



GENESIS
GLOBAL SCHOOL

ECONESIS

ANNUAL ECONOMIC OUTLOOK

2020-21

FIRST EDITION 2020-2021

ECONESIS

ANNUAL ECONOMIC OUTLOOK

ACKNOWLEDGEMENTS

To begin with, we extend our profound gratitude to our Director, Mr. David Brazeau and our Principal Mrs. Varduhi Grigoryan, for their constant motivation and support at all stages of this work. We are immensely grateful to the teachers of all the departments for their insightful comments, constructive criticism and valuable guidance. Our sincere thanks to our interviewees, for their valuable insights. It would not be proper to sign off without thanking the contributing authors and artists for their remarkable response, in terms of both quality and quantity. Finally, we express our deep sense of gratitude to everyone who lent their hand in bringing Econesis to this echelon.

FROM THE DIRECTOR'S DESK

MR. DAVID BRAZEAU



It is wonderful as an educator to see students showing initiative and taking on the leadership responsibilities to execute their plans. Econesis: The Annual Economic Outlook is a textbook example of excellence and initiative shown by Genesis students that all in our community should be proud of. The first edition sets a high standard for future publications and we look forward to Econesis becoming one of the several new publications that have evolved over the past several months that demonstrate the intellectual abilities of our students as well as their creativity and desire to share their knowledge with the community.

Congratulations to the editors and authors of issue one of Econesis, we look forward to future editions!

FROM THE PRINCIPAL'S DESK

MRS. VARDUHI GRIGORYAN



With great pride and enthusiasm, I have taken the initiative of our students to start Econesis: The Annual Economic Outlook.

As educators, we always try to see value in what students learn only when the gained knowledge and the developed skills serve the purpose of providing students with open doors to their successful future. Education is not only about learning facts and taking exams, education is about learning how to use what you have learnt; this initiative of the students is a proof of the great learning that they have had with the guidance and efforts put into the same by the Department of Economics. In a world, where the need of professionals in the sphere of economics is so high because of the endless challenges we face, these students become our hope for a successful future. They are growing to become experts and to take action to change the world to be a better place.

This project is indeed valued as an initiative for it enhances the learning of not only those who are involved with it, but also those who become the audience of the same. Having said this, I want to wish the project to be a great success and the team working on it to have a lot of creative ideas and projects to follow this!

FROM THE DEPUTY HEAD'S DESK

MR. TARIQ SAYEED



It gives me immense pleasure to share my views on this new initiative undertaken by the students and teachers of the economics & business department. With each passing year, GGS has undergone a certain transition towards its pursuit of excellence. Econesis, is yet another leap to achieve its vision of nurturing resilient, holistic, empathetic, and lifelong learners.

Kudos to all the effort put in by the students, under the able guidance of the mentors. Education is a life long journey and opens doors to plethora of opportunities. For decades over parents, teachers, relatives, peers, neighbors, higher educational institutions have been measuring education with marks or grades attained by the student in the final examinations. Globalization has fuelled the competition of marks /grades to an unprecedented level. However, the purpose of education is much more than marks / grades. It is this very fact that this publication aims to celebrate.

At last, I wish great success ahead to all these young minds in their new endeavor. I am confident, that the readers will find, Econesis, engaging & thought provoking.

FROM THE DESK OF INTERIM HEAD OF STUDENT LIFE

MR. GANESH TIWARI



I extend my heartiest congratulations to the Department of Economics and Business Studies for releasing the inaugural edition of Econesis: The Annual Economic Outlook. It has proved to be a mirror of the creative endowments and innovative ideas for students and teachers and has been successful in capturing the present-day relevance of Economics. It contains all the elements to give theoretical knowledge and all the space to be analysed with economic tools. It is a delight to see the far-sighted vision to offer an unparalleled platform to young intellectuals. I appreciate the relentless efforts of the editorial board for coming up with such commendable work.

With this, I convey my best wishes to the entire team!

THE MENTORS' VISTAS

Throughout my several years of work in education industry, across different states and curriculum, I have seen thousands of new comers, beginners and students. Each time, I am fascinated at how each individual approached a problem differently and how he/she unravels a new dimension to its approach and comes up with a solution. It is this uniqueness that I am intrigued about and this is what we try to nurture at Genesis Global School. It is wonderful to see the enthusiasm of young Genesians towards undertaking meaningful projects and creating more knowledge. Through this new endeavor, 'Econesis: The Annual Economic Outlook' magazine the student community involved have put their efforts in a way that the magazine both entertains and ignites the reader's mind. As one of the fastest growing nations in the world, we are in more need of "Ignited Minds" than ever before. I hope this magazine shall contribute towards fulfilling this vision to some extent. I am glad that our students are going that extra mile to make their mark. Going by the famous quote of Jimmy Johnson "The difference between ordinary and extra ordinary is that little extra." I wish to congratulate the Editorial Board. May your magazine reach great heights in the years to come!!!

Dr. Jasleen Sethi

The initiative of Econesis: The Annual Economic Outlook of Genesis Global School will surely allow our learners to formulate their own ideas and come to their own conclusions about economic concepts. This will provide a platform to learners to share interesting information that can be generated in various aspects of economics. This issue of 'Econesis' is the first envisaged exercise to inculcate the young minds and imbibe in them a habit of thinking and writing which will transform their ideas into constructive and useful results. It will also assist the new generation to prepare for the practical world that awaits them with new directions and challenges in the economy. Learners can now participate in a more inclusive and pluralistic discussion of economics at the outset with different students offering different takes on their experience. This will help them to be more confident to challenge, deconstruct and reformulate the mainstream ideas. Hence, the reason we have introduced this concept into our learning cycle this year. Our students seem happier with these concepts and they worked very hard for the same. The journey has just begun and we have miles to go. We look forward to the future with excitement and the greatest of expectations. Once again, congratulations and best wishes to the Department and the Editorial Board.

Mrs. Roopalakshmy V.C

I am extremely happy to pen down lines for the first edition of Econesis: The Annual Economic Outlook. Growth comes only through continuous effort and struggle. The pages that follow in the first edition of 'Econesis' are a testimony of growth. The efforts put in by students and teachers to bring in the best in this magazine are appreciable. Education is the gateway to the future and the future belongs to those who prepare for it today. The economics department is the powerhouse of young budding economists of our nation. Children are eager to learn new things. I hope that they may grow to contribute, to share what is best in them with their peers. In these trying times, it is great to see the enthusiasm of the students towards undertaking meaningful projects and creating more knowledge. At last, I wish great success ahead to all these young minds. Congratulations to the Editorial Board. May the magazine reach great heights in the years to come!

Mrs. Priya Sharma



It gives me immense pride to see the young budding talents taking on the role of economists and bringing forth the economic challenges the world is facing in the present scenario. The magazine "Econesis" symbolizes how small efforts can make big changes, which is very true to their core mantra of success that "stay put the storm will end in sunshine". It is said that never waste a crisis because it teaches you more than what it takes away. Corona Pandemic has surely hit us hard mentally, physically and financially. With global unemployment at its peak and economies witnessing an economic slowdown, it's time to reflect upon our own practices. It's time to realize how focused action can help in making a big social impact. Through Econesis, the creative genius of the young minds is providing us the right platform to think, share and brainstorm ideas to make the world a better place. A world with no boundaries, a world where we build solutions in right earnest and the youth of today become the torch bearers of tomorrow. The hard work and planning that has gone in putting up the magazine is commendable. I wish the students all the success and good luck for their future endeavours. They have surely proved that education is not confined to the classes but its true purpose is met when it is being used to serve the community and help it grow. Seeing the world through the lens of economics is truly interesting!!

Mrs. Deepti Katta



The release of this anthology of economic insight is very commendable in keeping with our school's desire to develop pro-active thinkers and doers.

It is particularly heartening to note the breadth of economic issues discussed by experts and learners - not only of GGS but from other sister schools in the vicinity. Economic problem solving for society is increasingly a collaborative consensus driven effort. Sharing thoughts from a wide spectrum of sources in Econesis indicate that we are on the right path.

I wish this magazine and its editorial team of learners and educators all the very best in their enterprise. May its shared wisdom give us the key to becoming better world citizens who ensure a more "peaceful and sustainable world".

Mr. Abhay Mathur

FROM THE EDITORIAL BOARD



**VAIDAH SHARMA – Founder,
Editor-in-Chief and Head of
Public Relations**



**SHRUTI SONDHI – Head of
Design, Assistant Editor and
Technical support**

Dear Readers,

It is with immense delight that we bring to you the first edition of Econesis: The Annual Economic Outlook of Genesis Global School. Econesis 2020-21 echoes our commitment to expand the scope of research in the realms of economics and augment the understanding of its multidisciplinary nature.

‘Econesis’ is replete with articles written by Genesians as well as students from other schools, some with fascinating economic insights and others highlighting rampant socio-political issues. The magazine also features interviews and insights from renowned economists from various prestigious universities, pan India and abroad.

With this magazine we aim to provide a platform to young budding economists and entrepreneurs to showcase their economics and business oriented thoughts and opinions. As the world grapples with the pandemic, students have been at the receiving end of a lot of flak. In such difficult times, this magazine has become the outlet of positive creative energy for the students.

We are grateful, for having the opportunity to curate meaningful content and enhance our skills during the lockdown. The completion of Econesis has been no less than a joyous and learning journey for us. We hope that the following pages are able to translate our efforts into an enriching and engaging experience for our dear readers.

Happy Reading!

Warm Regards
Editorial Board
Econesis 2020-21

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BEST WISHES FROM DR. PAMI DUA



Dr. Pami Dua is Professor of Economics, Delhi School of Economics as well as Chairperson, Research Council, Dean Research (Humanities and Social Sciences) and Dean, Academic Activities and Projects, University of Delhi. She is currently member of the Monetary Policy Committee of the Reserve Bank of India.

She has served as Director of the Delhi School of Economics and President of the Indian Econometric Society. She has over three decades of experience in teaching of macroeconomics, econometrics and forecasting. She earlier taught at the University of Connecticut, USA and Wayne State University, Michigan, USA. She has also been affiliated with Yale University as well as Columbia University. She has published numerous research papers in reputed international journals as well as books and book chapters in her fields of study viz. time series econometrics, forecasting, macro econometrics and business cycle analysis. She has been the Editor of Indian Economic Review, a reputed journal of the Delhi School of Economics, for almost two decades. She is also affiliated with the Economic Cycle Research Institute, New York and is Principal Coordinator from India of the United Nations World Project.

She completed her B.A. (Hons.) in Economics from Lady Shri Ram College, University of Delhi and is also the recipient of the Distinguished Alumni Award in 2017 from her alma mater. She obtained her Masters and Doctorate in Economics from The London School of Economics.

HER MESSAGE

It gives me immense pleasure to commend 'Econesis', the annual magazine of Genesis Global School, on the launch of its inaugural edition. Undertaking creative initiatives is the gateway to success and the future belongs to those who work towards excellence, innovation, development and growth. Needless to say, the path of growth and excellence is achieved through perseverance and dedication, which aptly describes the journey 'Econesis' has committed to follow.

The efforts and hard work of the editorial board and teachers of the school, to produce a high quality and insightful magazine are laudable. I am also deeply impressed by the enthusiasm and devotion of the students towards undertaking this knowledge enhancing and thought provoking venture that will surely contribute towards broad-based and multifaceted learning.

I wish great success to all these young and bright minds. I am sure that your magazine will scale great heights and capture the attention of readers through its informative and inspirational articles.

Congratulations and Best Wishes!

Professor Pami Dua
Department of Economics
Delhi School of Economics
University of Delhi
&
Member, Monetary Policy Committee
Reserve Bank of India
Govt. of India

THE SINKING WORLD ECONOMY

Article By Riyana Sarma
11 IBDP

Today more than 1/3 of the global population is under lockdown due to the spread of COVID-19 across 150 countries. More than 80 countries closed their borders, businesses were ordered to remain shut, and the population was instructed to self-quarantine. The pandemic is affecting a broad ribbon of international economic and trade activities, from tourism to medical supplies. The disease poses a big threat to the world economy. The IMF forecasts the global GDP to come down to -3% in FY 2021- 22. Pay cuts, and job losses are just a few impacts; the pandemic has ultimately pushed the global economy into a recession.

The International Labor Organization estimates that pay cuts due to this crisis can adversely affect up to 200 million workers across nations. The UN Conference on Trade and Development estimates a downward pressure of up to 40 percent on global foreign direct investment flows. Social distancing measures have brought global economic activity to a standstill. Tourism and aviation industries are among the hardest hit as authorities encourage 'social distancing' and consumers stay indoors. Similarly, shares of major hotel companies have dropped in the last few weeks.

