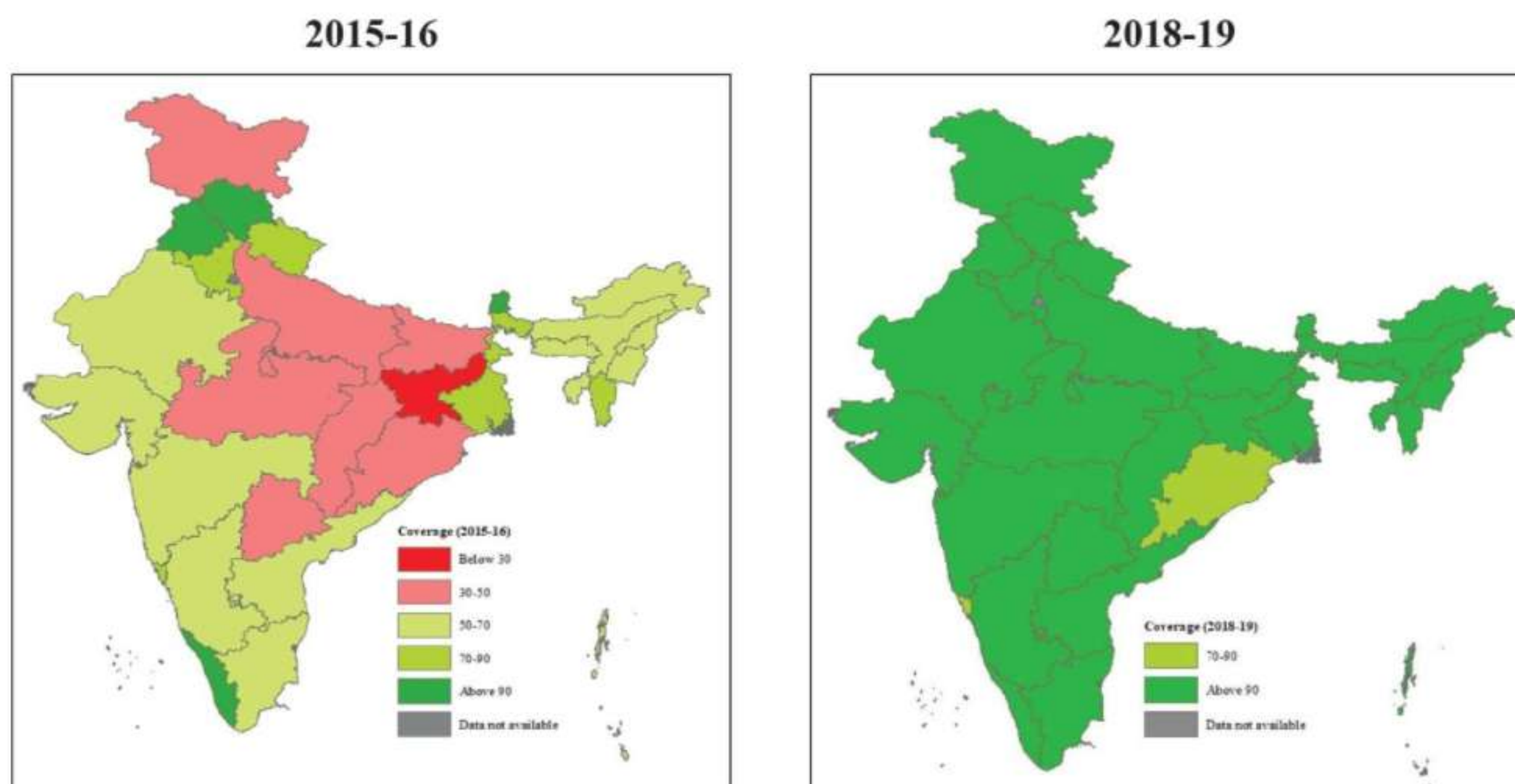
Indian is home to 1.3 billion people, 330 million gods, 19,500 languages or dialects, 10 religions with numerous geo-spatial divisions, high levels of illiteracy and an extremely vulnerable health system. More than often, policies fail in India due to the diversity that shapes the intuition of people. Owing to this factor, setting up nudge units in India has been important to implement well-structured policies that penetrates the social fabric of India.



Policy	Level of influence			
	<i>Laissez faire</i>	Nudge	Incentivize	Mandate
Give It Up	██████████			
Aadhaar	██████████	██████		
Jan Dhan Yojana	██████████	██████		
Beti Bachao, Beti Padhao	██████████	██████████		
Swachh Bharat Mission	██████████	██████████	██████	
Taxes on tobacco	██████████	██████████	██████	
Compulsory voting in panchayat elections in some states	██████████	██████████	██████████	██████
Ban on alcohol in some states	██████████	██████████	██████████	██████████

Source: Economic Survey of India

Shown above is the influence spectrum used to alter behavior across these policies. Out of these, Swachh Bharat Mission³ was laid on the foundation nudging on an unprecedented scale where 550 million Indians were nudged into using toilets rather than choosing open defecation. Both the mass media and ground level workers were employed to alter the behavior of people. This was done to eradicate this pluralistic ignorance ingrained by long history of traditions in India that makes open defecation a communally accepted norm. "Disgust" was used as a nudge tool by ground-level workers to trigger the shift. Other Behavioral techniques like Participatory Rural Appraisal and Community-led total sanitation was used to make this a community level issue.



Source: Ministry of Drinking Water and Sanitation

As can be seen, with these really simple and cost-effective nudges, sanitation coverage dramatically increased from 39% in 2014 to about 97% in 2018 with 96.5% households with toilets actually using it.

This was a great example of a well-structured policy that was liable to fail due to the lack of initiative from the people. The use of nudge units here to influence the behavior of people for better delivery of the policy was important for its execution on both the government-level and people-level. Now, the focus of public policy should be on developing nudges that could help sustain this behavior.

MISBEHAVING

—A book Review—

By Virangi Jain





I stumbled over this book on my search to learn what behavioral economics was all about, not the basic definition per se, but the whole concept and the need for its discovery in the first place. *Misbehaving* by Richard. H. Thaler does a pretty good job at this, it not only introduces you to the concept but helps you understand why it is needed in the first place and although it misses on some technicalities, the book is still a good place to begin with on the subject. The book is not your regular college material with pages of content and technical words but is more like a journey, the author's journey in particular, filled with personal anecdotes, failures and observations waging a war against the traditional economists that dominated the latter part of the twentieth century.

It starts with the differentiating between species full of flaws and idiosyncrasies which he calls as humans and the ones which calculate and make the best optimal decision or as he likes to call them econs. According to him, all the constrained optimization problems, solved on the assumption that the individual is rational is never true in reality as overconfidence, self-control, emotions and misunderstanding often limit humans and the decision might be different from what theory predicts. He explains this misbehaving by humans from his own journey; when the author was in his early years of teaching career he have his students a test and marked them out of 100 giving all of them a grade according to a score criteria but the students were really unhappy with this marking scheme, so he decided to revise this and scored them out of 137 instead.

To his surprise a lot of students scoring 72 out of 100 (72 %) were less happy as compared with a score of 96 out of 137(70%) which was weird since it

was not rational, but as thaler later explained it was mostly because calculating percentage out of 137 was a bit tedious and so humans never bothered to do so leading to any absence of disappointment. This was where the distinction became more clear, also explaining how behavioral economics was the need of the hour since it was an accurate way of making theories as it incorporated the ways humans behaved optimally. The book is further divided into eight subsections encompassing the author's research career discovering new instances of misbehaving along with finding evidence to argue the same against the then traditionalist sense economics was viewed.

The journey starts with his struggle with Phd at the University of Rochester where he first discovered the work on psychology by Daniel Kahneman and Amos Tversky, two renowned people who played a great part in the author's discovery as discussed in the later chapters.



After spending a year with them in California, the author's journey moves forward from Cornell to Vancouver meeting and finding more works by different economists, social scientists and psychologists. The first section of the book covers his first fifteen years of research career, asking questions, finding answers and experimenting to prove how outcomes were different than the ones predicted by the rational optimal theory- examples of buying and selling wine, drafting NFL players, competing game shows etc.

The bulk of *Misbehaving* covers many aspects of behavioral economics that Thaler was personally involved in uncovering, including endowment effects (i.e. people value something substantially more when they own it than before they own it), mental accounting (i.e. people treat money as non-fungible – for example, they pay only the smallest required payment off their credit card bill while having sufficient savings to pay off the whole bill, and are thus paying interest on debt that is many multiples higher than the interest earned on their savings), and issues of self-control, which include the very heavy emphasis that people place on the immediate moment (i.e. present bias). Thaler also discusses the concept of transaction utility; that is, the utility that someone enjoys when they experience a good deal and the pain that they suffer when they are ripped off, which goes beyond the standard economic assumption that only acquisition utility matters.

The last part deals with more recent research endeavors, from the behavior of New York City taxi drivers, to the drafting of players into the National Football League, to the behavior of participants on high-stakes game shows. The book concludes with a section devoted to explaining how misunderstandings and flaws of being a human can be used to nudge them to make decisions optimally. The book does not move in a linear progression of time since different ideas were percolating at different regions, hence the book is chronological as well as topical in its nature. The only criticism that can be made is the fact that the book does not develop on the concept of behavioral economics in a fashion that can be used for future references but is more of an account of the author's journey with the subject. It is a long yet entertaining read which never gets dull for a moment but if it does for you then you should stop reading it at that moment or else you will be just misbehaving.

