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Note from the Faculty-in-Charge

I must congratulate the Editorial team for their dedication and hard work in the timely publication of our academic journal Ecolloquial 2017. As always, the journal covers a wide spectrum of topics—from surrogacy to Trump’s victory—which impact us in multifarious ways. A novel feature of this issue is the analysis of a primary survey conducted by economics undergraduates of the residents of Zamrudpur regarding access to welfare schemes like PDS, subsidised education and healthcare facilities. We are grateful to our alumni, Dr. Farzana Afridi, for her thought provoking article on ‘Governance and Public Service Delivery in India’. Many thanks to Professor Jayati Ghosh, Dr. Jean Drèze and Mr. Bezwada Wilson for sparing their valuable time for us. I hope the journal provides an enriching experience for the readers.

Ms. Anjani Kochak

Note from the Editorial team

Through the Annual Journal of the Department of Economics 2017, the Editorial Board aims at promoting among the students of the department the initiative to research and write on a wide variety of topics. Through the papers, interviews and articles, the Editorial Board hopes to help students understand economics beyond their textbooks. Most of the issues addressed by the authors are topical and central to our daily discourse.

Research at the undergraduate level might be elementary but it serves as a platform to further the students’ interests in certain areas. The Editorial Board was overwhelmed at the response received this year, especially from the students beginning their journey in college. We hope that this journal serves as an inspiration for future research and leads to discussions of pertinent and important issues, both global and national. The interviews aim to provide a fresh perspective to the issues addressed and questions answered.

The Editorial Board is also grateful to get an opportunity to spearhead a primary survey in Zamrudpur with the help of the students of the department and our faculty in-charge. Not only did this activity help the students understand the dynamics of a primary survey, but it also showed them the practical aspect of a subject like Economics.

The Annual Journal of the Department of Economics, 2017 is a culmination of months of hard work on the part of the authors and the editorial team. We hope this issue furthers the scope of research within the department and also provides readers with an insight into the analysis conducted by the various contributors.

*The Editorial Board
Ecolloquial 2017*

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Basic Income versus Welfare Schemes

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Abstract

The Indian government has been the latest country to jump the Universal Basic Income bandwagon with equal zeal. A scheme of targeted basic income has been proposed in the latest Economic Survey and has led to a lot of discussions and deliberations. The students of Lady Shri Ram College for Women aimed at looking at the opinions of the intended beneficiaries of such a targeted scheme by conducting primary surveys in the slums of Zamrudpur in Greater Kailash.

Keywords: Universal basic income, welfare schemes, healthcare, education

JEL Classification: D60, H53, H55, H75, I38

1. Introduction

Universal Basic Income (UBI) has gained momentum ever since countries like Switzerland and Finland have started including it in their political discourse. While the Swiss rejected the proposal of a basic income for all, Finland plans on experimenting with 2000 unemployed Finnish being given a basic income to see whether such transfers can be used in place of other social security schemes. What makes UBI an attractive scheme is the magnitude of job losses around the world due to automation. Capital-intensive growth has led to many instances of job loss and unemployment rates in many countries are in double digits.

Although still in its rudimentary stage, a proposal for a basic income is already being discussed by politicians, academicians, students and the public. The students of the Department of Economics, Lady Shri Ram College aimed at finding out the proposed beneficiaries' reactions to the scheme with the help of a questionnaire provided by Dr. Jean Drèze. The primary research was conducted in the slums of Zamrudpur, situated in Greater Kailash, South Delhi. The survey team included Aayushi Rai, Aditi Priya, Angela Matthew, Anwasha Bhattacharya, Devanshi Agarwal, Kanak Shah, Marisha Kashyap, Nikitha Gadi, Pallavi Pervela, Pranava Kadiyala, Raashi Parakh, Radhika Kaul, Sai Sneha, Shakthisree Subramani, Simran Bagga, and Stuti Murarka.

Though the initial sample size was 150, the number of households surveyed was 64. The sample was reduced due to the fact that many respondents did not have ration cards. Moreover, many residents were not permanent residents and, therefore, were not entitled to certain schemes. The questionnaire was 16 pages long and collecting responses was time-consuming due to which many respondents did not provide satisfactory answers. The survey was conducted over a long weekend and its objective was to find out whether the beneficiaries of government welfare schemes preferred a basic income or uninterrupted provision of the aforementioned services. Such welfare schemes include the Public Distribution System (PDS), subsidised healthcare and subsidised education.

A scheme for basic income is being heavily debated in the parliament and has become an important policy suggestion among many economists and politicians. Most reports say that the basic income scheme in India will be for citizens living below the poverty line and such a scheme will subsume most other welfare schemes and subsidies. The grant of ₹1000-1200 per month, per person is proposed to be an unconditional grant to generate some level of income while unemployed individuals look for work and maintain their health and education.

The Chief Economic Advisor (CEA) of India, Arvind Subramanian said that such a massive income generation scheme can occur only if existing subsidies are rolled back. He took the example of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and said that “the most deserving in the society are often left out” from reaping the benefits of the scheme (Pathak, 2017). The plan of basic income mentioned in the Economic Survey would work only if existing schemes are done away with.

Considering the cost of living in major cities, the problems of infrastructure in most parts of the country, and the failure to implement projects properly by any government agency, UBI might not prove to be the poverty cutting measure that the CEA makes it out to be. Proposals for as well as criticisms of the scheme cannot come from the privileged positions of offices and classrooms. This is why the team went to gauge the reactions of the nearest beneficiaries: the households living in Zamrudpur who receive rations under PDS along with subsidised healthcare and education.

2. Findings of the survey

2.1 Public Distribution System (PDS)

The fair price shop (FPS) for people living in Zamrudpur is situated in Sant Nagar which is approximately 3 km away from the slum. Respondents who travel by foot reported that it took them half an hour to reach the FPS whereas those who took a cycle or auto rickshaw reported that it cost them ₹30-40 more. Shanti Devi, a respondent, told the team that she pays ₹32 for 10 kilos of wheat and 4 kilos of rice. Taking the rations back home costs her another ₹30. Similarly, many other respondents reported that their monthly expenses on collecting rations under PDS reached ₹60 including transport costs.

Every household in Zamrudpur comes under priority household, and they are entitled to receive 5 kilograms (kg) of grain (a combination of wheat and rice, the most common being 4kg wheat and 1kg rice) per household at ₹2/kg of wheat and ₹3/kg of rice. 53% of households receive less than their entitlement. 44% paid more than they were supposed. 94% of the entitlement was received by the households, which shows how leakage from the system has decreased.

87% of the covered households expressed dissatisfaction with regard to the number of days the FPS shop distributes the rations. The FPS at Sant Nagar remains open only for the first 10 days of a month, except Tuesdays. This means that grain is distributed to the people living in Zamrudpur for only eight to nine days a month, which is highly inadequate according to the respondents. Moreover, all the respondents were denied their ration if they arrive after the stipulated 10 days.

When asked about the importance of PDS for their household, 80% of the households responded positively, reporting that they considered PDS very important for their family's welfare. Hasina Begum reported that receiving rations was crucial for her family's welfare since the money her family earns is not enough to buy grains from the market. This is because the market price is inflated and she incurs considerable transport costs for the same amount of grain. All the five members of her family have their names on the ration card and they pay ₹55 for 20kg of wheat and 5kg rice every month. Many respondents also said that if their entire family was included in the ration card, PDS would be even more important to their family's welfare.

51 out of 64 said that they would buy ration regularly if the FPS was open every day, 4 said they would not collect it. This is because of the poor quality of grain at the FPS, and the others were indifferent. 81% of respondents said that they would want FPS to be open for them the entire month and it should be closer to their residential area. Respondents suggested increasing their entitlements and that the FPS should be closer.

2.2 Subsidised healthcare schemes

There are no public healthcare centres (PHCs) near Zamrudpur and to take advantage of subsidised healthcare, the respondents usually travel for around two hours to Safdarjung or AIIMS. Most of the respondents visit Delhi Commonwealth Women's Association (DCWA), a charitable hospital right outside the slums for minor diseases and check-ups.

26 respondents reported that they get access to free medical services, whereas 30 said that they know about the free medical facility available at PHCs, while the rest said that they do not travel to PHCs as it is both, expensive and time-consuming. 15 respondents said that they would prefer money to free or subsidised medical service because they find the service at PHCs unsatisfactory. 23 household responded that they would go to PHCs during serious illness and 26 said they would go to PHCs only when do not have enough money. 4 of the respondents felt that the service provided at PHCs is bad.

5 of the 14 respondents who do not avail of free or subsidised healthcare reported that they would prefer cash transfers. 2 of these 14 respondents were indifferent and 2 wanted better quality services at government healthcare and the rest did not want to travel so far to avail these benefits. Sharda Devi believes that private hospitals cost more and thus subsidised medical facilities at government hospitals are more beneficial when it comes to serious illnesses. As PHCs are situated farther from the survey area, most of the respondents visit private doctors in the first place due to which cash transfers would help them cover existing costs. Socheta Devi, a 59 year old woman, reported that she would prefer cash transfers to subsidised medical aid as it would open up their options of visiting private clinics.

24 of the 64 respondents reported that they prefer the existing system of subsidised healthcare, 7 were indifferent. Those who preferred cash over government facilities gave two reasons: first, that the expenditure on health was seen to be erratic and necessity-based and the second, that they do not avail the government schemes in hospitals like Safdarjung or AIIMS. Madhurani Devi, for example, had to spend thousands of rupees on her younger daughter's wellbeing

because of a chronic illness. She reported that she would prefer cash as it is easy to save up during the months where there are no medical expenses.

Respondents also showed concern that the working of PHCs is not satisfactory (even when 40 out of the 64 households reported that the staffs at PHCs are accessible). The respondents showed concern regarding availability of health services close to their residence as well as proper implementation of existing services.

2.3 Subsidised education schemes

Children of 46 households go to school, of which 39 go to public schools and 7 the private school through the Economically Weaker Section (EWS) category. 22 respondents reported that they would prefer enrolling their children to private schools but most of them could not afford to do that. 3 respondents were unable to answer the question because they felt that the cash transfers would either not be timely or would stop sometime in the future because of poor implementation. 22 respondents deemed public school preferable mainly because they are satisfied with the education in public schools. A common belief was that the quality of education is much better in private schools and that they would send their children to these private schools if they had money. However, these same respondents did not show any preference for cash transfers because of the benefits their children receive in public schools. 26 responded positively when asked whether they would send their children to school if they were provided with a fixed amount instead of free books and uniform. Hasina Balam, a 36 year old mother of 2 children reported that there was no education in the public school till grade 5 and that she had to spend money on the tuition for both of them. She would send her children to private school if she is given a fixed amount of money, but at the same time she would prefer public schools if the service provided there is good.

Munni Khatun reported that she would prefer sending her children to a private school if she had money because they will get a better education there according to her. She feels that public schools are beneficial because of the services her children receive, like free books, uniform and next to zero tuition fees. One of the respondents, who irons clothes for a living, had enrolled his son in Arya Samaj but found him cleaning the compound and standing outside class. Perception about public schooling differed from school to school. 16 respondents reported that the quality of education in public schools is good and 12 said that it is satisfactory. However, 10 respondents feel that the education provided is of average quality while 2 of the respondents reported it to be bad.

2.4 Concluding observations

47 respondents gave clear answer to their preference between public services and basic income of ₹1000-1200 per month, out of that 33 preferred services, which is 70%, and 4 said they have conditional preference for basic income if they receive money on time and 11 preferred money to welfare schemes. Out of these 11, 3 preferred to receive money instead of services because of the hassles they face in order to avail the benefits of current government services.

Most of those who preferred welfare schemes gave reasons like insufficiency of the cash provided or spending on unnecessary things. They either preferred the certainty of existing schemes or were satisfied with the ongoing schemes.

Mita Bhoumick works as a household helper in one of the houses in Greater Kailash. She clearly prefers welfare schemes as any cash she receives will be spent on things over which she has no control. Money can be dithered away by her son or her husband on alcohol. The guaranteed food that she received from the FPS every month might get replaced by non-essential items. She also believes that the public education system was helpful for her son and that any advancement in schooling would not have been possible without the free services offered by such schools. There were many such respondents who felt that the cash transfers would not be sufficient to meet their monthly expenditures. They feel that welfare schemes come with a degree of certainty as households are guaranteed of some amount of food and a basic level of education for their children.

The people who preferred cash transfers to welfare schemes mainly belonged to nuclear households without children in the school-going age group. Shehnaaz Begum lives with her husband and two adult children and feels that cash transfers would be much more beneficial to her family. This line of reasoning had two supporting arguments: the household required very little medical assistance till date and they chose not to collect their rations from the FPS every month. For a household that did not avail existing welfare schemes, cash transfers were the most attractive offer.

A large number of respondents had problems regarding implementation of government schemes. PDS, as a scheme, faces a lot of corruption and wastage. It is a well-known fact that entitlements do not reach households all over the country either in full or on time. Health benefits do not reach the residents of Zamrudpur either as they visit DCWA for regular check-ups, which is not a PHC. They have to travel to Safdarjung or AIIMS to avail subsidised healthcare, both of which are far away and takes up a lot of time and money.

When it comes to accessing free education in public schools and subsidised services, respondents seemed to find this helpful but complained about the poor quality of education. As Mausmi Santra, a 29 years old mother of two, reported that she sends her daughter to the private school through EWS and a son to Arya Samaj. Since her family is facing a shortage of funds, she will be transferring her children to the public school though she seemed dissatisfied with the quality of education in the public schools.

The demand of the respondents were majorly to improve the working of the ongoing welfare schemes. The team noticed a pattern that male members seemed to prefer cash transfers. Women preferred services as they feared that the security that they have when they receive subsidised grains, public education and highly subsidised healthcare facilities will not be compensated by the amount of money that they would receive.

3. Conclusion

The proposed UBI scheme in India is a targeted scheme which focuses on pulling the citizens of this country out of poverty. According to Arvind Subramanian, “it’s an idea whose time is ripe for further deliberation and discussion, and not necessarily for immediate implementation” (Zhong, 2017). The main argument for UBI is that it will reduce the wastage and corruption seen in current welfare schemes. By providing a basic income for every citizens, UBI guarantees social justice and empowerment.

The scheme focuses on depositing money directly into the beneficiaries’ bank account. The inadequate financial infrastructure in the country can make it difficult for the people to access their entitlements. According to World Bank data, India has only 20 ATMs for every 100,000 adults while South Africa has 70, Brazil has 132, and UK has 132. One-third of all the adults in India remain unbanked as well (Zhong, 2017). According to the Economic Survey, the UBI scheme, which targets 75% of the population (making it less universal), would add up to 4.9% of India’s GDP.

There is no guarantee that providing basic income to a part of its citizens will solve the problems on unemployment, fiscal deficit and misallocation of resources. For a country with around 1.3 billion people, such a scheme can lead to a huge fiscal burden. Moreover, implementing such a scheme would require cutting down on existing subsidies and welfare schemes that could prove harmful in the long run. Public Distribution Service, MGNREGS, public education, subsidised healthcare facilities and other similar schemes add more to the overall development of the citizens than simple cash transfers. There is also a gender angle to it: there is a threat that money will be spent by the male member of the family while women and other dependents might be left with little cash on hand.

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An interview with Professor Jean Drèze

Jean Drèze is an economist and activist who has been working on issues related to development for several years. He played an instrumental role in drafting the National Rural Employment Guarantee Act (NREGA). His research interests include rural development, social inequality, elementary education, child nutrition, health care and food security. He is currently an honorary professor at the Delhi School of Economics and visiting professor at Ranchi University. He is one of the few Indian economists who can claim to have worked at the grassroots level.

Interviewer: *Universal Basic Income (UBI) has been surveyed as a scheme in most of the developed nations like the USA, Canada, Finland, and Scotland. Do you think it is a scheme that is meant only for developed nations or can it be applicable for developing nations too?*

Prof. Drèze: There are at least two important differences between UBI in rich and poor countries. First, rich countries can afford UBI along with generous public services. This is important, because it is only together with good public services that UBI can guarantee a dignified living. In poor countries, creating fiscal space for UBI requires a squeeze on public services. That is not seen as a problem by those who believe that public services are useless, or who want these services to be privatised. For my part, I believe that public services are extremely important for the quality of life. That is why I am very apprehensive of UBI proposals that are almost bound to lead to a rollback of public services. Sometimes, in fact, that appears to be their real purpose.

Another difference relates to the fact that rich countries tend to have well-developed income tax systems. In that context, the fact that UBI involves giving money to the rich is not a problem, because you can always take it back from them through the tax system. In India, however, the income-tax base is minuscule, and many well-off people are out of it. If you give them money, it is not going to come back so easily. That makes UBI all the more difficult to afford in poor countries.

Interviewer: *Defining BPL households only in terms of income contradicts the principle of inclusion which UBI aims to fulfil. Does this necessitate redefining the households that should receive the transfer?*

Prof. Drèze: If the scheme is not universal, I do not think that you can call it UBI. I am in favour of income support, in cash or kind, for a large majority of the Indian population, and perhaps even the entire population in rural areas, at least in the poorer states. But that does not mean UBI.

If the coverage is universal, then the transfers are bound to be minuscule in per-capita terms, given the resource constraints. I believe that there are much better ways of using the limited resources available. For instance, they could be used to fund social security pensions and maternity entitlements. This would be much better, as a first step towards UBI, than to give a tiny amount of money to everyone from Ambani to the aam admi.

Interviewer: *In lieu of the low public expenditure on health and education and increasing dependence on the private sector, will assurance of a universal basic income really make these services accessible for the poor?*

Prof. Drèze: Income transfers are no substitute for public action, including a substantial element of state provision, in matters like health and education. To illustrate, consider health. There are many reasons why market competition does not work well in this field, and especially in the field of public health. Some of them are relatively well understood in economics, for instance the externalities associated with communicable diseases, and the asymmetry of information between doctor and patients, which makes the patient very vulnerable to exploitation. Further, in this as in other fields, market competition does nothing for equity, and equity in health is an important social goal in its own right. For all these reasons, public action is essential to ensure a modicum of efficiency and equity in the health care system. This can take various forms, such as public provision of health care, regulation of private hospitals, social insurance, promotion of healthy social norms, and much more. A strong element of public provision, however, is essential, especially for primary health care. Giving people income and leaving them to fend for themselves in the market, even a regulated market, is no way of ensuring good health for all. That is why I am concerned about the idea of UBI as a substitute for well-functioning public services.

Electronic interview **conducted** by Amisha Yadav, Anwesha Bhattacharya, Pratima Garg and Sai Sneha.

Date of interview: April 18, 2017.

Caste and Cleanliness

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Abstract

This paper is to understand both the socio- and political-economic aspect behind manual scavenging in India. It assesses the deliberate ignorance of the state in the matter of ongoing employment in manual scavenging even after it has been banned twice in this country along with the role of caste system. This paper draws attention towards recent uprising of the safai karamcharis and their demands after the Safai Karamchari Andolan started by Bezwada Wilson.

Keywords: Manual Scavenging, Mechanisation, Social exclusion, Swachh Bharat Abhiyan
JEL Classification: A14, O17, P16

1. Manual Scavenging

Manual scavenging was prohibited in India in 1993 under the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, 1993. Even though there are lakhs of households earning a livelihood through manual scavenging, there have been no convictions under the 1993 Act (Wilson, 2016). The Prohibition of employment as Manual Scavengers and Their Rehabilitation Act, 2013, was passed by the Supreme Court. This act, too, has failed to change the situation. A manual scavenger in the documentary *Kakkoos* (2017) says “cows are liberated, we humans of Arnthadhiyar, not liberated till now.”

The work of scavengers entails the clearing of waste material, including human excreta and garbage and this involves serious risks, including death. Lakhs of Valmiki women continue to do this work, and this practice is rampant across Uttar Pradesh, Madhya Pradesh, Gujarat, Bihar, Rajasthan, Jammu Kashmir, and Uttarakhand.

Though the country as a whole is aware of the problems of cleanliness and organises cleanliness drives like the Swachh Bharat drives, these discussions and drives completely exclude and invisibilise the people who do the work of cleaning on a daily basis. The discussions fail to draw attention to the caste relations that forces safai karamcharis to do this work. Based on their caste and work, the safai karamcharis are treated as untouchables.

“How is it that those who clean our dirt become untouchables, while we who are responsible for the dirt are clean and touchable?” Bezwada Wilson asked in a lecture. For centuries the work of sanitation has been forced upon the Shudras, mostly women. It is the Valmiki community within the Dalit community, placed at the bottom of caste, class and gender hierarchy, who clean the waste produced by the entire country. Bezwada Wilson writes that cleanliness drives and talks about sanitation invisibilise the “inter-linkages which exist in India between cleanliness and caste, where we, our caste system and hierarchies have condemned a

number of communities—called by different names at different places—to do this dehumanising work of manual scavenging and to do this only.”

2. Social Exclusion of manual scavengers

Government agencies, private enterprises still use thousands of manual scavengers to clean drains and sewers throughout India. Many manual scavengers die inside manholes and septic sewer tanks which produce poisonous gases because they are not provided with any safety equipment or protection. Harnam Singh, the chairman of the Delhi Safai Karamchari Commission, in an interview, states that almost 70 percent of the manual scavengers die on the job (Singh, 2016). These deaths are not reported in mainstream media, no authority takes responsibility of these deaths, nor are there any convictions under the prohibition laws for this illegal practice.

Refusal to perform such manual task leads to physical abuse and social boycott. In India, social exclusion revolves around some sections of the population, particularly, Dalits, adivasis, women and minorities. They are the victims of social exclusion by caste, sex, ethnicity, and religion. Irrespective of how these workers look at themselves, society at large looks upon them as 'untouchables'. These features, together with the need for cleaning dry latrines and a lack of alternatives, force the scavengers, particularly women, to continue in this occupation. It has also been found that in certain cases, scavengers also face difficulty in taking up other occupations due to the prevailing social prejudices. Further the demeaning work is legitimised and even glorified through schemes like Swachh Bharat Abhiyan.