In the absence of a widely needed vaccine, and knowing that this will likely take more than a year, and possibly multiple years, we must make changes to our economic system to prevent an economic collapse. The crucial principle is that all countries will need to follow international cooperation as, we are all in this together. We have faced grave crises before, but if we want to come out of this, unscathed in the long run, all economies must plan for unprecedented situations and follow international cooperation. We will overcome this crisis, but only if we work together.

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INTERVIEW INSIGHTS



Dr. Tirthankar Roy

Dr. Roy teaches South Asia and Global History at the London School of Economics, and is the author of 'India in the World Economy from Antiquity to the Present', besides other books and articles. His work on economic history tries to answer three questions. Is there a long-term pattern in Indian capitalism? When did the big breaks occur in that pattern? Does history help us understand how capitalism in India works today?

He is the foremost economic historian of India. He is credited with writing the official history of RBI (Vol. 5). Prof. Roy has authored twenty five plus books and fifty plus articles in referred journals. He has been a member of the Executive Committee, International Economic History Association, from 2009 to 2015 and, currently is the Governor of Pasold Research Fund, since 2015.

His recent publications include 'Law and the Economy in Colonial India' (with Anand V. Swamy, University of Chicago Press, 2016). The book discusses the diverse influences that shaped the British Indian law and shows why it delivered rather poor value to the users. Currently in press, 'The Economy of South Asia from 1950 to the Present', explores the historical roots of rapid economic growth in the region, with reference to politics, markets, resources, and the world economy. The first systematic economic history of modern South Asia, the book offers a new interpretation on why the region is changing so fast, and what that means for the world. His ongoing projects include a sequel to 'Law and the Economy' (with Anand V. Swamy) dealing with post-independence India.

What according to you, specifically with reference to the Indian context, are the lessons we can learn from the history of epidemics that could be applicable to the current situation of the Covid-19 pandemic?

We should not panic. We should not blame other people or find targets who are responsible for causing this crisis.

Epidemics happen because we do not know the micro-parasite, and therefore, do not know how it transmits from human to human. Scientists and other experts have the tools to answer these questions. Only when we understand these things can we stop the epidemic. All that takes time. The good news is that it takes the world less time than in the past.

“Covid capitalism is flirting with socialism. Will the rise of the welfare state be a lasting legacy of the current crisis?”

All states exist to serve welfare of their citizens, including health. This duty was sadly neglected in India, and also in Europe and North America for about 12 years since the financial crisis broke out. The epidemic showed that the countries were badly prepared for the disaster. So, Covid will not see more socialism, but more compensation for failings of the state.

Every country needs a strong healthcare system. In addition, it needs an emergency or epidemic response system, which is a little different and specialized. That may be a legacy of the crisis.

How severe is the coronavirus epidemic in India in comparison with cholera/ plague epidemics in India?

Cholera or plague around the 1900's killed a lot more people than the Covid will. But Covid is harder to control and spreads faster, because (a) it is airborne, and (b) people travel more now than a 100-120 years ago.

“Success is stumbling from failure to failure with no loss of enthusiasm.”- Winston Churchill. How would you encourage your students to take failures in the right stride?

I will tell them, there is nothing called a “failure”. There are temporary setbacks or difficulties one has to deal with all the time. Dealing with setbacks make us tougher people in our own lives. And it makes us better people because we can appreciate how others face and deal with problems.

ENVIRONMENTAL SUSTAINIBILITY

GUEST
COLUMN

“There can't be economic development without a healthy society,” opines Peruvian Energy and Mines Minister Luis Miguel Inchaustegui.

In the post covid world, when economies and governments will try to increase economic activity, the need for sustainable growth and development will be paramount. Individualistic behavior to maximize self-interest may seem most appealing when bouncing back from an economically taxing and uncertain situation, but it is more important to carry out economic activities in a morally and ethically conscious manner, that does not put at risk the environment for the future generations. Using this situation to move in a positive direction regarding sustainability is essential, especially since inequalities have been highlighted vividly in the world, with weaknesses magnified.

CNT, an organization with a mission of promoting sustainable economic development using politically, socially and economically grounded solutions to foster economic and environmental resilience, has been trying to reduce poverty and increase wages in cities using resource efficiency initiatives to create jobs. Not only this, but their initiatives increase social equity by helping low-income communities. While reducing inequalities in an economy is an objective, environmental sustainability is one too.

ARTICLE BY:

AMIRA SINGH

GRADE: 12TH

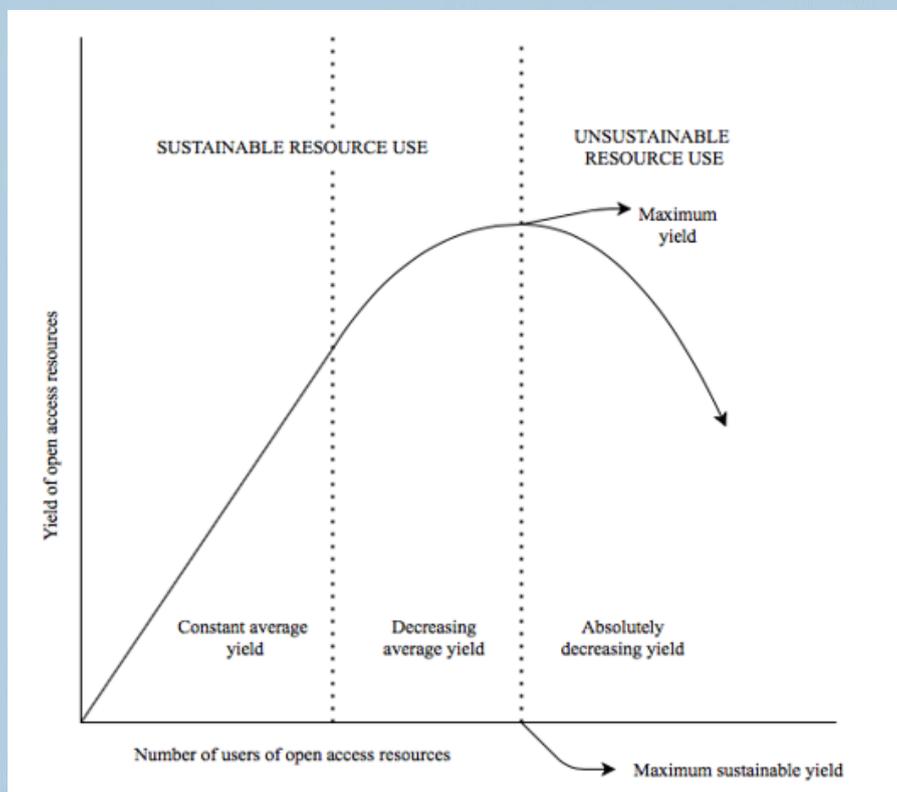
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Sustainability involves using resources in a manner that does not put into risk the future generation by reducing the quantity or quality over time. To ensure environmental sustainability, production should be undertaken at a rate at which the natural resources can reproduce themselves or can be effectively maintained without getting destroyed or depleted.

Using resources in a sustainable manner results in having to take into account large numbers of variables and factors; some of these include scientific, social, environmental, and economic variables. These variables are interrelated in a manner that makes it difficult to understand or come up with a method that is truly sustainable due to its complex nature. The conflicts between these variables, essentially economic and environmental, give rise to the problem of sustainability. However, with people getting more and more conscious of their actions and its consequences on the environment, sustainable development must be undertaken in the most efficient manner possible. This means ‘development should meet the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland Commission, 1987).

Both pollution of affluence and of poverty are threats to the environment as the overuse of non-renewable resources or common access resources, and the lack of resources to replenish the scarce environmental resources result in environmental depletion.



As seen in the diagram, there is a maximum sustainable yield at which only a certain number of people can use the common access resources, greater than which will result in unsustainable resource use. This is the maximum use at which the resources can reproduce themselves. All the points on the curve before and including the maximum yield will result in sustainable resources use, and development that takes place at a rate which does not go above this, will ensure that sustainable economic development takes place without destroying the environment or depleting resources for future generations.

The overuse of common access resources results in negative externalities, meaning the marginal social costs of production are greater than the marginal private costs, and the marginal private benefits of consumption are higher than the marginal social benefits. This difference is seen as the following: costs arising from cleaning up pollution, global warming, climate change, etc. Poverty results in overexploitation of these resources, and since the low income groups lack the resources to buy and use inputs to preserve the resources, such as buying good quality grass and food to preserve the cattle's milk quality, they deplete. Since they lack modern technology and have limited abilities to acquire finance, they are unable to make use of techniques or machines to reverse the environmental degradation.

Economic activities are going to increase around the world to try and reverse the economic effects of the pandemic, and it is going to be a great threat to sustainability. This may be due to increased pollution of affluence or poverty, the latter assumed to be a greater threat especially since income inequalities have increased and more people would be engaging in activities that ensure their survival but are environmentally destructive. Therefore, it is essential to be conscious of the level of production and ensure that the growth and development is in a sustainable manner.

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SHOULD INDIA JOIN THE RCEP?

Article By Armaan Rizvi
11 IBDP

The Regional Comprehensive Economic Partnership (RCEP) is a proposed agreement between the member states of the Association of Southeast Asian Nations (ASEAN) and its free trade agreement (FTA) partners. The Chinese government was persistent about having India sign the RCEP after it had walked out of negotiations last year. This was because the Indian government has insisted on being allowed to be an exemption regarding some obligations faced by RCEP member nations. Firstly, India wishes to be exempted from ratchet obligations. Ratchet obligations imply that if a country signs a trade agreement with another country and removes its tariffs and quotas on foreign goods, it cannot go back and bring in more restrictive measures. India wishes to be an exception seeing its own vulnerability to falling prey to a takeover of domestic markets by that of the Chinese.

The Chinese foreign ministry says that China is willing to continue to negotiate and resolve the problems facing the negotiations with India in the spirit of mutual understanding and mutual accommodation, however if this were true, at least one of India's concerns would have been acknowledged in the past year of negotiations.

The second, larger reason is that the RCEP has no rules of origin and goods only require a certificate of origin. A Certificate of Origin Declaration of Origin is a document widely used in international trade transactions which attests that the product listed therein has met certain criteria to be considered as originating in a particular country. The Indian government has repeatedly asked for strict rules of origin to prevent Chinese goods from swamping the country and especially not after spending so many years propagating its 'Make In India Policy' and the currently escalated political tensions between the two countries.

Lastly, with the amount of foreign deficit owed by the Indian government to other nations, joining the RCEP and agreeing to slash tariffs on goods will surely be absolutely devastating towards the Indian economy.

Therefore, even though the main purpose of the RCEP is to boost economic growth and equitable economic development, it falls flat at providing India with a valuable means to the proposed idealistic end and thus, India should not proceed with further talks regarding the RCEP with China and ASEAN.

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SCARCITY

Caricature By Sanskriti
Srivastava
11 IBDP

Sanskriti



INTERVIEW INSIGHTS

Dr. Manisha Karne



Dr. Manisha Karne is a Professor in Development Economics in Mumbai School of Economics and Public Policy (MSE-PP), University of Mumbai, since 2009. She received a Ph.D. Degree in Economics from the University of Mumbai in December 2004. Her areas of specialization include Development Economics, Health Economics, Transportation Economics and Environmental Economics. She has been the coordinator of the project, 'Thane District Human Development Report' sponsored by YASHADA under the project 'Human Development towards Bridging Inequalities', in collaboration with UNDP, New Delhi, NITI Aayog and Planning Department, Govt. of Maharashtra (2014-15 to 2015-16). Professor Karne, had been actively involved with Mid-Term Appraisal of Maharashtra for the 11th Five Year Plan, Planning Commission, Govt. of India, 2011. She has been a part of the Flagship Course on Health System: Strengthening and Sustainable Financing from 28-31 May, 2018 conducted at LABSNA, Mussorie jointly with Harvard H.T. Chan School of Public Health, Harvard University. She has been an active participant in the workshop on Multidimensional Poverty Index, organized by UNICEF and Oxford Harvard Policy Initiative at Samiti Sabhagruha, Mantralaya, in 2018. Currently she is coordinating a project on "Employment and Employability of Higher Education Graduates in India" since January 2017, funded by Centre for Policy Research in Higher Education (CPRHE), National University of Educational Planning & Administration (NUEPA). In addition, she has various publications in National and International journals to her credit.

What are your current research interests and what prompted you to pursue those specific areas?

Currently, I have been working in the area of employability issues of higher education graduates, health seeking behavior and health financing options for urban as well as rural poor. Being a professor of Development Economics, I have always been interested in studying the different paradigms of development which have direct implications for human wellbeing.

In your opinion, how well is competition working at keeping down the costs of healthcare?

This pandemic has underlined the importance of public health in all the countries of the world. My personal opinion is that health care services differ in different aspects and are of different types. Due to this product differentiation, the tariff structure is not comparable at all. Hence, the impact of competition on cost reduction is very limited mainly in developing countries.