THE SUEZ CANAL CRISIS

By

Adwita Goswami

Swasti Shrivastav

Disha Gupta

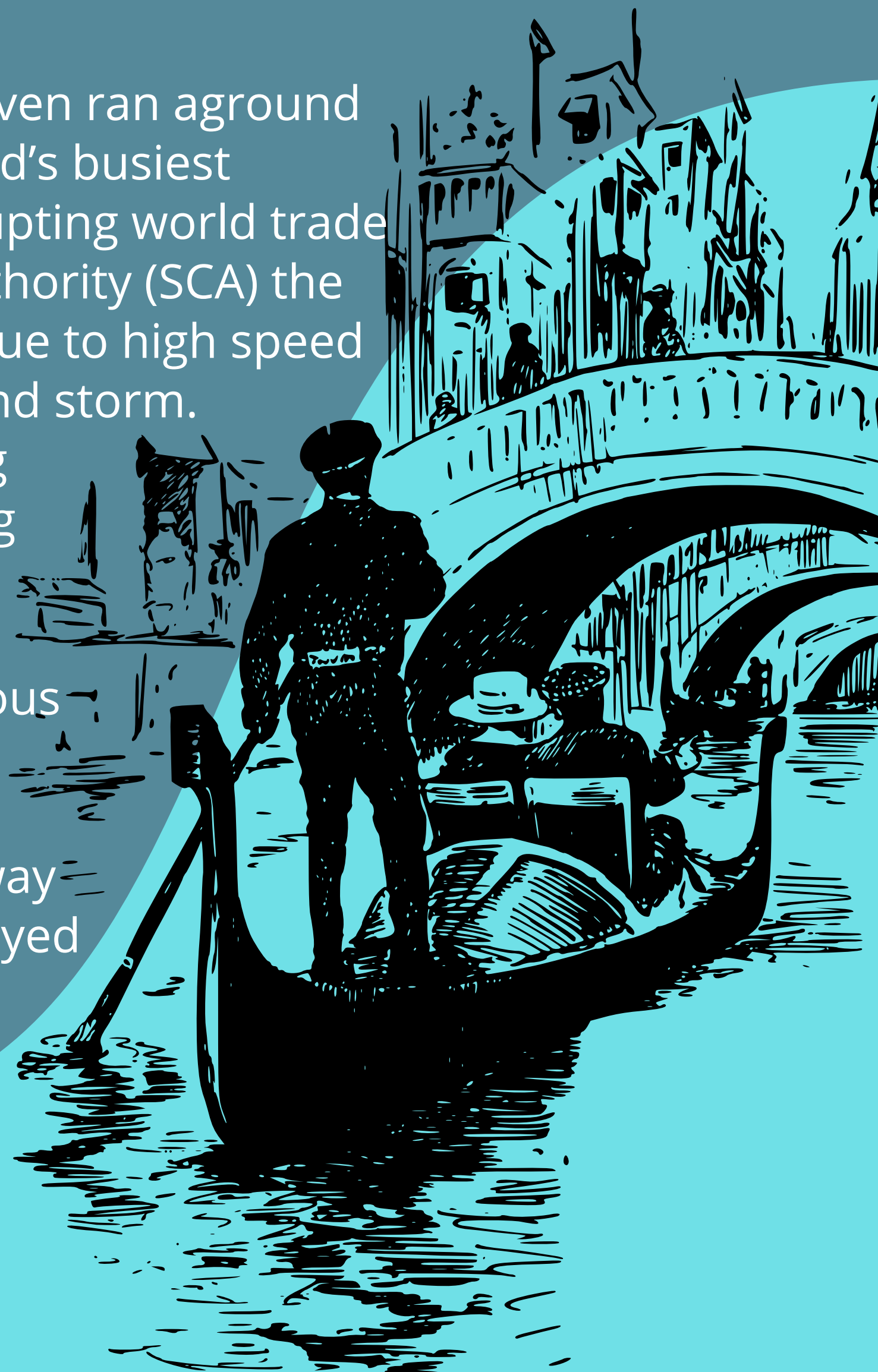


The Suez Canal was easily one of the most innovative and necessary constructions of all time. Ships headed towards Asia had to embark on a strenuous journey around the Cape of Good Hope at the southern tip of Africa before the construction of this canal. Contrary to popular belief, the idea for this canal was actually thought of as early as 1850 BCE, when an irrigation channel was constructed into the Wadi Tumilat, a dry river valley east of the Nile delta, called the Canal of the Pharaohs. This was extended further by the Ptolemies, and then by the Romans who called it the Trajan Canal.

Finally, when the French had occupied Egypt (1798-1801), Napoleon personally investigated the remains of the ancient canal, but his chief in command told him that locks would be needed and the project wasn't pursued. Further such investigations were carried out in 1834 and 1846. Ferdinand de Lesseps was granted an Act of Concession in 1854 from the viceroy of Egypt in which he was given permission to build a canal, and in 1856 a second act gave the Suez Canal Company the right to operate the maritime canal for 99 years after it was completely constructed. Digging was carried out by hand with picks and baskets and later with steam shovels and after years of hard work, the waterway finally opened up in August 1869, and officially celebrated on November 17, 1869. This canal was opened up for business multiple times before it was formally introduced as the Suez Canal for various reasons like military operations, trade, etc. by various nations.

On March 23, 2021, the ship named Ever Given ran aground in the Suez Canal. Traffic on one of the world's busiest maritime trade routes was suspended disrupting world trade by a great extent. As per the Suez Canal Authority (SCA) the ship was not able to keep a straight route due to high speed winds and reduced visibility caused by a sand storm.

The incident happened early in the morning around 05:45 a.m. GMT. The 400 metre-long container ship headed towards the Mediterranean sea ran aground and twisted diagonally across the canal where the bulbous bow of the ship lodged itself in the canal's bank. Eight tug boats were deployed trying to free the ship by pushing and towing it away from the banks. Excavators were also deployed to clear earth at the ship's bow and the SCA also deployed two dredgers for the same.



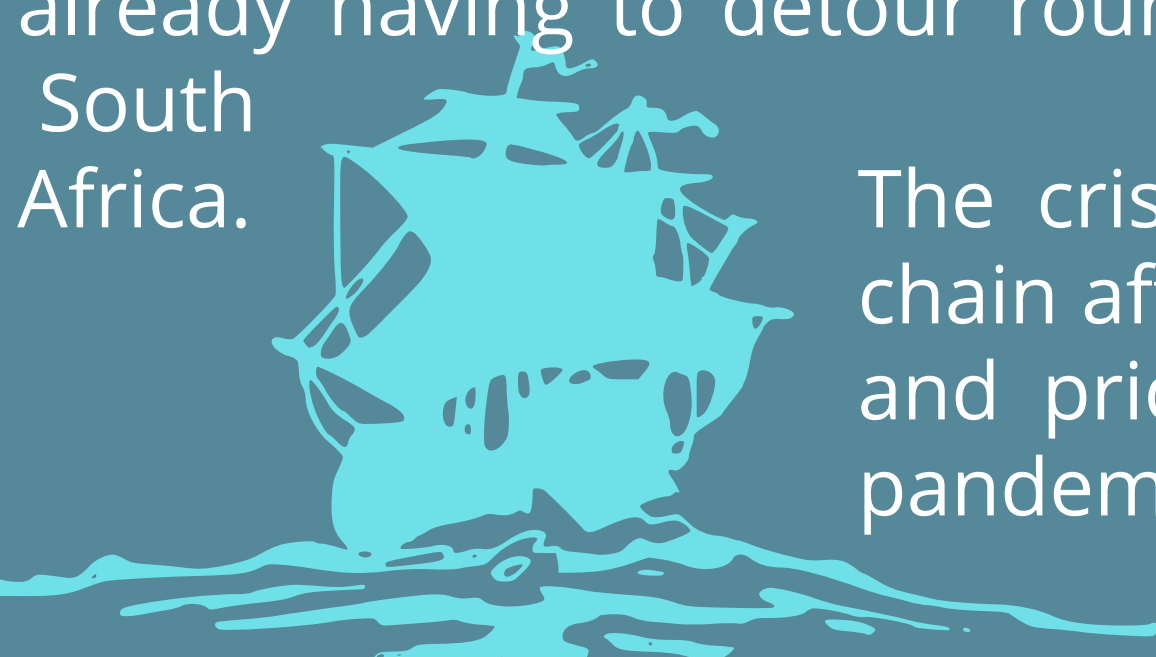
Navigation through the Suez Canal was temporarily suspended till the flotation works of the container vessel were completed. The 13 vessels that were expected to continue their transit through the canal the day before, had to drop anchors and wait in the bitter lake waiting area until further notice. Further excavation efforts were made to free the ship over the Course of the following days. The Panamanian container ship was finally refloated on March 29, 2021, when it was finally pulled free from the bank of the canal and directed towards the Great Bitter Lake for further inspection.