One should not make the mistake of thinking that this is a distant practice happening in remote places. Neither should one believe that they are not implicit in this practice. To understand the conditions of safai karamcharis, one does not need to look beyond their communities. The authors of this paper spoke to the cleaning staff at the Lady Shri Ram College Residence and their response is “all that we expect from those studying in such good college is to keep the washroom clean after they use it, but many times they do not even bother to use the flush. We do not do this work out of our will but we do not have any option left.”

Every day, washrooms in colleges and other public facilities are blocked because people throw sanitary napkins and tissues in the pot, or forget to flush. In times of water shortages, one conveniently leaves the toilet dirty, assuming that it is someone else’s job to clean it. How is it that the same washroom is clean the next day? It is cleaned by safai karamcharis employed in these spaces, who sometimes have to use their bare hands to keep the washrooms clean. Many assume that this work is mechanised or that these cleaners are given fair remuneration.

“We have to work extra hours in college without getting any compensation for it because the classrooms and washrooms are all so dirty and the next morning everybody expects everything to be clean,” says a cleaning staff in Lady Shri Ram College for Women.

3. Role of the State

Coming to the argument that free market will attain equilibrium, many argue that if women agreed to work for a wage less than men and firms were willing to hire them, why should the state get into it? Should there be government intervention in the creation of employment along the lines of manual scavenging, which is casteism in its crudest form? The idea of invisible hand, in its popular understanding, suggests that market would ensure that this ‘natural state’ was optimal.

Adam Smith’s theory of equal net advantage states that the free mobility of labour, characterising competitive capitalism, would make sure that the equilibrium of advantage over disadvantage in different occupations gets equalised for homogenous labour, i.e. the free mobility in the free market would ensure the freedom of movement from one type of occupation to another. But these can’t explain why more arduous work and unpleasant work are paid less than others (Patnaik, 2017). Similarly, Prabhat Patnaik also talks about the paradox in capitalism and contends that Adam Smith’s idea of capitalism characterised by perfect competition and free labour mobility is unrealised. Existing capitalism shows how certain people are “locked in” a particular occupation which is unpleasant as well as lowest paid because of caste oppression. This ‘underclass’ which comprises the Dalit community, as explained by Prabhat Patnaik (2017), manages the menial jobs that are the most unpleasant and the lowest paid.

Unemployment or reserve army of labour cannot be the explanation in this case because it does not explain the “locking up” of a particular community in a certain kind of activity, but the answer lies in the role of caste. Will the state ensure complete prohibition of menial work like this?

So far, there have been ineffective attempts from the government’s side. The Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) act, 1993 punishes the construction of dry latrines and employment of scavengers with imprisonment for up to one year and/or a fine of ₹2000. Offenders are often liable to prosecution under the SC/ST (Prevention of Atrocities) Act, 1989. Given the high prevalence of the illegal practice, the government of India launched a national scheme in 1992 for identifying, training and rehabilitating safai karamcharis and allotted substantial funds for this purpose. The Rajiv Gandhi Mission for Sanitation and Water Supply Scheme introduced by the Ministry of Rural Development aims at converting dry latrines into wet water-borne sanitary latrines and rehabilitating the liberated scavengers in alternative occupations. There have been policies for rehabilitation but they were ineffective due to lack of government interest. When scavengers are unable to find alternate jobs, livelihood expenses cannot be met.

4. Misplaced Responsibility of the State

The economics behind clean bathrooms can be explained through two theories, decreasing jobs in the formal sector and the presence of caste system in modern form under contemporary capitalism. Contract system, coupled with lack of alternate jobs, and the caste system have

affected a large section of society. The worst affected are the manual scavengers, as they are placed at the lowest rung. The lack of the government intervention in rehabilitation of manual scavengers is prolonging their struggle for survival. The non-mechanised sewage system filled with poisonous gas can lead to a most painful death in just ten to fifteen minutes.

There is a general dearth of official records on safai karamcharis. The census reports do not provide information about the number or type of people doing this work. There is no separate legislation dealing with this category of workers. Most safai karamcharis do not benefit from the labour laws governing employment except those employed by Municipal Corporations. Many are employed by the railways, airports, state government establishments, big companies and private offices. The majority of the safai karamcharis fall in the informal sector as they work in private co-operative housing societies, private individual bungalows or industrial estates.

Why has the state not come up with a plan to properly implement the ban on manual scavenging? No importance is being given to the demand of mechanisation of the sewage system which leads to the never ending demand for manual scavengers. As the 'market' is in equilibrium, nothing is being done for the rehabilitation of manual scavengers. With a flourishing contract-based job system in urban cities in India, occupation has absorbed a large population of migrant workers and continues to be the only job available to the generations of manual scavengers.

The government budget allocation on rehabilitation has gone down to ₹5 crore this year, whereas budget allocation on Swachh Bharat Abhiyan has gone up to ₹9000 crore. There has been no initiative towards mechanisation of sewage systems and washrooms in India.

5. Swachh Bharat Abhiyan: Normalising Manual Scavenging

The Swachh Bharat Abhiyan in India was a massive campaign that saw the Prime Minister calling out to every Indian citizen to keep the country clean as dutiful citizens. "Ab hamara kartavya hain ki gandagi ko door karke Bharat Mata ki sewa karein" was the pledge given by Narendra Modi. Every media channel hailed the campaign and reported its immense importance in promoting cleanliness in India. People vowed to clean their surroundings and contribute towards the greater cleanliness of the country. Ministers were reported cleaning corners with brooms which one sees normally with the safai karamcharis, 'jamadars', and manual scavengers who otherwise clean dirt every day.

Yet these safai karamcharis, whose families have been doing the work of cleaning for centuries, were completely excluded and invisibilised from this project. They face enormous risks while cleaning washrooms and sewer tanks without any safeguards. Bezwada Wilson, the national convenor of Safai Karamchari Andolan, writes that "the basic problem with the Swachh Bharat Abhiyan is that it de-contextualises the issue of sanitation from its social roots" (Wilson, 2016).

Swachh Bharat pronounced sanitation as everybody's work. It was pronounced that everyone could become part of the Swachh Bharat Mission by cleaning small corners and taking

individual action. In reality, sanitation never was or is everyone's work. While the Valmiki community already does this dehumanising, demeaning work of cleanliness, the aim of Swachh Bharat Abhiyan, as Soumyabrata Choudhary argues, was not to discuss these issues, to truly and genuinely clean the country, to truly think about the problem of waste and those who do this work, but rather to produce what he calls 'ritual' obedience of citizens. It aimed to produce 'ritual citizenship', wherein citizens who had transgressed to dirtying the sacred country had to now perform their 'kartavya' or duty by cleaning the country (Choudhary, 2015).

This campaign will maintain, the purity-pollution structure of the society. While each citizen will feel that they are helping clean the country, the real work of cleanliness will continue to be done by the manual scavengers. Hence, the structure of society and the real context of sanitation and hygiene shall continue to be maintained on caste relations.

6. Conclusion

"You can die rather than working in toilets and bathrooms" (Bharathi, 2017)

The condition of the manual scavengers in India has remained the same. The Valmiki community is employed as manual scavengers and women form a large fraction in this occupation. The demand of manual scavengers is not dignity of their work or better working conditions. Rather, they demand an absolute rejection of this work that they have been forced to do for centuries. "This work is undignified work, demeaning work, invisible work and we have declared that we will not do it!" – is the call given by the Safai Karamchari Andolan. There has to be an exit from the caste system.

Working towards real sanitation and addressing its caste linkage requires the state to mechanise the work of cleaning. The state needs to employ technology in an egalitarian manner along with rehabilitating manual scavengers to better occupations. However, rehabilitation alone does not guarantee a better life for the manual scavengers because they face social prejudice and boycott in any other occupation that they enter. What is needed is an opposition of the caste system that forces people to remain within the occupation assigned by their caste.

It needs to be realised that the privilege of leaving behind washrooms dirty and demanding them to be clean every day is casteist. An individual's entitlement to luxury and pleasure and the privilege of holding someone else responsible for cleaning one's own dirt is casteist. People practice untouchability through their refusal to let their hands get dirty and further through their marginalisation and social exclusion of those who do the dirty work for others. Untouchability is practised everyday through secluding safai karamcharis to certain spaces that others define for them.

On an individual level, a radical reversal of the conditions of the safai karamcharis in the institutions and public spaces needs to be implemented. It is through collective consciousness and continuous work can there be relief for safai karamcharis. While caste system condemns the Dalits to serve without resentment, the system has to be ruptured by ensuring that there is no dirty work left to do for safai karamcharis.

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An interview with Bezwada Wilson

Bezwada Wilson is leading a nationwide movement to abolish the dehumanising practices of manual toilet cleaning and scavenging. Bezwada Wilson and his organisation, Safai Karmachari Andolan (SKA), have served as a watchdog, pushing for legal action to demolish dry toilets across India and preparing manual scavengers to achieve new sources of income. His goal is to detach manual scavenging and sanitary work from Dalits, in the larger context of reforming the caste system. His work at SKA has been recognised by the Ashoka Foundation which has nominated him a Senior Fellow. In 2016, he was honoured with the Ramon Magsaysay Award.

Interviewer: *We have discussed how you think that Swachh Bharat Abhiyan is not going in the right direction. Could you shed some light on that? Also, what alternatives do you propose when you talk about demolition of dry latrines, and can you think of an inclusive solution that helps in cleanliness of the country at the same time?*

Bezwada Wilson: Swachh Bharat's objective is that it wants to provide sanitation facilities to its citizens and dignity to women. Toilets do not give dignity to women; toilets are a necessity for everybody. Does this mean that men can urinate anywhere but the woman should and could not? This creates a patriarchal mind-set. It should be everybody's responsibility to ensure dignity for all and not just that of women's.

Before this scheme was launched, there have been certain communities that have been traditionally involved in cleaning this country for thousands of years. The Swachh Bharat mission does not consider these people, what will happen to them when they exit this industry and how they shall earn their livelihood. Who will take up their rehabilitation and where will the money for such rehabilitation come from? The latrines being built are not fully mechanised and have no proper sewage system. The Mission is essentially adding more septic tanks. Who is going to clean these tanks? People have lost their lives doing the same for years and instead of proposing a solution for septic tanks, the Swachh Bharat Mission is adding on to the misery. The budget for rehabilitation of manual scavengers is also minimal.

The government has allotted thousands of crore or rupees to the Mission but only ₹10 crore to the workers. This type of dichotomy in spending clearly shows the government's priorities. Swachh Bharat is not for the liberation or rehabilitation of safai karamcharis. The Indian Railways pose another nasty situation to the workers' health. If the government has technology to build bullet trains, why can they not incorporate a mechanised way of cleaning the latrines in existing trains?

Interviewer: *Sulabh shauchalya, which was introduced a decade ago, has shown some success in urban areas. Do you think it can solve the problem in villages where there is no proper facility or water, and can be used as a common facility?*

Bezwada Wilson: No, common toilets will suffer because of the lack of civic sense in the citizens of our country. We will have to appoint someone to clean them. If these toilets are private, then keeping them clean will not be a problem. Sulabh complex is a solution to the toilet less city but not to manual scavenging as we still do not have any machines to clean them.

Interviewer: *Manual scavenging is illegal in India. Suppose I find a person manually cleaning a sewer line, and decide to complain about it, will such a complaint be accepted in the police station?*

Bezwada Wilson: When individuals like you and me go to file a complaint, the police do not accept it. When we find any safai karamchari, we have to talk to them and get to know about their status and thought process. If the karamchari is willing to stop working in latrines, only then do the municipal authorities, district magistrates or the collector listens to you. They will then, in turn, talk to them and make a proper rehabilitation package for each individual karamchari. If the toilet owners still continue with the practice of employing manual scavengers, and force the people to come and clean, then we lodge a complaint against the toilet owner.

Interviewer: *We talked about how manual scavenging is inherently patriarchal today. Could you shed some more light on this?*

Bezwada Wilson: Manual scavenging is defined by the society along patriarchal lines. When all the scavengers across the country are Dalits, it is a stark reality of untouchability and casteism. When less money is paid to the manual scavengers, 98% of the employed are women.

When more money is paid, more men are employed. Indian Railways pays ₹20,000–25,000 and also employ more men. Wherever toilet owners pay ₹20 or so to clean a toilet, 98-99% of the employed are women. We have seen that when a family has a daughter and a son, they will force the daughter to clean toilets whereas the son does not do any work. If there is no daughter, the daughter-in-law does the work.

Interviewer: *How have other South Asian countries like Nepal and Pakistan performed in terms of eradicating manual scavenging?*

Bezwada Wilson: Nepal and Bangladesh, in particular, have established patterns in manual scavenging which are also caste-based. These countries do not have any progressive acts to prohibit manual scavenging as of now. They treat the problem of manual scavenging as an issue of sanitation while we look at it as an issue of caste, patriarchy, discrimination and human rights violation. If you look at it from an issue of labour, then you demand more wages but fail to eliminate the industry as a whole. We are also working with and talking to many manual scavengers around South Asian countries like Nepal and Bangladesh to help them end this occupation entirely.

Interviewer: *Even though India claims to be more developed than its neighbours, we fare lower in terms of sanitation. Why is it so?*

Bezwada Wilson: The twin problems of caste and patriarchy is so deep-rooted in India that the country fares poorly in human development indices but not growth. Your income or dignity will not increase and nobody will ensure your rights here. Adding to this, the general population does not think that things are going wrong in this country.

Whenever there is a problem in other countries, they learn and find solutions. But Indians believe that they have a great history and do not need to learn anything from anyone. We have false images of ourselves and our villages. It is time we start thinking about the country as a whole, and prioritise and implement action plans. Only then can we find solutions. We have the capacity to do this but we invest our talents in manipulation of the truth to hide such problems.

Interview **conducted** by Aditi Priya, C. Krishna Priya, Navya Poonia and Shakthisree Subramani, and **transcribed** by Navya Poonia and Shakthishree Subramani.

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The Surrogacy (Regulation) Bill, 2016: A Step in the Right Direction?

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Abstract

With the popularity of surrogacy among Indian and international couples, more women have been attracted towards this industry because of better pay and health care. Commercial surrogacy had been the more commonly practised form of surrogacy followed by altruistic surrogacy till the new Surrogacy (Regulation) Bill of 2016 illegalised it. This paper examines the commercial surrogacy industry and compares it to altruistic surrogacy. After analysing the Surrogacy Bill, certain loopholes and shortcomings of the Bill have been addressed through policy recommendations.

Keywords: Commercial surrogacy, Altruistic surrogacy

JEL Classification: J46, J48, L51

1. Introduction

In the last couple of decades surrogacy has gained momentum in India because of higher financial returns for the surrogate mother and comparative cost advantages enjoyed by the industry in terms of maternal care, child care, and medical expenses. The cost of surrogacy in India is US\$12,000 while it costs US\$70,000 in the United States (Womb for Rent, 2011). Surrogate mothers benefit from this industry in terms of income, nutrition and health but exploitation of a majority of women is clearly prevalent in this industry.

In light of such gross violations of human rights, many people have called for a ban on commercial surrogacy. At a press conference in New Delhi on 24 August, External Affairs Minister Sushma Swaraj announced cabinet approval for the new surrogacy Bill, while describing it as a “revolutionary step” towards women’s welfare (What is surrogacy, 2016). The Surrogacy (Regulation) Bill, 2016 aims at reducing the risks related to surrogacy for the surrogate mother by regulating the industry. The new Bill imposes a blanket ban on “commercial” surrogacy and only advocates “altruistic” surrogacy.

2. The Surrogacy Industry

Women find employment in the informal sector as nannies, domestic servants, and sex workers. Such occupations market women’s sexuality and maternity as commodities. In a country that values a woman’s womb more than her skills or her ability to work, it is natural that the surrogacy industry would eventually flourish. Since surrogacy was commercialised in 2002, the industry has grown phenomenally, both domestically and internationally. A 2012 study by the United Nations estimated the presence of 3000 fertility clinics throughout India that garnered more than \$400 million a year. This study shows that 25,000 children are born through surrogates every year (Basu, 2016), which is 0.1% of total children born in India (Census 2011). Although surrogacy transfers much needed purchasing power to economically poor women, the lack of provisions to regulate the industry is risky for many of them.

3. Commercial Surrogacy

Under commercial surrogacy, the surrogate mother receives commission and compensation (medical and daily expenditure) throughout her pregnancy. The health of the baby and the surrogate is the responsibility of the fertility clinic and commissioning parents. India offers several advantages for such parents like top medical facilities and professionals, low cost of surrogacy, willing pool of surrogate mothers, and lax laws (until 2016) (Womb for Rent, 2011).

The Centre for Social Research (CSR) conducted a study in a few cities of Gujarat to examine the conditions of the surrogate mother and child. The study carried out in 2011-12 looked at a sample of 100 surrogate mothers in the cities of Anand, Surat and Jamnagar. Another study carried out by Sama-Resource Group for Women and Health (2012) in the same time period interrogated twelve surrogate mothers, five doctors and a commissioning couple.

The findings of both the studies indicate certain grey areas in the industry. There are several criticisms against commercial surrogacy primarily because of the exploitation of the surrogate mothers. The fertility clinics usually paid the surrogates only a fraction of the commission received by them. The surrogates are made to sign contracts that are in English and often too complex for them to understand. This implies that any decisions regarding the foetus (including abortion, decision to go through a caesarean section, and so on) were out of the control of the surrogate mother. The surrogate mother is not given any legal, psychological or emotional counselling (in surrogacy hostels or otherwise) which can prove to be disastrous for her postpartum emotional wellbeing.

3.1 Criticisms of commercial surrogacy

A few activists, feminists, advocates, Catholic priests and the general populace have called for illegalisation of commercial surrogacy. A Public Interest Litigation (PIL) was also filed in 2015 for banning it.

This call for a ban arises from the heteronormative notions that *reproduction is an intimate activity restricted to the domestic sphere*. The general belief is that reproduction should not be commercialised as children are not commodities and women's wombs are not machines.

Commercial surrogacy asserts *that parental rights are freely alienable property rights* that can be allocated according to the will of the parents and/or the market. This goes against the ethos of many cultures and individuals (Anderson, 2000, p. 20).

It is also said that commercial surrogacy *takes advantage of vulnerable women* who agree to be surrogates for a paltry sum of money. Postpartum care and emotional counselling are also absent (Centre for Social Research (CSR), n.d.).

When international commissioning parents involve brokers while searching for surrogate mothers, they often do not know the identity of the surrogate or the conditions in which she lives. The *broker may keep a fraction of the money* intended for the surrogate and adversely affect the health of the mother and the baby (Gallagher, 2015).

Commercial surrogacy has also given rise to “*wombs-for-rent*” (Ajay, 2013). Women are often coerced into surrogacy by family members, economic conditions or social conditioning. They are often deceived about the contract due to illiteracy, fraudulent behaviour of brokers, medical oversights and money-minded individuals.

There are several arguments against commercial surrogacy on the grounds that it *leads to trafficking*. But commercial surrogacy does not inherently lead to trafficking. It is the lax nature of laws governing the industry pre-2016 that makes it possible for trafficking and illegal surrogate births to occur. Human trafficking is prevalent in many trades: factory work, child labour, sex work and domestic work. The one factor that all these industries have in common is that they are all unregulated and sometimes illegalised. It is safe to assume that the unregulated nature of the industry is the reason behind human trafficking (White, 2014).

3.2 Arguments in support of Commercial Surrogacy

“Why would I do this if I had money? I earn Rs 6,000 a month. What kind of future can I give my child?”

- Mandakini, surrogate

“How can you say there is something wrong in what I'm doing? I am bringing light in the life of a family, how is that a bad thing?”

- Jyoti, surrogate

(Pasha, 2016)

Many advocates of commercial surrogacy believe that imagining reproduction to be intimate, special and personal *conflates the idea of womanhood and motherhood* and reduces the identity of women to solely that of a mother. Such a thought process propagates gender discrimination and is the principal argument for relegating women to the domestic sphere.

Sex workers, feminists and sex-work advocates have repeatedly put forth the argument that *reproduction has always been commercial in nature*. Within the domestic sphere, sex and reproductive ability is exchanged for a variety of things such as emotional strength, status symbol, physical comfort and so on (Kotiswaran, 2014, p. 8). The fact that reproductive abilities of the surrogates are exchanged for something should not be a matter of concern for others, especially when sex and reproduction in the domestic sphere is not questioned by others (for example, with regard to marital rape).

Most women who are commissioned as surrogates earn negligible wages. While some women have no prior income, a few of them earn around ₹6000–8000 per month before entering the surrogacy industry. *A surrogate mother earns somewhere between ₹3–5 lakh per child*, which makes a huge difference in the lives of these women. The financial constraint is said to cloud the judgement of surrogates, which has led some ethicists and women’s rights activists to call for the aforementioned ban. A few believe that surrogates are left with very few alternatives that help them earn money due to which privileged people cannot take a moral high ground with respect to commercial surrogacy (Shetty, 2012).

The practice of surrogacy *goes against the heteronormative narrative around marriage and reproduction*. It makes possible for a woman to reproduce for the market. It challenges the preconceived notions of labour, reproduction and family. The CSR study reports that surrogate mothers in the sample *spent their money on educating their own children and building permanent houses in the city*.

Though there are a variety of problems associated with the surrogacy industry, the root of all problems cannot lie within commercial surrogacy but in the regulation of the industry.

4. The Need for a Surrogacy Bill

The Bill mainly aims to regulate surrogacy services in the country. It gives a legal status to altruistic surrogacy wherein only a ‘close relative’ of the commissioning parents can give birth to the child and the monetary reward only involves medical expenses and insurance coverage for the surrogate mother.

4.1 Criticisms of the new Bill

It is the *right of every person* to have children born naturally or by surrogacy. Reproductive rights are inherent to the right to life. They are the rights of individuals, married or not, to use contraception, plan a family, and terminate pregnancies. An ethical perspective on the right to parenthood requires uncontrolled access to different modes of reproduction.

The Bill *presumes infertility to be the only reason for a couple to undertake surrogacy*. This clearly reflects the patriarchal Indian mind-set that a woman, if fertile, should bear a child herself rather than resort to scientific techniques. The clause of a close relative *adds burden on the female family members* who may not be willing to be a surrogate but have to because of familial pressure. Having surrogates from within the family may lead to the victimisation and subjugation of women in homes to bear a child for their relative.