To what extent are you seeing remote working options as possibilities for sustainable livelihoods in the informal sector?

It has limited scope in underdeveloped and developing countries. The institutions and infrastructure required for remote working is not currently in place and it will certainly take some time for this sector to adjust to this new normal. In fact, in a city like Mumbai also many IT driven services in the informal sector could not function due to lack of facilities to function during the lockdown.

What advise will you give to students who want to delve further in the subject of economics?

It is very important to have thorough theoretical background in core papers like Microeconomics, Macroeconomics, Public Economics and Development Economics. Also, it is absolutely essential to have some quantitative background for better understanding of economic theories and models and its application in the contemporary times.

COVID-19 FREE NEW ZEALAND

New Zealand's success in controlling corona virus disease 2019 has been described as "crushing the curve". Three days after WHO declared the corona virus outbreak a public pandemic of international concern on 30 January 2020, NZ taking lessons from European experience began to introduce disease prevention measures and continued strengthening its policies in the weeks that followed.

The main reason why New Zealand is Corona Virus free today is that it strictly followed WHO guidelines on physical distancing, communication, testing, isolating, treating cases and contact tracing.

Amid fears of a global recession, NZ officials fear almost every sector to be seriously hit, certainly tourism, hospitality and aviation. Due to the blooming relationships of NZ with China, it has suffered a huge loss in international trade. In total New Zealand's revenue has declined approximately by 40%.

New Zealand's economy is reviving and bouncing back way faster than anyone had ever expected. This is due to its strategized economic policies and subsidy planning, an extra of 40,000 businesses have been made eligible for subsidy and thus, potentially benefiting more than 901,000 employees.

GUEST
COLUMN

ARTICLE BY:
VANYA JAIN

GRADE: 12TH

SCHOOL:
SAINT ANDREWS,
NEW DELHI

The various schemes are expected to cost \$3.9 billion dollars. Despite the cost, it is helping various sectors of the economy to buckle up and contribute to the National Income and GDP growth. Like every other country, New Zealand's government is also supporting its small businesses and encouraging everyone to walk hand in hand, not physically but by supporting small businesses. According to the sources, New Zealand will be announcing their upcoming Monetary Policy Statement on 12th August.

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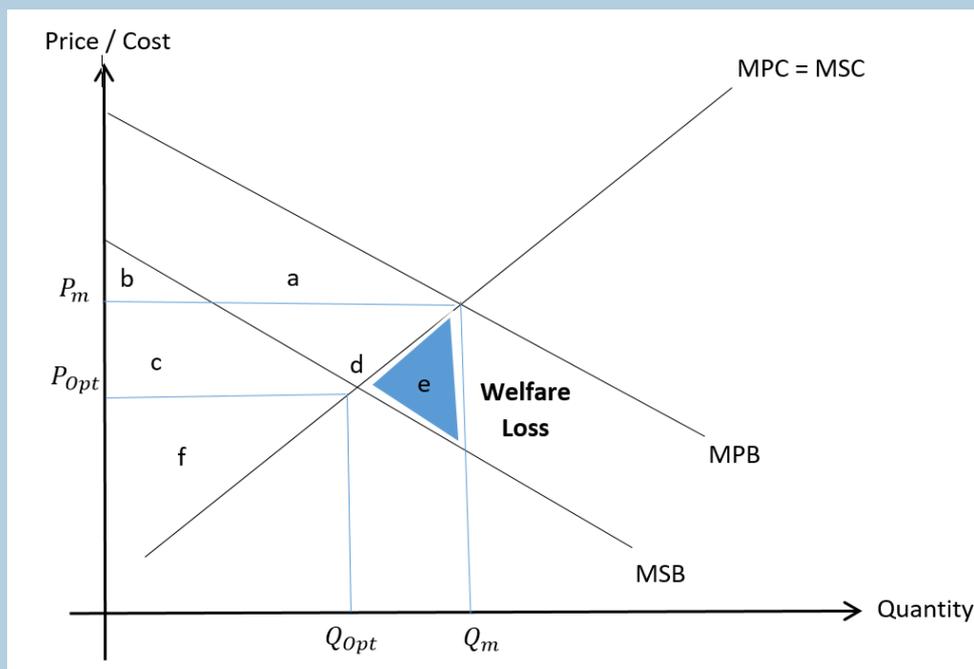
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ANALYSIS OF THE JUNK FOOD ECONOMICS OF INDIA

Article By Aks Arora
11 IBDP

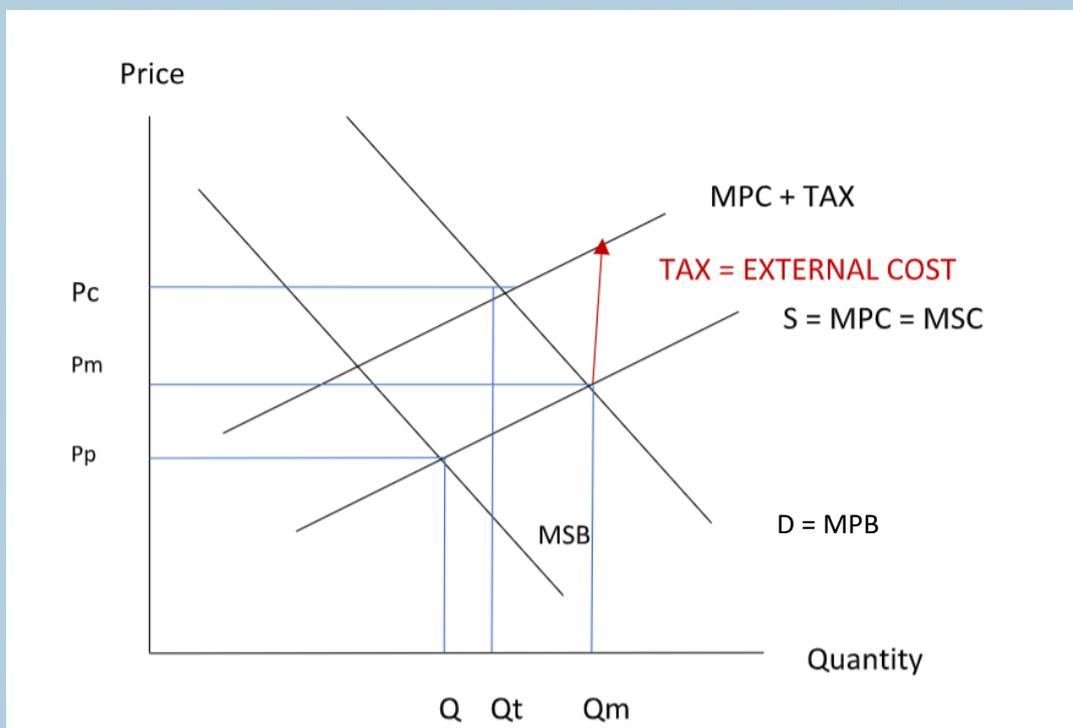
The Indian government has cleared a recommendation to impose a fat tax on the consumption of junk food in the country. This is a type of Indirect Tax. **Indirect Taxes** are taxes levied on spending to buy goods and services, called indirect because, whereas payment of some or all of the tax by the consumer is involved, they are paid to the government authorities by the suppliers (firms), that is, indirectly. **Fast Food** can be considered as a **demerit good**. **Demerit goods** are considered to be undesirable for consumers and are overprovided by the market. Reasons for overprovision may be that goods have negative externalities, or consumer's ignorance about the harmful effects. Indirect Tax is a form of **government intervention**. **Government intervention** is the practice of government to interfere in markets, preventing the free functioning of the market, usually for the purpose of achieving particular economic or social objectives.



The diagram suggests occurrence of negative consumption externality due to consumption of junk food. The free market over allocates resources to the production of the good and too much of it is produced relative to the social optimum. This is shown by $Q_m > Q_{opt}$ and $MSC > MSB$ at Q_m . The shaded area represents welfare loss. Owing to the over allocation of resources to the production of the good.

In market equilibrium the consumer surplus equals $a+b$. And the producer surplus equals area $c+d+f$. The externality is represented $a+d+e$ and is depicted by the vertical distance between MPB and MSB . Thus, the total social surplus being $b+c+f-e$. At the social optimum consumer surplus becomes $b+ c$ and producer surplus becomes f , whereas the external cost becomes zero. Thus, the total social surplus being $b+c+f$.

The tax levy is aimed to discourage people to consume junk food as not only will it cause harm to their health but would also have spillover costs to the society considering the fact that it will put added burden on the health care and hospital infrastructure while also reducing the productivity and efficiency by obese people. India has 22% of obese children according to WHO.



The diagram suggests imposition of fat tax by the Indian government it leads to a fall in the supply of fast food depicted by a left-ward shift from MPC to MPC+ tax. The price paid by consumers increases from P_m to P_c . The price received by the producers falls from P_m to P_p . $P_c - P_p$ multiplied by the Q_{opt} being the tax revenue collected by the Indian government. At Q_{opt} the welfare loss has been corrected and allocative efficiency is achieved. Allocative efficiency is an allocation of resources that results in producing the combination and quantity of goods and services mostly preferred by consumers. It is achieved when the economy allocates its resources so that no one can become better off in terms of increasing their benefit from consumption without someone else becoming worse off. The condition for allocative efficiency is given by $P = MC$ (price is equal to marginal cost).

Although the imposition of fat tax would result in government revenue but it might not be completely successful in eliminating the problem as people can switch to cheaper substitutes. Moreover, high taxes can negatively affect the fast food industry and the people employed in the industry. Thus, the Indian government can complement the imposition of taxes with other measures as well such as subsidising the healthy food options which can replace fast food and encourage people to consume more healthy food. The government can also adopt various methods of advertising to make people aware about the drawbacks of consuming fast-food, in order to reduce its consumption.

The fat-tax would negatively affect the consumers in the short-term as the price of fast-food will increase. However, in the long run they can choose healthier substitutes. The fast food producers will also be negatively affected, as their cost of production would increase and the supply falls.

In the present, with the obesity rate rising, the government's decision to impose the fat tax seems to be the right step as it will correct the externality and the over-allocation of resources. Secondly, the indirect tax would reduce the spill-over cost to the society. Thirdly, it will increase the productivity of the workforce by making them much healthier and efficient. Moreover, it will raise tax revenue of the Indian government and the money can be utilized in improving the healthcare and infrastructure. However, other measures could also be considered by the government.

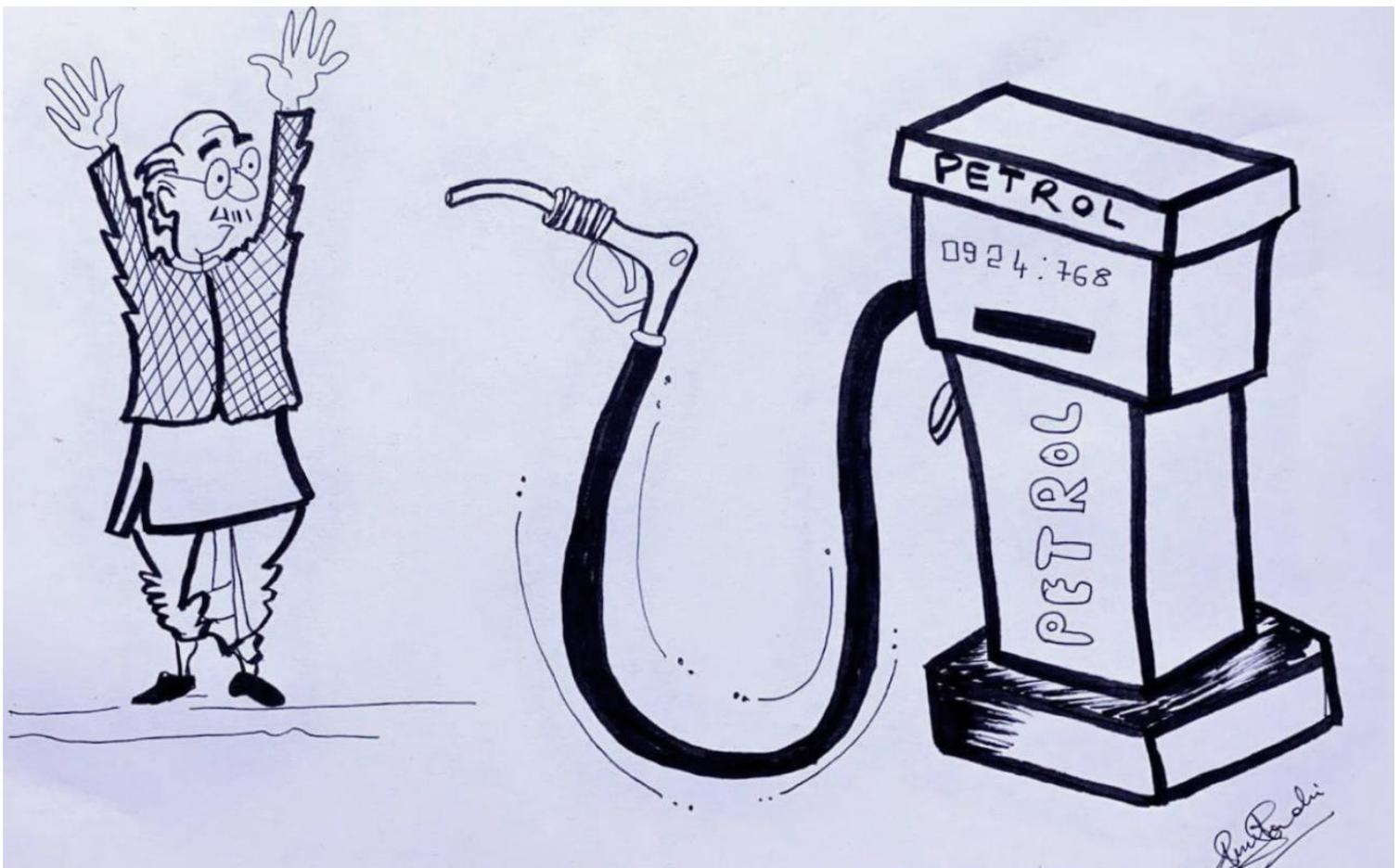
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OIL RULING OVER US