This event further added to the pressure on the global trade network which was already strained by the ramifications of the COVID-19 Pandemic. The waterway handles 12% of the world's commerce and its blockage has brought to light the fragile nature of global trade infrastructure. The delay caused is likely to bring an increase in costs and create inflationary pressures in various commodity markets and supply chains. This event has led to a setback in passage of more than 400 ships and caused many ships to reroute along the cape of good hope. The investigation into what reasons caused the event are being conducted and Ever Given is still being held while negotiations on the compensation claim continue to be held. The canal authorities aim to pursue a claim of US\$ 916 Million against the ship's owners. The shipping backlog had been cleared up in the first few weeks of April, 2021.

The massive cargo vessel Ever Given completely jammed the Suez Canal for six long days, an important trade passageway for the maximum amount as 12% of the world's seaborne trade. The canal provides an express shipping route between Europe and Asia, eliminating the voyage times by weeks.

The shipway blockage doesn't just affect the worldwide shipping industry or the Egyptian economy - countless businesses, from domestic transport providers to retailers, supermarkets and makers are impacted, which suggests retailers could also be late getting TVs, furniture, clothes, auto parts and lots of other goods that are shipped via containers. Every day, 50 cargo ships pass between the Mediterranean and also the Red Sea, providing an important trade corridor between Europe and Asia.

As of now some 450 ships carrying cargo are expected to be delayed in reaching their final destinations for weeks, if not months as ships are already having to detour round the Cape of Fine Hope in the Republic of South Africa.



The crisis is another blow to the worldwide supply chain after a brutal year ridden with delays, shortages and price squeezes on the rear of the coronavirus pandemic.

The cost of shipping for the businesses shipping goods will rise as longer routes and detours will burn more fuel. It will constrain supply lines, which are able to create shortages at the buyer level, and it will also result in higher prices for oil. Some companies will go for alternate modes of transportation, which can translate into rising costs of goods for ultimate consumers.

Companies don't have visibility into their supply chain. The impact of delays caused by the goods sitting out on a ship are unknown for several corporations. This can be a warning about how vulnerable our supply chains are and how the popular just-in-time inventory techniques should be now revised.

There will be less direct impact on the US and Latin America which receives most of their shipments from Asia via a different geographic region. Adding to the existing container shortage caused by rising demand for goods during the pandemic, the blockage will prevent the return of empty containers from Europe to Asia. Meanwhile, the cost of shipping goods from Asia to Europe hit a record high in recent months and global freight rates are already near thrice of what they were a year ago.

The 120 miles long Suez Canal is a crucial transit point connecting East to West. In the interim, between 5% and 10% of all seaborne oil is transported through the Suez, meaning that for every day that the ship remains stuck, it delays the shipment of another 3 million to five million barrels of oil per day.

Although, oil prices could also be kept in restraint as countries in Europe are renewing restrictions to curb the spread of COVID-19, which will most likely reduce fuel demand. The six days long blockage of the Suez Canal approximately cost 12 percent of world trade and was holding up trade valued at over \$9 billion per day, in line with data from Lloyd's list. This is often akin to \$400 million worth of trade per hour or \$6.7 million per minute. The incident has driven new questions about the shipping and freight industry, an on-demand supplier for a world that's already suffering from the shocks of the COVID-19 pandemic. It draws attention to the very fact that these shipping routes that were constructed in the nineteenth century have gotten riskier as ships are getting larger.

The blockage might not put a significant dent in the world economy, but it would be a tipping point in the series of events in the ongoing times of crisis that have greatly affected the world economy. We cannot rule out the possibility of what might have happened had the ship remained stuck for more than six days. As the world becomes more connected, it becomes crucial to bear in mind such weaknesses. When a product is formed in one continent and delivered to a different through supply chains threading multiple continents, there are vulnerabilities and liabilities. The incident should invoke the conversation about diversifying strategic sea routes because the supply chains are exposed to an excessive amount of unanticipated risk. Within the longer run, this fiasco might compel companies to rethink the hazards of excessive globalization.

MEDIA STIFLES VOICES OF THE MARGINALISED

By
Vatsala Singh





Historically, women, non-binary people, people of colour, lower castes and religious minorities have been discriminated against and marginalised. Their stories have either been ignored and excluded by mainstream media or represented as stereotypes. These stereotypes are enforced by people in power, who enable institutionalised methods of disenfranchising the already disenfranchised communities. Media repeatedly falls prey to perpetuating patriarchal stereotypes which further marginalise these intersections. This situation persists because media is very white, male, metro centric and upper-caste dominated. People who have social capital are usually from a privileged background. Marginalised communities are very rarely in the position of power.

WOMEN

A research conducted in 2015 by the Global Media Monitoring Project suggests just 24% of news sources are women. Of this 24%, only 19% are subject matter experts and rest are personal experience or as popular opinion providers. The lack of representation perpetuates the stereotype that women should only be involved in domestic matters. For example, on reportage around the annual budget, we see men being asked about analysis and greater impact while women are often asked how it affects their "domestic" budget. It also only shows the perspective of one group and silences the concerns of other groups by deeming them as trivial.

In fiction media, women are usually characterised in two typical narrow roles. Women are depicted either as **sexual objects** or as **traditional women**. It is often represented in ways that imply that women cannot be both. In the news media, there is a severe lack of roles. Very few media houses have women in the position of power.

One reason for this situation could be less number of women in these areas, but the existing women are underestimated and underrepresented as opposed to their male counterparts. In advertising and magazines, women are often depicted as young, thin and in accordance with societal standards of beauty, shaped by the male gaze. Women with such an appearance are often objectified.



CASTE AND CLASS

After examining Indian news media, the report 'Who Tells Our Stories Matters: Representation of marginalised caste groups in Indian Newsrooms' provides empirical evidence that Indian news media depicts the view of a small minority-upper caste-while also asserting that it speaks for everyone. The aforementioned study shows that Dalits, tribals and other backward classes are flagrantly underrepresented (if not completely absent) in newspapers, Television News Channels, magazines, etc. According to the report, only around 5% and 10% of all articles in English and Hindi newspapers (that were analysed) are written by Dalits and Adivasis respectively. Out of the 972 articles on the cover pages of 12 magazines (that were understudy), only 10 were about issues related to caste.

TRANSGENDER, NON-BINARY AND GENDER NON-CONFORMING PEOPLE

Patriarchy assumes a male-female binary and this assumption affects how gender is represented in the media. Due to this, there is very less representation of any genders aside from the binaries, and when there is, it is often problematic. Conversations regarding gender fluidity and non-binary genders are missing from the mainstream media, so is the reportage.

Representation of transgender people in mainstream media is very problematic. Historical representations of transgender characters on fictional television show stereotypes and negative portrayals that do not correctly reflect the actual and authentic experiences of transgender people. The quantity and quality of transgender representation is an issue in all forms of media.

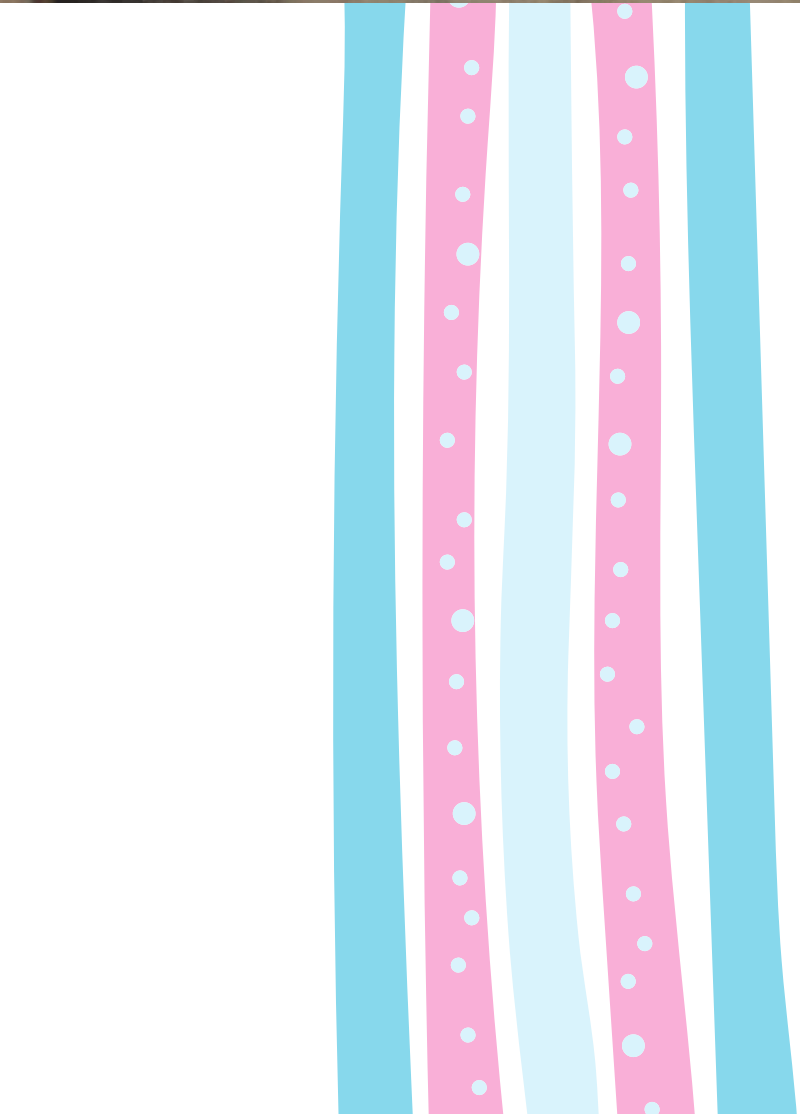
Between 2002 and 2017, GLAAD, an American Non-governmental organisation, has listed 102 episodes and non-recurring storylines scripted television that included transgender characters, and found that 54% of them were classified as negatively represented. An additional 35% were classified as "problematic" to "good", but only 12% were considered groundbreaking, fair, and accurate.



