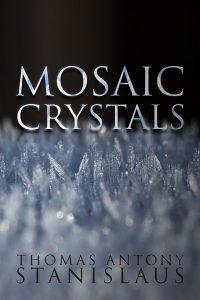
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I “THANK GOD” to begin with, for “His vision” on me, destined to be born as a human being, even before I was conceived through my parents. I am also thankful to my parents.

In this pursuit of recording my various ideas under different topics in the form of a book, I owe immensely to two granddaughters of mine - CATHY MARION, the eldest and VEENA SASHA, the younger. Their sense of love in me vibrated in constant persuasion enabled to complete this task with great fervour and enthusiasm. Both are highly gifted children to their parents seen in their academic performance as well as their contribution intellectually. Cathy Marion, already to her credit, published a Novel titled “My Days in Paris” as a very promising author who came under the App ”Wattpad”. Her intellectual treasure and talent in writing reverberating within teenage years has humbled my potential in writing pursuit. As a voracious reader, she enabled a sense of comprehension of events and her vision portend she would soon emerge as an intellectual giant under English literature. This book contains glowing output reflecting her intellectual calibre. Veena Sasha, the younger one in XI th standard is another promising one with academic excellence and her IQ is such that she would outwit anyone with her extemporized outburst with ease and élan and the timing of which in split-second surprises many even the more seasoned adult with an intellectual bent.

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I would be failing in my duty if I do not mention and express my immense sense of gratitude and thankfulness to Prof. G. Chidambaram (G.C.). Prof. G.C my mentor is a great personality blessed with an enormity of wisdom in the sense of Evaluation. Prof. G.C. being the pioneer on evaluation in the State of TamilNadu with the view to improve the insight under the implementation of schemes assisted by Govt of India and IBRD institutions like World Bank.

Acknowledging hard work and in its extended form, the recognition and identifying individual potential with liberal sense indicates Prof. G.C is endowed with rarest of the rare qualities observed within human sense. That too, an individual who did not emerge under the formal category of academic educational domain exhibits Prof. G.C’s depth in perception and value that knowledge immersed only in hard work since Prof. himself is symbolic in displaying that virtue in pioneering the sense of Evaluation in the State. However, Prof. G.C. bent upon to test the talent of research by giving the task of preparing a schedule on “water rate” a burning topic of the day. Perhaps, the quality of the schedule impressed him and that prompted Prof. G.C to place my name first in the order of seniority which I learnt later. Prof. G.C. valued professional strength as a matter of recognition rather than qualification. Prof. G.C’s “Excellent sense” in recognising and praising the original works completed with innovative spirit and rated such works as intellectual labour. I am one such individual. I always remember “You Sir” with respectful regard and pray for your good health and prolonged longevity. I wish “Best of Luck'' Sir.

Primarily the man who sowed the seed on my venture into DEAR was Mr Xavier. I remember him and indebted to him for his guidance and also thanking him profusely in this connection. Secondly, I thank Mr Rajappa who has helped so to say watered the seed to grow since it was he who introduced me to Mr Dominic. Finally to repeat Mr Dominic gracefully has helped in a great way in providing a wealth of information and guiding me severally with a liberal attitude. But for him, the very existence of DEAR (Department of Evaluation and Applied Research) would remain unknown to me so to say he irrigated the plant to grow healthily and with a bright future. Therefore, I remember him and remain thankful to Mr Dominic for my successful entry into DEAR.

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I express my sense of gratitude to ``Light Switch Press, the Publisher, to undertake the task of publishing two of my books- 'Fiction-‘Between Innocence and Frustration” and the other Non- Fiction-“Mosaic Crystals”.

# **PROLOGUE**

It consists of essays on various topics; it is a kind of mosaic since its framework is vast and wide. It is apt to say it captures the random occurrence of thoughts that has sprouted in a more desultory fashion. I do attribute significance to such thoughts since some of the essays were developed over a period of months and certain others clicked in a matter of seconds which in fact overwhelmed the thought process. The book is divided into three parts. The first part narrates essays as detailed below while the second one covers important areas of topical interest on Economics and the final one is all about Poetry.