EDITOR'S
COLUMN

Caricature By Shruti Sondhi
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INTERVIEW INSIGHTS

Dr. Pallavi Panda



Dr. Pallavi Panda has been an Assistant Professor of Economics at State University of New York, Geneseo since 2015. She completed her Ph.D. in Economics from University of California, Riverside in 2015. Before that she completed her Master's in Economics from Delhi School of Economics in India and Bachelor's in Economics from Miranda House, Delhi University. She won the Dean's Distinguished Fellowship Award at the University of California, DSE Merit Scholarship at the Delhi School of Economics, and the Sumana Dutta Gold Medal during her undergraduate study at Miranda House. Her research areas are in development economics, health, gender, and demography with a concentration on Asia and sub-Saharan Africa. She recently won the Hewlett Foundation/IIE Research Fellowship to work on the impact of trade on women and children in sub-Saharan Africa. She has presented at numerous top peer reviewed Economics conferences including American Economic Association (AEA) Annual Conference, University of Oxford (CSAE), and United Nations University (UNU-WIDER) Conference and has published papers in top journals in her field like World Development, Journal of Quantitative Economics, and Economics Bulletin. She enjoys teaching courses in Microeconomics, Development Economics, Gender Economics, and Health Economics and has received recognition awards for teaching.

How do you foresee this covid induced crisis affecting income inequality in the US?

There is now evidence that COVID-19 is affecting the marginalized communities more. Black and Latino population are more at risk and are getting sick at a higher rate. This is along the lines of the economic inequalities we observe with the median income of Black population lesser than their White population counterparts. With the closing of many retail businesses due to the pandemic, we are going to see a larger impact on the poorer population, who work in these service sectors. We are also going to see longer term impact with persistent inequities in education as we transfer to online education/school closures during the pandemic. Without redistributive and social benefit efforts from the government, we are going to see an increase in inequality.

In your opinion which sectors of the economy are likely to recover the fastest and which one the slowest?

In the US, the retail sector (non-food) is badly affected and many in that sector would perish and file for bankruptcies. Tourism, Leisure and Hospitality, agriculture, automotive, and education sectors are also bearing losses of outputs and jobs. Consumer confidence may take some time to return. So, we would see an improvement in retail but a lot of consumption would have been cancelled rather than postponed in both retail and travel. Travel may become more expensive, with a reduction in business travel and increased security measures, which would further suppress the demand. Automotive and agricultural sectors should see a more responsive demand as the economy recovers.

Will inflation rise, creating a conundrum for the Fed?

Despite the excessive printing of money by the Fed recently to provide relief during the pandemic, many economists do not believe that we are going to see an inflationary pressure in the near future. This is because we have both a demand and supply side shock with the pandemic and the decrease in demand is dominating the increase in money supply. Recently, we have seen a weakening of link between Fed creation of money and inflation due to which Fed can continue keeping interest rates low to induce investment.

In your opinion will the uncertainty around US trade policy continue?

This is tricky as trade policy inherently is linked with the institutions and political alignments. The sentiment of "Make America Great Again" has surged with the recent government in power since 2016. This includes more inward-looking policies and therefore being skeptical of international trade and certainly more so from some nations like China. We have a scheduled election in 2020 and that may determine what we are going to see. Apart from this, the world sentiment on trade is also being affected by the pandemic, and as that continues that may determine what we are going to observe with respect to trade and travel restrictions.

“Success is stumbling from failure to failure with no loss of enthusiasm.”- Winston Churchill.
How would you encourage your students to take failures in the right stride?

As I teach at a university, I see this pandemic creating a stumbling block for graduating students as employment opportunities are lower at this point. But remember that economies move in cycles. We should place emphasis on making ourselves better gaining knowledge. And during this process we are going to see failures, but failures are not permanent, and in fact guide us to the next steps. Everyone goes through this and you are not alone! You make yourself unique and a good asset and the world will find ways of rewarding you. Lastly, success should be defined by you and not by the world for you.

HOW COVID-19 SHATTERED THE AMERICAN FOOD INDUSTRY?

The Covid-19 lockdown across the globe played havoc to long established economic and business models. Many countries saw scarcity of food and other essential items as supply chains started getting disrupted and people started hoarding out of fear. While the panic buying and resultant shortage of toilet paper rolls made for very humorous headlines, the larger problem happened with food supplies. With restaurants closed and transportation disrupted, farms struggled to sell their supply, leading to thousands of tons of milk, vegetables and meats being thrown away in the United States.

Panicky Pastures

Sadly, while all this food was being wasted at the farms, panic buying during early days, led to shortages in super-markets. Worse still, the poor people who depend on food through Food Banks stood in mile long queues to get essential food supplies. It is estimated that Covid-19 added over 17 million people to the list of 37 million food insecure Americans.

GUEST
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ARTICLE BY:

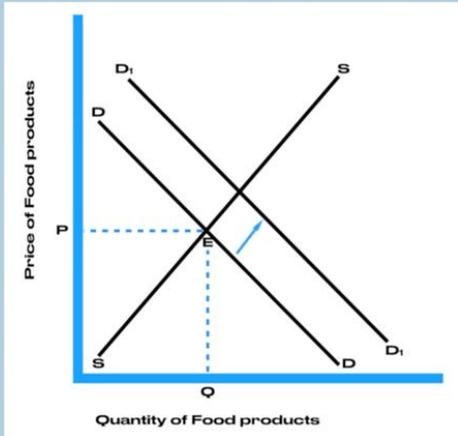
ABHINAV SWARUP

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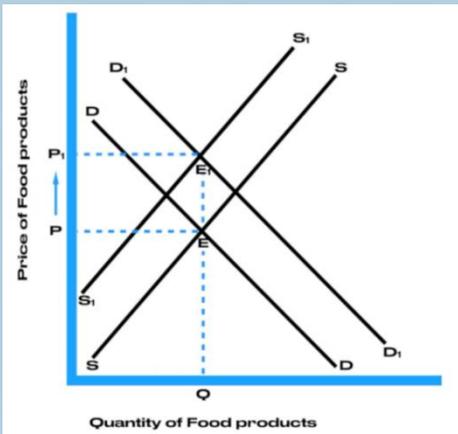
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The demand and supply diagram below, will help understand the problem better.



During the initial stages of the pandemic, panic and fear led to bulk buying and hoarding, leading to an increase in short term demand. This is represented by shifting the demand curve left from D to D_1 .



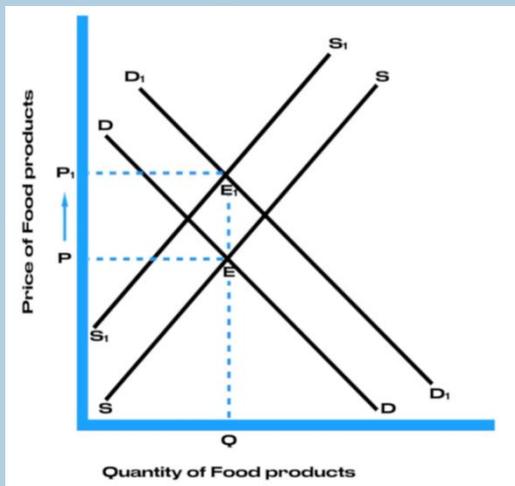
However, this was not the only thing that happened, shutting down of factories, processing plants and logistics led to a decrease in supply at the retail level (This is represented by shifting the supply curve left from S to S_1). Due to these factors the prices increased.

This unique problem captures the breakdown of demand and supply equilibrium during the lockdown caused by disrupted supply chains.

Cheesy Lockdown

The example of the milk industry gives insights on the economics of the lockdown.

Half of the United States' cheese and 60 percent of butter goes to restaurants, and 7 percent of fluid milk is used in the school nutrition programs. After an initial spike in demand in early March as retail shoppers' panic-purchased milk at the grocery store, dairy farmers saw a precipitous drop in demand. With schools and restaurants closed, the dairy industry lost its major customers. This led to supply, far exceeding the demand. The first impact was on price. Milk prices dropped 20 percent, to their lowest point in a dozen years. The bigger impact happened due to the rigidity and breakdown of supply chains which forced milk farmers to start dumping the milk.



Due to the shutting down of schools and restaurants as well as the disruption of supply chains, there was a decrease in demand. This is represented by shifting the demand curve left from D to D_1 . However, during this time supply remained constant as the crops were already harvested and it is difficult to scale down production in the primary sector. This led to a significant loss of revenue for the producers.

Chain Reaction

In the complex world we live in, economies of different countries as well as industries within a country are intertwined in an inter-dependent web. Covid-19 disrupted almost all industries leading to chain reactions of cause and effect. In this example of the food industry here is how chain reaction worked:

Shut down of schools and restaurants resulted in large quantities of unsold produce among farmers. Rigid supply chains meant that that excess produce could not be repurposed for supermarkets or other supply systems. This led to farmers destroying their produce incurring huge losses. At the same time restaurant businesses as well as food processing industries started losing revenue and jobs. Overall, this meant significant impact on GDP, unemployment and individual incomes. Reduced incomes and joblessness led to higher pressure on food banks. However, disrupted supply chains meant shortage of food for the most needy.

While domestic market was disrupted – items that are imported -such as mangoes from India or sugar from Mexico – started disappearing from market. This not only impacted importers but also the exporters in other countries. The airlines that carry these items started to suffer unbearable losses, leading to global slump in oil prices. This impacted the stock market which crashed within days, leading to huge losses for investors and overall wealth of countries. It was because of this vicious cycle that governments around the world, were forced to open the lockdown and the economy, despite the continuing exponential growth of coronavirus.

Future Proofing

While this is a huge problem most countries are facing around the world, there are some solutions. The first is making the supply chains more agile. That could be done by diversifying the suppliers, so that if one production plant takes a hit, there are still alternatives.

The warehouses or collection sectors could be moved closer to the farmland, because a huge issue was the transportation, and getting the produce to the next step in the supply chain. These might not be the most efficient systems but they do make the supply chain much more resilient.

Another solution is ‘segmentation’. Smarter grouping of products can help prioritize the most important and essential goods such as dairy products, agricultural products and meats. This along with the elimination of goods that take many steps in the supply chain, will help these essential goods move through the supply chain more easily and into the hands of a large number of people. The public sector can also supply emergency provisions at a large scale in existing food banks. This will give a reliable source of food for unemployed people. The last solution can be policy change. The government can get certain people listed as essential workers such as truck drivers who transport the food, or factory workers who work in processing plants. Doing this will allow the supply chain to work more smoothly. The second thing that can be done is to put a limit on how many items can be purchased at a time. This will prevent hoarding and shortages.

While these solution might work successfully in the long term, the food manufacturers were bleeding money at an unsustainable rate. Therefore, the government had to intervene. The Trump administration announced a \$19 billion package to bail out farmers and distribute the produce to those in need. It announced that it will purchase \$300 million per month in fresh fruits and vegetables, dairy products and meat. The USDA will pay distributors directly to pick up available food from farmers and producers and truck it to food banks.

Let’s hope that the disruptions caused by COVID-19 will soon be over, and the economy can get back on track.

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THE GREAT FINANCIAL CRISIS

Article By Unnati Bajpai
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Recession is an economic term used to describe the contraction in the business cycle, which is caused by a decline in the economic activity. The great recession originated in United States by the financial crises of 2007-2008 and had spread widely to other countries. It began in late 2007 and lasted till mid of 2009. It was the longest recession for most countries since the great depression of 1929.