Neysara Rai, a transgender activist puts forth the importance of positive representation of the transgender community. "When a transgender person comes out to his or her family, a lot of times their families judge them based on media representations of trans people." Movies like Laxmmi Bomb, not only further stereotypes but also actively deconstruct the progress made by society.

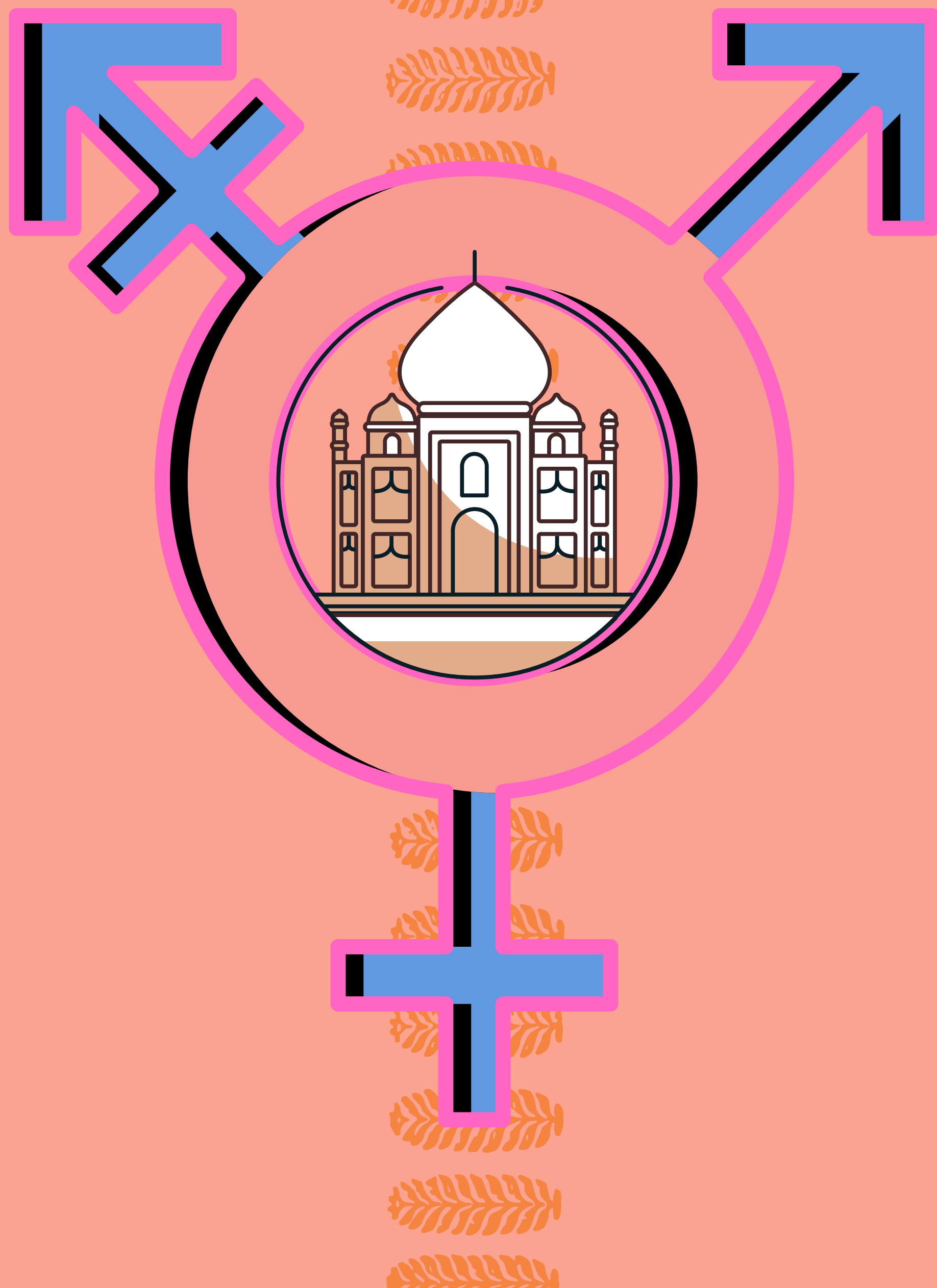


If these marginalised communities receive coverage (which is quite rare), it is often related to crime, violence and atrocities, caste and gender-based politics, reservation, etc. Important issues such as social justice, human stories, equality, everyday casteism, inclusivity, etc. are extremely rare, even rarer are their own voices stories. Lack of own voices stories means that almost all representation is through the lens of the privileged class. The communities that need the most space in the media are given the least space. Change is only possible when marginalised groups are given power but historically, people in power don't want to give up the power. The fourth pillar of our democracy is an important tool in empowering the oppressed groups. However, more often than not it is used to dismiss, downplay or invalidate their stories and experiences.



INDIAN ECONOMY & EQUITY FOR THE TRANSGENDER COMMUNITY

Vishakshi Raj Mehra



I (along with my classmate Reet) wrote a full-fledged research article on the topic not long ago under the guidance of our teacher, Dr Saroj Rani.

While it is true that India recognizes all its citizens as “equals”, our “equity” distribution is highly mismanaged and as students of Economics, we must understand the difference!

N. Gregory Mankiw, in the very first lessons of his books, speaks of the government’s role in the trade-off between equality and equity. It is the duty of the government to assure equality to all its citizens, but also ensure equity for the sections of its society that need special attention.

Sometimes taking a call of equity over equality might be tougher than assumable, and might not seem to be in the best interest for some, however, what matters more, is that the government does not cease from assuring opportunities of upliftment to all its citizens.

For generations, we have failed to carefully study the Transgender Community and their requirements from the Indian perspective. As students of economics, we acknowledge that the only way to a better future is- “A better future for all.” To leave anyone behind directs us towards risking the future for our children, and hence, the need of the hour is the “recognition of all” and step by step actions towards “sustainable growth.”

Unfortunately, for the Transgender Community, these urgent requirements for development and growth have been blindsided by the governments of India, when it came to them.

For a better understanding, I would like to begin with the definition of the Transgender Community of India. The word “Transgender” is also used as an “umbrella term” comprising of ‘Transgender/Transsexuals’ individuals (identify themselves relating with different gender identity/identities in correspondence to the one they are born with); Intersex individuals (people born with a set of reproductive/genetic anatomy that doesn’t fit the definition of ‘female’ or ‘male’ extremes of the gender spectrum); genderqueer people (belonging to either both the binary genders, somewhere in between the gender spectrum or neither), and *cross-dressers*.

From being denied their rights to basic health, life and financial facilities to even their right to “recognition”. Very often than not, they are found struggling about their identity within themselves and dealing with extreme trauma, depression, and anxiety; various documentaries and state that extreme fear of unacceptance and gender dysphoria also sometimes compel individuals to stay closeted for their whole lifetime.

Moreover, rejection from families, friends and their struggle with social pressure and stigma does nothing but ignites their pain exponentially. It is time we question the authorities of our country, why did we miss out here? Do we not see a sheer wastage and extreme deprivation of human resources? Why is it that even after 73 years of Independence, these children do not feel safe in their own homes?

In the course of our paper, we interviewed a young-closeted student who spoke to us about the fears instilled in them by society. They recalled their school experience and the insensitivity they had to deal with all the while, the trauma of which was so grave that they endured suicidal thoughts within themselves through their experience of adolescence.

We also spoke to the first political candidate from the community of Punjab: Jasleen Kaur Ji, who said, "she aspires to contest for the upcoming elections and bring about an on-ground change in society's attitude towards the community."

Talking about her experiences, she told us that she had to leave her home at the age of seventeen due to the rejections from her own family, moving on from which she had to struggle at every step from finding jobs to pursuing her education. In our conversation, she said, "India has witnessed both, male and female leadership till date, and it is now time for the country to give this opportunity and chance to a third gender political candidate too and highlight the problems of the community".

It is clear that India today, more than ever before needs to refine its wings of inclusivity for the community to address its issues. Our society does not acknowledge or rather does not wish to acknowledge the pain, trauma, agony which the individuals from the transgender community go through in their daily life. Our general public regularly derides and abuses the individuals from the transgender community in open spots like railway stations transport stand, shopping centres, theatres, schools, and other such commonplaces, they are sidelined and treated as untouchables.





Regardless of all constitutional measures, the transgender community is denied their basic fundamental rights like the Right to personal liberty, the Right to dignity (article 21), the Right to Equality (Article 14), Freedom of expression (article 19) etc.

There is an unwillingness in our community to accept different gender identities and expressions, an attitude that needs to be changed.