The Bill also *takes away the financial autonomy of women* who make a living through surrogacy. In a country like India, where the female labour force participation rate has always been low, surrogacy was an industry where women had some bargaining power.

Backing altruistic surrogacy has further *reinstated the gender roles* by sending a message that child-bearing and -rearing are both inherent responsibilities of a woman and she should not be paid for it. It also assumes that they need no compensation for loss of livelihood and the immense emotional and physical changes involved in surrogacy.

The Bill is *not in tandem with provisions in the constitution*. Article 14 of the Constitution guarantees “equality before the law and equal protection of laws to all persons”. Article 21 guarantees “protection of life and personal liberty of all persons”. Restricting surrogacy to married Indian couples and singles, and eliminating others on the basis of nationality, marital status, sexual orientation or age is retrograde and a violation of their right to equality guaranteed under Article 14. One of the most controversial clauses of the bill is its ban on the surrogacy rights of homosexual couples. Yet again, the government’s transparent homophobia has come out in the open with Sushma Swaraj very clearly stated that surrogacy for homosexuals is against the “Indian ethos”.

Economically, the bill is bound to have an *impact on the thriving medical tourism* in the country and people associated with it. India was considered a safe hub because Indian doctors were competent and fertility procedures were completely unregulated. *Barring NRIs* from opting for any form of surrogacy in the country seems to be an unreasonable provision as there is no reason to treat them differently from citizens living in India.

The Bill *leaves several questions of utmost importance still unanswered* such as ensuring the health of surrogate mother before and after pregnancy, maternity relief available to her and so on, thus defeating the very purpose of the bill.

4.2 Arguments in support of the new Bill

The Bill comes at a time when there was a huge need for legislation covering this subject especially in certain places in India where exploitation was at its peak. *Baby farms* are a typical example where underprivileged women were rounded up in scores and given out as surrogates to potential parents. The bill has garnered positive responses for having a *national regulator to act as a watchdog* over clinics that offer surrogate services and for ensuring that legal aid provisions are made available to the surrogate mothers. The pivotal point of the Bill is to *prevent commercialisation of surrogacy and prohibit potential exploitation of surrogate mothers*. The ban on commercial surrogacy can perhaps *open up doors for adoption* as well.

5. Policy Recommendations

The authors of this paper strongly believe that a complete ban on commercial surrogacy is unnecessary and inimical. The authors propose following suggestions to regulate the industry better.

- Reintroduce commercial surrogacy with a few caveats.
- Ensure that contracts are legally binding and that the entire process of surrogacy is monitored and regulated by the national watchdog. Organise a crackdown on all uncertified clinics to prevent exploitation and deception of surrogate mothers. Commissioning parents must approach fertility clinics only through the regulatory body. Fertility clinics should also have surrogacy hostels where the mothers are treated regularly to prevent any medical or psychological complications. Surrogates can opt to live in these hostels to avail better medical care and to avoid any associated stigma.
- Build awareness regarding fertility clinics among communities and commissioning parents to prevent them from approaching unauthorised clinics. This can also help reduce the stigma around surrogacy.
- Reconsider the infertility clause included in the Surrogacy (Regulation) Bill, 2016. Certain medical conditions that preclude the couple from conceiving, even though both partners are fertile. In such a scenario, it is important that they are able to conceive through other means.
- Make contracts available to the surrogates in their vernacular. Each surrogate should have legal representation to secure their basic rights and health.

- Enforce a minimum age limit on the surrogate mothers to prevent exploitation of young girls by family members. Young girls are often coerced into joining the surrogacy industry for quick material gains but early pregnancies wreak havoc on their mental and physical health, especially since postpartum care in clinics is not up to the mark.
- Provide medical and psychological counselling during pregnancy and postpartum to ensure that the emotional wellbeing of the surrogate is not compromised.
- Surrogacy has linkages to various sectors like healthcare and can lead to a boost in employment as well as quality of the linked industries through proper regulation. Properly regulated surrogacy can lead to a boost in employment in healthcare. More number of doctors, gynaecologists, counsellors, psychiatrists, technicians, administrative staff, and so on will be required to take on the workload.

6. Conclusion

Both commercial and altruistic surrogacy have their own set of criticisms and counter-criticisms. Commercial surrogacy in India is far from perfect. Since 2002, there have been several instances of exploitation of surrogate mothers. The psychological and physical manifestations of surrogacy are extremely harmful to the health of the surrogate. There is a need to regulate the industry and enforce the rights of surrogate mothers. The Surrogacy (Regulation) Bill brought into effect from 2016 solves a lot of problems faced by surrogate mothers but raises many more new issues that have been overlooked or oversimplified.

The Bill seems to do more harm (unintentionally) than good. Although developed with a motive to curb the exploitation of women and trafficking of children, it exemplifies how the state always adopts an easy way out. Instead of looking at ways to use laws to regulate and improve the situation, the state has completely banned and censored an activity.

By regulating and monitoring the commercial surrogacy industry, the state can ensure that a large number of women who were informally employed as surrogates face lower risk, lower exploitation and better healthcare facilities. By partially formalising this industry through altruistic surrogacy, the Bill gives credence to the possibility that a much more exploitative parallel economy emerges where surrogates enjoy even fewer rights. Whenever something is illegalised and its demand far exceeds the supply, an underground economy crops up which is inimical to the health of the mother, child and economy.

The policy recommendations included in the previous section are aimed at reducing the exploitation of surrogate mothers, while keeping in mind their fundamental human rights. The paper does not suggest that commercial surrogacy in its current form is perfect but a blanket ban on is not justified. Given India's large population and the poor earning prospects of a majority of the population, taking a moral high ground benefits no one. Rather, what is required of the policymakers is a system which protects the rights of the surrogate mothers while ensuring that their financial autonomy is maintained.

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To what extent do domestic and international factors play a role in policymaking?

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Abstract

With the advent of globalisation and formation of international institutions, the ever-growing interdependence between economies implies that policy decisions taken by one largely affect and influence those taken by the others. Which of the two factors, domestic or international, defines the direction of economic policies adopted by a typical country is discussed in the following paper. It is seen that international influences and pressures have an upper-hand in the policymaking processes. Domestic actors and factors knit the policy in a way that best suits their domestic interests.

Keywords: Policy diffusion, Coercion, Liberalism, Domestic factors, International factors

JEL Classification: F42, F59

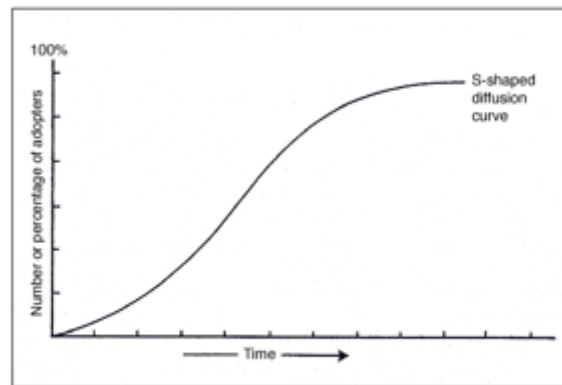
1. Introduction

Traditionally, a nation-state forms and alters its policies to specifically cater to the needs of its citizens, given its domestic situation. However, with the advent of globalisation and formation of international institutions, the progressive interdependence between economies implies that policy decisions taken by one affect and influence those taken by the others.

Central domestic factors affecting decisions are – Ideas (the ideology and vision of the ruling opposition parties), Interests (political interest in taking into consideration the consensus of powerful interest groups), and Institutions (the political system, legal system, and so on). International factors include policy diffusion and the S-shaped curve. The concept of policy diffusion explains the clustered transitions in foreign economic policymaking across economies. According to Simmons, Dobbin & Garrett (2006), this clustered dispersion progresses through competition (changing policy to compete with other economies), coercion (by powerful countries/groups of countries and international institutions), learning (change of policies prompted by changes in ideas and new discoveries), and emulation (undertaking changes by copying other economies to be in sync with international trends).

A concept associated with policy diffusion is the classic S-shaped logistic curve: when a new policy option is explored, initially only a few entities are willing to adopt it (*the innovators*), as time passes more and more states choose to adopt it as policy diffusion acts out (*the majority*) till a saturation point is reached (*the laggards*) (Rogers, 1962).

Figure 1: The classic S-shaped curve



Source: *Diffusion of Innovations* (Everett Rogers)

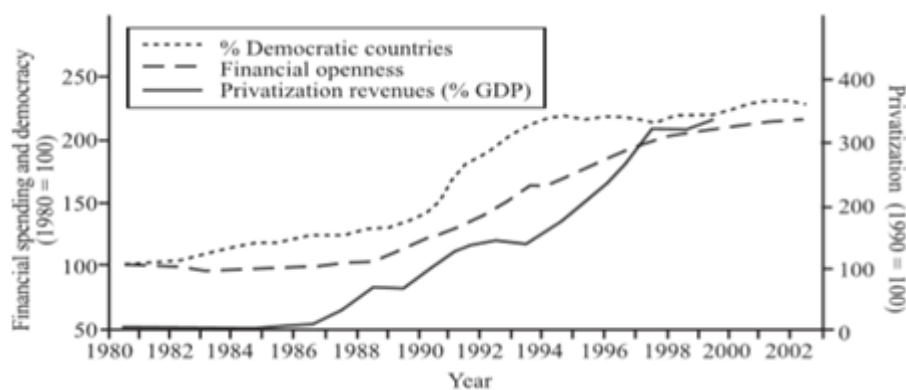
2. Domestic and international pressures in policy changes

Effects of domestic factors and international pressures in policy changes have been studied in the following areas.

2.1 Privatisation, Financial Openness and Democratisation

In the later decades of the twentieth century, the world witnessed a spread of economic and political liberalism. It is an established fact that countries that are more open to trade grow faster than those that are relatively closed. Industrialised countries reduced their tariffs from an average of 40 percent in 1948 to 4 percent today, whereas between 1983 and 2003, developing countries reduced their tariffs by 21 percentage points (Ikenson, 2007).

Figure 2: Political and economic liberalisation around the world



Source: *Introduction: the international diffusion of liberalism* (Simmons, Dobbin & Garrett)

The three curves shown in Figure 2 have the classic S-shape associated with diffusion of policies across countries. It explicitly indicates the paramount role of international influences on countries in bringing about these reforms. Similar S-shaped curves are found on studying the regional variations in the three policy areas (Simmons, Dobbin & Garrett, 2006). Most scholars have given credit to international actors such as the US, Western European countries,

the International Monetary Fund (IMF), and the World Bank for the diffusion of liberalisation over the last three decades (Figaro, 2013).

Policy diffusion mechanism has been a major actor in the worldwide spreading of liberalism. For example, in 1991, India was forced to implement economic reforms in the form of a conditionality package for a loan by the IMF. Following the “bottom-up” approach, many internal actors, primarily social movements or groups, and opposition political parties had been agitating for such reform in various countries. One such example is Kenya, where domestic actors pressurised the Moi government to embrace reform beginning in the 1980s (Figaro, 2013).

2.2 Central bank independence

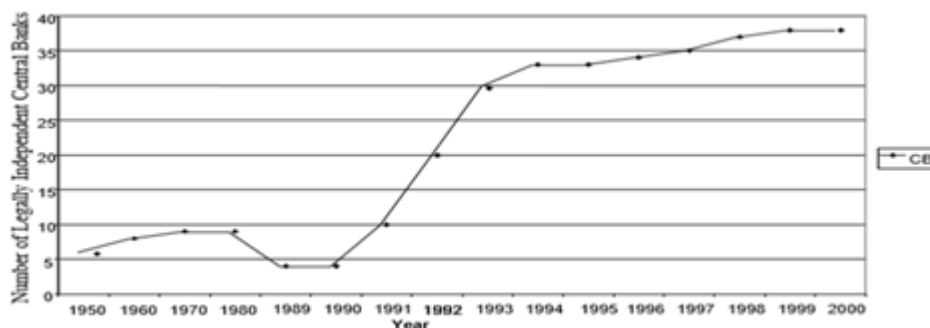
Approximately 90 percent of all independent nation-states have an established central bank. In the 1990s, majority of all central banks underwent structural reforms, thereby achieving a larger measure of legal independence. In his paper, Marcussen (2005) mentions two major explanations for this worldwide phenomenon

i. **Demand-side:** The central bank is seen as the most optimal institutional structure to solve problems like lack of credibility, high inflation, and malfunctioning or non-existent commercial banking among others.

ii. **Supply-side:** These institutions were considered as examples of modernity, progress, civilisation and excellence (Marcussen, 2005). International economic organisations (IMF, World Bank, WTO) and individuals like central bankers have had a major role to play in the widespread diffusion of the institution.

It is established that some stages of central bank diffusion can be adequately explained by the demand-side. However, they could not explain why countries which had not experienced hyperinflation established central banks, since they were majorly seen as conservative inflation-fighters. Or countries with well-functioning financial institutions scrapped them and formed central banks. Supply-side explanations do a neat job in explaining why this happened, and hence supplement demand-driven explanations.

Figure 3: Central Bank independence over time



Source: McNamara (2002)

The classic S-shaped curve shown above illustrates the diffusion of central bank establishment and legal independence across countries, with a radical increase in legal central bank

independence during the 1990s. The graph presents quite a strong evidence for the supply-side approach (policy diffusion) and undermines the role of domestic factors in the policy decision-making process.

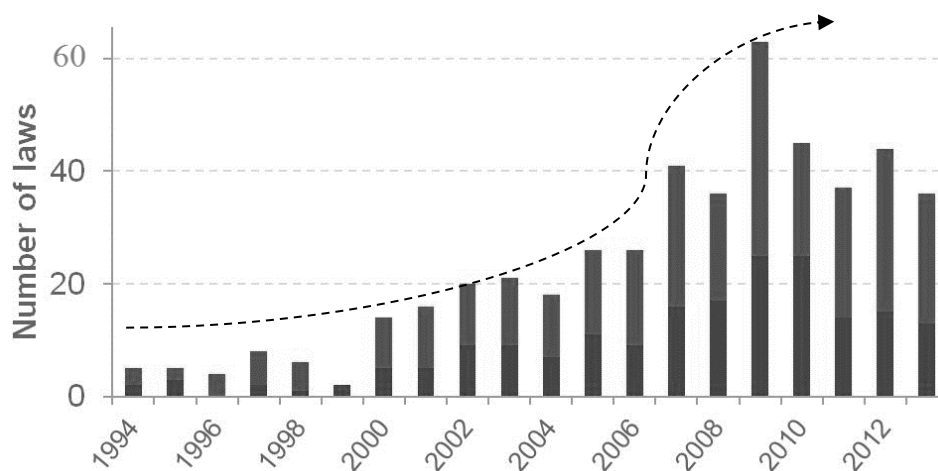
2.3 Passage of climate change legislation

Over the past decade, on an average, a typical country has passed a climate change legislation every 18 months and increasing numbers of countries are doing so (Figure 4). As defined by GLOBE International (n.d.), “flagship law is a piece of legislation that serves as a comprehensive, unifying basis for climate change policy”. It defines a country’s approach to climate change. In their paper, Fankhauser, Gennaioli and Collins (2014) find that both domestic and international factors affect policy change.

- **Domestic factors:** Climate legislation tends to be boosted by high-profile “flagship laws”, on which subsequent legislation is based. Despite this, electoral politics still matters. Evidence suggests that governments avoid passing climate laws too close to an election, although this depends heavily on the level of democracy (political accountability).

- **International factors:** Policy diffusion plays a central role, in the form of peer pressure and/or learning effects. It is hypothesised that this effect is stronger between countries with close cultural or economic ties. The prestige of hosting an international climate summit is also associated with a subsequent boost in legislation.

Figure 4: Climate change legislation over time



Source: *Nachmany et al.. (2014)*

International pressures in the form of binding treaties and policy diffusion have led countries to adopt climate change laws. Domestic factors in the form of electoral cycles (interests), ideology (ideas) and institutions (number of veto players) determine the direction, emphasis and timing of these laws.

2.4 Foreign economic policy

According to Hussain (2011), foreign policies are designed with the aim of achieving complex domestic and international agenda. Major factors influencing a nation’s foreign policy

decisions are institutions, political system, ideology of the ruling party, acceptability of the decision in the domestic system, and consensus of interest groups, political coalition partners and others in the system.

Hussain works on the assumption that politicians in any kind of political system are motivated by the goal of retaining their political office (Neack, 2008). In her paper, she demonstrates the extent to which domestic politics influences policy decisions with the example of an India-US nuclear treaty that was to be made in 2005. On facing opposition from the parties of the ruling coalition, the then Prime Minister Dr Manmohan Singh withdrew from the treaty even though it was beneficial for India in many aspects. She concludes that in most cases domestic politics forms the basis of decision making for the government. Other factors come into play later to steer decisions in different directions.

Perhaps her findings are correct, but Hussain has greatly understated the effects of international pressures on domestic policy making. The role of international organisations, powerful countries and groups such as the US and EU, and peer pressure from countries with economic and cultural ties in coercing nation-states to bring about policy changes has been largely ignored. To be in sync with the world and the top economies, leaders and politicians eventually give in to the outside pressures, though the mechanism and intensity might vary from one nation-state to another, depending on the domestic political situation.

3. Conclusion

The different areas analysed in this paper had one thing in common: the S-shaped curves obtained from relevant graphs, which indicate the presence of policy diffusion across economies. Apart from this, policy convergence has been observed across countries in the policy areas of privatisation, financial openness and democratisation. This indicates the prominent role played by international factors and actors in shaping the economic policies of individual, independent nation-states. Seeing the rapid changes in policies across different areas and across different regions around the world, it is evident that international influence plays a significant role in effecting these changes. In today's globalised world, countries bring about changes in various aspects of the economic policy through competition, learning, emulation, coercion and pressurisation. International influence aside, the fundamental aspects of policies are also shaped by political leaders taking into consideration the domestic scenario of the nation (ideology, interests and institutions).

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Depression: an Economic Crisis

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Abstract

Individual behaviour and decision making are greatly affected by one's emotions, thoughts and state of mind. Certain major events in individuals' lives can lead to changes in their cognition, feelings and emotions, which affect their behaviour and in turn their health (both mental and physical). The impact of psychology has very often been ignored while studying economic issues. This paper aims to link the psychological and economic impact of unemployment and wishes to explore how productivity levels are affected by poor mental health, which can be caused due to unemployment. It also explores how lowered productivity levels can become a major cost to countries, especially developing countries like India.

Keywords: Unemployment, Cost of depression, Self-esteem and productivity, Deprivation theory

JEL Classification: E03, J64

1. Introduction

Unemployment can be defined as a situation when people who are jobless, actively seeking work and are available to take a job according to the Bureau of Labour Statistics, United States. The causes of unemployment could be many, including population explosion, slow economic growth, recession, corruption, and a very constricted education system which lacks vocational and technical training. This paper compiles and analyses the studies of various psychologists and economists who established links between unemployment and its psychological and economic impact.

Marie Jahoda in her Deprivation Theory (1980) emphasises that the distress caused due to unemployment arises not only because of the tangible loss of income, but also due to intangible losses. This includes the loss of social contact beyond family interactions, and loss of social identity and status, both essential for the development and maintenance of psychological wellbeing. She has hypothesised that experiencing both the manifest and latent consequences of work are essential for healthy psychological development, including favourable perception of self. Apart from this, work can satisfy creative urges, promote self-esteem, and provide an avenue for achievement and self-realisation whereas unemployment can take away all the aforementioned intangible benefits. Martin Seligman, gave the Theory of Learned Helplessness (1975), which asserts that feelings of 'helplessness' arise when a person believes they have little influence over important events in their life such as securing meaningful work. In his view, prolonged helplessness can lead to depression. This depression can lead to lower levels of self-esteem which directly influence the productivity of a person.

Noted economist, Amartya Sen also explains unemployment as capability deprivation and not only as a loss of income in his book *Development as Freedom* (1999) as: "There is plenty of evidence that unemployment has many far reaching effects other than loss of income, including

psychological harm, loss of work motivation, skill and self-confidence, increasing ailments and morbidity (even mortality rates), disruption of family relations and social life, hardening of social exclusion, and accentuation of racial tensions and gender asymmetries.” He establishes the fact that loss of work motivation will lead to a fall in the productivity level, thus reinforcing the claim that depression has far reaching and harmful effects on productivity and economic growth. Erikson (1956) and Jahoda (1980) offered theories of a direct relationship between joblessness and self-esteem based on the importance of employment to ego development and the transition to adulthood. The stigma associated with unemployment scars the self-esteem of the job seeking individuals to a great extent, which in turn lowers their general level of wellbeing. This can push them into depression, leading to lower productivity levels.

Data were obtained from patients participating in the DIAMOND (Depression Improvement across Minnesota: Offering a New Direction) initiative, a state-wide quality improvement collaborative to provide enhanced depression care. This study was to measure the relation between depression and loss in productivity. The results revealed that even minor levels of depression are associated with a loss of productivity (Beck et al., 2011). According to a new report commissioned by YES (Youth Employment Services) Montreal and funded by the CHSSN (Community Health and Social Services Network), (2013) prolonged unemployment creates depression, stress and low self-esteem, which can be reversed in most cases with proper support.

2. The Psychological Impacts of Unemployment

Unemployment is known to have a negative effect on subjective wellbeing. Wellbeing is defined as a general term for the condition of an individual or group as their social, economic, psychological, spiritual or medical state. Psychological wellbeing is a multidimensional concept. Therefore, the impact of unemployment on mental health is likely to manifest itself in many forms including denigration of self-worth, cognitive performance and level of motivation.

There are phases through which an unemployed person passes after losing his or her job (Kelvin & Jarrett, 1985). The first phase is *disbelief* that one is jobless, followed by *anger* and then a brief period of *optimism* when one is still hopeful of finding alternative employment. The next phase is experiencing *despondency* when job search fails and that is eventually followed by *hopelessness* and *despair*. The individual gives up the job search altogether in the final phase.