The primary cause of this recession was the subprime mortgage crisis. Mortgage is to pledge a real property as the security for a loan. In general, banks do not provide loans to people with bad credit history but in the 2000s the housing market was booming and during this period America was getting loads of cash from Russia. Banks did not want this cash lying around, thus, they started to give subprime mortgage to people even to those who had low credit rates. Therefore, lenders were lending money and charging high interest rates from people who were less likely to pay back. The value of houses started to increase, which many people could not afford.

In 2008 the demand for houses smashed, as the demand of the houses went down with supply of houses increasing as people could not pay back the high interest rate, so they started selling their homes hence, the prices of homes dropped rapidly. People stopped investing in real estate as it was not profitable anymore. They could not pay back the mortgage loan or even sell their house anymore. Banks took over the houses, as collateral, of those people who could not afford to pay back the loan. As a result, the housing market collapsed with banks collapsing too. The economy got widely affected resulting in the recession.

Americans were widely affected by this recession. Thousands of people and businesses were suffering from financial losses, which led to their disability to spend on other commodities as well. Hence damaging the entire economy. During this period over 8 million Americans lost their jobs and were left unemployed. More than 4 million were left homeless and 2.5 million businesses were shut down. Financial firms were not capable of lending money, so in 2008 US government decided to pitch in and aided the banks. This lead further to an increase the national deficit.

The government started coming up with solutions in order to prevent more losses. In 2009 government passed a huge stimulus package which pumped \$800 billion into the economy resulting in new spending and tax cuts. This helped in slowing the free fall of spending, output and employment. In 2010, the government passed a financial reform known as the Dodd-Frank law which took steps to operate in such a way that it is easy for others to see what actions are performed and preventing the banks from taking risks. This helped businesses and banks to get back and take time in order to cover up the losses. And it did, today the American economy is one of the most powerful economies in the world.

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GLOBAL ECONOMY IN 2020

GUEST
COLUMN



Covid-19 has battered the economy, and caused the worst economic loss since the great depression

Most of the countries around the globe have imposed lockdowns, leading to global recession. Thus, in order to revive global economy, we desperately need a vaccine against COVID-19

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INTERVIEW INSIGHTS

Dr. Shagata Mukherjee



Dr. Shagata holds a Ph.D. from Georgia State University's Andrew Young School of Policy Studies in Atlanta, USA and currently teaches courses in behavioral and experimental economics, development economics, and public policy at Meghnad Desai Academy of Economics. Dr. Shagata's work has a strong focus on the role of gender, social contexts and norms on policies. His research examines how to reduce the risk of default among microfinance borrowers, and sheds new light on the conventional wisdom that women are better borrowers than men in microfinance. Prof. Mukherjee has presented his research at the University of Chicago, George Mason University, International Food Policy Research Institute in Washington D.C, Symposium on Economic Experiments in Developing Countries in Norwich, UK, Spanish Economic Association Meetings in Bilbao, Spain, Delhi School of Economics and Indian Statistical Institute, Delhi, Centre for Experimental Social Sciences, Nuffield (University of Oxford) – FLAME among others. Prof. Mukherjee enjoys teaching in an interactive way and teaches courses in Microeconomics, behavioral and Experimental Economics, and Public Policy of Development at the Academy. Prof. Mukherjee has a joint appointment with the Mumbai School of Economics and Public Policy, University of Mumbai.

In your opinion, what role can nudge theory play as preventive strategies against Covid-19?

I believe that the nudging individuals to adapt to prescribed behavior in times of a pandemic has to be centered on the change in their perception of themselves and the virus. While mandates like lockdowns become necessary, living with COVID would require an intrinsically motivated change in our everyday behavior and actions. Such changes in perception can be brought using frequent reminders, social pressure and by capitalizing on basic human tendencies like pro-social behavior. It is imperative to ensure that the warnings and prescriptions aren't excessive so as to avoid behavioral fatigue or in the worst-case aversion to them. Nudges are soft paternalistic behavioral interventions, their success depends on various aspects of the situation. However, the other policies introduced with these nudges have to be in sync. One of the reasons we saw a major hike in infection in the post-lockdown period in India was because of the contradictory and often mixed signals given to the public. The caller tunes by every service provider in multiple languages prescribe going out only in unavoidable circumstances on the other hand, the opening up of malls and restaurants tempt individuals after months of being constrained at home.

Therefore, if we need behavioral changes like maintaining social distancing and wearing masks, which are unquestionably desirable, policy makers will have to use nudges. Like salient and impactful posters to remind people about wearing masks and correct way of washing hands in public places and washrooms, placing sanitizers on doors etc.

Seeing from the telescope of behavioral economics and recent studies on it, can it be suggested that consumer rationality is more a myth than a fact?

The notion of consumer rationality was not present before the Anglo-Saxon utilitarianism and Marginalist traditions become mainstream economics. The early economists like Smith repeatedly discussed how several psychological and sociological factors shape choices and human behavior in general. Purposive action (actions taken by consumers are based on a well-defined purpose decided on the basis of correct and accurate mathematical computations) contradicted the sociological concepts of structuralism & functionalism and molded economics into a distinct and distant discipline in social sciences.

In understanding of human nature, conditioning and formation of thought processes, rationality is not a myth; there will always be rational choices that human beings can make. But mechanisms like automatic thinking and role of heuristics in decision making are also important as individuals are socially conditioned, lured and often manipulated into making choices that are not rational. But behavioral economics never claims that consumer rationality is a myth. That will be a misreading of behavioral economics.

In your opinion, is this method of influencing choices ethical?

The question of ethics around behavioral interventions were raised when policies started deriving results from it. For the longest period of time be it in governance, architecture or marketing, several fields used behavioral insights (in some cases exploited) to have an edge over other products in the markets or gain profits. The difference in the contemporary methods however come from a point of formularization of the field of behavioral economics and finance, the mainstreaming of the nudge theory does not leave the consumer unaware of such interventions and policies, increased information in the market will create better awareness.

The policies that are based on behavioral insights are evaluated using several mechanisms and are then replicated. Conducting studies also require approvals from independent ethical bodies like Institutional Review Boards or Ethics Committees that are supposed to safeguard the interests of the subjects. While such mechanisms are present, the responsibility of not crossing certain boundaries has to be also on the nudger.

“Success is stumbling from failure to failure with no loss of enthusiasm.”- Winston Churchill. How would you encourage students to take failures in the right stride?

One of the attributes that makes the feeling of success an exciting and felicitous one is its infrequent and long-awaited arrival. We experience numerous feelings and situations every day, what makes success stand out is not the economic gain from it (while a part of your happiness can be attributed to the economic gain) but it is the end result of your repeated efforts. Imagine an alternative situation where your success is a fortunate happenstance outcome and is not a function of your efforts and attempts, the happiness you will experience will certainly be different in both cases, as it should be. At the same time, I cannot say that experiencing one failure after the other will not result in or should result in loss of enthusiasm (that too is a bias, over optimism bias).

What we need to do to motivate and encourage students in such situations is to allow them to acknowledge and accept the negative emotions they are experiencing, at the same time we also need to help them process these emotions and use mindful nudges to motivate them by channelizing these negative emotions in a positive manner. For each student, the source of motivation has to be different but discussing what failure looks like and feels like we normalize the idea of ups and downs saves individuals from extreme impulsive decision making by avoiding excessive overload on their mental bandwidths.

COVID-19 AND THE FUTURE OF GLOBALISATION

GUEST
COLUMN

Covid-19 is a disease caused by the novel coronavirus that emerged in Wuhan, a city in China in December 2019. Although the exact source has still not found and many health officials are still tracing that from where did it actually emerge. Early hypotheses thought it may be linked to a seafood market in Wuhan city but a study that came out on 25th January 2020 stated that the individual with the first reported case was found ill on December, 1, 2019 and had no link with the sea food market. The outbreak of this corona virus has adversely affected the whole world and its economy. It has a really worse impact on the import and export of the countries.

Some of the big countries like Brazil, Russia, India, China, and South Africa are badly affected by this virus. The lockdown has been implemented in almost every nation in the world which in turn caused a burden on foreign exchange and gold reserves of a country as the working strata of the society is within the household. There has been no income or taxation therefore the governments are left with no source of income. The rise in novel coronavirus has resulted in steep decline in development rates of almost every country. The investment on vaccines by various government has induced some hope but the results are still disappointing, though the production of PPE kits and sanitizers resulted in some production activities but it is still not enough to support the whole nation's income.

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All the nations are reluctant to start international flights, international trade channels. The import and export duties have been increased immensely, which has resulted in a negative impact on globalization in fact this has led to de-globalisation period further stagnating the world economy. The prices of petrol in nations have also decreased and which isn't good for the economy from the growth perspective.

The international market is seeming to be reluctant to trade as it is safe from the country's perspective as no vaccine has been introduced yet. The covid-19 situation is leading to backward international trade practices which does not seem helpful for the nation yet important for the protection of the country. But this does not just have negative impacts for the countries but has led to becoming self-reliant which means the domestic producers would be helped and the foreign outflow would be reserved and there would be a growth at least in the domestic economy.

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INFLATION IN INDIA

Article By Vineet Rana
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INTRODUCTION

The rate of Inflation in India is 7.66 (as per 2019). Inflation is commonly understood to be a situation in which prices of goods and services persistently rises at a fast pace. It is important to note that inflation refers to the state of rising prices and not to a state of high prices. The inflation in India is regarded as walking inflation. Walking inflation is when the price rises moderately and the annual inflation rate is in single digits.

CAUSES FOR INFLATION IN INDIA

- **Increase in money supply** - Over the last few years the rate of increase in money supply has varied between 15 and 18 per cent, whereas the national output has increased at an annual average rate of only 4 percent. Hence the rate of increase in output has not been sufficient to absorb the rising quantity of money in the economy. Inflation is the obvious result.
- **Increase in government expenditure** - Government expenditure in India during the recent years has been rising very fast. What is more disturbing, proportion of non-development expenditure is increasing rapidly, being about 40 per cent of total government expenditure. Non-development expenditure does not create real goods; it only creates purchasing power and hence leads to inflation. Not only the above mentioned factors on the Demand side cause inflation, factors on the Supply side also add fuel to the flame of inflation.

- **Rising import prices** - Inflation has been a global phenomenon. International inflation gets imported into the country through major imports like fertilizers, edible oil, steel, cement, chemicals, and machinery. Increase in the import price of petroleum has been most spectacular and its contribution to domestic price rise is very high.
- **Rising taxes** - To raise additional financial resources, government of India is depending more and more on indirect taxes such as excise duties and sales tax. These taxes invariably raise the price level.

CONSEQUENCES OF INFLATION IN INDIA

Inflation has wide ranging consequences on economic, social, moral and political life of India. Below we will discuss the important effects/consequences of inflation.

1. EFFECTS ON PURCHASING POWER

By purchasing power of money, we mean the amount of goods and services that a unit of money can buy. The purchasing power of money declines during inflation. For example; suppose you lend a sum of rupees 10,000 to a person at a rate of 10% per annum. After a year you will get rupees 11,000 (10000 + 1000 [interest]). Further, suppose the rate of inflation remains 8 percent during the year. Then, the 8 percent interest income will be offset by the rise in prices and you will only receive 2 percent real rate of interest. Thus, inflation reduces the value of money.

2. EFFECTS ON PRODUCTION

A moderate rise in price has a favorable effect on production particularly when there are under-employed resources in the country.

Its evil effects are stated below:

- **MISALLOCATION OF RESOURCES** - inflation disrupts the smooth working of the price-mechanism. It leads to maladjustment in production. Producers shift their production from essential goods to non-essential goods (i.e. luxury goods).
- **HOARDING** – during inflation, the hoarding of larger stock of goods becomes profitable. Due to this, the availability of goods in market decreases because of which sellers charge more price for the same good.

. EFFECTS ON DISTRIBUTION

Inflation redistributes income because prices of all factors do not rise in the same proportion. Generally, it favorably affects the people with flexible incomes like businessmen, traders, merchants, etc. It is because of the fact that the prices rise faster than cost of production, adversely affecting the fixed income groups like, workers, government employees, salaried persons, etc. The effects of inflation on different sections of the society are discussed below:

- **DEBTORS AND CREDITORS** – during inflation debtors gain but creditors lose. When the prices rise, the value of money (i.e. the purchasing power of money) falls. The debtors gain because they now pay less in terms of goods and services. For example, at the time the debtor borrowed the money the purchasing power of money was to buy 5 APPLES but now when the creditor gets the money the purchasing power of the money is only left to buy 3 apples.
- **INVESTORS** – inflation has a mixed effect on the investors. Investors in fixed earning assets (like bond, debentures and deposits) lose whereas; the investors in shares of companies tend to gain during inflation.