I also touched upon religion, faith, soul, culture, civilization, philosophy, Diplomacy and the current trend in politics. The essays are as fresh as my thoughts could permit and that comes in a fleeting moment of frenzy to write. The reader is at liberty to justify its significance. I don’t claim any absoluteness for the material since I took the opportunity to glean references from Google. I thank Google in this regard. I submit it as a sort of research venture on several topics .In this connection I would like to add that while preparing References and Bibliography I encountered certain constraints. Ninety percent of the essays other than the topics in economics were prepared between 2016 and 2017.As already mentioned the views expressed are personal. To make it empirically accountable I searched for typical references. Some of the references are now either deleted or shown as missing in Google. I admit it is an inadvertent omission on my part to record the references then. Therefore i would like to be overt to say that in case the views expressed in some articles found to be in consonance with the Author’s views where references are missing i give the prerogative to author’s views with a pardonable permission to admit that. Obviously it is a mishap which could have been avoided and it happened since my area of interest has a different orientation. The idea behind this venture as mentioned earlier is to record the thoughts occurring in a fleeting moment and nothing more than that. I also made an extensive use of RBI's HANDBOOK OF STATISTICS ON INDIAN ECONOMY published on September 18 2020.I express my gratitude and thankfulness in full measure without which the topics on economics could not become wholesome. I had converted the data into Billions wherever possible. I repeat my thankfulness to RBI in this regard.

I developed a Doctrine called “Functional Harmony”. The basic idea behind this doctrine is that all creative activities in the realm of the Universe including the occurrence of the natural phenomenon are not without functional harmony. The functional harmony is traced in all forms of human participation including of course animal and plant life. I hope that I provided an interesting reading on different genres.

I submit with pardonable pride that I possess a Doctorate Degree in Economics which facilitated me to focus on relevant issues with updated details. I also have a Diploma in Automobile Engineering which in fact was primary exposure to academic excellence.

I have also made a stint into poetry which I hope would interest the reader mainly with a view to causing a diversion.

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# 

# **THE DOCTRINE OF FUNCTIONAL HARMONY**

1. Title: Doctrine of Functional Harmony 2. Definition: Functional harmony may be defined as relative significance among variables and their interrelationship. These union and interrelationship among variables have to become wholesome and complete for the successful occurrence of events. Therefore events are not independent (variable) and cannot be isolated since they are dependent on harmony of functioning and interrelationship of variables. 3. General Observation about Functional Harmony.

4. Essay in Brief: Every aspect of human involvement and participation is influenced by functional harmony. Application of harmony is witnessed in the seasonal variation of natural events too and other areas such as human, animal and plant life. Then functional harmony impacting, Family, Society, Economy, Politics and even for the occurrence of crime are explained. 5. Conclusion: Finally, the concluding part provides a summation of the entire essay on Functional Harmony.

My object here is not to think about the evolutionary theories of how man and other species evolved. Rather, I have made a significant departure from the old thought about creation. My focus, therefore, is on man's involvement in all spheres, dependent on a basic principle which I would like to call Functional Harmony as the basis for all creation/ human activities. Pythagoreans spoke of harmony as something without which nothing could exist. The Greek physicians and thinker Alcamaceon believed that the health of the organism depended on a harmonious combination of contrasting qualities and forces on their equilibrium. While any other superiority or domination of one of them could give rise to illness or disequilibrium.

The principle of harmonious combination could very well be applied even to the universe as a whole. If there were no harmony, contradictory and heterogeneous principles could enter the synthetic whole of the universe. Musical harmony, for instance, is the agreement of different tones or measures that appears to Pythagoras and his fellow thinkers as merely an audible form of universal harmony and it is determined by quantitative relations. It is the harmony that reveals the secret of intrinsic agreement of opposites.