The major and most common impact of unemployment is stress. Since identity and self-esteem are linked to the person’s occupation, stressors like job loss force one to question the image of oneself resulting in profound feelings of embarrassment and fear. This kind of stress, called threat stress, leaves people without any coping skills or resources to deal with the emotional distress, causing feelings of anxiety, defeat, anger and depression among the jobless. Apart from that, excessive stress can cause changes in the hormonal levels, mainly the cortisol hormone, which is responsible for dealing with stress and can break down the proteins of the body required for generation of white blood cells, leading to a poor immune system. Thus, chronic stress, can lead to excessively poor health status. An Austrian study found that levels

of cortisol were elevated in a sample of unemployed individuals in their first year of unemployment (LexisNexis, 2009). As their unemployment continued, cortisol levels continued to rise, indicating continued stress.

The duration of unemployment also affects the level of wellbeing. If unemployed people expect their job search to be successful, their mental wellbeing is higher. If they have low expectations, they show lower mental wellbeing (Baik et al., 1989). Fryer and McKenna (1987) describe similar findings from their study comparing workers who were temporarily laid off to those who were permanently laid off. Although both groups shared the same unemployment situation, the temporarily laid off group fared much better. It can be predicted that knowing the unemployment period was only temporary provided some comfort to the first group. Current and past unemployment both reduce life satisfaction, but the negative effect of current unemployment is smaller for those who have higher values of past unemployment i.e. current unemployment 'hurts' less for those who have experienced more unemployment in the past (Clark et al., 2001). This phenomenon is termed as Habituation or the Discouraged Worker Effect. The reduced self-esteem can actually lead to a person becoming voluntarily unemployed which is a major threat to an economy. This will especially hurt a few developing countries like India economically where unemployment rates are already high.

The World Health Organization (WHO) Collaborative Study of Psychological Problems in General Health Care (1994) was conducted across 14 countries and the results showed that 48 percent of people who currently had depression, had experienced moderate to severe levels of impairments in their work or occupational roles. For 7 to 8 days a month (on an average), they had to miss work or they could not fulfil their normal responsibilities due to their mental health condition. Employers are reluctant to hire those who have been unemployed for a lengthy period and the evidence suggests that the unemployed themselves can become indifferent to the prospect of employment after being jobless for a sufficiently long time (Clark et al., 2001). Thus the search for measures to reduce long term unemployment takes on an even greater urgency, both in India and around the world.

Looking at the demographics of India, half of India's 1.2 billion people are under 26 years and by 2020, India is estimated to be the youngest country in the world, with a median age of 29 years. 20% of the world's working age population will be living in India by the year 2025. The young population will definitely be able to reap the benefits of the demographic dividend, provided that there are enough employment opportunities for every job seeker. India's unemployment rate, as measured in the surveys by Labour Bureau, has been continuously going up. While in 2011-12, it was 3.8 %, it became 4.7 % in 2012-13, and 4.9 % in 2013-14. The unemployment rates have shot up to a five year high of 5% in the year 2015-2016 and about 77% of all households were reported to as having no regular wage earner or salaried member (Fifth Annual Employment-Unemployment Survey, Labour Bureau).

An increasing proportion of India's youth are unemployed. The World Development Indicators data of the World Bank shows that only one in three people in the 15-24 years were employed in 2014. A report from the United Nations Development Programme (UNDP) released in April in 2016, said that India faces a serious challenge of finding jobs for a growing population over

the next 35 years. The report states that between 1991 and 2013, the size of the ‘working age’ population increased by 300 million, of which the Indian economy could employ only 140 million (Das, 2016). The staggering rates of unemployment can cause extensive damage to India, given that India’s youth employment is far lower than the global average.

3. Cost of Depression

Depression has human costs, but there are economic costs also, that are significant and alarming. Depressed people lose 5.6 hours of productive work every week when they are depressed (Stewart et al., 2003). People with symptoms of depression are 2.17 times more likely to take sick days (Adler et al., 2006; Greener & Guest, 2007). Their ability concentrate, efficiency, and ability to organise work fall. Depression leads to seven fewer weeks of work per year and a loss of 20 percent in potential income (Smith & Smith, 2010). The cost of depression in terms of lost productivity and increased medical expenses in the United States is \$83 billion each year (Greenberg et al., 2003).

The above mentioned costs exist for economies all over the world and unemployment is looming large especially over India. The number of unemployed people in India is expected to increase from 17.7 million in 2016 to 18 million by 2018 even though the country’s unemployment rate is expected to go down from 3.5 per cent to 3.4 per cent in 2017 (International Labour Organization, 2016). Studies and researches regarding the economic cost of depression in India are not very well established as they are for US. But having established the humongous economic losses to a developed nation like US, it is only likely that a developing country like India faces even larger figures. Thus, depression due to unemployment comes with economic costs that have the potential to become a national crisis for India.

4. Conclusion

A number of articles can be found regarding the psychological impact of unemployment and its devastating effects, but not much research has been done in India to measure the economic costs that occur contemporaneously. As indicated by the WHO World’s Mental Health Survey, unemployment is set to increase in the coming years in India. The direct connection between depression and productivity loss are a matter of concern for the Indian economy in the coming years. If India still wishes to be a part of the development race, it is high time it starts investing in the mental health of its citizens. The true economic losses from poor worker productivity can be estimated by employing more sophisticated econometric tools and modelling. India needs to fight unemployment holistically by interlinking it with the provision of decent health care, quality education and better job opportunities to its citizens.

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The Trump Card: An Analysis of Donald Trump's Victory

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Abstract

This research paper aims to analyse Donald Trump's victory in the 2016 Presidential Elections. The paper traces relationships between the vote count enjoyed by Donald Trump and the identity, beliefs and culture of various interest groups. In addition, the paper attempts to uncover the direction and magnitude of the impact of education and income inequality in dictating Trump's victory. Regressing the vote count secured by Donald Trump on the above variables yielded the following results – states with high income inequality and white population have exhibited greater support for Trump; states with greater presence of Hispanics, Latinos, women and people with at least a bachelor's degree have shown considerably lesser preference for Trump.

Keywords: Presidential election, Regression analysis, Education, Inequality

JEL Classification: C01, C50, D72

1. Introduction

The 2016 Presidential election of the United States of America garnered a lot of media attention as Donald Trump was declared victorious, on 8th November, 2016. This victory raised questions as he had failed to win the popular vote. This has attracted research to compartmentalise Trump's vote share into different segments of the American society. While most scholars have devoted attention to the preferences of communities like African-Americans, Muslims and Asians, the influence of factors like level of education, extent of income inequality prevalent in states has not been explored as much.

2. Literature Review

2.1 A study of income inequality in the states of USA

The Gini coefficient in the United States is 0.41, with states such as District of Columbia, New York, Connecticut, Massachusetts and Louisiana recording a Gini Coefficient above .475. Income inequality has increased in the United States in the last 30 years, recording an unusually high and skewed flow of income to those at the top. Literature points to several reasons for falling wages and rising income inequality in the United States, the most prominent triggers being technology, trade, immigration and institution (Baranoff, 2015). The two presidential candidates differed in their policy proposals with regards to immigration and trade. Legal immigration flows have been skewed towards the ends of the income distribution, contributing to a disproportionately large number of high and low income earners while shrinking the middle class. Economists have attributed the rise in income inequality to increasing returns to

education and rising wage differentials between high skilled and low skilled labour (Martin, 2013). In this context, the present immigration norms exacerbate the divide for they do not place education and work qualification restrictions on the immigrants. Illegal immigrants has worsened income inequality by adding mostly low wage earners, thus dwindling the wages for low income American workers. Low wage Americans stand to benefit if the supply of such workers is diminished and this requires careful reevaluation of United States' immigration policies and reforms. The literature raises an expectation of a positive relationship between Gini and vote count for Donald Trump when one factors in the respective campaign promises of Trump and Hillary on the above concerns.

2.2 A study of White population's mindset in the period of elections

The White American population formed the biggest supporter group for Trump in the presidential elections irrespective of their age, gender, and education status. The non-Hispanic White Americans constitute nearly 64% of the population (Humes, Jones & Ramirez, 2011). White privilege is inherently woven in the fabric of American society. It is the death of the visibility of whiteness, and powering down of white supremacy in terms of visible economic and political value in the American system, which has made the White masses disgruntled (Glasser & Thrush, 2016). Throughout his campaign, Trump's representation had taken on the face of white identity and hence, the coefficient for white population is expected to be positive. Since 1990s, an observed phenomenon is that the mortality of the Whites in middle age has been rising (Deaton & Case, 2015). This along with a stagnation of wages for a long time has led to a rising unhappiness that has resonated in this political season.

2.3 A study of the political leaning of the Hispanic and Latino population

The U.S. government's Office of Management and Budget has defined Hispanic or Latino people as being those who "trace their origin or descent to Mexico, Puerto Rico, Cuba, Central and South America (other than Guyana, French Guyana and Suriname), and other Spanish cultures." (Aguilera-Titus & Deck, n.d.). Their party inclination is growingly significant as they are the fastest growing community (18% of the US population). The Hispanics have always had a record of significant Democratic leaning. Trump's policies went against their immigration, economy, education and terrorism concerns, which they ranked very high. They are expected to rate Hillary Clinton higher than her counterpart for most of the prominent issues (Pew Research Center, 2016). A rising population of Hispanics, coupled with their consistent party preferences, has made the authors anticipate their significant vote against Donald Trump and a negative coefficient in the regression analysis.

2.4 A study of education levels across states in the US

While several indicators may be studied to analyze the situation of education, this paper employs percentage of bachelor's degrees, by state. The denominator is given by state population (age 25+). "Bachelor's degree" is defined as an undergraduate academic degree. The selection of these this indicator is based on the claim that adults with at least a college

degree preferred Hillary Clinton as a candidate, while non-graduates preferred Donald Trump (McGill, 2016).

This is one of the few instances of elections in which there exists a wide gap in voter share, between those with and without a bachelor's degree. In the presidential elections of 2012, no difference as such was observed and Barack Obama was backed by both groups (Tyson & Maniam, 2016). This shows that education is impacted by the social stratification and demographics. Educational attainment in the United States varies by race and Hispanic origin, nativity, sex and disability status. The decennial Census (2015) reports state that Hispanics report the lowest percentage at every level of testing, while Whites who are native to US, report the largest percentage. It is expected that higher the education attainment, the more is ones inclination to the Democratic Party.

A quick study of the analysis of past political affiliations of the educated youth and adults by party identification of voters yielded the following results (Pew Research Center, 2016):

- In a group of adult post-graduates, democrats have a 22 point lead (53%)
- In a group of bachelor's degree holders, the democrats have a narrow edge (of roughly 49%)
- In a group of those with less education, democrats have still lower supporters (47%)

2.5 A study of women and their political inclinations across states in the US

In 2016, women constituted half the electorate and thus their decisions can greatly influence the future path that American politics takes. The 2016 Pew Research Center survey shows the gender gap in presidential candidate preference as seen across age demographic groups. The choices made by women regarding political candidates are always affected by their party preferences (Tyson & Maniam, 2016). Women have been consistently more likely than men to identify as a Democrat or lean toward the Democratic Party. As White women achieve better positions in economy as job seekers, they perceive Trump as the figure who will usher in an era of economic prosperity and growth. Politics then becomes interlinked with personal interests. Women do not act as a single voting bloc but are further segregated in voting patterns as per race, color, education and age. The coefficient in the regression model is thus expected be negative.

3. Methodology

The paper regresses the Trump's vote share as a percentage of the total (Votercount) in a state on the following explanatory variables:

- Gini coefficient of each state (*GINI*)
- The number of Whites as a percentage of the state population (*whitepopn*)
- The number of Hispanics and Latinos as a percentage of the state population (*hispanicandlatino*)
- The number of women as a percentage of the state population (*womenpopn*)
- State-wise percentage of those who hold at least a bachelor's degree (*bachelorsdegree*)

4. Regression

The paper has employed Ordinary Least Square estimation technique using gretl. The model takes the form:

$$\text{Votercount} = \beta_1 + \beta_2 * \text{GINI} + \beta_3 * \text{whitepopn} + \beta_4 * \text{hispanicandlatino} + \beta_5 * \text{womenpopn} + \beta_6 * \text{bachelorsdegree}$$

Figure 1: Regression results

Dependent variable: Votercount

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
const	191.61	54.2925	3.5292	0.0010	***
GINI	144.469	62.9515	2.2949	0.0265	**
whitepopn	0.237494	0.0654596	3.6281	0.0007	***
hispanicandlatino	-0.364678	0.0871355	-4.1852	0.0001	***
womenpopn	-3.55519	1.38848	-2.5605	0.0139	**
bachelorsdegree	-1.48431	0.136563	-10.8690	<0.0001	***
R-squared	0.812616	Adjusted R-squared	0.791796		
F(5, 45)	39.02977	P-value(F)	2.80e-15		

Resultant Model:

$$\text{Votercount} = 191.61 + 144.469 * \text{GINI} + 0.237494 * \text{whitepopn} + (-0.364678) * \text{hispanicandlatino} + (-3.55519) * \text{womenpopn} + (-1.48431) * \text{bachelorsdegree}$$

4.1 Analysis of the result versus a priori expectations

The regression coefficient for *GINI* was positive and significant, indicating that states with more income inequality showed an appeal for Trump and his policies. This result seemed contradictory to popular belief that Donald Trump’s campaign had succeeded in rallying the interests of only the wealthy.

Donald Trump has vowed to actively pursue mass deportations for illegal immigrants and extreme vetting of refugees seeking asylum. He has issued directives to companies to boost wages paid to H-1B visa recipients forcing them to give entry-level jobs to unemployed Americans. Hillary Clinton has defended Barack Obama’s stalled executive orders on the Deferred Actions for Childhood Arrivals (DACA) program and the Deferred Actions for Parents of Americans (DAPA) programs—both intended to protect undocumented immigrants who meet certain criteria from deportation. Moreover, Clinton had proposed to accept 65,000 Syrian refugees to help alleviate the crisis.

An explanation to rising income inequality is the turn towards free trade and offshoring. Free trade agreements, particularly NAFTA, lessened import tariffs and empowered American companies to move jobs overseas, where labor costs are lower. Without tariffs, foreign-made goods could enter the United States cheaply (Mcmickle, 2016). Similarly, off shoring has

resulted in fall in employment and labor force participation leading to a weak inflation-adjusted wage growth (Milberg & Arnim, 2006). In the light of the above listed reasons, Trump's proclamations of bringing back jobs to the US and a vehement distaste for free trade policies in the face of a pro-globalisation Democrat candidate boosted his popularity.

The regression coefficient for the variable *whitepopn*, β_3 , is positive and highly significant. The positive sign of the coefficient indicates that the Whites were clearly on the Republican candidate's side in the elections of 2016. The Edison Research for the National Election Pool finds that White voter group preferred Donald Trump over Hillary Clinton by 21 percentage points (58% to 37%). Two-thirds (67%) of non-college whites backed Trump, compared with just 28% who supported Clinton, resulting in a 39-point advantage for Trump. Among white college graduates, a group identified as key for a potential Clinton victory, Trump outperformed Clinton by a narrow 4-point margin (Tyson & Maniam, 2016). There are two reasons behind working-class Whites' support for Trump. The decline of union culture, competition from China and technological changes have made the White masses disgruntled. Secondly, the stagnation of wages has made the working class worse off in real terms (White voters: What's going on?, 2016). Trump's promise of dismantling existing trade deals gave the confidence, though highly misplaced, to the working class of a better future. The decline of institutions such as the church and unions has directly enabled Trump's rise among Whites. His clear disdain for other minorities have sent strong signals to White masses painting Trump as the forceful defender of white Americans left behind by the march of globalisation, professionalisation and the emergence of a new competitive economy. His campaign reflects what they believe: that America must reject multiculturalism in order to secure a better job and life for the White Americans.

The regression coefficient for *hispanicandlatino* (β_4) is negative and has a high level of significance. The negative relation implies an increasing number of interested and registered Hispanic voters adversely affected Trump's voter count in states with higher Hispanic population. It shows a significant relationship because, firstly, Hispanics and Latinos showed an increased interest in the 2016 elections and they constituted 12% of the electorate. Secondly, for all the 12 issues tested in the survey, the Hispanics and Latinos found the Democratic party of Hilary Clinton to be better than that of the Republican Donald Trump. In the survey by the Pew Research Center, 81% of Hispanic voters said that Clinton could do better in dealing with race relations, compared with just 14% who prefer Trump. Though there is a high presence of Latino immigrants, they relate themselves with their identity of their parent countries, thus attaching high importance to race relations. Clinton also held a 54 percentage point lead over Trump on health care and a 48 point advantage on immigration which were considered top issues by them.

Millennials made up 44% of the Hispanic electorate and nearly 49-53% of them have a democratic leaning. Among Hispanic women, 71% reported that they support Clinton while 19% support Trump (Pew Research Center, 2016). This owes to the general sentiment against Trump's sexist and misogynist comments and his policies on abortion and sexual assault. All

the above factors, coupled with the track record of the democratic leaning of Hispanics are major propellants of the Hispanics voting for Hillary Clinton as opposed to Donald Trump.

The regression coefficient for *womenpopn*, β_5 , is negative and significant. The negative relation can be attributed to the general political leaning of women to the Democratic Party. The Edison Research NEP showed that women voted for Clinton over Trump by 12 percentage point margin (54% over 42%) (Tyson & Maniam, 2016). Trump's statements and policies on women during the campaign period have been humiliating and scandalous on equal range, and sexist throughout. His plans to criminalise abortion, criticism of contraception, his insulting dismissals during speeches and allegations of sexual assault against him have made him an unpopular figure amongst women all over the globe. It is important to notice that Clinton herself has not been able to garner a larger support amongst the female masses than the previous democrat candidates. One of the major reasons cited for the same is the support Trump seemed to have garnered from white women. The population of women has not been as significant as some of the other variables due to a section of non-Hispanic, white women favouring Trump.

The coefficient β_6 for *bachelorsdegree* is negative and highly significant. This is in accordance with the belief that those with at least a bachelor's degree preferred Clinton. Probing into the disparity that has arisen between degree-holders and non-degree holders, the reasons traced back to a few controversial statements released by Trump. For instance, Trump had proposed the withdrawal of nearly \$20 billion from research and education sectors. He wishes to shift focus to defense and security. "It is not a core function of the federal government to promote volunteerism and therefore these programs should be eliminated," the budget document of the proposal reads.

Trump's manifesto consisted of certain policy recommendations like localisation of the system, decentralisation and privatisation of education in the country. Perhaps the fear of rising tuition fee and increase in student debt led the student population to support Clinton. Such decisions of the administration may prove to be particularly adverse to students from low income backgrounds. Trump held an 8-point margin lead from those without a college degree, while Clinton was backed by a 9-point margin from those holding a bachelor's degree. An important observation to be noted here is that among the White non-graduates, Trump massively gained against Clinton.

Another riveting aspect of this regression analysis is to look at the geography of the United States of America. States have a rather stark contrast, with regard to educational attainment. Metropolitan states show a higher rate of high-school completion. Tennessee, Alabama, and a few others are states on the poorer side of the spectrum. Interestingly, these states have larger voter share for Donald Trump. On the other hand, Massachusetts, regarded the most educated state, has one of the lowest figures for Trump's voter share. Though this may seem to be in accordance with popular belief, extensive research has not been carried out to further elucidate this.

Delving into the issue of Hispanics and education, it may be stated that Hispanic students are denied the resources that most others have access to. The community faces a collective

disadvantage in this sector. Preliminary issues emanate from the immigration status of the parents', economic status, and lack of information about the system. Interactions of Hispanic students with professors and fellow students remain weak, all of these which aggregate to lead to this group having the poorest state of educational attainment (Schnneider, Ownes & Martinez, 2006).

5. Conclusion

The paper confirms certain popular perceptions about the preference of certain communities either in favour or against Donald Trump, while looking at some less broached dimensions like income inequality and education. Gini index and white population per state have a positive and statistically significant relationship with Donald Trump's vote count while states with greater presence of Hispanics, Latinos, women and people with at least a bachelor's degree have shown considerably lesser preference for Trump.

Although states with high income inequality appear to have favoured Trump during the elections in the hopes of better job opportunities and significant wages, many scholars believe that his policy proposals to adopt a regressive tax reform can worsen the current divide between the rich and the poor. History is testimony to the allegiance of these communities to particular political parties but recent trends like globalisation, free trade, off shoring, rising standards of education, increasing presence of women in workplace, volatile tolerance of various ethnic groups in addition to the inherent uncertainties of a Trump Presidency can change the dynamics of these allegiances.

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An Analysis of the Economic Feasibility of Hosting the Olympics

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Abstract

Since their inception in 1896, the Olympics have dramatically evolved into a sporting extravaganza of giant proportions. Since the 1950s, both the revenue generated by the Olympics as well as the cost of organising them have risen dramatically. Hosting the Olympics is considered a matter of national pride and honour, with every country outdoing themselves and each other. The result is rapid and often unprecedented infrastructural development. The 2016 games have attracted both controversy and debate about the cost-benefit analysis of hosting the world's biggest sporting event. In this regard the following question arises: are the Olympics worth it for their hosts? This paper attempts to answer this question by means of a cost-benefit analysis of the situation faced by host countries.

Keywords: Olympics, Hosting, Cost, Revenue, Cost-Benefit analysis

JEL classification: L83, D61, Z20

1. When did the Olympics become a problem?

For most of the 1900s, hosting the Olympics was a relatively manageable burden for the host country. Hosting contracts were given to wealthy, developed, mostly European nations that were better positioned to shoulder the burden of the sporting event in terms of infrastructure and resources. The games were not televised and countries did not expect to make profits and they were publicly funded.

Brazil made a convincing bid for the opportunity to host the Games in 2016. Its economy showed plenty of promise: The country had emerged from recession and the rate of economic growth was approaching the 7.5 percent mark achieved in 2010. Inflation was below the central bank's target rate. Today's situation in Brazil, however, is morbid: the country is suffering its worst recession since the 1930s, its sovereign rating has been downgraded to junk, and inflation is high (Snafus and successes at the Olympics, 2016).

Andrew Zimbalist (2015) writes that the games were growing rapidly, in terms of both participation and spectatorship. Since 1972, every Olympics has had cost overruns of up to 800 percent, such as in the case of the 1976 Montreal Summer Olympics. To host this prestigious mega event, countries began competing with each other by pitching plans for urban development and demonstrating their ability to achieve these plans by presenting budgets.