In conclusion, inflation in India, is one of the main economic problems. Unemployment, poverty, illiteracy, are directly linked with inflation. The rate of inflation is seen to be constantly rising in the past few years. To control this issue of inflation the government must take steps for controlling inflation with measures, otherwise massive unrest in public may aggravate the situation beyond description. It should take some control measures such as, monetary measures (control on credit, issue of new currency and control over money supply) and Fiscal measures (reduction in public expenditure, increase in taxes, public borrowing and policy of surplus budgets

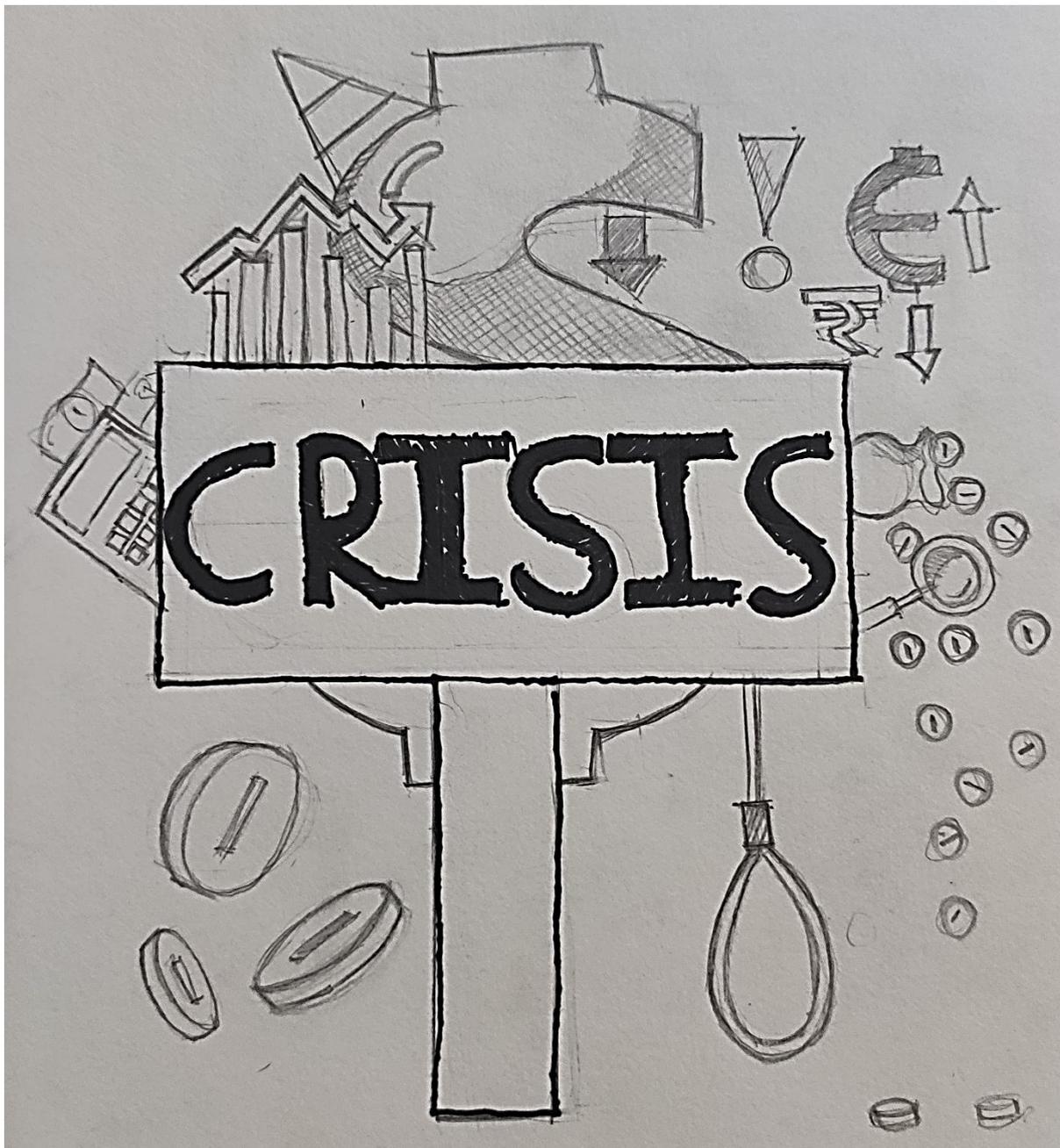
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ECONOMIC CRISIS

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11 CBSE



INTERVIEW INSIGHTS

Prof. Meera Malhan



Prof. Meera Malhan is an associate professor with a teaching experience of more than 32 years at the Delhi College of Arts and Commerce (DCAC), University of Delhi. Her specialization includes Indian Economic History, Indian Economy, Money and Financial Institutions etc. She graduated in economic honors from Jesus & Mary College and completed her post-graduation from the Delhi School of Economics, University of Delhi. She has an M.PHIL in Economics from Jawaharlal Nehru University and is currently pursuing her PhD. She has contributed nine modules on an e-pathshala Project for Center for e-learning, a project by UGC under the NMEICT mission of MHRD, GOI in 2014. She has also served as a member of Delhi University's Committee of Courses and Studies for Honors in Undergraduate Studies in Economics at Delhi School of Economics from 2013-2015

What are your current research interests and what prompted you to pursue those specific areas?

I'm currently pursuing my PhD on an exploratory study on the financial inclusion of 18th century Rajasthan. The reason that I chose this topic is that I am interested in Monetary Economics and believe that, though India has achieved a lot with respect to widening and deepening of the Financial Sector there is scope for a lot more.

“The more that economic thinking advances to meet changing realities, the better will be the analysis that informs the policy response.” Comment.

I completely agree. Given that there are a lot of challenges that continuously crop up both within and outside the country, our response system has to be alert and proactive. The country and the economy cannot afford to take a long time in reacting to changing circumstances.

How can we, as students, learn to bridge the gap between theoretical knowledge and practical understanding of concepts?

Theoretical knowledge is the basis for any economic based decision, but in reality there are political and social factors which have to be taken into account before a final policy decision is made. Thus, I feel that there is no real gap. It is just an application of theory in the real world, this in turn definitely requires an in depth knowledge of all other factors.

What advise will you give to students who want to delve further in the subject of economics?

Economics is the basis for any aspect of decision making in the country/world or for that matter any thought process with respect to policy making. At no point in time can one let go the 'Economics' of any decision making. A deeper insight into the various branches of Economics will and does give us a wider scope and knowledge to address 'real' issues which the economy faces.

ECONOMICS OF EDUCATION

GUEST
COLUMN

INTRODUCTION

Economics of Education is the study of economic issues relating to education, including the demand for education, the financing and provision of Education, and the comparative efficiency of various educational programs and policies. Economics of Education focuses on the economics of the institution of Education.

From early research on the relationship between schooling and labour market outcomes for individuals, the field of the economics of Education has grown rapidly to cover all areas with links to education.

MEANING AND SCOPE OF ECONOMICS OF EDUCATION:

Economics of Education as an area of study cannot be said to be a separate field of inquiry that is different from the conventional economics. Economics of Education is the application of Economic principles, concepts and laws to the process of Education. Economics of Education looks into how human behaviour affects economic development. Economics of Education is one of the branches of ordinary economics .It is the study of how educational managers make official or approved choices from scarce available resources which is meant for the realization of the best possible educational outcomes.

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Economics of Education employs the use of some elementary concepts commonly used in labour economics, public sector economics, welfare economics, growth theory and development economics.

World known classical economists like Adam Smith, Alfred Marshall, and John Stuart Mill had discussed education and development extensively, advocating for public investment in education. So, by the 1950s, economists gave attention to issues such as the relationship between education and economic growth; relationship between education and income distribution and also the financing of Education. Economists analyse the production of Education in this world where resources such as the capital invested in buildings or technology and the labour of the teacher workforce are necessarily scarce.

This scarcity of resources means that policymakers must decide:

1. How much to spend on each stage of Education (i.e. what to produce);
2. How to provide educational services in a way that maximizes its benefits to society (i.e. how to produce education); and
3. Who should have access to each stage of Education (i.e. for whom is education provided?).

There are three decision makers or stakeholders in the educational system. These are:

1. The society
2. The institutions or providers (suppliers) of Education, and
3. Individual or households (purchasers of Educational services).

These major stakeholders are presented with the twin problem of choice and scarcity of resources. The fundamental problem of economics of Education is how the society, institution and the households make use of the limited human and material resources they have, to best satisfy their unlimited wants for education. The solution to this problem requires the application of certain economic concepts.

The study of economics of Education includes private and social rates of returns to education, human capital and signalling theories of Education, non-pecuniary benefits of Education, education and economic development, contribution of Education to the economy, measuring educational expenditure, manpower planning, educational planning and human resource development, educational cost, cost analysis, educational production, educational effectiveness and efficiency, cost-efficiency cost effectivity, cost-benefit analysis and economics of teacher supply, educational and equity

Hence, Economics of Education as an area of study cannot be said to be a separate field of inquiry that is totally different from ordinary economics. Economics of Education is the application of Economic principles, concepts, and laws to the process of Education, and thus provides the comparative efficiency of various educational programs and policies. From early works on the relationship between schooling and labor market outcomes for individuals, the field of the economics of education has grown rapidly to cover virtually all areas with linkages to education.

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TRADE IN THE TIME OF CORONAVIRUS

Article By Hayena Bindal
11 CBSE

As new cases of the COVID-19 raise fears of a global pandemic, the impact of the shutdown across China has started to hit Indian businesses, some very severely. With eastern Chinese provinces like Hubei and other eastern parts of China taking a big hit; Indian industries depending on Chinese imports took a halt as well.

About 18% of the total merchandise imports to India are from China as of 2019. India had a trade deficit of \$159 billion in 2019, yet it remains a net importer from China of worth \$56 billion. In this backdrop, the worst-hit industries are electronics, consumer durables, auto components and pharmaceutical industry.

ELECTRONIC INDUSTRY

Statistics show that China plays a major role in the share of the inputs required to manufacture electronic devices. The entire supply chain of electronic components is facing a strain. Apart from the in-transit Chinese imports of raw materials, even the already arrived Chinese raw materials are causing a delay in the production as every single component needs to be well sanitized. What is even more tragic is that the workers are not ready to come in contact with the Chinese raw materials.

From mobile phone manufacturing to printers, to PCs to set-up boxes and inverters are being affected since PCBs were sourced from China. These were just being assembled in India. There are chances that the industry will be able to utilize only 50% of new production capacities.

PHARAMACEUTICAL INDUSTRY

The Trade Promotion Council of India stated that about 85% of APIs (Active Pharmaceutical Ingredients) which India imports are Chinese. This overdependence of India has caused raw material supply disruption and price volatility. India is highly dependent on China for some intermediates, specifically antibiotics and vitamins.

In a recent interview, Anil Bhardwaj, Secretary-General (FISME) said that “The import of APIs is critical for the pharma industry and its shortage will cripple pharma manufacturing”.

LEATHER INDUSTRY

The leather goods manufacturing sector has a very high level of essential imports. Well, many global buyers strictly adopt the practice of nominating China-based suppliers for their final orders that are made here in India. So such orders will be negatively impacted. What is clear is that business players in the leather sector need to re-strategize their long term goals/objectives as a result of the Coronavirus pandemic.

In the long run, Indian importers will have to abandon their idea of ‘putting all eggs in one basket’; they have to diversify and cannot rely upon one single market to meet their 70-80% of their sourcing demands. They have to explore and learn about different markets as well. Henceforth, this will help them tackle situations like irregularity in supply chains in the future.

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IMPACT OF CONSUMER BEHAVIOR ON MARKET GROWTH

GUEST
COLUMN

What is Consumer Behaviour?

Consumer Behaviour is the study of how individual consumers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in a specific market and the underlying motives for those actions.

Impact of Consumer Behaviour on Market Growth

Market growth is absolutely dependent on consumer behaviour. In order to be well-off in today's world, marketers need to know what consumers need, what they think about, how they spend their time, and how they spend their money.

Consumer behaviour controls the type of marketing strategy that organizations such as small businesses employ, so they conduct studies to determine which strategies are likely to prove most effective. Small businesses need to know the members of their target audience, what they want, where they are located and how they will react to product promotions. They gather this information via market surveys and studying data regarding the past behaviour of consumers. Data is obtained from a variety of sources such as marketing databases, sales history and the internet.

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Companies make great products that they think consumer will prefer to buy. They provide exceptional service. They spend huge amounts of money on advertising and marketing. They enhance their processes to ensure that costs are minimum and profits are maximum. Some organisations also make their products and services affordable, so that a larger consumer base can be set up which would bring them more profit. They keep enhancing their production processes regularly.