Some might take the example of the Trans Bills and the recent calls taken by the government as “measures” to improve the status of the community, however, if we take a careful look, all these arrangements seem nothing but incompetent. These Bills, do acknowledge a transperson as someone whose gender does not match the one assigned at birth and prohibits discrimination against them in employment, education, housing, healthcare and other services.

However, they mandate that each person would have to be recognised as ‘transgender’ on the basis of a certificate of identity issued by a district magistrate, which is problematic. One must have their own upper hand when it comes to their identity; an official’s involvement in the process is not only discriminatory but also exploitative. One might ask why? The answer is, imagine a situation where you need a piece of paper to prove that you’re a man or a woman. It will not only be a violation of personal space but would make this already vulnerable community more prone to discrimination.

These bills criminalise begging, offer no job reservations/ security, and emphasis only to bits on the intersex, genderqueer and even transmen. Moreover, these bills fail to address important matters like provisions of marriage, adoption rights and reduce individuals to their bodies. These Bills deny to understand gender is not about a person’s genitalia- it is in their very being.

There is a dire need to educate people and create awareness in society to change its perspective.

The Transgender Community, also known as, “The Third Gender” have existed in each culture, class, race and religion since the commencement of human life has been recorded and examined. Transgender people are of all ages or sex whose character, appearance, frame of mind, conduct or individual qualities contrast from the stereotypes.

The community is looking towards its allies seeking security from harassment and hoping for better days in their lives. Now is the time, as good as any to educate ourselves of the issue, and if not anything, being kind to them. A little empathy would take nothing but give a lot, and we all deserve it.

THE ECONOMICS OF COVID-19 HOLOCAUST: A DYNAMIC TRADE THEORETIC ANALYSIS.

By

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ABSTRACT

This paper attempts to analyze the ceteris paribus effects of 'supply chain disruptions', 'strict government regulations', and 'change in saving rate' on urban unemployment thereby identifying a pattern of labour migration, in the unprecedented 'Covid-19' scenario. In doing this we use the Heckscher-Ohlin structure in a Harris-Todaro type economy, which has three sectors- a manufacturing sector, an agricultural sector and a skilled sector. We extend our representation to the long run by portraying a Solovian economy in which the accumulation of domestic capital stock plays a decisive role as a meter for unemployment and wage-disparity. Finally, we say that both in the short run as well as long run we see an unambiguous effect on inter-sectoral migration amongst the agricultural and the manufacturing sectors, thus also an unambiguous effect on unemployment which is a counterproductive outcome of the government's policy response.

1. INTRODUCTION

Intramural migration is an indispensable and inevitable integrant of the economic and social life of a country. Migrants account for a floating and invisible citizen alternating between the origin and the destination areas and remaining on the fringe of the society. In today's world, extensive migration is a usual practice as the global acumen of individuals expands. The manoeuvre has been beneficial to both immigrants' importation and exportation nations. Internal migration customarily comes about from a rural area in the country to the urbanized area such as the country's capital. These migrants are often wondering for a better standard of living or employment opportunities. Empirical analysis reveals that the asymmetrical shift of people from one place to another results in an adverse outcome.

Migration within a nation positively contributes to the destination's overall economy and development. Internal migration mainly occurs due to economic purposes. Numerous individuals from the countryside proceed to their country's cities anticipating to earn more and bring their family upto a soaring standard of living. In large parts of our nation, there has been a humongous reverse migration due to COVID-19 pandemic.

Thousands and thousands of labourers marched back to their villages for the sake of finding some warmth and empathy.

Census 2001 revealed that in India internal migrants account for as large as 309 million which was about 28% of the population. The data published by National Sample Survey Office (NSSO), (2007-08) manifested a rise in internal migrants by 17 million in six years. The benefaction of migrants to the GDP of the Indian economy often goes unnoticed. The estimated data shows that migrants contribute around 10% of the country's GDP where almost 70% of the migrants are women. Census 2011 showed that the total number of internal migrants is 450 million which is approximately 35% higher than 2001, excluding child labor. West Bengal, Uttar Pradesh and Bihar have the highest number of migrants followed by Punjab, Rajasthan and Madhya Pradesh.

The sharp increase in migration over the years is due to the fact of the rapid urbanization of our cities and towns. 93% of India's total migrants get involved in the informal sector which includes seasonal or periodic migrant laborers in the Green Revolution.

Large scale migration persuaded by greater and greener pastures of economic progressiveness is a folk tale as most of the migration is for the subsistence and living and falls under the category of distress migration. Low threshold incomes perpetually force laborers for migration.

In the general context of the ongoing urbanization and rural industrialization, exploitation and utilization of labors take new conformation that is a combination and an ingenious adaptation of the older forms of control and bondage contextualized to new conditions of capitalism. The foisting of the lockdown as a measure to contain the exponential growth thumped the unskilled and the semi-skilled migrant laborers the most. A rough estimate indicates that around 30 million migrants walked or were stranded in camps on their way back.

The International Labour Organisation (ILO) estimates that around 400 million workers in the informal economy, both unskilled and semi-skilled, will be falling deeper into poverty during this crisis. The procedure for recuperation is going to be long-drawn out and throbbing for those migrants who would be looking for urban spaces.

2. STATISTICAL MOTIVATION

We investigate the data collected from the World Bank, ILO, Centre for Monitoring Indian Economy (CMIE), Census and various other sources to identify the relation between Migration and Unemployment across various states of our country. It helps us to establish the background for our research by incorporating the idea of “Migration and Unemployment” in our research paper.

The method involves, representation of the data for Migration and Unemployment for 14 different states in form of a X, Y Scatter Graph.

The table below describes the percentage of Migration and Unemployment for different states of the Indian Economy obtained from the CMIE, World Bank data, ILO, Census and few other sources. Using the data in the table we obtain the average rate of Migration and Unemployment to be 6.12% and 8.77% respectively. The following matrix is intended to show the cross-sectional variation of Migration and Unemployment for the states listed in Table 3.

States	Total Migrant (%)	Unemployment (%)
Maharashtra	16.4	3.8
Delhi	11.6	8
West Bengal	11.5	6.2
Uttar Pradesh	6.1	4.1
Haryana	6.1	26.4
Gujarat	5.4	3.2
Madhya Pradesh	4.8	2.1
Karnataka	4.4	2.5
Punjab	4.4	7.2
Rajasthan	3.3	25.6
Jharkhand	3.7	12.1
Bihar	3.7	11.5
Andhra Pradesh	2.2	3.9
Chhattisgarh	2.1	6.2

Source: Centre for Monitoring Indian Economy and Census

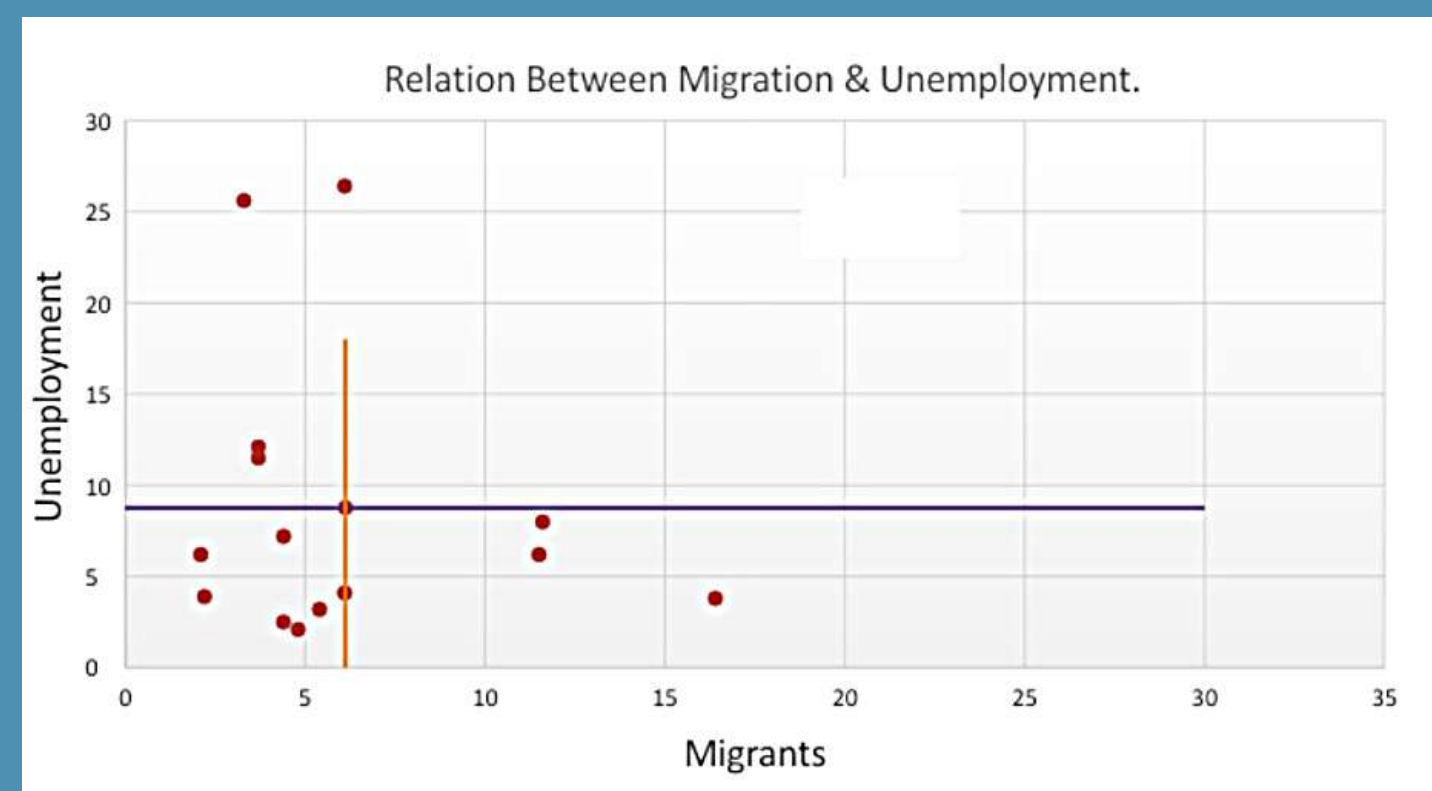


Figure 2: Relationship Between Migration and Unemployment.
Source: Self-computation using data from CMIE, Census and various other sources.