As a result of the killing of protesters in the 1968 Mexico games and the attack on Israeli athletes at the 1972 Munich games, the credibility and reputation of the Olympics took a hit. In 1979, Los Angeles was the sole bidder for the 1984 Olympics. Los Angeles was able to negotiate favourable terms with the Olympics committee because it had faced no competition. Moreover, Los Angeles relied on existing stadiums and infrastructure. Television broadcasting saw a leap as well. Thus, Los Angeles was the only city to ever earn a profit from hosting the games, a surplus of \$215 million (McBride, 2016).

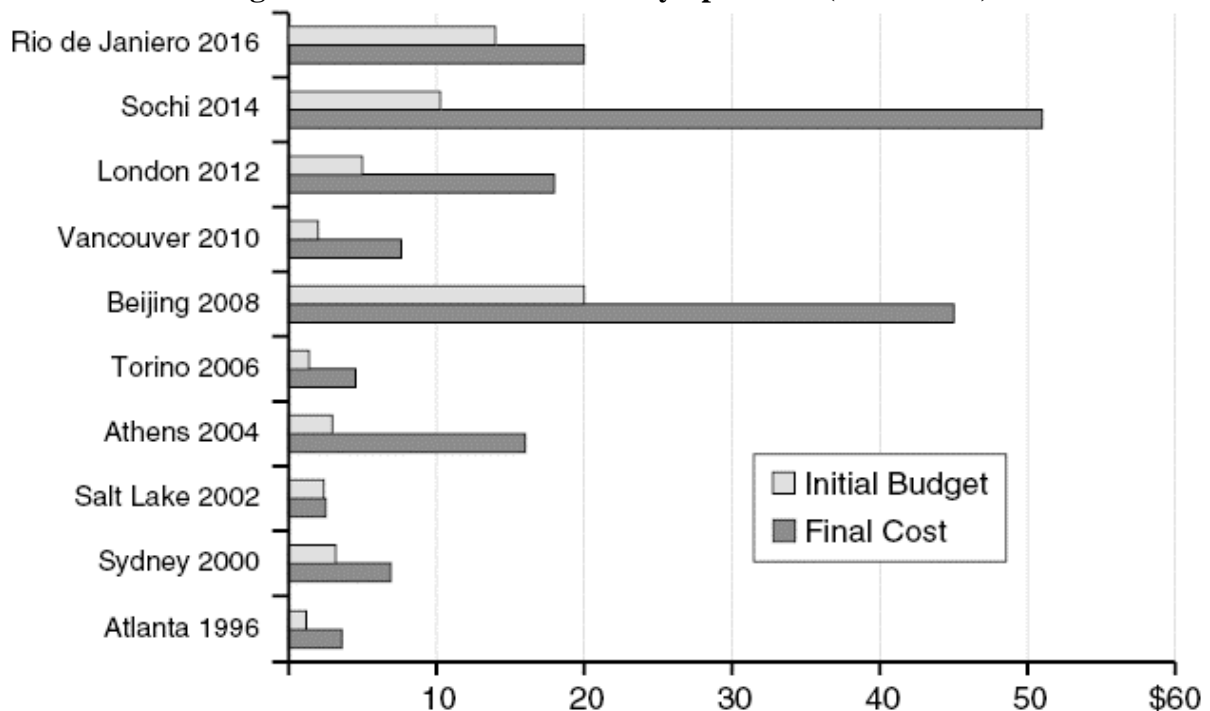
Since Los Angeles' unprecedented success, the number of bidders increased from none in 1984 to 12 in 2004 (Just Say No, 2015), meaning that the International Olympic Committee (IOC) has consistently chosen the countries with the most expensive and lavish plans. This implies that contracts are more likely to go to developed nations. More and more countries are likely to become increasingly skeptical about the costs and be unwilling to shoulder the responsibility of hosting the Olympics.

2. Cost

Cities first spend millions of dollars in preparing a bid to submit to the IOC. The cost of planning, hiring consultants to estimate costs, organising events, and the necessary travel consistently falls between \$50 million and \$100 million. Tokyo spent \$150 million on its failed bid for 2016 (McBride, 2016).

Once a city has been chosen to host the Games, it spends years to prepare itself for the massive influx of tourists, sportspeople, and spectators. The typical Summer Games attract hundreds of thousands of tourists to watch about 10,000 athletes compete in 300 events. The most pressing need is creating highly specialised sports arenas, such as swimming pools and cycling tracks, the Olympic villages for the participants, large venues for the ceremonies, as well as general infrastructure. Host cities spend massive amounts on environmental clean-up projects, transportation facilities, telecommunications, upgradation of airports, and development of housing facilities. This infrastructure can cost anywhere between \$5 billion to over \$50 billion. Many countries justify such expenditures in the hopes that the spending will outlive the Olympic Games. For instance, 85 percent of the expenditure in the Sochi Games was on building non-sports infrastructure. (Baumann & Matheson, 2013).

Figure 1: Estimated vs. Final Olympic costs (in billion \$)



Source: James McBride, Council on Foreign Relations (2016)

Operational costs such as security also make up a sizeable chunk of expense, especially since the 9/11 attacks, at about \$1-2 billion (McBride, 2016). The expensive facilities that the Olympics necessitate provide little utility once the games are over but impose huge maintenance costs for years to come. Many facilities sit virtually empty once they have served their purpose in the games. Beijing's famous "Bird's Nest" stadium cost \$460 million to build and \$10 million a year to maintain and sits unused (McBride, 2016).

Since any economic analysis of cost is incomplete without opportunity cost, it is important to understand what might have happened if a country did not host the Games. Large-scale construction projects often crowd out projects that would be undertaken otherwise. In some of the world's most expensive cities, the greatest opportunity cost of the Games is the loss of scarce and valuable real estate.

3. Benefits

Opinions on the benefits to the host countries are divided. While some believe that the Games do not help gain much beyond prestige, others think of them as catalysts to economic growth.

Even though the costs of hosting the Olympics have skyrocketed, the revenues cover only a fraction of this cost. In the 2012 London Olympics, the revenue at \$5.2 billion fell way behind the \$18 billion cost of the event (Baade & Matheson, 2016). The largest part of the revenue is the television revenue, of which the IOC keeps more than half. Impact studies commissioned by host cities' governments argue that the Olympics bring economic benefit in different forms, like creating jobs, drawing tourists, and boosting economic development. However, research carried out after the games shows that these perceived benefits are dubious claims.

The 2002 Salt Lake City Games saw a short term increase in employment, about 10 percent of the promised number, but no long term effect (Baumann et al., 2010). The temporary employment opportunities arise in construction, event management and tourism. Most of the new jobs go to the already-employed segment of the population. Of the 48,000 jobs created by the London Olympics in 2012 only around 10 percent are estimated to have been filled by previously unemployed people (European bank of Reconstruction and Development, 2014).

It can be misleading to equate money earned by the city to the tourism generated because of the Olympics. It is more accurate to measure how much would be earned without the games. When the Games occur, all other kinds of tourism fall. The high prices, crowds and increased security dissuade many potential visitors. When studies show a positive impact on tourism, economists call this a case of substitution effect—much of the spending on the Olympics is merely spending that would have happened anyway. Most of the profit brought in by hotels, chain restaurants, and construction firms flows to international companies rather than the local economy. During the 2012 London Olympics, London's tourism industry struggled with the impact of the games. Its popular theatre scene, and traditional tourist hotspots like museums, monuments, zoos and galleries all reported sharp decreases of up to 50 percent in footfall for the entire duration of the games (Ainsworth-Wells, 2013).

Ultimately, there is little evidence to support claims that the Olympics bring positive economic impact because no long term impact on the GDP has been found so far (Billings & Holladay, 2011). It is seldom possible to exploit event-driven opportunities of this nature because they often fail to transform the long term, underlying productivity challenges many emerging-market countries face (Rekowsky, 2013).

4. Conclusion

Whatever evidence one believes, most of the Olympics Games have been extravagant and wasteful. A large part of the problem can be solved if the IOC changes its bidding procedure. As of now, the IOC encourages extravagant spending by favouring potential hosts who present the most ambitious Olympic plans. This means that over-inflated bids consistently overshoot the actual value of hosting. The IOC has been criticised for not sharing more of the fast-growing revenue, like television revenue, generated by the games with host cities. As public opposition to hosting has risen, autocratic governments that do not answer to voters will have an advantage. For example, the only two bids for the 2022 Winter Games came from China and Kazakhstan.

In response, the IOC under President Thomas Bach has promoted reforms to the process, known as the Olympic Agenda 2020 (Duffy, 2015). These recommendations include reducing the cost of bidding, allowing hosts more flexibility in using already existing sports facilities, encouraging bidders to develop a sustainability strategy, and increasing outside auditing and other transparency measures. The IOC has limited the number of sports to 28, the number of events to approximately 300, and the number of athletes to approximately 10,500 to try and limit the scope of the program so it results in a smaller footprint.

A few people think that more drastic measures are necessary. Economists Baumann and Matheson (2013) argue that developing countries should be spared the burden altogether. The IOC should instead “award the games to rich countries that are better able to absorb more of the costs” (Baumann & Matheson, 2013). This idea has merit because while developing countries may want to host the Olympics, past record shows that it's an unwise long term decision. Setting a minimum bar for development before a country is allowed to host can help ensure that the host is well equipped for the challenges that come with hosting this mega event. Andrew Zimbalist suggests that one city should be made the permanent host, allowing for the reuse of expensive infrastructure. This would ensure infrastructural development and coverage of cost over time because the same resources are used every 4 years. Barring that, many economists argue that cities need to change the perspective with which they approach the Olympics and consciously alter the myopic view they adopt in status quo. Host cities need to look at long term gains out of the hosting process, instead of getting caught up in extravagances in an effort to display their economic prowess. The bottom line is that any city planning to host should ensure that the games fit into a broader strategy to promote development that will outlive the Olympic festivities.

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Economic Empowerment of the Eri Silk Women in Diwon

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Abstract

Eri silk production is an age old tradition that has been passed down from one generation to another. Each yarn and fabric contributes to household expenses, school fees and other expenditure. Eri silk production is usually carried out by the womenfolk of the village who are wage earners and sometimes sole breadwinners of their families. It is an effective tool of women empowerment in the matrilineal Khasi society. This paper examines how the practice of eri silk production started growing among the womenfolk and how it led to an increase in income, improved standard of living, increased employment opportunities, conservation of traditional practice, enhancement of artisans' skills, social development of the village, and empowerment of the women.

Keywords: Household economics, Eri culture, Matrilineal society, Rural community development, Women empowerment

JEL Classification: J16, J23, R11

1. Introduction

Diwon is a small village located in Umling Block, Umden in Ri Bhoi District of the state of Meghalaya, India. It is famous for producing eri silk handlooms (ryndia) like shawls, stoles, mufflers and fabric in exquisite patterns and natural dyes. The word eri comes from the Assamese word 'era' which means castor since the domesticated silkworm *Philosamiaricini* feeds on castor plants. Eri silk is also known as endi or errandi in India. The village follows the tradition of producing silk following a method that does not kill the silk worm during the process called the 'ahimsa' tradition of sericulture. Hence, it is often referred to as the 'peace silk'.

The sericulture value chain starts from rearing silk worms to spinning and reeling of silk to yarn production, dyeing, and weaving. The eri cocoons are either sold to fellow spinners or spun into yarn for sale or for production purpose. Spinners sell their yarn within the village or to neighboring villages. Weaving looms include small 'floor looms' which are placed on the ground and bigger 'frame looms' which have longer warps and a built-in seat for the weavers. Initially, the lack of raw materials and resources, unavailability of electricity and absence of business sense were detrimental factors that pulled down the productivity of these looms.

2. Progress made in eri silk activity

With the intervention of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (German Society of International Development), Climate Change Adaption in Northeastern Region (CCA NER), North East Slow Food Agro-biodiversity Society (NESFAS) and the government, production and sales began to increase. More people were trained and skilled. The Government of Meghalaya, through the Department of Sericulture, has

been funding the eri silk production by providing electric spinning machines, weaving looms, work sheds and exposure through trade fairs and exhibitions. GIZ provided training to amateur and trained artisans and transformed them into master trainers in the field of spinning, weaving and natural dyeing. It also provided the necessary equipment for standardisation of the finished products to enable large-scale production. These products were then sold to entrepreneurs, local customers and foreign clients.

Innovative efforts have been made by the artisans in the community to increase their capacity in yarn production. Existing metallic spinning machines that are heavy and difficult to use have been replaced by wooden spinning machines. This has been carried out by well-established artisans of the Department of Sericulture and Diwon Handloom Cotton Khadi Village Industrial Co-operative Society. Out of approximately 500 households in Diwon, around 250 are engaged in eri silk production and since 2013, there have been more than 500 individuals that received training from GIZ and the government directly and indirectly.

3. Benefits of eri culture in Diwon

Eri silk production is mainly carried out by female household members with next to no participation by males. The benefits of this industry to the people, state, artisans and consumers are as follows:

- **Additional income:** Commercialisation has led to more profits for the artisans in the village. Weavers mostly work with homemade natural dyes, hence eri products tend to be more expensive. With this income, people have started to improve the infrastructure of their houses, send their kids to better schools, purchase television sets and mobile phones, and consume better quality produce.

- **Employment opportunities:** After the popularisation of eri culture, people have the choice to be spinners, weavers, embroiderers, natural dyers, entrepreneurs, trainers and master trainers.

- **Conserving traditional practices:** Eri culture activities like spinning, weaving and dyeing not only provide employment and improved standards of living, but also lead to conservation of its age-old traditional and cultural value.

- **Skill enhancement:** Artisans-turned-master-trainers impart knowledge and skill to the interested spinners and weavers. This encourages the unskilled and semi-skilled artisans to receive training and polish their craft respectively.

- **Social development:** The increase in income, recognition and employment opportunities have led to social development. The modes of public transport are more accessible, road conditions have improved communication, and there is better access to jobs, income and education.

- **Personal empowerment:** Women multitask between various jobs and contribute to the monthly expenses through agriculture, fisheries, eri culture or other services. They are independent and have taken on the responsibilities of feeding their children, paying the bills, improving infrastructure and tending to other needs of the family. “Our husbands do not dare to question us or complain to us because they know that we work and make money and

contribute equally and sometimes even more than them”, says a woman while being trained in the field of embroidery.

4. Economic participation of women in eri silk production

4.1 Women in the Khasi society

The women in Diwon, like most Khasis, belong to a matrilineal society where children inherit their mother’s surname, daughters usually inherit the family property and get to run a business or pursue a career. Khasi women inherit responsibility along with power, respect and liberty. This matrilineal structure is protected by the ‘Khasi Social Custom of Lineage Act’. This has been an important factor that has instilled a sense of empowerment in women as breadwinners of their family. The profitability of the eri silk industry has played an important part in empowering the women of Diwon. Eri silk production can be carried out as a supplementary or primary activity from the comfort of one’s own house. It provides good income with potential livelihood sustainability.

Table 1: Wage earner and their income

Wage Earner	Income (in ₹)
Weaver Employees	3000-5000/month
Weaver Employers	30000/month
Trainees	150/day
Master Trainers	600/day

Note:

- 1. Trainees receive training in fields like spinning, weaving and natural dyeing.*
- 2. Master trainers provide training to unskilled and semi-skilled artisans in fields like spinning, weaving and natural dyeing.*

Eri silk women entrepreneurs have two responsibilities: to manage their household and to ensure that their employees produce quality yarn and fabric. These women keep a part of their income for domestic expenses like bills, groceries, utilities and school fees. The rest of it is spent on raw materials like cocoons, cakes and yarn as well as maintenance and repair for looms and machines.

4.2 Setbacks in the eri culture industry

The Department of Sericulture sells eri silkworm seeds for ₹150/100 disease free laying seeds and cocoons for approximately ₹2 each. This is not enough to meet the demands of the spinners and weavers from all parts of Ri Bhoi. The spinners and weavers in Diwon (approximately 100 and 200 in number, respectively) are unable to quantitatively expand production because of lack of availability of yarn.

Yarn produced in Diwon is sold in bulk (sometimes up to 10 tons) to entrepreneurs from Assam or bartered in exchange for dry fish with sellers from Bangladesh. The unavailability of yarn has a negative effect on productivity. Another vulnerability faced by the artisans is the lack of

copyrights of various designs and intricate decorative work on the eri finished products. The entrepreneurs in Assam can successfully reproduce the products by observing the designs and techniques. The workforce in Assam is growing at a much larger pace because of increasing productivity. Artisans in Assam have access to a larger market and a larger exposure to the indigenous handicrafts and textiles produced in the state. The artisans in Diwon feel threatened about sharing their ideas and innovation with non-Khasis and people from other states.

Moreover, the artisans face exploitation by the employers who pay the weavers ₹160 per day, even when the minimum wage of a skilled labourer in Meghalaya is ₹207 per day. The lack of education and exposure to basic employer rights and entities causes the artisans to be unaware of wage exploitation.

4.3 Prospective economic growth and development through eri silk

Eri silk production is a traditional and occupational activity with high potential for economic growth and development. It has the capacity to be the sole means of livelihood because of the profitable increase in income that occurred after commercialisation. Most artisans in Diwon work under a weaving unit employed by an established artisan. Units can consist of 6 up to 10 artisans. The following tabular information of a well-established artisan or entrepreneur is observed before determining the profit from one weaving unit:

Table 2: Cost of production of one shawl by one artisan of a unit

Raw Material	Quantity	Rate in ₹	Total Amount in ₹
Yarn	0.4 kg	2,000/kg	800
Weaver	1	160/day	160
		Total cost	960

Table 3: Production capacity calculation in an individual unit and income

No. of weavers per unit	Production (per person, per day)	Income (per person, per day) in ₹	Production of shawls (per person, per month)	Total production capacity of shawls (per month)	Income (per person, per month) in ₹	Total income earned (per unit, per month) in ₹
6	2 shawls	160	50	300	4,000	24,000

With an approximate profit of ₹449,000, eri silk production is very profitable and could be a self-sustaining occupation for the people of Diwon. Profit margins can incentivise the men to contribute to eri silk production. A larger participation from male workers would also boost the production of yarn and eri cloths. This would further contribute to higher sales, thereby increasing profits. Family income would also see an increase. This could distribute the workload equally between both the genders. As a sole and full-time professional occupation, eri culture is expected to develop and grow within the rural boundaries of a village.

Table 4: Profit from eri silk production per month

Items	Quantity (per month)	Rate (in ₹ per month)	Amount (in ₹ per month)
Revenue:			
Sales	300 shawls	2,500/shawl	750,000
Cost of Production:			
Yarn	120 kg	2,000/kg	240,000
Wages and salary	6 weavers	4000	24,000
Transport	lump sum		5,000
Expenses for making dyes	lump sum		20,000
Misc. Expenses	lump sum		20,000
PROFIT			449,000

5. Recommendations for the eri silk industry

- **Documentation of methods and innovation:** Professional weavers, dyers and silk experts have illustrated new ideas, designs, concepts and techniques to boost eri silk production. These should be stored and documented for reference, showcase and production by future generations.

- **Full-time professional occupation:** The people of Diwon could replace commercial agriculture with subsistence agriculture and focus on eri culture to increase productivity, and development of innovative ideas, skills and methods to strengthen this sector. Expanding the eri culture industry will also contribute to the state revenue through indirect taxes, sales tax, fees and other sources. With higher revenue, the state Government can improve the living conditions of the people through better roads, transport facilities, schools, colleges and various other social infrastructure projects. This would also decrease the need for migration.

- **Establishment of a crèche:** Establishment of a crèche will provide security to the children and help single mothers focus on their work and productivity. Formation of a crèche will also provide employment opportunities for young women or men in fields of cooking, babysitting and administration.

- **Partnership or contract between villages for supply of yarn:** A partnership contract can be formed between Diwon and villages like Umtngam to supply a certain quantity of yarn on a weekly or monthly basis at a particular rate. This will eliminate the problem of insufficient production of yarn. Such contracts can provide income to the Umtngam spinners and increase the production of eri cloth.

- **Setting up of awareness programs for involvement of men:** Awareness programs could be organised to induce and encourage the men of the village, some of whom are unemployed, to take part in the industry through silkworm rearing, spinning, weaving and embroidery. This will increase the capacity of production which will in turn gradually increase sales and profits.

- **Exposure and awareness to employee rights:** Programs to educate and create awareness about employee rights must be organised for the artisans. Such programs should

include information about minimum wage, work durations, recess, paid leaves, maternity leaves, and so on. This will promote fair trade and prevent any kind of exploitation or misuse of power by middlemen and employers in the village.

- **Geographical Indication (GI):** A geographical indication is a sign used on products that have a specific geographic origin and possess qualities or a reputation that are due to that origin. This will protect the Khasi eri products and the Khasi styled traditional and innovative designs from theft and copyright.

- **Patenting:** Individual weavers or units can apply for patents and copyrights. This will ensure legal protection to their designs and techniques. Such an environment would guarantee the artisans regular salary, employer rights and protection from exploitation. It would also lead to a boost in innovation and productivity.

6. Conclusion

Diwon, a small village contributing less than 0.5% to the country's population, is one of the few villages in India that set an example of economic empowerment of women. By pursuing eri culture, the women are promoting their traditional and cultural heritage and also earning their livelihood. Such women, develop a sense of responsibility, independence and self-reliance which encourages younger women to follow in their footsteps. Eri culture has been a massive continuous source of income and employment opportunities for the people of Diwon. This is due to the interest of the artisans in eri culture, the growing demand from local, national and international clients and the profitability of the activity as a full-time occupation. The main benefit from eri silk production is empowerment of the working women. 'Economic empowerment of women' is the most important contributing factor to achieving equality between men and women. It is a means by which India can achieve economic growth and advance women's rights.

However, there are many setbacks that women face in eri culture. Apart from household work, they have to deal with other issues in the workplace. The unavailability of yarn due to the barter and trade system between other Ri Bhoi villages and Assam is a major cause of low productivity. The lack of documentation to store methods of creating new designs and styles of embroidery and textile work also hinders the growth of the eri silk industry. Such problems require solutions so that the main drivers of growth, women, get a chance to improve their standard of living. This can be possible with the increase in profits, income, jobs and also through the improvement of technology and skill enhancement. The improvement of the eri culture activities conserve traditional practices and promote social and economic development. The government, along with the business sector and various communities, must invest in the industry to eliminate existing inequalities.