Studying consumer behaviour also helps marketers decide how to present their products in a way that generates maximum impact on consumers. Thus, it is absolutely necessary for producers to study consumer behaviour in order to be profitable.

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THE JAW-DROPPING ECONOMY

Article By Ananya Singh
11 IBDP

The Switzerland economy is resilient as it has an international outreach and strong international relations with the economies of other countries. Switzerland is one of the most competitive economies in the world mainly due to a high Gross Domestic product, per capita (GDP per capita). It is a prominent player in the world economy also because of its high added value services (tertiary sector). The country has specialized industries with a motivated and highly skilled workforce of 4.9 million people out of an 8.5 million population.

The Switzerland economy has been rated free for more than a decade which means, they can enjoy incomes that are over twice the average levels in all other countries. The GDP growth has slowed in recent years mainly because of risks, from the escalating trade war between China and the United States.

The country has advanced political welfare, economic, and social stability. Switzerland also has good relations with the European Union which helps them provide leadership in the world and to collaborate on issues of global importance. This has the same level of impact as much to foreign affairs and development as to the traditional area of trade.

Switzerland's economy is highly modern and diversified. The nation has become one of the most competing economies in the world due to its openness to global trade and investment.

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IMPACT OF COVID-19 ON THE WORLD ECONOMY

Article By Gaurang Singh
11 IBDP

This all started when 3 adult patients who had serious pneumonia were admitted to a hospital in Wuhan, China on 20th December 2019. The 3 patients were reported with cough and fever. The first patient died on 9th January but the remaining two were discharged on 16th January 2020. How covid-19 came to Wuhan is currently unknown, but 66% of the initially infected patients were directly exposed to Huanan seafood market.

The outbreak of Covid-19 has disturbed the financial structures of the whole world. Recently, the United Nations Conference on Trade and Development (UNCTAD) observed that the Covid-19 will likely cost the economy \$1 trillion in 2020. In the worst possible scenario if the economy grew at only 0.5% then it would involve a \$2 trillion hit to GDP.

People from around the world have started applying for unemployment. In just a week 3.3 million Americans started looking for jobs which doubled to 6.6 million in the next week. The unemployment rate in India went up to 24% in May due to the Lockdown.

Due to the recession and collapse of Economic Structure 80 countries already requested the International Monetary Fund (IMF) for financial help. The stock markets are severely damaged due to the virus. Stock markets around the world saw the worst hits and are currently down by 30-35%. By looking over the existing conditions many investors moved their money from businesses which resulted in a withdrawal of \$83 billion from the existing markets since the outbreak.

Many small businesses shut down and people started looking for other options during this pandemic. The tourism and aviation industry suffered the most. The government owned Qatar Airways and many other came on the verge of bankruptcy due to the lockdown. According to the UN World Tourism Organisation Covid-19 has caused a loss of US\$40-50 billion to the tourism industry globally.

It is observed that the economic recovery around the world would only be possible by the end of 2021 as it has left severe impacts on the global economy.

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HOW HAS COVID-19 AFFECTED THE WORLD'S ECONOMY?

Article By Anushka Gandhi
9th IGCSE

Amid the coronavirus pandemic several countries have practiced “lockdowns” to flatten the curve. This lockdown meant confining all citizens to their homes, shutting down businesses that are not essential, and ceasing all economic activity. According to the International Monetary Fund, the global economy is expected to shrink by over 3 per cent in 2020.

This pandemic has disrupted the political, social, economic, religious, and financial structures of the entire world. The world’s highest economies for example- US, China, Japan, UK, Germany, France, and Italy are on the verge of collapsing. Stock markets around the world have been pounded and oil prices have slumped. In just a week, 3.3 million of Americans applied for unemployment benefits and a week later another 6.6 million started searching for jobs. In response, central banks in many countries, including the UK, slashed interest rates. That should, in theory, make borrowing cheaper and encourage spending to boost the economy. Few global markets have recovered as governments have intervened. But some analysts have warned that they could be volatile until fears of a second wave of the pandemic are eased.

There have been some signs of recovery in the global jobs market. China and France, for example, have seen an increase in the employment rates as shutdowns eased. The travel industry has been damaged, with airlines cutting flights and customers cancelling business trips and holidays. Many countries introduced travel restrictions to try to prevent the virus from spreading. Data from the flight tracking service Flight Radar 24 shows that the number of flights globally took a huge hit in 2020.

Governments around the world have pledged billions of dollars for the Covid vaccine, many pharmaceutical companies are busy in finding the suitable vaccines for this deadly virus.

Looking at the speed with which the crisis has overtaken the global economy may provide a clue to how deep the recession will be. The sharp pace of global growth forecast downgrades points to the possibility of yet further downward revisions and the need for additional action by policymakers in coming months to support economic activity.

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THE HONG KONG ECONOMIC CRISIS

Article By Utsav Bajpai
12 IBDP

Unbalanced economic development, economic inequality, and the failure of the Hong Kong government to address economic issues has dragged Hong Kong into an economic slowdown. Financial Secretary Paul Chan has described Hong Kong's economic challenges as unprecedented. In the first quarter, the city had its worst slump on record. Even pillars of the economy that had been holding up, like finance and real estate, are showing signs of softening.

The reasons for an economic slowdown can mainly be attributed to supply and logistic chains disruption, Market demand has also been reduced drastically in the flow of people and commerce thus hampering consumption.

The Hong Kong government. has taken several economic decision in order revive the economy such as a HK\$10,000 cash hand out, tax breaks and a raft of subsidies in a HK\$120 billion package aimed at easing the financial burden on residents and injecting new life into the city's ailing economy.

It is expected that the economy will recover in the last quarter of this year, as stimulus kicks in to lift growth in major economies. However, uncertainties remain high, due to the pandemic and moreover due to the tensions between the city and central government. However, in the longer term, there are upsides. The city's economy has proved to be highly resilient in the past.

Even with Hong-Kong facing several economic crises, the government is introducing several macroeconomic policies to stabilize the situation. However, if the policies fail to provide the aids then most businesses in the country would fail to function and so the unemployment rate would increase and the aggregate demand for the goods and services would decrease which would further lead to a decline in the productivity of Hong-Kong.

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OUTBREAK OF COVID 19 AND INDIA DWINDLING TOWARDS RECESSION

Article By Aarna Sahai
11 CBSE

India has not faced a prolonged long term downturn in economic and financial activity in its 73 years of existence as an independent country. Employment is seen to be on an all-time low, with a whopping 41 lakh people who have lost their jobs already. Some of the worst hit sectors by Covid 19 are the Real Estate, Retail and the Tertiary Sector activities, Financial Institutions, the Automobiles.

This is an alarming issue for Indian citizens as the sale of essential everyday goods has also declined significantly. Our staple purchases of groceries, vegetables, fruits, etc. has waned. For the smooth functioning of a country, the economic activity must be running at all times, but as India has been ensnared in a Pandemic, there is very minimal economic regulatory activity happening. This has forced us to enter into a phase of recession; which is a general decline in all economic and business activities. The cycle of manufacturing, testing, product development, and the official launch of the product is disrupted and it should not be hurdled, considering the majority of India falls below the Poverty Line.

I believe the solution to tackle the downturn of our economy is to promote and engage the businesses that will be at a spike post Covid-19. These jobs would be Social Media management, Graphic designing, App developer, Business System Analyst, etc. According to current statistics, India has been facing jobless growth, wherein the GDP extends but employment is stagnant. Henceforth, the government should consider introducing job recovery schemes, or promoting youth start-ups, or increasing the minimum wage for all employees, which will help in the recovery of the economy and also keep the employment in great shape.

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SURVIVAL STRATEGIES FOR BUSINESSES DURING COVID-19 LOCKDOWN

Article By Mrs. Priya Sharma
Department of Business Studies

It has become challenging for most businesses to keep their financial wheels in motion during the lockdown period due to low revenue churn and the general uncertainty in the global financial environment. Unfortunately, the impact on startups or small businesses can be way more brutal as they have scarcer cash reserves and a smaller margin for managing sudden slumps. It is expected that India's growth rate in FY20-21 will be down to 2% from a range of 4.7%-5.2% as was predicted earlier by the rating agency ICRA.

So, during such testing times, startup entrepreneurs will have to adapt to a new set of rules and be mindful of the following aspects to alleviate risks and to survive the slowdown caused by the impact of COVID19.

1. Tracking expenses against the revenue status- During this contagion, it is of utmost importance for businesses to conduct a proper assessment of their fixed and variable expenses as well as the actual revenues. This assessment will give a clear picture of where a company stands financially and help the entrepreneurs in planning ahead in the current disconcerted market. This strategy can be implemented even when the pandemic effect settles.

2. Checking the feasibility of the business model- Keeping a close check on liquidity is extremely crucial. Businesses need to evaluate the impact on new sales, collections, credit cycles and potential bad debts.

3. Planning For next 6 months- Since, it is difficult to gauge how long this epidemic will last, it is important to be prepared for all scenarios. If we consider it as a 6-month problem, an instant halt on variable expenditures like hiring, marketing, travel, etc. can help.

However, if the crisis continues for 9 months to a year, entrepreneurs will have to reconfigure their business strategy to reduce the variable expenses, renegotiate fixed expenses (rent, salaries, equipment lease payments, etc.), and focus only on the crucial essentials for survival. It may be a good idea to revisit sales strategy – selling online versus in-person.

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DOGMATIC INDIAN ECONOMY

EDITOR'S
COLUMN

Article By Vaidahi Sharma
11 IBDP

George W. Bush described India as a ‘global leader’, a ‘strategic partner’ and a ‘good friend’ of the United States on the eve of his visit to India in 2004. That's the idea - we must realize the significance of our own existence. India, the world's second largest populated country, one of the world's fastest growing economies and the world's biggest democracy, certainly is too big to be ignored. In the 1800's, a country may have been called powerful in terms of its defense and military powers; but now, it is only and only an economic perspective that overshadows all other factors of growth. Even at the time of the Global crisis of 2008 India withstood and survived it. In a widely read book that was published in 2005, ‘*The New York Times*’, Thomas Friedman wrote that twenty years ago India was known as a country of snake charmers, poor people and Mother Teresa. Today its image has been calibrated. Now it is also seen as a country of brainy people and computer wizards. Jeffrey Sachs, a leading economist celebrated ‘India's historic escape from poverty and return of China and India to global economic prominence’. China was generally seen as the ‘*Front Tiger*’ but some strategic analysts argued that India was the ‘*Newest Asian Tiger*’, and it might in course become the biggest. Our country has a younger population and if this demographic dividend is utilized efficiently, India will pick up all the Marbles in the latter half of the century.

One can relate to the economic performance of India from a political perspective too. Nehru - Mahalanobis model inspired by western leftist and Soviet academicians aimed at expanding heavy industrialization directed by the government and it was put into force in India soon after independence. The British Raj itself gave way to the Congress Raj and the Nationalization of banks during this time again stimulated the economy by encouraging savings.

For years the Indian economy had flourished at what was derisively termed the '*Hindu Rate of Growth*'. But due to growing external debt of the Government, India acquired aid from multilateral institutions such as the World Bank. During the 1980's, borrowings had increased rapidly and in 1991, debt had reached \$70 billion, of which 30% was owed to private creditors. Moreover, Dr. Manmohan Singh was then given freedom to carry out economic reforms as the finance minister. This was the era of reforms, supported and criticized by many. It brought about changes in the manufacturing sector in terms of greater productivity and lower prices, said to benefit domestic consumers. An interesting fact to know is that the government, between 1991 to 2000, approved more than 10,000 investment proposals by foreign companies.

In 2004, the Indian economy became a subject of debate in the American presidential election too, but it was not the poverty of India, rather, the wealth of India being discussed. Democratic Challenger John Kerry promised, if elected, would reinstate a protectionist regime to save American jobs from being 'Bangalored' even in 2003, the influential 'Business Week' ran a cover story on 'The Rise of India' stating a delicious irony that there were now more IT engineers in Bangalore than in the whole Silicon Valley.

But not to forget the fact that economic growth in India is marked with considerable disparities of region and class. The Nobel prize-winning economist Amartya Sen worries that, as these inequalities intensify, one-half of India will come to look and live like California. The other half like Sub-Saharan Africa. By this he actually meant to say that economic progress in India is paradoxical in nature. It won't be wrong to claim that prosperity coexists with misery, technological sophistication with human degradation!

Ramachandra Guha quoted in his book '*India after Gandhi*' "Despite the manifest successes of the new economy there state intervention remain large areas of poverty and deprivation. Only purposes state intervention can correct these imbalances, and the state as it exists now is too corroded to act with much purpose". Economic liberalization has improved the lives of millions of Indians, but has left many millions untouched too. Hence it must be pondered upon that, any economic development model cannot go on alone. It needs to be structured by political agendas and commitments, and just numerical acceleration evidences need not fulfill the real motive of growth in terms of the social benefits of the people of the nation. Decades down the lane, this economic dogma seems never-ending. Yet India has emerged as a multidimensional nation and will certainly continue to.