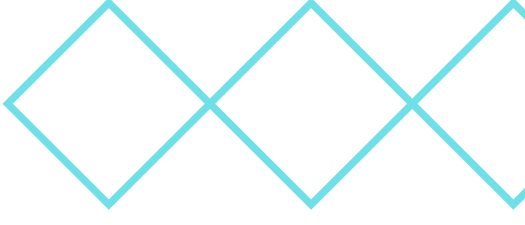
In the Figure, along the horizontal axis percentage share of migrants is measured while along the vertical axis unemployment rate is measured. The solid vertical line originating from the horizontal axis shows the average share of the percentage of unemployment and the solid horizontal line originating from the vertical axis shows the average rate of migration. This average level divides the box into four different zones.

The four different zones, zone 1-zone 4 represents the zone with (lower unemployment, lower migration), (higher unemployment, lower migration), (higher unemployment, higher migration) and (lower unemployment, higher migration); respectively. Zone 1 and Zone 3 follows the Unemployment hypothesis i.e. Unemployment varies positively with Migration while Zone 2 and Zone 4 violates the Unemployment hypothesis. From the Figure, we observe that most states are concentrated in Zone 1. The concentration of most states in zone 1 clearly validates the unemployment hypothesis for cross-sectional variation among middle and low-income states.



3. LITERATURE SURVEY

A few theoretical models of rural-urban migration and the informal sector are available in the literature. Harris-Todaro (1970) exhibits rural-urban migration in a dual economy framework. The informal and formal sectors are the sub divisions of the urban sector, where migrants not getting employed in the formal sector spontaneously get a job in the informal sector. In his model, there subsists open urban unemployment, despite the existence of the informal sector. There are four distinct different income groups within the working class which result in a positive degree of inequality in the dispersal of income of the laborers, which has been firmly discerned by Harris-Todaro (1970). Sen (1974) proposed several politics taking into context the welfare of society. Contemplating the urban sector in small segments and their basic models have been extended in several directions by Stiglitz (1982) and Grinols (1991). Shadow wage rate in the urban formal sector was shown by Stiglitz (1982) whereas Grinols (1991) was engrossed in modeling the General Equilibrium effects of foreign capital inflow in less developed economies.



Datta Chaudhari (1989), Sarkar and Ghosh (1989) came to a conclusion where the policy which reduces the rate of interest paid by the informal sector also tends to reduce the aggregate output and employment in the industrial sector. Studies shown by Joshi & Joshi (1976) on India have noted that average informal sector earnings are roughly equal to if not higher than rural earnings. By taking into account the Heckscher-Ohlin framework and considering the manufacturing sector as a capital-intensive sector and the agricultural sector as the labor intensive, we have viewed the manufacturing sector as an import-competing sector and the agricultural sector and skilled sector as export-competing sectors.

We have upshot the effects of government's regulation, supply chain disruptions and an increase in the precautionary savings on the manufacturing and the agricultural sector. By taking help from Solow (1956) from the technique adapted from Gupta (1993) we have discussed the effects of an increase in saving rate in the long run. We have considered the wage in the agricultural sector as flexible as opposed to the fixed-wage rate in the manufacturing sector. Harris-Todaro framework has been used to explain the migration and the reverse migration between the manufacturing and the agriculture sector. Dasgupta and Rajeev (2020) have made a theoretical analysis of the pandemic in a Keynesian macroeconomic framework in the short run which differs from our paper which reveals the effects of Covid-19 in the informal sector primarily the agricultural sector using a trade-theoretic microeconomic model.

4. EMPIRICAL EVIDENCES

Figure1- shows a steep rise in the average unemployment rate in India during the pre-Covid-19 and during COVID-19 crisis. The data provided by CMIE states that unemployment levels have risen to 27% from 9%. It stood at 29.22% in the urban areas, as against 26.69% in the rural areas.

However, the average rate of unemployment had fallen when the Government announced the

National Rural Employment Guarantee Programme (NREGP) in the rural sector and reverse migration was at peak level.

4. Empirical Evidences:

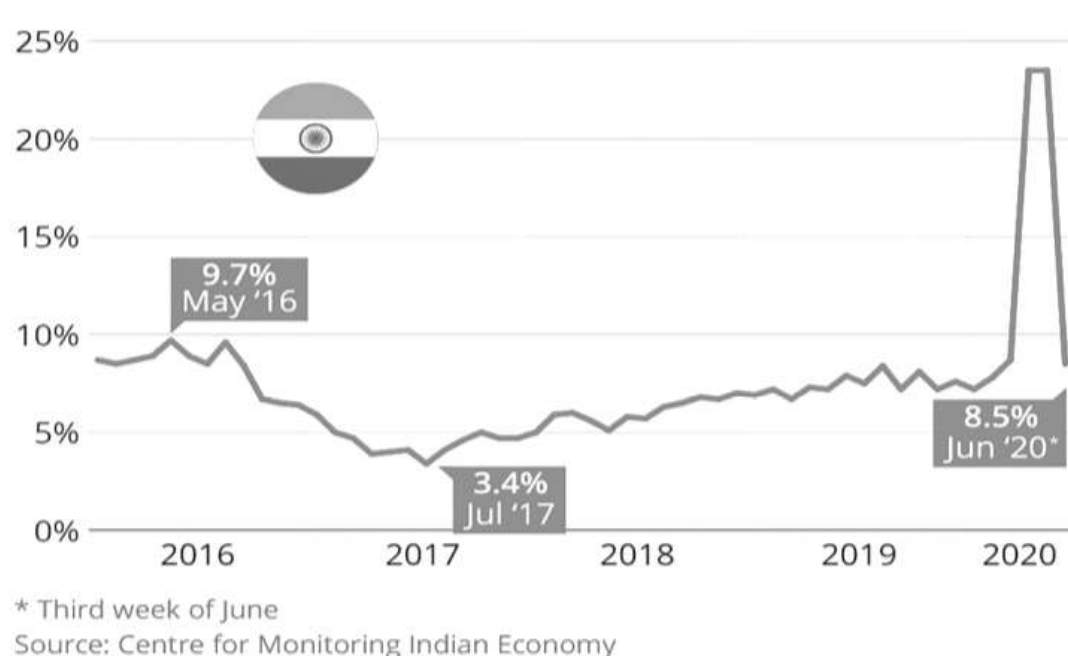
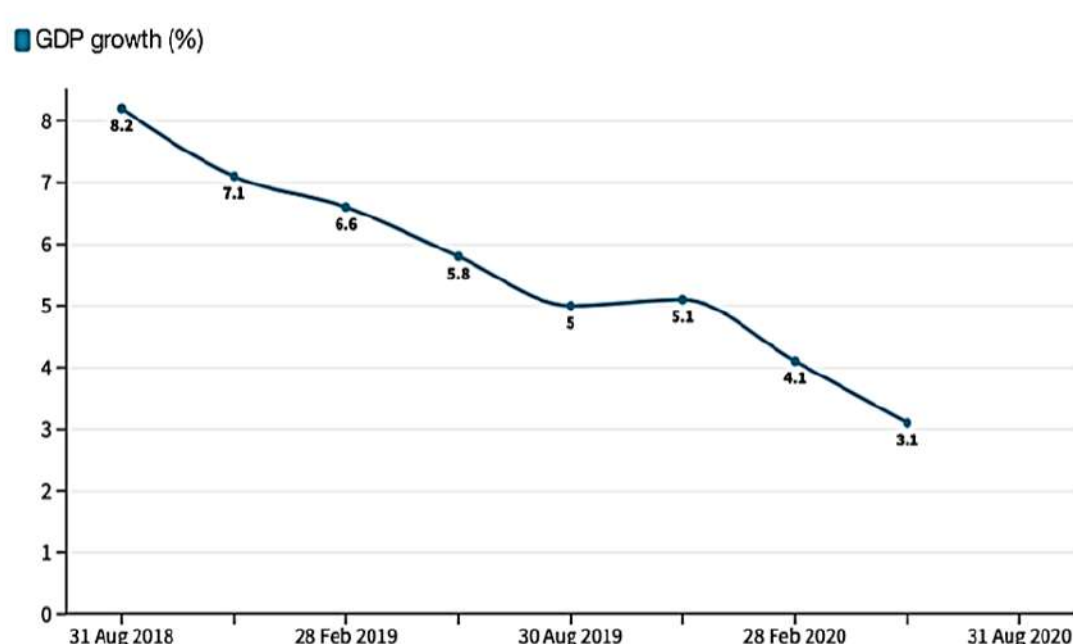


Figure2- shows the contraction in India's GDP growth rate as a result of Covid-19 virus. World Bank reports a 5.2% contraction in global GDP in 2020

and a historic contraction of per capita income.