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An interview with Professor Jayati Ghosh

Dr. Jayati Ghosh is a Professor of Economics at the Centre for Economic Studies and Planning in the School of Social Sciences at Jawaharlal Nehru University, New Delhi. She is the executive secretary of International Development Economics Associates (IDEAS) and is a regular columnist for several journals and newspapers like Frontline, the Guardian and the Indian Express. Her areas of interest span development economics, international economics, gender, finance, unemployment and the Indian economy.

Interviewer: *An article in EPW (Notes on Ambedkar's Water Resources Policies) mentioned Ambedkar's economic policies in the constitution especially with regard to the role of state in the development of irrigation and water resource planning. Even though his plans and policies offer solutions to interstate river water disputes, like the ongoing Cauvery dispute, they have not been acknowledged by several parties. First, I would like to know what your views are on Ambedkar's economic policies. And second, why do you think his policies have been ignored in mainstream political discourse?*

Prof. Ghosh: Ambedkar was very clear about the importance of ownership as well as access to property. He linked the issue of social justice to that of economic justice and not just to education and job opportunity but specifically to ownership of property. And I think there was a presumption, when the constitution was being written, that there would be very significant property redistribution after Independence. He wrote, maybe two years afterwards, that failure to resolve economic, social and other forms of equality can potentially destroy Indian democracy and property was a very fundamental aspect. Yes, it is not just that his policies in the Constitution has been forgotten now, it was *never* taken up; it was *never* really part of the agenda. Independence itself was a propertied-class supported national movement and this class remained very significant in the immediate post-independence policy making, so that a lot of the more radical impulses were suppressed.

Interviewer: *I think the inequality issue can also be seen through the demonetisation policy because the adversities were unequally felt by the lower strata.*

Prof. Ghosh: I think demonetisation, which is projected as a pro-poor, anti-rich measure is *very* sharply in the opposite direction. It did not really touch the rich, insofar as it did, it touched maybe a few, and not the real rich, maybe a few local guys. Whereas as we know it really hit the informal sector and it still continues to hit the informal sector. The remonetisation is not complete, it is only 70% of the money which has come back into circulation. There is still a currency crunch. The informal sector is facing a deep and potentially prolonged recession. Remarkably this did not get reflected in the quarterly estimates of GDP. What we have is post-truth politics in a very damaging way in terms of what the political leadership is telling us as well as what our important economic institutions are saying. The Central Statistical Organisation (CSO) is under the scanner too. There is a lot of opacity and senior researchers have pointed out the flaws in what they are calculating. In addition to that, the results happen to be politically convenient.

Interviewer: *Many experts and leading economists have decried demonetisation as being disastrous for the common man. One would expect an analogous image to be reflected in the UP elections which were considered to be a referendum on demonetisation. How do we explain the fact that the expert view about the common man is not being endorsed by the common man himself?*

Prof. Ghosh: First, the “expert” view has got to do more with reality. You may have a person who has lost their job but still thinks demonetisation is a good thing for the larger good but the reality is foregone output and unemployment. The second thing, it is not clear to me that UP elections were fought on demonetisation. Mr. Modi does not mention it in all his campaign speeches until the CSO comes out with their GDP estimate. He then says that “hard work is more powerful than Harvard”—taking a dig at economists like Amartya Sen. I think it is quite clear what they campaigned on. It is evident in their choice of Chief Minister. The nature of the electoral campaign was ultimately a polarising campaign that worked.

Demonetisation was largely a misinformation campaign, a propaganda that has worked. There are different shades of perception of demonetisation. Some people say that it at least affected the rich populace too. Others justify it by saying that Mr. Modi had good intentions in mind but failed at properly implementing it. For the normal people who face hundreds of micro-shocks every day, this was a macro-shock that they all shared. I would argue that demonetisation continues to have a terrible impact. However, people do not necessarily think the government should be punished for this. The media’s projection of demonetisation and state elections is a sign of how much our media has caved in.

Interviewer: *It is clearly not very sustainable to cold turkey cut some currency notes and put bigger currency notes into circulation. What are more sustainable alternatives to combat issues that demonetisation aimed to combat, like black money, corruption and digitisation of the informal economy?*

Prof. Ghosh: Black money is obviously a flow so you have to attack the activities that generate this flow. Most of those activities are not done in cash. So the equation of informal with black is completely wrong. A much more efficient tax administration is needed to stop tax evasion. But not the tax administration proposed in the latest Finance Bill, where there is no accountability. Giving them more power without accountability encourages more corruption on the part of the tax authority. There are various ways to attack black money that are easily done, but they are not dramatic. An example is Ecuador, where they doubled the tax revenue collection by lowering the tax rates and implementing it properly throughout 2006-11. Information and Communication Technology allows the government to do it. All company accounts can be online and kept an eye on. In terms of assets, much of it is held in gold and assets abroad. The government has data on assets abroad but it is the low-hanging fruit that they are refusing to pick up.

Informal does not mean bad, even though that is how it is being projected. I would say digitisation is a good thing; encouraging people to do online payments is a good thing. But it should be gradual and not coercive. Cash is also very cultural. Some countries like Japan or

Germany have high ratios of cash use. Other countries like Sweden have almost none. Cash is not a function of development, it is also cultural.

Interviewer: *Making Aadhaar compulsory is a big threat to both, our privacy as well as the government's targeted welfare schemes. Since the issue of privacy concerns everyone, why are we not seeing more agitation against making Aadhaar compulsory?*

Prof. Ghosh: The link with Aadhaar is the most frightening of all, especially the aspect of financial security. We are the only country in the world that allows personal data like this to be accessed and sold by private companies.

Looking back at the Emergency, I remember that the first year everybody was acquiescent. We needed a bit of discipline: the trains were running on time, people were showing up at work, the roads were being cleaned, things were working. It was only when things went really out of hand with Nasbandi and demolitions that the murmur became a louder murmur. That louder murmur then found resonance.

I feel this is a phase, too, and you have to somehow live through that phase and keep your energies up because you will need them. I think Indian democracy is ultimately more resilient. There will be a phase when it looks like everyone is accepting everything, and institution after institution crumbles. The difference now is that social media is much more all-pervasive. Social media is also terrifying now because it is so immediate and has a very large spread. You can get a sense that a lot of people are against you. The role is to intimidate and suppress the people who would protest. The way to deal with it is to not be scared.

What could I say to give you hope? One is that this is a phase, even this shall pass. Often it will pass when you think it is at its worst. The second thing is that the ways in which change happens are not necessarily the ways you expect them to happen. When I look back at the Emergency, a whole bunch Indira Gandhi's team jumped ship and became the relatively good guys. The third reason for optimism is that we are under a neo-liberal regime. Fascism, on the other hand, led to a lot of public spending and employment. Neoliberalism cannot deliver employment, it just cannot. I am hoping that contradiction will mean that they do not get there.

Interviewer: *Some states outperform the others on parameters like social inclusion, financial inclusion, human development, and so on. Given these interstate disparities, how well would states adapt to a cashless economy and at what pace would each state adapt?*

Prof. Ghosh: Goa is officially a cashless state. You know how they define cashless? One member of each household in the village has been trained. A trainer goes to the villages with a machine and shows one person from every household how to operate it. He then ticks some box, "okay, cashless".

When you talk of disparities among states, it is important to note that there are disparities within the states as well. One basic problem is that people in the economy are not creditworthy. You are offering them a debit card at best. These people will still have to go to the moneylender for credit. The fundamental issue of the informal sector with respect to access to credit is not being

resolved, even in the well-developed states. All that happens is that the fellow has an Aadhaar card and a debit card. The degrees of unevenness are huge and it is not just the poorer states like Bihar, Uttar Pradesh or Madhya Pradesh. There are issues even in Kerala. People prefer cash because it is private, not because they want to hide their money or because they belong to the informal sector. You do not have to reveal cash to anybody; the wife does not have to reveal her cash savings to her husband. It is a big thing in India. It is secure, it does not need electricity, connectivity or anything of that sort. It is a store of value, which does not diminish with just a swipe.

In India, infrastructure does not precede or follow the policy. There is only one Point of Sale (PoS) machine for every 1765 people in India. In China, the number is 60 and in the US it is 30. Another important aspect is the underlying telecommunications infrastructure that ensures secure transactions. Such an infrastructure is very expensive, and the private companies are unwilling to take up such huge expenses. So far, neither has the public. This means that many of these PoS machines are not going through any security clearance.

Interviewer: *Why is everything pushed into a process of fast and immediate results? Why is there no gradual build-up towards policies?*

Prof. Ghosh: Some of it is because of the aim to create a new frontier for global capital. The whole expansion of the debit card and financial technology industry is one of the greatest new frontiers and India is a huge yawning virgin market. The greatest advantage of cash is you do not pay to transact. With debit cards and PayTM, you will have to pay to transact. Someone will profit if you go cashless and there is a huge market out there now.

Interviewer: *You spoke of erosion of credibility in major institutions of India, be it the RBI or CSO or even the mainstream media. As students of economics, how do we understand this erosion of credibility and democracy, and how do we model our teaching-learning experience to analyse this?*

Prof. Ghosh: Let us go back to what Ambedkar foresaw. If you provide political democracy without economic justice, it is an unsustainable bubble and it will burst eventually. If you allow inequalities in property, education, and access to jobs to persist and fester, then the only way you can keep the society going is through coercion. You cannot allow democracy, so you have to repress it. That is terrifying but as I said, my hope is that actually you cannot. Indian democracy is irrepressible beyond a point. At the moment it seems like people are just letting everything happen but it is certain that a reaction will occur soon.

Interviewer: *What do you think the role of the students is in this scenario? How can we question the current ruling party, the dominant ideologies or the blatant disregard for personal freedoms?*

Prof. Ghosh: First of all, stay as critical as you can. Use your concepts to understand everything. Do not take what anyone says about anything for granted, including me. Question all of us all the time. Second, please go out and explain your take and what you understand to

others. There is so much ignorance, even among the most educated of people. Go out there and tell people about it in different ways: through writing, talking, poetry and other media. Third, do not get put off or scared. Do not allow anyone to intimidate you because, boy, will they try.

Interviewer: *Drawing from that, I wanted to ask you about the entire scenario of student politics right now. We can tell that student politics has a major role to play in forming opinions and mass mobilisation. But how do we progress towards a more inclusive form of student politics? The idea of politics is very radical, narrow and singular right now and student politics may be a way to go out there and change that.*

Prof. Ghosh: I really think there is a lot of churning now. There are so many Dalit groups or self-professed Ambedkarite groups. When you join a group, it becomes a scenario of my group versus yours and nobody is willing to transcend any of the established groups. That might be an extreme statement, but there are very few movements where a group identity is dissolved into a larger cause. The attack on JNU and Ramjas were moments like that. A blatant external pressure is needed to dissolve the group identity but once this external pressure is removed, you are back to where you were: fighting amongst each other. On another note, *azaadi* is soon going to be a really bad word, I think it already is. But for women it may mean different things, for Dalits it means different things, and so on.

Interviewer: *How do you build a collective consciousness among students and the general public and what separates this social consciousness from, say, populism?*

Prof. Ghosh: If I knew how to build that, we would not be where we are right now. Populism is a very typical word, used by right-wing politicians. Anything populist is synonymous to economic policies for the people in general. When someone says “increased social spending” or “vote bank”, people believe it is populist. On the other hand, giving subsidy to large capital is believed to be an economic policy in the right direction. So, I am always wary of the word populist.

Interviewer: *Following up from the previous question, there is a certain sort of populism that does exist in a lot of countries like US, France and so on. How do we, as students of economics, critically analyse the issues of far-right ideologies or the skepticism around globalisation in a classroom atmosphere?*

Prof. Ghosh: As far as discussions are concerned, it can only happen outside the current Bachelor’s syllabus. A group of students in established post-autistic economics, which has become a huge movement. There is another group called the ‘Young Scholars Initiative’ under the purview of the Institute of New Economic Thinking, set up by the George Soros that addresses real problems and the real economy.

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Governance and public service delivery in India

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1. What is the role of governance in economic growth?

Citizens in low income democracies depend, to a large extent, on the state for the provision of basic services, viz. education, health and infrastructure, either due to absence of a market for these services or poverty. Thus the role of the state—exemplified by its elected representatives and public officials—takes centre stage in the governance and delivery of public services.

The quality of governance and public services can impact a country's economic growth significantly. First, in the absence of a social security program in most developing countries, public provision of low-cost food can help the poor escape the vicious circle of undernourishment, underemployment and poverty. Thus, the effective delivery of public programs is likely to have a direct impact on growth via poverty reduction. Second, often the aim of public service provision is to reduce inequitable distribution of resources and correct historical inequities, such as caste based discrimination and gender inequities. Targeted delivery of public services, thus, have the potential to reduce economic inequalities which have been rising in rapidly growing economies, such as China and India, over the last few decades. The third path through which public services impact growth is via improvements in human capital. *“Growth of human capital is both a condition and a consequence of economic growth. Human capital activities involve not merely the transmission and embodiment in people of available knowledge, but also the production of new knowledge which is the source of innovation and of technical change which propels all factors of production. This latter function of human capital generates worldwide economic growth regardless of its initial geographic locus (Mincer, 1984).”*

Finally, corruption in the delivery of public programs, in form of leakages, theft and graft, can have significant implications for growth. The negative relationship between corruption and economic growth holds up in contexts where bureaucratic red tape is high, suggesting that even in countries with high levels of regulations, corruption does not have a beneficial effect by “greasing the wheels of the bureaucracy.”

2. The poor state of governance and public service delivery in India

In India, the government has been omnipresent in the lives of its citizens. With the aim of alleviating endemic poverty, free or heavily subsidised provision of basic and essential services has been the hallmark of public policy. However, there is broad consensus that the state has failed to effectively deliver public services to its citizens, particularly the poor. This is reflected starkly in the dismal performance of the country on almost all dimensions of human development.

Given the high levels of poverty and absence of a social security program, subsidised public provision of food grains through a public distribution system (PDS) has accounted for the largest share of public subsidy. However, leakages from the PDS are large and grains are often siphoned off to the open market. Decades of social protection programs notwithstanding, not only does India have the largest number of poor in the world, inequality has actually been rising in the country.

Expenditure on the public provision of education by the state accounted for approximately 3% of the GDP in 2015-16. Participation or enrolment in educational institutions has been steadily expanding in India since independence but acceptable levels of educational attainment by students have remained elusive. Although primary school enrolment has increased from 79 percent in 2001 to 90 percent in 2007 due to public interventions such as the Sarv Shiksha Abhiyan (World Bank, n.d.), the quality of public education remains poor as reflected by high drop-out rates and low levels of learning. The drop-out rate for children progressing from grade 1 to 5 was as high as 25 percent in 2005-06 in India. Findings from a nation-wide survey of rural primary schools show that about half of students enrolled in grade 5 cannot read texts meant for second-graders. Poor learning outcomes are accompanied with high teacher absenteeism, high pupil to teacher ratios and poor school infrastructure. Not surprisingly, private schools have mushroomed, reflected in a decline in enrolment in government schools in rural areas by almost 10 percentage points in 2014.

Budgetary allocations for health, including water and sanitation have increased but as a proportion of GDP have remained stagnant at less than 1.5% of GDP resulting in low quality or, at worse, absent public health services. Not surprisingly, India continues to exhibit high levels of infant and maternal mortality and has more than 30% of the world's underweight children. Not only is access and quality of public health services abysmal, in 2012 the poor had lower access to basic infrastructure, such as electricity (61% as opposed to 85% of non-poor), tap water (6% as opposed to 33% of non-poor) and around 30 percent of the country's population (about 300 million people) lacked access to all-weather roads (World Bank, 2016).

These low levels of human capital and inadequate access to basic infrastructure highlight the failure of governance in India in delivering public services. This failure becomes ominous when viewed in the context of the rising share of young and working age groups in the population. India's working age population is now 63.4 percent of its total population and expected to rise to 69 percent in 2040. The demographic dividend is an opportunity to give impetus to the economic growth of India and an advantage over other developing economies such as China whose population has begun to age. This optimism, of course, assumes that the additions to the working age population will have the necessary skills to be productive. But research suggests that a third of the surge in the proportion of young is expected to come from the poorest and least educated states of India, viz. Uttar Pradesh and Bihar. The existing low levels of human capital, thus, present a challenge to the country's capacity to take advantage of the changing age structure of its population.

3. What can be done to improve governance in India?

The central question is what social, political and economic institutions need to be built to improve governance and the delivery of public services in India? The first order question of interest is what incentive mechanisms can be designed to align the preferences of public officials with those of citizens who use public services, particularly the poor? Research suggests that agents are motivated both by financial and non-financial incentives (e.g. location, autonomy, ethnic affiliations). If the salaries of frontline deliverers of public services are based on their own performance can public services improve significantly? Perhaps the key lies in effectively devising measures of the output of public officials rather than inputs. For instance, linking public school teachers' salaries to students' learning outcomes could improve educational attainment but there have been concerns about teachers 'teaching to the test' which improves short-term learning outcomes but has no impact on long term performance of students. Of relevance is the question whether non-monetary incentives of public officials can be leveraged to improve efficiency. Theoretical work suggests that agents involved in pro-social tasks might value non-monetary incentives if they are motivated by externalities generated by these tasks. More simply, for instance, can rewarding a public official with a transfer to a preferred location, following good performance, be equally or more effective than a financial incentive? In contrast to civil servants, politicians are interested in retaining power and getting re-elected. Re-election incentives can be affected by electoral rules, e.g. term limits and also by perceptions of the electorate.

In the above context then, what measures should be adopted to increase the transparency in governance and implementation of public programs that would allow the citizens to correctly evaluate the performance of the public officials and potentially improve accountability? This links closely with measures to improve both political and civil servants' accountability – since a better informed electorate can induce a politician to improve public service delivery, independently and by ensuring that the civil servant performs. To that extent, how can communities be mobilised from the grass roots to effectively put pressure on their elected representatives to deliver. Would such pressure be sufficient in the face of weak legal institutions?

Finally, the capacity of the state to monitor public officials and stem leakages from public funds is limited in many ways in low income countries. What measures can be adopted to increase the capacity of the state? Public services and programs typically wind their way to the final beneficiary through a complex web of government rules and regulations that are managed by myriad intermediaries at various stages of service provision. One possible path for improving state capacity is to create a direct interface between the central or state government by reducing or eliminating the many intermediaries involved in public service delivery. However, this can be envisaged more easily when we think in the context of social protection programs which involve subsidies, e.g. the PDS. Most services cannot be eliminated by providing direct cash transfers into the accounts of beneficiaries and then allowing the markets to provide those services when economic inequalities are high and access to markets is limited. In such instances

improving incentives and accountability may be critical for better governance and improved delivery of public services.

4. Findings of new research to improve governance in India

4.1 Improving state capacity

In a study I conducted along with co-authors (Afridi, Iversen, & Sharan, 2017), we highlight concerns regarding the lack of capacity of leaders elected on reserved seats. We exploit randomly assigned political quotas for women to identify the impact of women's political leadership on corruption and on the governance of one of India's largest poverty alleviation program to date, the NREGA. Using survey data, we find more program inefficiencies and leakages in village councils reserved for women heads: political and administrative inexperience make such councils more vulnerable to bureaucratic capture. This is at odds with claims of unconditional gains from women assuming political office. Using a panel of official audit reports we explore (a) whether newly elected women leaders in reserved seats initially perform worse; (b) whether they partly catch up, fully catch up or eventually outperform (male) leaders in unreserved seats and (c) the time it takes for such catch up to occur. The data show that women leaders in reserved seats initially underperform but rapidly learn and quickly and fully catch up with male politicians in unreserved seats. Over the duration of their elected tenure, however, they find no evidence of over-take. These findings suggest short term 'costs' of affirmative action policies but also that once initial disadvantages recede, women leaders are neither more nor less effective local politicians than men.

These results highlight the fact that while reserving public offices for marginalised communities may be worthwhile for addressing historical inequities, the state also needs to invest in training and building the capacity of the public officials from reserved categories so that they are not disadvantaged in the execution of their work. This becomes particularly relevant when local level reservations have risen, e.g. from 33% to 50% of sarpanch positions are now reserved for women in India.

4.2 Information provision to stakeholders

In work related to the education market Afridi, Barooah and Somanathan (2017) highlight how bridging information gaps on learning outcomes can affect educational attainment in rural India, in a context where the learning levels of children in public schools is low and falling, as discussed previously. In a randomised control trial, we offered report cards on student performance in standardised, curriculum based tests. We find significant improvement in test scores of private school students when both parents and schools were provided information on relative school quality but there was no effect of the intervention when information on absolute school quality alone was provided to both sides of the market. A closer examination of the results suggests that the provision of relative ranking of schools in the report cards to parents, and not so much schools, lead to improved learning outcomes. However, there was no impact of the intervention on public school test scores, suggesting that either households of public school students or public schools or both are resource constrained. In addition, public schools may not have any

incentive to respond to household or market pressures. Nevertheless, both public and private school parents exercised school choice as a result of information provision, suggesting that improved ability to assess the quality of public services can unleash market forces that can raise learning outcomes in the long-run.

These findings suggest that providing information to stakeholders can be a cheap and cost-effective method for improving service delivery. They also suggest that markets can be leveraged – by providing greater choice of service providers to the demand side of the market. For instance, one possibility is creating more competition within public schools, e.g. through school voucher programs.

4.3 Monitoring through technological innovations

Even in instances where institutions have been created to improve monitoring there is poor credibility of the monitoring mechanisms, legal sanctions in the event of public officials being found guilty of malfeasance are non-binding, the judicial process for punishing the guilty is slow, unresponsive and often prohibitively costly for citizens. Administrative reforms aimed at evaluating performance and punishing theft are virtually non-existent and have been resisted by public officials time and again.