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EMPLOYEE PULSE AMIDST THE COVID INDUCED BIZZ WORLD

EDITOR'S
COLUMN

Article By Vaidahi Sharma
11 IBDP

As Covid-19 ripples across the globe, it has left governments, markets, and corporates wobbling through disruptions and damage. The ambiguity that encompasses not only the evolution of the disease but also its impact makes it a challenging and a complex task for business enterprises to devise a suitable response.

As work from home and working remotely become the new normal, employee experience matters now more than ever. Employee experience is a strategic business approach that touches every aspect of how the employee engages with the organization. Employee engagement and motivation is a pivotal aspect of business growth mainly because it has a direct threat of rapid decline in productivity, customer service and experience, morale and thus, the overall performance of the business.

Hence, in order to survive in this Covid induced coma in the business environment, it is imperative for employers in various companies to come-up with strategies that increase employee engagement and satisfaction, anticipate and mitigate operational roadblocks; and address the social impacts of this health emergency.

There are myriad ways in which employers can boost employee satisfaction and engagement.

Firstly, companies should **develop an infrastructure for remote work**. Companies could formulate and provide innovative nudges or tweaks that are more generally useful for anyone able to work from home. Each nudge can contain a short, scientifically-backed suggestion to help an employee work well from home (or support those who cannot do so) and navigate uncertainty. These nudges can be sent to the employees via email. For example, Humu, Inc. designs and develops behavioural-change software. The company has been regularly sending emailed nudges to its employees and the nudge recipients find the nudges most helpful when received in context.

Employees can benefit more if they receive them in their work email as part of their flow. This nudge engine is useful to maintain employee engagement, even in trying times like the pandemic.

Secondly, businesses should **train their leaders**. Data shows that employees' biggest complaints about, working from home are about managers who lack respect for normal working hours. Managers need sensible rules about when they expect workers to be available — and when they don't. This will help the worker in deriving satisfaction from the work done by them and thus be motivated for further work.

Thirdly, in recent years, organizations have been caught off guard by economic volatility, unexpected political events, natural disasters, and disruptive innovations. In response, increased interest in scenario planning, has been observed. Rather than tying a company's future to a strategy geared to a single set of usual events, senior executives should come up with smart management attributes taking on from benefits of richer understanding afforded from multiple views about possible unconventional events in the future. Thus, in times of such a pandemic, enterprises should use techniques from scenario planning to generate ideas about how a company could pull together the capacity to resume operations in even a limited form and **develop a disaster scenario that incorporates telecommuting**. Hence, the employees of the organisation will be well aware of what needs to be done under any form of crisis, and thus, it will aid in reducing unnecessary confusion, a waste of time and loss of employee productivity.

In addition, businesses should **have at least one to three months of working capital and cash on hand**. This cushion is necessary to cover immediate expenses, such as salary of employees and debt re-payments.

Furthermore, a business should aim to **become a community player**. Charity is an important response to natural disasters such as COVID-19. In addition to simply being a good practice for ethical reasons, there are empirically established correlations between charitable activities and future financial performance, improved relations with government authorities, and reputational legitimacy. Companies that recognize the stress on social systems during medical emergencies are more likely to do better afterwards than companies that do not. Corporate charity provided by businesses have a particularly strong and positive effect. As the future financial performance of the business seems to improve through charity, employees may also want to stay in the company for future benefits, thus helping the business in employee retention, productive engagement and satisfaction.

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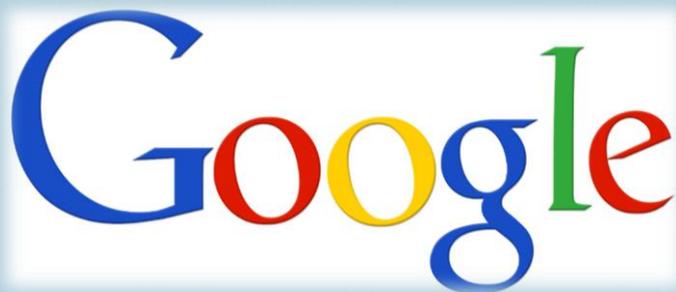
THROUGH THE ECONOMIC LENS



PERFECT COMPLIMENTS



LAW OF DIMINISHING MARGINAL UTILITY



MONOPOLY



CASHLESS ECONOMY

LOGOS AND TAG LINES

Identify the logo and the slogan of various brands.

1. Don't dream it. Drive it.

2.



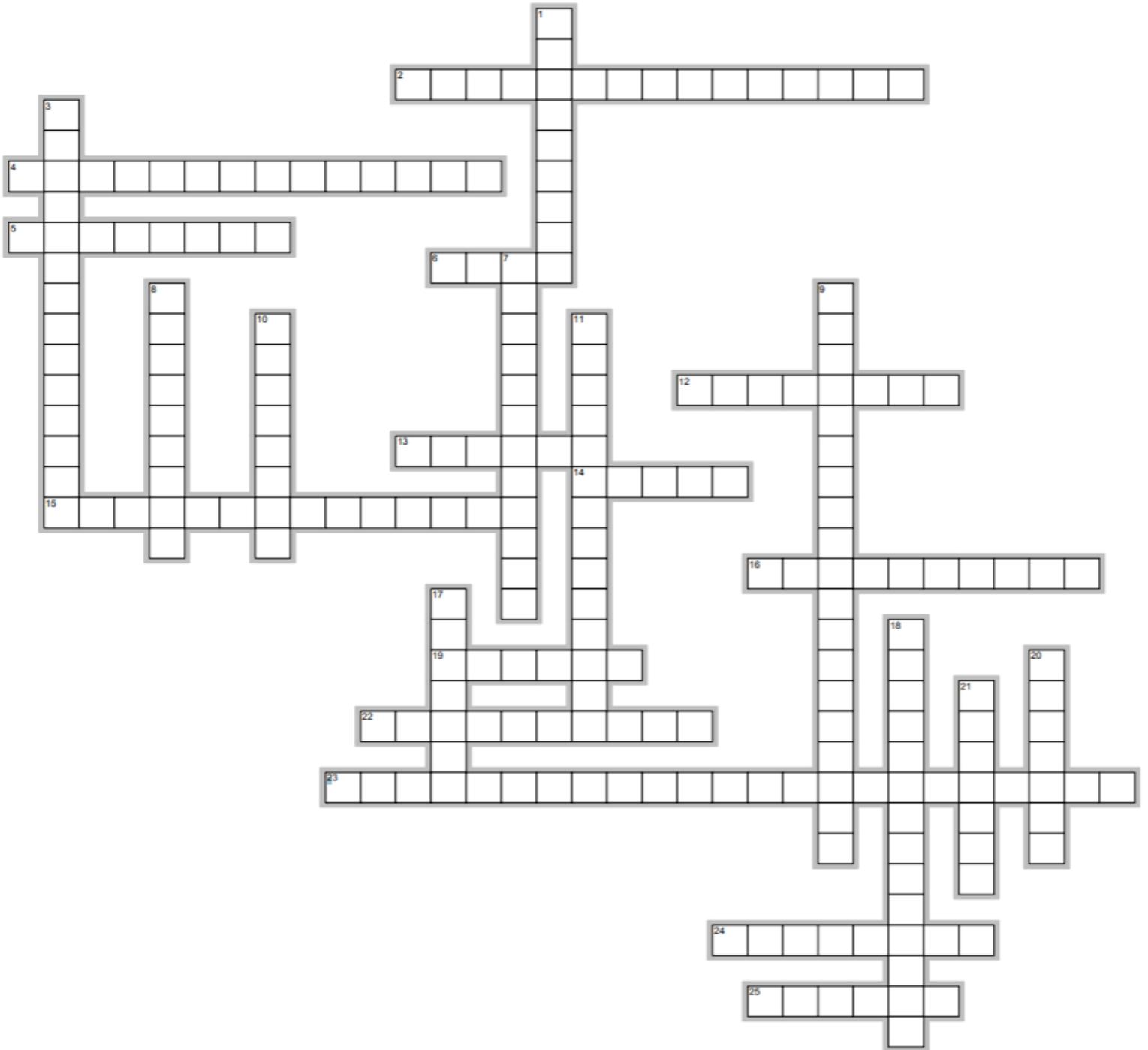
3. Just *try* using another search engine

4.



5. Because you're worth it.

CROSSWORD



Across

2. The value of the best alternative forgone in making any choice.
4. The process through which an economy achieves an outward shift in its production possibilities curve.
5. A statement of fact or a hypothesis
6. _____ good; A good for which the choice of one use does not require that another be given up
12. Something whose value does not change
13. _____ good; A good for which the choice of one alternative requires that another be given up
14. Economy that combine elements of market capitalist and of command socialist economic systems.
15. Situation in which an economy is producing the goods and services in which it has a comparative advantage.
16. An assertion of a relationship between two or more variables that could be proven to be false.
19. Economy in which resources are generally owned by private individuals who have the power to make decisions about their use.
22. _____ economy; An economy moving from command to free market
23. _____ curve ; A graphical representation of the alternative combinations of goods and services an economy can produce.
24. The condition of having to choose among alternatives.
25. The human effort that can be applied to the production of goods and services.

Down

1. A statement that makes a value judgment.
3. The branch of economics that focuses on the choices made by consumers and firms and the impacts those choices have on individual markets.
7. A person who, operating within the context of a market economy, seeks to earn profits by finding new ways to organize factors of production.
8. A social science that examines how people choose among the alternatives available to them
9. The resources available to the economy for the production of goods and services.
10. Something whose value can change.
11. Situation in which all the factors of production that are available for use under current market conditions are being utilized.
17. Economy in which government is the primary owner of capital and natural resources and has broad power to allocate the use of factors of production.
18. A Latin phrase that means, "all other things unchanged."
20. The value, or satisfaction, that people derive from the goods and services they consume and the activities they pursue.
21. A factor of production that has been produced for use in the production of other goods and services.

ANSWERS

Logos and Tag Lines

1. Jaguar
2. Spotify
3. Google
4. Giorgio Armani
5. L'Oreal

Crossword

Across

2. **OPPORTUNITY COST**—The value of the best alternative forgone in making any choice.
4. **ECONOMIC GROWTH**—The process through which an economy achieves an outward shift in its production possibilities curve.
5. **POSITIVE**—A statement of fact or a hypothesis
6. **FREE good**; A good for which the choice of one use does not require that another be given up
12. **CONSTANT**—Something whose value does not change
13. **SCARCE good**; A good for which the choice of one alternative requires that another be given up
14. **MIXED**—Economy that combine elements of market capitalist and of command socialist economic systems.
15. **SPECIALIZATION**—Situation in which an economy is producing the goods and services in which it has a comparative advantage.
16. **HYPOTHESIS**—An assertion of a relationship between two or more variables that could be proven to be false.
19. **MARKET**—Economy in which resources are generally owned by private individuals who have the power to make decisions about their use.
22. **TRANSITION**—economy; An economy moving from command to free market
23. **PRODUCTION POSSIBILITIES**—curve ; A graphical representation of the alternative combinations of goods and services an economy can produce.
24. **SCARCITY**—The condition of having to choose among alternatives.
25. **LABOUR**—The human effort that can be applied to the production of goods and services.

Down

1. **NORMATIVE**—A statement that makes a value judgment.
3. **MICROECONOMICS**—The branch of economics that focuses on the choices made by consumers and firms and the impacts those choices have on individual markets.
7. **ENTREPRENEUR**—A person who, operating within the context of a market economy, seeks to earn profits by finding new ways to organize factors of production.
8. **ECONOMICS**—A social science that examines how people choose among the alternatives available to them
9. **FACTORS OF PRODUCTION**—The resources available to the economy for the production of goods and services.
10. **VARIABLE**—Something whose value can change.
11. **FULL EMPLOYMENT**—Situation in which all the factors of production that are available for use under current market conditions are being utilized.
17. **COMMAND**—Economy in which government is the primary owner of capital and natural resources and has broad power to allocate the use of factors of production.
18. **CETERIS PARIBUS**—A Latin phrase that means, “all other things unchanged.”
20. **UTILITY**—The value, or satisfaction, that people derive from the goods and services they consume and the activities they pursue.
21. **CAPITAL**—A factor of production that has been produced for use in the production of other goods and services.

“

*The ultimate measure of a man is not
where he stands in moments of comfort and
convenience but where he stands in times of
challenge and controversy*

”

MARTIN LUTHER KING JR.

*Stay put, the storm will end in sunshine
Stay Safe!*