India's real GDP for the April-June 2021 quarter fell by 23.9% in comparison to the same quarter a year ago.



Source: Ministry of Statistics and Programme Implementation (MOSPI), Government of India

Month	Unemployment Rate (%)		
	India	Urban	Rural
Nov 2020	6.51	7.07	6.26
Oct 2020	6.98	7.15	6.90
Sep 2020	6.67	8.45	5.86
Aug 2020	8.35	9.83	7.65
Jul 2020	7.40	9.37	6.51
Jun 2020	10.18	11.68	9.49
May 2020	21.73	23.14	21.11
Apr 2020	23.52	24.95	22.89
Mar 2020	8.75	9.41	8.44
Feb 2020	7.76	8.65	7.34
Jan 2020	7.22	9.70	6.06
Dec 2019	7.60	9.02	6.93

Table 1 Unemployment rate in India-Rural and Urban



Source: Centre for Monitoring Indian Economy (CMIE, 2020)

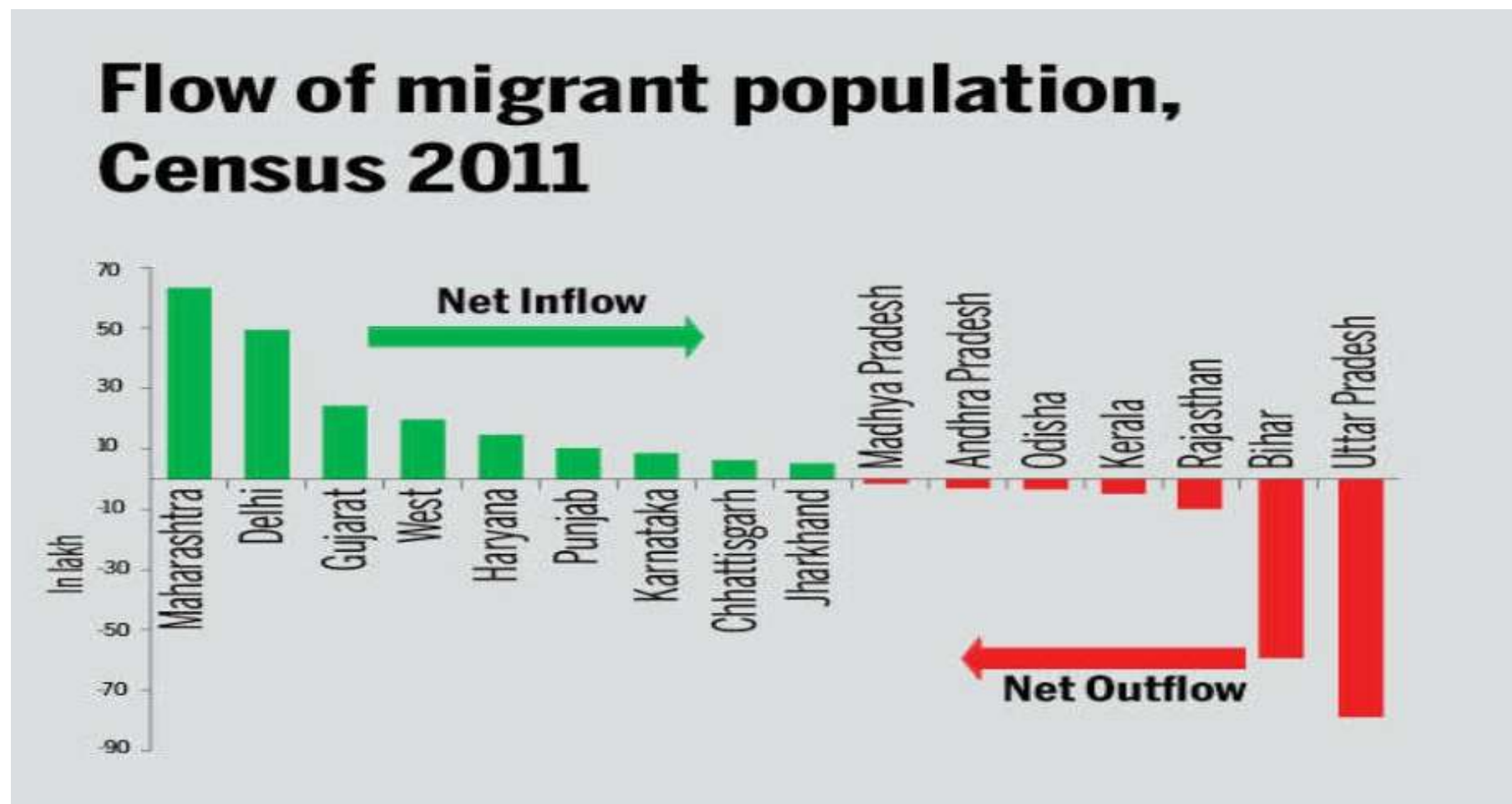
Figure 3 Labour force participation and unemployment rate in India during the COVID-19 crisis

The table above (table 1) had been depicted in figure 1 above which shows the line charts of the rate of unemployment from May 2017 to April 2019. Throughout we see an upward trend in the data, with a slight fall in both Urban and Rural unemployment. Rural unemployment falling from 4% to 3% (approx.) in July 2017.

The urban unemployment falling from 4% to a little over 3% (approx.). We see a notable fall in rural unemployment in the month of May 2018 from 6% in March 2018 to a little over 4% (approx.). We also see a fall in total unemployment in the month of May, 2018. There is however a notable rise in the urban unemployment in between January and February of 2019 and eventually it falls in April 2019. Another notable fact is that there is a fall in rural unemployment in the months of November, January and March, 2019. However, total unemployment rises from close to 6% to close to 8% (approx.).

States	Total out migrants, (based on place of the last residence, 0-9 years)	Number of out-migrants by major destination states					Number of return migrants Due to COVID 19 and lockdowns	Number of districts for which return migration
		Maharashtra	Delhi	Gujarat	Punjab	Others		
Bihar	31.88	3.27	5.22	2.52	1.78	19.08	23.6	32
UP	50.46	12.11	9.69	5.37	3.02	20.28	17.48	31
Rajasthan	14.1	2.36	0.98	3.30	0.70	6.75	12.09	22
MP	12.19	3.48	0.57	1.50	0.16	6.49	10.72	24
Odisha	6.26	0.71	0.22	1.18	0.06	4.09	2.19	4
Jharkhand	6.92	0.64	0.38	0.38	0.11	5.41	1.1	3

The movement observed in the unemployment rate corresponds to the level of reverse migration among unskilled workers in the economy. Table 2 summarizes the rate and level of reverse migration during the COVID-19 crisis.



The above figure shows us the net inflow and outflow of migrant population from the different states of our country. It is seen that the biggest source of migrant workers are from Bihar and Uttar Pradesh.

Given these empirical facts, two questions that arise are the following. First, what were the channels through which the COVID-19 crisis penetrated into the Indian economy and particularly in the labour market. Second, what caused the Government policy response to COVID-19 to produce counterproductive outcomes and lead to policy failure. We attempt to provide possible explanations to these questions by building an analytically tractable theoretical model in section 4. Few comparative statics and policy analysis have been carried out in section 5. The basic short-run model is extended to long-run dynamics in section 6. Finally, section 7 concludes the paper.

5. THE MODEL

Given the backdrop, the paper attempts to analyze the effect of COVID-19 on rural-urban migration of unskilled labor, urban unemployment and informalization of labor in terms of supply chain disruption, investment uncertainty, imposition of government regulation and precautionary savings.

5.1 Assumptions and Description of the Economy

We consider a short run three-sector, three-factor Harris-Todaro type economy with fixed factor coefficient technology. The stylized economy consists of the following sectors. There is a rural agricultural sector (A) and an urban manufacturing sector (M), both of which use unskilled labor (L) and capital (K) as factors of production. There is a service sector (S), which uses capital (K) and a specific factor – skilled labor (S). The commodity produced by the agricultural sector is given by X_A , the commodity produced by the manufacturing sector is given by X_M and the commodity produced by the skilled sector is given by X_S .

Labour market distortions exist in terms of rigid wage and unskilled labor in the urban manufacturing sector. There is involuntarily urban employment due to the rigid wage rate that leads to Harris-Todaro (1970) type rural-urban migration. The unionized urban manufacturing wage (W_M) is exogenously given and is greater than the flexible rural wage (W_A). This rural-urban wage inequality leads to migration of unskilled labor from the rural sector to the urban sector. Migration equilibrium is attained when the expected urban wage equals the rural wage. In this migration equilibrium, unemployment continues to persist. Therefore, the Harris-Todaro equilibrium is suboptimal.