Amongst formal enforcement mechanisms, one of the potentially more effective ways of increasing the capacity of the state to monitor the quality of public services could be reducing the role of intermediaries in the process of delivery. Towards this, technology can be leveraged to ensure direct delivery of benefits to citizens. New research illustrates that investment in enforcement capacity can significantly strengthen the state's ability to target program beneficiaries through initiatives such as Direct Benefits Transfer. These initiatives, however, also raise concerns about marginalisation of disadvantaged communities that are unable to use this technology due to limited physical infrastructure. Further research is also required on measures to raise the effort of frontline providers of public services – teachers, public health officials and administrators – whose services cannot be mechanised and when technological innovations have limited impact on improving accountability in the provision of services which enhance human capital.

While evidence on the effectiveness of some of these policy measures is more robust than others, most require scaling up and longer run evaluation in order to provide vigorous support for overhauling the existing public service delivery mechanisms in India.

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Cash for Trash: AIG and the Global Financial Crisis

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1. Introduction

Credit Default Swaps (CDS) seems like a useful financial derivative which makes it easier for credit risks to be borne by those who are in a strong position. But it is accused of triggering the Financial Crisis of 2008. It has been termed the “worst Wall Street invention”. George Soros, a prominent hedge fund manager, considered it as the “bet that blew up the Wall Street” and wanted it to be banned completely. This paper focuses on how CDS contributed to the credit crisis.

CDS is a private contract between two parties where one party agrees to protect the other from default on a financial asset. Here, the buyer of protection agrees to pay premiums to the seller of protection over a period of time, the most common period being five years. In return, the seller of protection agrees to pay the buyer the amount of loss created by a "credit event" related to an underlying credit asset (loan or bond). The credit event can be bankruptcy, restructuring or default. Each individual contract lays out the specific terms of their agreement including the details of the underlying asset and definition of a credit event.

Here is a simple explanation of how CDS operates. Suppose there is an investment (here, by a pension fund) in Corporation A and the credit rating of corporation A is BB which makes it riskier to invest in such a corporation. This is where CDS comes into picture. They insure the debt which is given to Corporation A. These kinds of services are provided by institutions like AIG, JP Morgan, etc. They charge a premium in exchange for full insurance of the debt given to corporation A.

A CDS is similar to an insurance. CDS were originally created in the mid-1990s by JP Morgan to transfer credit exposure for commercial loans and to free up regulatory capital in commercial banks. By entering into CDS, a commercial bank shifted the risk of default to a third-party and this shifted risk did not count against their regulatory capital requirements. However, Wall Street was reluctant to label them as insurance, because if they did, these would be subject to federal laws. Unlike insurance, which requires corresponding cash reserves as back up, there is a minimal requirement of reserves for CDS, which made them vulnerable. Moreover, CDS lack transparency. Since, the buyers of CDS may not be fully aware of the riskiness of the investment or the financials of the seller, they are left in a vulnerable position.

CDS are usually used for emerging market bonds, mortgage backed securities, corporate bonds and local government bonds. They are also used for speculation and arbitrage. CDS are not regulated and are sold over the counter i.e. brokered arrangements. Initially, commercial banks were the brokers that put together the two sides of the CDS contract. However, eventually,

investment banks became very involved in brokering the CDS contracts for corporate bonds and municipal bonds.

2. CDS, AIG and the Global Financial Crisis

Credit Default Swaps, however, came with their own problems. By insuring the lenders against default, they minimised the need of lenders to monitor the borrowers. This led to moral hazard by the former. Interestingly, one of the major catastrophes caused by CDS was not because of the buyer of CDS (lender) but because of neglect by the seller of CDS. This instrument played an important role in the credit crisis that followed the subprime mortgage crisis of 2007.

2.1 American International Group (AIG): A Case Study

We begin by looking at the first two reasons of the crisis - systemic risk and lack of transparency. For this, we take the case of AIG, an American insurance firm, which was considered too big to fail before the crisis of 2007. We will see how the decision of one of its subsidiaries to start selling CDS shattered this illusion.

American International Group Financial Products (AIGFP) unit in London, a subsidiary of AIG, started selling CDS in 1998. It valued the securities which were being insured on the basis of models developed by Gary Gorton, a finance professor at the Yale School of Management. On the basis of extensive data, Gorton estimated the probability of defaults on these securities. According to his work, the chances of default on securities were so less that AIG did not bother to reinsure its swaps. It operated as a one-side party. It only sold CDS, and did not buy matching default swaps from other firms to balance its sheets.

These swaps greatly benefitted AIG. By selling CDS, AIG took a position, and earned profits in the form of fees given by the CDS buyer. Selling CDS can be compared to buying bonds where, as long as the bonds perform, they get a smooth revenue stream. The advantage of selling CDS over buying bonds is that no upfront investment is required. Since, insurance regulations ensured that AIG could only make limited investments in securities directly, CDS was the perfect alternative.

2.2 Where did the problem lie?

Unevaluated obligations

AIG's reputation in the market meant that they had to post very little collateral on the insurance. However, payout on default was not AIG's only obligation in such contracts. There were three obligations facing AIG:

- In case of default by the issuer of bond, AIG would pay the buyer of the CDS (i.e. the trading partner, or the counterparty), the amount insured.
- In case the securities being insured declined in value, or if AIG's debt rating fell, CDS buyers could demand more collateral from AIG.

- AIG had to account for the contracts (which were assets) on its balance sheets. If their market value fell, AIG would have to reduce their value on its balance sheets. This would mean a reduction in its net-worth, and hence its debt repayment capability.

The problem was that the models developed by Gorton, accounted for only the first of these three risks. AIG did not start evaluating the other risks until the second half of 2007.

Multi-sector CDOs

In 2004, AIG started selling CDS on a special kind of asset-backed security called CDO (Collateralised Debt Obligation). To understand this, let us suppose that an individual X takes a home loan from bank A. For bank A, this loan is an asset. Bank A will sell this asset to an investment bank B. This investment bank then packages this loan and other such loans into securities called CDOs and sells them to investors. Agencies like Fannie Mae and Freddie Mac packaged mortgage bonds by bundling individual mortgages from banks like Wells Fargo. The mortgage bonds were more attractive to the investors since they gave higher returns. Thousands of such bonds were further pooled together. Expecting the law of large numbers to kick in, it was believed failure of a few mortgages would be unlikely to sink the whole bond. However, as often happens with financial markets, these instruments became more and more complicated.

Firms like AIGFP started selling CDS which insured multi-sector CDOs, backed by various assets (loans issued by banks), ranging over 100 sectors. Risk evaluation on such CDOs is very difficult. It is important to note that this was the time when subprime mortgages were rising. In 2005, AIG realised the loose lending norms in subprime mortgages. So, in 2006, it stopped selling CDS on multi-sector CDOs. However, by then, its exposure to them had become \$80 billion dollars.

Call for Collateral

When in mid-2007, the subprime mortgages market collapsed, the value of these mortgages declined. CDS buyers of AIG became weary about its ability to make payouts. Soon, AIG started getting calls by big banks like Goldman Sachs and Barclays, asking for more collateral. In September 2008, three credit-rating agencies, Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings downgraded AIG's credit rating. In 2008, AIG disclosed that their auditor, PwC, had found 'material weaknesses' in its accounting controls. Amidst mounting losses, falling reputation and diminishing net-worth, AIG was on the brink of collapse. In its enthusiasm, AIGFP had almost killed its parent company.

2.3 Aftermath

On September 16, 2008 AIG's stocks prices declined to \$1.25 (a 95% downgrade from the 52-week high price of \$70.13). As the housing prices declined and chances of loan defaults increased, the US Government realised that AIG's exposure was significant, and that its bankruptcy could lead to increase in the severity of the crisis. If AIG did not pay its claims, then all the counterparties who had bought CDS contracts from AIG would fail. The government decided to take over AIG in an \$85 billion deal. The risk inherent in positions

taken by firms like AIG, as well as the lack of transparency as we saw with respect to the PwC audit, were important contributors to the credit crisis.

3. How CDOs and CDS fed on each other

One of the ways in which CDS fuelled the Global Financial Crisis was the invention of newer and complex financial instruments which were highly dependent on each other. Failure of one instrument triggered a domino effect in all other instruments. One example was the creation of synthetic CDOs. As discussed earlier about CDOs, banks like Wells Fargo and New Century Financial Corporation started carving the thousands of house mortgages further into different segments which came to be known as Tranches. The rating agencies rated the safest tranches as AAA and the rating fell to BBB for the bottom tranches.

A CDO was typically constructed from the bottom, or riskiest, tranches of a hundred different mortgage bonds. Similar to a mortgage bond, the CDO could be tranced as well. A high-grade CDO would be composed of about 90% of the AAA-rated tranche of mortgage bonds. A low-grade CDO is composed mostly of the BBB-rated tranche of mortgage bonds. Basically, a CDO can be seen as an investment vehicle that is its own corporation. On an average, their size was about \$800 million, and a CDO had an average of about 7 tranches. Typically three of these tranches would be rated AAA, and at least one would be BBB. The average tranche size is about \$100 million. CDOs were issued mostly by big banks, which would create a subprime-backed CDO filled with the tranches of BBB-rated bonds, then take it to rating agency which would declare it to be rated AAA or something else that indicated safety. By pooling together the riskiest tranches of mortgage bonds, banks with the help of rating agencies turned them into safe-looking investments.

A major take away is that a CDO is an instrument constructed out of the payment flow of mortgage bonds. A CDO could be constructed out of anything with regular cash flows, like repayment of college loans, credit card receivables or the premium payments that flow from credit default swaps. Thus, banks started issuing CDOs based on the cash flows from the hedge funds and other banks that bought credit default swaps. The premium payments that flow from credit default swaps replicated the cash flows of subprime-backed CDOs that they were wagered against. Hence, with each new CDS, there was greater counter-party risk, making the synthetic CDOs more risky. The more credit default swaps outstanding, the more synthetic CDOs could be created. It was hard to issue sufficient numbers of mortgages to create a CDO, but a synthetic CDO did not face that same constraint. These two instruments fed on each other, growing larger and larger and entangling banks, hedge funds, and insurance companies.

4. Recommendations

Through this study, we have attempted to highlight some aspects of the dark side of financial innovations by studying in detail the case of CDS, fall of AIG, and the Global Financial Crisis 2007-08. We have explored a few of the many risks associated with CDS and suggest recommendations on improving of the workings of Over-the-Counter (OTC) derivatives further.

Innovation in itself is considered to be structurally linked to an increased likelihood of a crisis. Successful innovation by its very nature initially outstrips our ability to regulate it since existing infrastructural supports will be insufficient to safely apply its full potential. Hence, we need to make the financial system safer and more immune to risky innovations, the foremost measure being regulatory changes. As we expand the regulatory scope, regulating agencies must be well equipped to deal with technically complex issues and provisions must be made for properly trained staffs. There is also a need to create a central clearing system for OTC derivatives that can be adequately standardised. For instance, CME Clearing, the largest futures clearinghouse in the United States, could draw on resources of \$64 billion to cope with failures, which was not enough to deal with the problems of a huge firm like AIG. To improve efficiency, all financial companies should report positions on a fair-value rather than a book basis, so that their collateral covers the actual liabilities of their derivative exposures. This recommendation was taken into account in the BASEL III reforms of banking sector as well. Provision of explicit margin collateral against their OTC derivative liabilities helps tackle the problem of moral hazard.

Economists have generally believed that financial derivatives increase economic welfare by facilitating risk-sharing among investors, by improving price discovery, and by making the allocation of capital more efficient. However, in the aftermath of the financial crisis, credit default swaps and other financial derivatives have clearly lost any presumption of innocence. Measures towards making OTCs safer need to be taken up by regulating agencies like SEC to rebuild systemic immunity and trust of the common investor in the derivative markets.

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Copyright Issue in University of Delhi

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1. Introduction

In August 2012, Oxford University Press, Cambridge University Press, and Taylor and Francis Group filed a copyright infringement case against Rameshwari Photocopy Service in Delhi School of Economics, a licensed kiosk in North Campus, University of Delhi. The court passed an interim stay order to arrest the sale of 'course packs' by the photocopy shop. It was only in September 2016 that the High Court lifted the ban on Rameshwari Photocopy Service when it ruled against the publishers on the basis of statutory provision section 52(1)(i) of the Copyright Act, 1957. 'Fair use' constitutes reproducing copies by a teacher or a student during the course of instruction for non-commercial purposes like research and examinations. Section 52(1)(i) exempts the works classified under 'fair use' of original work from being subject to the Copyright Act. Such usage for educational purposes would not be classified as infringement of copyright.

The court's verdict came as a boon to the student body and the faculty members who require access to these photocopied bundles at an affordable rate. However, the international publishers were quite dissatisfied with this verdict. In the long run, the impact on the economy of ideas and innovation could be analysed using the model proposed by Paul Romer which incorporates technological progress, and research and development (R&D) as an endogenous variable.

The production function of ideas is

$$\dot{A} = \delta \cdot (L_a^\lambda) \cdot (A^\varphi)$$

Where \dot{A} is the 'new ideas discovered', δ is the 'rate at which new ideas are generated', L_a proportion of labour engaged in production of new ideas and A is 'the stock of existing ideas'. What remains ambiguous is how the nature of δ will be affected by the current verdict. An equation about growth rate of ideas (G_a) in the model,

$$G_a = \lambda n / (1 - \varphi)$$

suggests that growth rate of new ideas is a multiple of population growth rate, n . λ and φ are constants representing duplication of ideas by labour and productivity of existing ideas respectively. The intuitive analysis below is merely for the specific case of University of Delhi. Otherwise the need arises to make an assumption that all universities in India are homogenous, which is not a realistic assumption to make.

2. Case 1: There are no exemptions from copyright laws for educational purposes

In the short run, this provides an incentive to publishers and authors, who would receive royalty fees, to continue with the research and would augment the rate of generating new ideas. This implies that δ would increase and thus the stock of new ideas generated, \dot{A} , would be higher.

But in the medium term, using $G_a = \lambda n / (1 - \phi)$, despite the growth in population (n), the growth rate of ideas (G_a) might not be adequate because the ‘new researchers’ may not get access to the existing stock of knowledge due to copyright laws. This is relevant in context of India given the diverse economic backgrounds to which students belong. They may not be able to afford original books. So, this would imply $\phi=0$ (or close to 0 because some people can still afford to avail of the existing ideas), which would give a smaller value of G_a compared to when $\phi>0$.

3. Case 2: There is an exemption from copyright laws for educational purposes

In the short run, this would be a disincentive for publishers and thus for the authors to engage in research work. This would lead to a lower δ and hence \dot{A} . But in the medium term, the ‘new researchers’ would now have access to existing stock of knowledge at affordable rates due to photocopying. So their productivity in using the existing stock of knowledge would be greater ($\phi>0$). Thus, population growth, n , would generate a higher G_a with $\phi>0$ than in the previous case with $\phi=0$ in medium term.

The objective of this analysis was to highlight the plausible trade-off between short term and medium term results. In case 1, short run scenario seems more appealing whereas in case 2, the medium term scenario seems better. Currently, the students and teachers at University of Delhi have welcomed the decision of the High Court. But is it a sustainable assumption that authors abroad would be equally motivated to produce new ideas despite the eventual decline in their royalty fees due to decline in the sale of original books?

4. The case of ‘imperfect information’ about alternatives

While the High Court’s decision was welcomed by students and the faculty collectively, Maanav Kumar, in an article for *The Wire*, throws light on what has been overlooked by many: *“the objective (of publishers) was not to stop photocopying by students, but instead that the university obtain a license from the publishers, under which students could photocopy course-packs. The essence of the publishers’ demand was that as owners of copyright, they be compensated in some way for the reproduction and repeated use of their books.”* Till now the debate had been centred on an ‘all or none’ approach, obscuring the middle ground.

This licensing agreement was proposed by Sai Krishan, the lawyer representing the publishers. It meant that colleges would purchase a reprographic rights license from publishers. The tariff scheme proposed on behalf of the publishers involved a blanket license of Rs 12,000 and Rs 24,000 depending on the hierarchy of colleges. Theoretically, this solution would resolve the trade-off presented by the above analysis using the Romer model. It allows the publishers to retain the copyrights while ensuring that the textbooks are affordable and accessible to all stakeholders in research sector. This was the argument proposed by Maanav Kumar. His subtle criticism of the court’s approach relies on the fact that the court’s interpretation presented a binary solution: either side with the students who want affordable ‘course packs’ or with publishers forcing the students to purchase expensive textbooks.

An alternative model of Open Access Journal Publishing could also be adopted in India. However, there is not enough evidence to gauge whether this would be feasible in India. The broader arguments proposed in favour of this model are the non-monetary incentives available to motivate the authors to continue their research and make it publicly available. According to this model, the research work of academicians should be uploaded on the university open access portal for free. This would boost the number of citations as compared to when fees were required to access such articles. This approach was adopted by Harvard wherein the university encouraged the faculty members to make their research freely available. The reason behind this move was the exorbitant subscription fees bill incurred by the Harvard library. A similar policy for open access was also adopted by Princeton University in 2011.

To further elaborate on this solution, it is essential to understand the niche implicit assumptions at work.

- **Monetary Incentives:** The two cases described above are based on the assumption that royalty fees is the predominant incentive for authors when they only write ‘textbooks’ for academic publishing. For instance, it could include textbooks such as ‘Mathematics for Economic Analysis’ by K. Sydsaeter and P.J. Hammond. Since ‘textbooks’ are not a compilation of author’s research articles or findings but are merely an instructional tool, the incentive for the authors are monetary.

- **Non-Monetary Incentives:** When an author’s own research work is published, the incentive structure becomes more qualitative. This would include articles or excerpts from books published by authors purely based on their research and findings, which are also used in the ‘reading set’ compiled by University of Delhi. This means that irrespective of whether the material is photocopied, the ‘number of citations’ is the motivating factor for authors. This means that Case 2 (when photocopying is legally possible) would not become a disincentive for authors, as long as they receive due credit through citations.

In order to accommodate the 2 kinds of incentives, the author of this article presents recommendations accordingly. To cater to monetary incentives, the licensing subscription based model proposed by Sai Krishan can be adapted to fit the requirements of Delhi University. This would ensure that there is no compromise on the royalty fees paid to authors. Solutions to serve non-monetary incentives are likely to become more complex. Using platforms like JSTOR to make the entire research work of published and unpublished authors available online would increase the number of citations they receive. While a part of it is already being implemented, the author seeks to emphasise that the works of some unpublished authors (Associate and Assistant Professors, and Ad-hoc teachers) are still not accessible to the student body. This would supplement the generation of new ideas by encouraging budding authors to engage in further research giving unrestricted access to knowledge to the student body.

Compliance with international copyright laws is a sensitive issue for a developing country like India, given the excessive dependence of central universities on using the scholarly articles of foreign authors. Although the ruling of the High Court upholds affordability of education for students and teachers in University of Delhi, it comes at the cost of friction created between

the major publishing houses that print the courseware and the university authorities. This leaves the Indian universities immensely susceptible to any further decisions taken by these publishing giants. Thus, it is increasingly important to find a middle ground between complete exemption and no exemption from copyright laws for universities.

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NSEL Scam: A House of Cards

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1. Introduction

The evolution and growth of the commodities market in India has shown an impressive upward trajectory. Agricultural commodities are traded through a network of wholesale and primary rural markets, one of them being the spot markets, which are essentially governed by two legislations under the central government, namely the Essential Commodity Acts, 1955 and Agricultural Produce Marketing Committee Act 1966.

National Spot Exchange Limited (NSEL) is a commodity exchange providing compulsory delivery based single day duration contracts in commodities, which means it acts as a platform for spot trading where in you buy goods by paying cash on the 'spot'. The closest analogy one can draw to a spot market is a sabzi mandi, where buyers and sellers exchange fruits and vegetables for money on the spot. The facility of online trading helped maintain anonymity between the buyer and seller, and did away with opportunistic middlemen. It also assured both parties that their accounts would be settled.

A lack of extensive literature led to the choice of understanding the idiosyncrasies of the ₹5600 crore NSEL scam as a case study. Including the multiplier effect of the consequences (such as weakening of investor confidence in the market), the scam may have surpassed the ₹50,000 crore mark. The value addition this case study aims to do is to present both sides of the case.

2. The Trading Mechanism

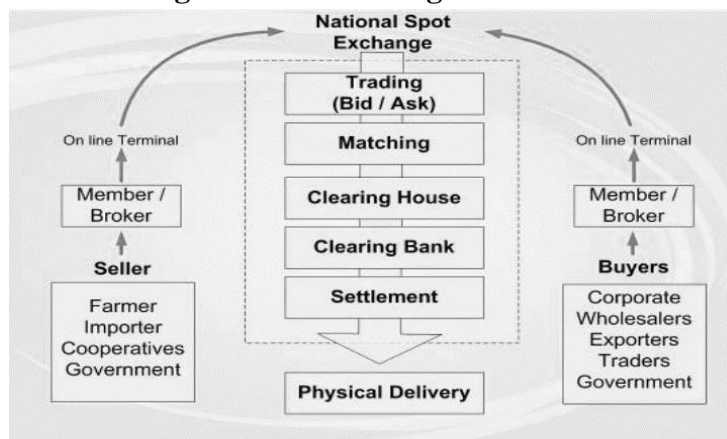
The trading mechanism involves two parties: buyer and seller. Both the buyer and seller contact either a member of NSEL or a broker for their order. After their orders are placed with NSEL through these online terminals, trading begins. The trade happens when both parties are willing to buy and sell at an agreed price. The sellers have to deliver the commodity in the NSEL designated warehouse of a particular location and a Commodity Inward Document (CID) is issued to them after delivery. On acceptance of commodity at the warehouse, quality checks are carried out on random samples from the stock delivered and a Quality Certificate (QC) is issued to the seller the very same day. The seller after receiving the QC, deposits the goods at the warehouse and receives the Warehouse Receipt.

The Clearing House then informs the seller about his/her obligation to provide the delivery in accordance with the standards of quality and quantity. Upon this, the warehouse informs the exchange whether the delivery meets these standards. The exchange, after receiving the delivery-in, informs the warehouse to either deliver the commodities to the buyer, who has completed the pay-in obligation or asks the buyer to collect the delivery. Once the buyer receives the delivery, the clearing house informs the seller to raise an invoice for the buyer. In

this way, the exchange stands as a guarantor to both the buyer and the seller; in case of a default from either parties the responsibility lies with the exchange to sell the goods lying in its warehouse and make up for the loss and vice versa if the seller defaults.

Each participant is required to open their clearing and settlement account with the exchange-appointed clearing banks, which have an electronic funds transfer facility and therefore, help in transfer of funds from the buyer's account to the seller's account. The order is not met until there is physical delivery of the goods. Thus, this transaction process helps connect buyers and sellers electronically and facilitated farmers to trade and take delivery. They can expand their activities to multiple commodities, because of operational ease, availability of finance and absence of counter party risk under NSEL system.

Figure 1: The trading mechanism



Source: National Spot Exchange Official Website

3. The NSEL Scam

NSEL was allowed to operate in the spot market where commodities and money get transferred immediately but its trading was different from ordinary spot markets. NSEL had received a special notification by Department of Consumer Affairs (DCA) on June 5, 2007 granting it permission to trade in “one day duration forwards contract” i.e. the contracts and the delivery of goods and transfer of money could be completed in (T+2) days (starting from today, one party has 2 days to settle his contract).

Taking undue advantage of this concession in time period, NSEL started offering what they called *paired contracts*. These contracts were simply two independent contracts for buying and selling of commodities on its trading platform clubbed as one. A trader was allowed to take positions on 2 different contracts belonging to the same underlying asset. This meant that whosoever entered into a paired contract had to buy as well as sell. Such pairing was done by the brokers looking at the arbitrage opportunity between two contracts to earn arbitrage profit margin for their clients. As per Forward Contract Regulation Act (FCRA), contracts settled within 11 days are called spot beyond which it becomes a forward contract which falls under the regulatory ambit of Forward Markets Commission (FMC). NSEL clearly violated FCRA's definition of spot contracts as settlement periods ranged from 0 to 36.

Imagine that some quantity of sugar at T+2 and T+25 have a price difference. A buyer (lender) from Chennai enters into a T+2 contract for purchase of a particular quantity of sugar from a seller (borrower) from Bihar for ₹100. At the same time, the same buyer enters into a T+25 contract for resale of the same quantity of sugar to the same seller from Bihar for say ₹100.0133 (meaning the buyer will earn 16% annualised return on his investment).

In other words a simple arbitrage opportunity for the buyer would be to buy the T+2 and sell the T+25 contract simultaneously. Thus, on the 25th day from the date of transaction, the buyer will gain an arbitrage of 0.0133 for this period of 25 days. Under normal circumstances, sellers rolled over their contracts by paying only the interest amount and not full payment at the settlement day. That is, when the contract was unwound after T+25, they would enter a fresh round of T+2 (buy) and T+25 (sell). This means that the interest received was also ploughed back into further purchases. The spread was maintained continuously for the investor to keep reinvesting his funds and make that 16% annualised.

On the transaction day (T+2) or earlier, the seller will deposit the said quantity of sugar in an NSEL accredited warehouse after which an electronic warehouse receipt will be generated for him. Similarly, on the transaction day (T+2), the buyer will tender the purchase consideration to NSEL. On T+2nd day, i.e., on the 2nd day from the date of transaction, NSEL will pass on the allocation letter of warehouse receipt and the VAT invoice to the buyer and the purchase consideration to the seller. The warehouse receipt entitles the buyer to take delivery of the specified quantity of sugar stated therein from the warehouse. However, since the buyer has to resell the same quantity of sugar to the seller on T+25th day under another contract, he does not take the delivery of the sugar from the warehouse. In this manner, thousands of buyers and resellers, acting through their brokers, entered into the above commodity purchase and resale transactions in various commodities. This helped the investor (buyer) earn more interest than what the banks offered while the farmer (seller) was paying very high interests for raising money. This continued for almost 2 years and NSEL saw a spurt in volumes. It went from making a profit of around ₹30 crore to ₹120 crore annually.

The NSEL violations were first noticed in May 2011, when a subcommittee of the Reserve Bank and Ministry of Consumer Affairs officials was apprised about the lack of regulatory measures in spot exchanges. After 8 months, NSEL was brought under the purview of FMC in February 2012. NSEL was made to furnish weekly and fortnightly trade data. Even though FMC knew of 55 contracts having a settlement period of more than 11 days, there was no concrete action.

Finally, the end of NSEL's deliver-now-pay-later scheme began on July 13, 2013, when they were ordered to settle all existing contracts by their due dates and not issue any further contracts. When NSEL's members learned that, henceforth, contracts would have to be settled within 11 days and payment against delivery of the commodity will have to be made, trading volumes dried up. Traders were not interested in spot trading and demanded immediate settlement. The buyers refrained from investing into an arbitrage between a T+2 and T+11. Not just because of the notice but also because the percentage gain from the arbitrage was not as much or exciting anymore. The seller, who had taken money and was rolling over contracts, did not have new investors to sell to and had to bring the money back into the system.

Buyers began withdrawing their funds from the market which resulted in a payment crisis since sellers expressed inability to pay their dues on time as they did not have cash. This liquidity problem gave birth to the crisis that was soon to follow. In normal circumstances of borrower default, NSEL could have simply taken possession of the goods, sold them and made the required payments. But NSEL could not make the payments.

This was the pinnacle of the crisis because the warehouses had no goods and the receipts were bogus. Borrowers had rolled over their contracts to further borrow against imaginary stock for making the payment. NSEL was aware that the warehouses had very less or no commodities. Brokers have reported that no one was allowed by the exchange to just take one side of any contract – you always had to have a ‘buy’ on the near contract and a ‘sell’ on the far side. The fact that the contracts were executed in pairs indicates a financing program.

Some of the prime defaulters were NK Proteins with outstanding amount of ₹968.89 crore. Top broking firms such as Motilal Oswal, Anand Rathi, and Asit Mehta and many more were making huge brokerage by selling this product from both legs of transaction. Statistics show that around 13000 investors have lent ₹5600 crore through this system to about 24 borrowers (Kumar & Rastogi, 2014). The background, credit history and financial information of these borrowers were not available in the public domain. None of the investors would have lent their money had it not been for the NSEL platform, which was unregulated. The authorities took the matter seriously when the scam had become as big as that of ₹5600 crore. Both NSEL and FMC failed to exercise regulation at their own levels. To top it all, there was no formal third party audit of the warehouses.

The scam was a result of unholy nexus of NSEL, borrowers and brokers. The Financial statements of NSEL were window dressed which aided them in making fake promises of having a “Settlement Guarantee Fund” that would be used to pay back the investors. Under the guise of spot trading, NSEL was offering forward trading facility to investors without proper margin and settlement systems.

Missing trail of money, unauthorised trading of longer terms contracts, involvement of financial technologies, and regulatory loopholes have destroyed the very objective of NSEL—to set up a national level, electronic, transparent, institutionalised, demutualised market place for farmers and traders to meet.

4. The story from NSEL’s side

According to NSEL Board members, FMC was responsible for the crisis. They stated that they had been providing to FMC information on various aspects of the business on a fortnightly basis. NSEL was primarily accused for two issues by DCA: it was not preventing short selling and was enabling trading in contracts beyond 11 days and they asked further information to be submitted within 15 days on these activities with a show cause notice released on April 27, 2012. No further action was taken by FMC after receiving the response from the top management of NSEL, which led the board members to believe that they have not been accused of any wrongdoing. However, on July 12, 2013, it was made apparent that FMC was misleading DCA due to which the Department stopped generation of fresh contracts on the NSEL platform.

Immediately after the crisis, the DCA ordered that the NSEL is to be regulated by the FMC. NSEL blamed FMC for the occurrence of crisis. However, the FMC chose to put all pressure and focus only on NSEL and Financial Technologies India Ltd (FTIL) by resorting to extreme and unwarranted measures such as declaring FTIL & its promoters not fit and proper. No action was taken against brokers or the defaulters, against whom there was clear money trail.

5. Conclusion

Although NSEL made valid points in its defence, the operations undertaken by the borrowers within the organisation by evading the regulatory barriers and NSEL's lack of enforcing the rules of their exchange is what led to the scam. The roots of the scam come from the exemptions NSEL was given under FCRA act in 2007 and the delay in proceedings done by FMC and DCA. Timely and coordinated investigation could have either prevented, or at least reduced the extent of the scam.

Independent third party audit of the stocks and underlying commodities in the exchange warehouses should have been focused upon. If the stocks available were less than that reported by the exchange, strict action should be taken against the management. The FMC must supervise the entire payment and delivery process and keep a close tab on the exchanges. If traders default, the regulators should carry out an investigation to determine where the borrowed funds have been utilised. Activities of brokerage and wealth management firms should be closely monitored to ensure adequacy of their due diligence processes.

NSEL was supposed to function as a spot exchange to facilitate buying and selling of commodities by cash settlement and immediate delivery. The investors were paying attention to the NSEL as they were shown to generate high returns (15% to 20% annualised returns) in the market (Mahajan & Tyagi, 2013). The members or brokers of the exchange assured investors that these investments were risk free as there was a collateral stock of commodities in warehouses across India.

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Active Learning Methods in the Classroom

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“I hear and I forget. I see and I remember. I do and I understand.”—attributed to Confucius

Recent research in pedagogy has corroborated the above mentioned age-old wisdom. While each student has a different ‘dominant’ learning style—visual, audio, verbal, kinesthetic (physical activity)—students tend to learn better when more than one of their senses of perception are engaged. “Active learning” methods that emphasise student participation by including discussions, demonstrations, activities, and games have been shown to be more effective in absorption and retention of study material.

Conceptualisation and execution of active learning methods involves tremendous planning and creativity on part of the teacher. There exist several (unfortunate and often humiliating) notions that teachers barely “work” and only prepare lectures once in their lifetime which they regurgitate year after year in the classroom. This could not be further from the truth. Teaching is an art which involves delivering a “performance” every day. Dedicated teachers who understand the effectiveness of classroom activities painstakingly design their lectures to include interactive elements rather than relying on recitation of pre-prepared lecture notes. Moreover, the “performance” is delivered in front of a different “audience” each academic session. Therefore, activities need to be tailor-made to be compatible with the strengths and weaknesses of the respective class. In other words, just as a stand-up comedian does not crack the same joke and hope to elicit giggles from different audiences, teachers do not follow a one-size-fits-all strategy while employing participatory teaching methods in the classroom.

My brief stint in the classroom has allowed me to explore the use of active learning methods with students. The use of tools such as games to illustrate concepts of carbon trading, prisoners’ dilemma and voting paradox, animations and statistical software to demonstrate concepts in microeconomics and econometrics, as well as video lectures from online learning platforms such as edX and Coursera to bring a global perspective on issues of sustainable development, health and nutrition have been well-received in the classroom. In addition, I have made an attempt to encourage student participation and involvement through collaborative problem-solving and inviting (anonymous) student feedback on teaching effectiveness.

Trying out active learning methods in the classroom and receiving positive response from students on them is sure to encourage a teacher to continue researching similar pedagogical techniques, while refining the methods already used for greater clarity and efficiency. Several research papers, instructors’ manuals and online resources contain a wealth of information offering innovations to help create a fun-filled classroom experience instead of the drab, caricatured space often portrayed in popular media. The onus is on teachers to utilise these devices to achieve the goal of deeper learning and bringing joy into education.

Academic Ethics: Attitudes and Behaviours

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1. Introduction

Concerns over academic dishonesty and plagiarism, although not a recent phenomenon, have risen in the digital age (Jones, 2011). In India, especially, incidents of leaked question papers and innovative cheating methods (employing modern technology) aided by parents, agents, or in some cases even teachers, are regularly reported. In 2016, a cheating scam made headlines in several newspapers wherein a Bihar State Board humanities topper timidly answered—to a journalist congratulating her for the successful result—that political science was all about cooking and her counterpart from the science background could not explain the connection between water and H₂O. An investigation carried out by the Government of Bihar on a small scale with re-examination for fourteen toppers led to a bubble of controversies, eight arrests and a scam throwing limelight on the involvement of various political leaders.

While stealing someone else's tangible property or committing fraud is usually considered unacceptable by society, incidents such as those described above seem to suggest that committing academic fraud or stealing of intellectual property are seen as minor transgressions done in ignorance or under pressure. Apart from being unethical and eroding the moral fabric of society, cheating on a rampant scale tends to devalue education over the long term. An educational degree loses value and ceases to be a true signal in the labour market if it can be obtained under false pretence (Bishop, 1993). Further, students copying during an exam (or using someone's services to do so) ultimately harm themselves (as in the above case) since they graduate without being equipped with the intended skills or knowledge and would, sooner or later, cut a sorry figure in the real world.

With an aim to understand the motives behind cheating and the attitude towards violation of academic ethics, the authors conducted a small exploratory survey among the students of the Department of Economics at Lady Shri Ram College, in February 2017. Over 120 undergraduate students in the second and third year were surveyed anonymously using convenience sampling, and qualitative responses were elicited through a paper questionnaire, with a mix of multiple choice and open-ended questions.

Table 1: Sample Size and Profile

Number of second year students	72
Number of third year students	51
Total	123

The questions were categorised into four broad themes: understanding of academic ethics, experience with unethical practices, acceptability of unethical behaviour and measures to prevent cheating. The survey results and interpretations are summarised below.

2. Understanding of academic ethics and plagiarism

We started out by attempting to understand students' perceptions of academic dishonesty. A vast majority (87%) of the respondents consider 'copying' as a violation, but helping a co-examinee by showing answers is not considered unethical, nor is seeking a verification of an answer from a friend. Similarly, passing off another's work as one's own for a home assignment is recognised as being dishonest but using answers from a 'guide book' or homework-help website is not considered a violation.

Table 2: Responses received to the question: *According to your definition of academic ethics, do you consider any of the following as a violation of academic ethics?*

OPTIONS	YES (%)	NO (%)	NO ANSWER (%)
Copying during a test from a neighbour/book/notes	87.80	8.13	4.065
Seeking a clarification or "verifying an answer" from a friend during a test	42.27	53.6	4.065
Using another person's answers as your own in a graded homework/home assignment	75.60	20.32	4.065
Using answers from a "homework-help website" or "guide book" for a home assignment	33.33	62.60	4.065
Helping a friend by showing/giving answers during a test/lab work/assignment	39.02	56.91	4.065

Rows sum up to 100% approximately

According to the Merriam-Webster Online Dictionary, to "plagiarise" means 'to steal and pass off (the ideas or words of another) as one's own, to use (another's production) without crediting the source, to commit literary theft and to present as new and original an idea or product derived from an existing source'. Thus, plagiarism is a fraudulent act, involving stealing another's work and lying about it, intentionally or unintentionally.

Going by the above definition, it seems that the understanding of plagiarism among students is slightly hazy. While verbatim reproduction without referencing is correctly identified as plagiarism by most students (86%), verbatim reproduction *with* referencing is not (even though

it is a violation, especially if done in excess). In addition, as many as about a quarter of the respondents do not consider paraphrasing without referencing unethical. This nebulous understanding could perhaps be attributed to a lack of formal sensitisation about academic ethics, as more than 65% of the respondents do not recall any discussion of these issues during the college orientation or in the college handbook. We also attempted to ascertain the University's stand on this issue and were surprised to find no mention of academic ethics or plagiarism even on the University of Delhi (DU) website, or the University handbook (available online). This is in sharp contrast to universities (such as Harvard University, Johns Hopkins University and several others) world over, which greatly emphasise academic integrity, and require students to indicate awareness of the rules regarding academic ethics at the time of course registration and before examinations. Even the Massively Open Online Courses (MOOCs), which are gaining widespread popularity, require students to sign an 'Honour Code' (undertaking) at the time of enrolment, and discussion boards are carefully monitored for any unscrupulous activity.

3. Experience with violation of academic ethics

Our survey results reveal that a fairly large majority of students have committed some form of violation of academic ethics during their lifetime. Violations ranged from copying from a co-examinee (64%), to showing answers to others (a whopping 91%) and sharing answers on a home assignment (85%). The responses are largely consistent with the answers to the first question and the perceived definition of unethical practices: since sharing answers with a friend for a home assignment or during an exam is not considered unethical, several students admitted to doing this. While the responses could be affected by recall bias to some extent, roughly two-thirds of the respondents claimed to not have used answers from a website or a book without referencing.

Table 3: Responses received to the question: *Have you ever done any of the following?*

OPTION	YES (%)	NO (%)
Copied from a friend or neighbour on a test/exam	64.22	35.77
Shown your answers to anyone else during an exam	91.86	8.13
Asked a friend during an exam if your answer is correct	60.97	39.02
Shared answers with a friend for a home assignment	85.36	14.63
Used answers from a website/book without referencing	34.14	65.85

Rows sum up to 100% approximately

Fear of failing or getting low scores seems to be the biggest reason for cheating on an exam (82%) followed by unpreparedness for the test (79%). This could however be, a perceived unpreparedness or lack of confidence. Pressure from parents, peers or teachers to “do well” on exams (47%) was another large reason cited. However, it seems cheating itself is not a problem of herd mentality, as very few students reported that they do it because everyone else does it too.

Table 4: Responses received to the question: *What could be some of the reasons for copying on an exam?*

OPTION	YES (%)	NO (%)
Fear of failing/getting low scores	82.11	17.88
Pressure from parents/peers/teachers/college to “do well” on exams	47.15	52.84
Unpreparedness for a test	78.86	21.13
Not cheating is foolish, since others do it too	9.75	90.24

Rows sum up to 100% approximately

The prevalence of rampant cheating might be because of a lack of repercussions for such behaviour. Only about a quarter of the respondents reported being caught or reprimanded despite committing these violations. Moreover, around 90% respondents admitted to indulging in these violations despite being aware of potential penalties. This observation can be interpreted in two ways: either the fear of failure (more on this below) is paramount or there exists a moral hazard problem wherein students believe that they would not actually be caught (perhaps because of a large class size or lax invigilation) or they will be let off with a minor warning even if caught.

4. Acceptability of cheating and fairness of repercussions

The most eye-opening insight was regarding the acceptability of cheating. An overwhelming majority admitted to have witnessed cheating but did not report it to any authority! Only *one* out of the 115 students who witnessed someone copying on an exam reported the violation, indicating that such offenses are not considered ‘serious’ enough. Reasons for not reporting the incidents ranged from “upholding the code of friendship/solidarity” to “did not want to waste my time” and “it did not bother me”. The respondent who reported the offence did so because she was getting disturbed by the act.

A little more than 80% respondents agreed that it is fair to be punished for copying in an exam. Several students reflected that copying does not solve the purpose of exams or help gain knowledge while others deemed punishment to be fair but noted that extreme punishments should not be given and authorities should just stick to a warning and minor penalties. On the

other hand, around 11% felt that it is unfair to be punished for cheating on an exam. A majority of these respondents felt that it is the education system's fault which forces the students to cheat and that cheating should be acceptable up to a "certain limit."

Some students felt that the fairness of punishment depends on the person's situation and the level of cheating—in other words, minor cheating does not deserve strict penalties. A few others were of the view that cheating on competitive exams should be dealt with strictly but copying on school/college exams should be taken lightly.

When asked to pass a value judgment on copying, more than 75% agreed that it was wrong. Approximately 23% of those who agreed felt that copying is useless as one's true performance is not projected. Several students reiterated that copying is unfair to the honest students, and hence is unethical.

Around 14% of the respondents, on the other hand, felt that cheating is not exactly wrong, especially given the nature and strength of competition in today's world. Some respondents submitted that a student's psychology behind cheating should be understood, and it is possible that s/he was under pressure to copy or is committing a one-time transgression; differently put, cheating is contextual.

5. Prevention of cheating

Finally, the questionnaire asked the respondents to share their suggestions on how cheating can be prevented. Varying views were reported, broadly divided into three categories, namely, improvement in the education system, punishments and moral education.

Around 40% of the surveyed students believe that the fault lies in the current education system in India which places a lot of emphasis on marks as an indicator of testing knowledge, driving students to take up extreme measures such as cheating. They felt that the use of alternate methods of testing conceptual clarity and understanding of a subject such as research projects and practical assignments could prevent cheating. Other suggestions included having less syllabus, ensuring more preparation time, more revision and open book exams.

About 25% focused on preventive measures in the conduct of examinations. Measures such as submitting all the belongings before an exam, making students sit at a distance from each other, strict vigilance and different question paper sets were the popular suggestions.

Nearly 10% emphasised on the need of moral education and recommended that academic ethics should be taught at a young age making students aware of the consequences of cheating itself, as mere punishments would not serve as an effective measure to deter academic dishonesty. The remaining 25% students had very diverse views or chose not to answer the question.

6. Conclusions and recommendations

While this is a preliminary study and suffers from some limitations such as recall bias and potential reporting bias due to the sensitive nature of questions, some conclusions on the way forward can be drawn.

A broad theme which emerges from the study is that the lack of awareness regarding academic ethics and plagiarism needs to be tackled on an urgent basis. In the absence of sound recognition of what constitutes plagiarism and academic dishonesty, unintentional violations arising out of ignorance put our students at a disadvantage. Courses on research methodology which include modules on academic ethics are a welcome step in the direction towards resolving the misperceptions surrounding these issues (provided the syllabi are carefully designed, and not hastily put together, as has been the wont in recent times at DU). In addition, regularly reminding students of the importance of upholding academic integrity, through orientation programmes and a signed honour code statement could sow the seeds of change.

Another long term measure to reduce the incentive to cheat would be to bring in educational reforms, primarily to reduce the emphasis on marks obtained through rote learning. One way to make this possible is through a shift in pedagogy and educational paradigm, by encouraging creative independent thinking, designing relevant and engaging syllabi, and evaluating performance using methods other than traditional paper-pen tests, to eliminate the scope and need for cheating. Carrying out this change, however, would involve careful planning and deliberation, inviting input from stakeholders such as educational psychologists, policy makers and academicians, and cannot be expected to happen overnight.

Since the systemic change in attitude and institutional framework will be a slow process, the measures mentioned above should be supplemented with a no-tolerance policy for violations, to send out a message that academic fraud will be dealt with firmly. Making cheating more costly and unappealing through a mix of preventive measures (strict invigilation) and punitive action (cancellation of exam or suspension) could act as a deterrent.

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