We assume the rural agricultural sector is relatively labor intensive as compared to the urban manufacturing sector which is relatively capital intensive. In other words, this means that the capital-labor ratio (K/L) is lower for the commodity produced in the agricultural sector (X_A) than the commodity produced in the manufacturing sector (X_M), that is, where α_i is the unskilled labor-output ratio in the i -th sector, $i = A, M$ is the capital-output ratio in the i -th sector, $i = A, M$. There is a constant returns to scale in the production of both commodities, which means that the amount of output increases in the same proportion as the increase in the amount of inputs. Perfect competition exists in both commodities and factor markets. There is perfect mobility of capital and unskilled labor within agricultural and manufacturing sectors but skilled labor is specific to the skilled sector.

Total capital endowment is assumed to be the sum of domestic capital denoted by K_D and foreign capital which is fixed and is denoted by K_F . Tastes and preferences are same across the nations. The model assumes there is transportation cost (T) and government regulation in the urban manufacturing sector. International trade is always balanced between nations. This is an extension of the Heckscher-Ohlin (H-O) model based on Jones (1965, 1971) framework and Chaudhuri and Mukhopadhyay (2010).

6. COMPARATIVE STATISTICS

In the short run, we obtained the following three propositions

6.1 Supply-Chain Disruption:

An increase in the transportation cost (T) leads to a fall in the rental rate of capital (r) and a subsequent increase in the unskilled rural wage (W_A) and skilled wage (W_S). This causes the rural wage to exceed the expected urban wage resulting in reverse migration of unskilled labor from the manufacturing sector to the rural sector and ultimately leading to fall in urban unemployment.

Proposition 1: A Supply-Chain Disruption in the manufacturing sector in terms of an increase in the transportation cost (T) leads to reverse migration

of unskilled labor from the urban sector to the rural sector which augments informalization of labour and lowers the urban unemployment. Skilled labour gains at cost to capital owners in terms of factor prices.

6.2 Investment Uncertainty

A fall in the total capital endowment (K) leads to a fall in the total quantity produced by the manufacturing sector (X_M) and a rise in the total quantity produced by the agricultural sector (X_A) this follows directly from the Rybczynski Theorem. The level of output produced by the service sector (X_S) remains unchanged. Following from the fall in X_M , the probability of getting an urban job decreases. This causes the expected urban wage to fall short of the rural wage resulting in reverse migration of unskilled labor from the manufacturing sector to the rural sector and ultimately leading to fall in urban unemployment.

Proposition 2: An Investment Uncertainty in terms of fall in the total capital endowment would lead to reverse migration of unskilled labour from the urban sector to the rural sector which augments informalization of labour and lowers the urban unemployment.

6.3 Government Regulation

As the government imposes strict regulations in factories (increase in γ), it would lead to a fall in the labor-output ratio (a_{LM}) in the manufacturing sector. The capital used also falls causing an increase in the rental rate of capital (r) and a subsequent fall in the skilled (W_S) and unskilled (W_A) wage rates. This causes the expected urban wage to exceed the rural wage resulting in migration of unskilled labor from the rural sector to the urban sector and ultimately leading to a rise in urban unemployment.

Proposition 3: Government Regulation in terms of increase in γ would lead to migration of unskilled labor from the rural sector to the urban sector resulting in rise in the level of urban unemployment and fall in the informalization of labor.

7. AN EXTENSION: A DYNAMIC LONG RUN EQUILIBRIUM

MODEL

We develop a dynamic long run equilibrium model which is an extension of Solow (1956) in Jones type general equilibrium. The model assumes that skilled labour and capital owners save a constant fraction ' s ' of their income and that capital depreciates at a constant rate. In our model, we assume that unemployment continues to persist even in the long run. This is proved in Gupta (1998).

In the long run, we have the following three propositions:

6.1 Supply-Chain Disruption:

A rise in transportation costs (*ceteris paribus*), reduces the net revenue from the manufacturing (capital-intensive) sector. Thus we see a fall in rate of return (r), hence a rise in agricultural wage and also a rise in the skilled wage.

a) Now, if the rise in skilled wage is dominated by a fall in rate of return, capital stock (domestic) falls. Hence, we see a contraction of the manufacturing sector and an expansion in the agricultural sector. Thus, agricultural wage is more than the expected manufacturing wage, thus reverse-migration occurs and we see a fall in unemployment.

Proposition 4: Capital decumulation, given that the fall in rental rate (r) dominates the rise in skilled wage rate (WS), owing to which the level of unemployment, migration and informalization of labor in the short run is reinforced in the long run.

b) Now suppose in the previous scenario, if the fall in rate of return is dominated by the rise in the skilled wage, capital stock (domestic) rises. Hence, the manufacturing sector expands and the agricultural sector contracts. This initiates migration and thus a rise in unemployment.

Proposition 5: Capital accumulation, given that the rise in skilled wage rate (WS) dominates the fall in rental rate (r), owing to which the level of unemployment, migration and informalization of labour remains ambiguous in the long run.

6.2. Government Regulation:

A rise in the regulations (*ceteris paribus*) leads to a fall in the labour per unit of output in the manufacturing sector. Now, we see a fall in skilled wage as well as a rise in agricultural wage but we see a fall in the rate of return.

a) If the rise in rate of return is dominated by the fall in the skilled wage, we see a fall in the domestic stock of capital. Thus, the manufacturing sector contracts and the agricultural sector expands. This leads to a higher agricultural wage, and thus reverse migration, hence fall in unemployment.

Proposition 6: Capital decumulation, given that the fall in skilled wage rate (WS) dominates the rise in rental rate (r), owing to which the level of unemployment, migration and informalization of labour in the short run is reinforced in the long run.

b) If the rise in the rate of return dominates a fall in the skilled wage, the domestic capital stock increases. This leads to an expansion in the manufacturing sector and the agricultural sector contracts. This leads to the rise of the fixed, expected manufacturing wage over the flexible agricultural wage. Thus, migration and a rise in unemployment.

Proposition 7: Capital accumulation, given that the rise in rental rate (r) dominates the fall in skilled wage rate (WS), owing to which the level of unemployment, migration and informalization of labour remains ambiguous in the long run.

6.3 Saving Rate:

A rise in saving rate, that is, precautionary saving, (*ceteris paribus*) causes a rise in the domestic capital stock. Hence, an expansion in the manufacturing sector and a contraction in the agricultural sector occurs. And this results in a fixed manufacturing wage, which is higher than the flexible agricultural wage. This leads to migration and a rise in unemployment.

Proposition 8: An increase in the precautionary saving rate (s) would lead to migration of unskilled labor from the rural sector to the urban sector, resulting in rise in the level of urban unemployment.

8. CONCLUSION

We show in our paper that in the short run, an increase in transportation cost leads to reverse-migration from the urban manufacturing sector to the rural agricultural sector, resulting in a fall in unemployment in this stylized, small developing country. An increase in the regulatory measures of the government leads to a fall in the rural wage rate and hence causes migration from the rural to the urban sector. This aggravates the problem of unemployment in the urban manufacturing sector.

An investment uncertainty in terms of a fall in total capital endowment in the manufacturing sector leads to contraction of the manufacturing sector, resulting in a reduction of the probability to find a job in the urban sector and a subsequent fall in the expected urban wage. Thus, reverse migration takes place from the urban sector to the rural sector.

However, in the long run, we show that the capital stock is directly proportional with the skilled wage rate, the rate of precautionary savings, and the rental rate of capital and inversely proportional with the depreciation rate of capital. In the long run, an increase in transportation cost or the increase in the regulatory measures of the government, we observe that two situations arise.

Firstly, a situation of capital decumulation results in a reverse migration of unskilled labour from the urban sector to the rural sector and a subsequent fall in urban unemployment.

Secondly, a situation of capital accumulation results in the migration of labour from the rural sector to the urban sector and the subsequent rise in urban unemployment.

Next, we consider an increase in the savings rate (precautionary), which would lead to capital accumulation which in turn encourages rural-urban migration and urban unemployment. In our model, we show that unemployment continues to persist both in the short run as well as in the

long run.

However, in the short run, the informal sector acts as a shock-absorbing sector. The fact that the rural unskilled wage is flexible, it follows that whenever there is reverse migration of unskilled labour from the urban sector to the rural sector, the agricultural (informal) sector readily absorbs this pool of incoming unskilled labour without resulting in any unemployment. This in turn effectively reduces urban unemployment. Thus, the informal sector plays a crucial role in a small developing economy as it can reduce urban unemployment.

9. POLICY RECOMMENDATIONS

In the **short run**, because of reverse migration of the unskilled labor from the urban sector to the rural sector, there is increased burden on the rural agricultural sector. In order to avoid this, **the government must provide a cash transfer** to the urban workers in addition to the rigid urban manufacturing wage. As a result, the workers will not migrate back to their villages and hence reverse migration will not occur.

The COVID-19 crisis has severely hurt the labor-intensive agricultural sector because of the lockdown and social distancing norms. However, it had no noticeable effect on the skilled sector. So, in order to prevent this, I suggest two measures in the **long run**:

- a) Firstly, **encouraging skill acquisition by the unskilled labor** which would enable them to shift from the agricultural sector to the skilled sector.
- b) Secondly, **a structural shift** from the labor-intensive sector dominance to the capital-intensive skilled sector.



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A Contemporary Perspective



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