By harmony, we mean a balanced and viable stable combination of elements, their connections, their internal and external interactions revealing their emotions. Harmony should be thought of as a process. The life of the universe consists in constant interruptions and restoration of harmony, of equilibrium. The word harmony comes from the Greek word "Harmonica" meaning agreement. The process of life, the process of the material, spiritual, intellectual, production and so on are based on unique equilibrium achieved and results in a stable harmonious state of the interaction of opposites. In order to ensure healthy human reproduction and balanced harmony levels, it is critical to strengthen the human digestion process to bring the body into harmony.

Life is an eternal overcoming of obstacles. The fabric of life is woven out of two kinds of thread positive and negative, new and old, progressive and reactionary. They are constantly in conflict fighting each other. The ultimate result is at some point in time they collide and become harmonious creating a new path. Every development process produces contradictions, resolves them and at the same time gives birth to new ones borne out of harmony. Where there is no stable interaction indicates the absence of harmony and there is only accidental external contact. While in the interaction of objects as it were, seeks a compliment for itself with which it is interacting causing functional harmony.

Further, I can cite Nature's transition from one season to the other is governed by the law of nature. The process is not desultory but continues in a harmonious fashion as a given natural phenomenon. Abnormal occurrences in nature’s given path are due to dysfunction among variables governed by the law of Nature. Climate change of recent origin is an example to cite for the dysfunction of variables caused by man-made disturbances to the ongoing equilibrium of variables. The excessive presence of carbon emissions in the atmosphere has led to shooting up temperatures of ocean surface which gives rise to atmospheric dysfunction leading to unseasonal rains, flooding, melting of glaciers and the rising sea levels to mention the few obvious cases.

An abstract idea to become the formulation of a theory requires a harmonious pattern of variables. The harmonious functioning of variables and their interrelationships has to become wholesome for the successful occurrence of events. The teleological argument that complexity of design in nature proved that it was governed by God's role as a creator that creation was by laws.

The most unparalleled occurrence which is even more mysterious is the human sperm combining with an ovum endowed with all faculties giving rise to the birth of a child. The journey of fertilization of man's sperm and female egg is fructified by harmonious relations is something incredible which becoming a child already explained. Further, any weakness underlying the variables such as the weak uterus, tumour in the Fallopian tube and such other unfortunate aspects indicating the natural dysfunction affects the human breeding process. Application of the same methodology in the case of animals and emergence of new plants though the terminology in the latter case expressed in different jargons applicable to plant life. All life forms are not an exception to this rule resulting in the formation of a new life.

Even in chemical combinations, like mixing of colours it is the harmonious balance of different colours that leads to the emergence of a fresh/new colour. Functional harmony therefore may be defined as “relative significance and movement among variables which coincide with their interrelationship and become wholesome in their overall performance”. Such harmonious union of variables resulting in the outcome- as Event, an art form, formulation of new theories from abstract ideas, or Research process. Functional harmony is the basis for all activities without which there is no universe. All the creatures falling within the boundary of the universe have to satisfy this harmonious function. None of the activity known to mankind is excluded from the harmonious inter-relationship of variables.

Darwin thought that everything synchronized “by certain laws of harmony”. Thus Darwin’s theory of evolution is not an exception to this rule of functional harmony and the latter gives rise to the creation of a new order - be it man, animal, plant species or any art form subject to human intellect and including of course any of the creative activity seen in the universe. All motion in the universe is relative since there is no measure against space.

Harmony in relationship between factors/forces is the basis for any creation/creative activity. You can identify any kind of activity that is governed by harmony of interrelationship. When two objects collide they may not break unless the atom composing the object is disturbed. Therefore in the collision of two objects lies Harmony between objects unifies the basic relationship. We have to go on experimenting until we find that harmony in relation is established. Each atom has its own distinct frequency or vibration. And quantum physics studies the energy effect and scale of how atoms work and their matter. What we see when two atomic waves meet, they meet in synchronization creating a constructive and harmonious effect (light, radio or matter waves) or they meet out of synchronization creating a destructive interference result from the interaction of waves that are correlated or coherent with each other. It is delightful to have such an experiment exploring the divinity connection between objects for a harmonious relation.

The secret of the water is a treasure. The molecules composing water are in greater unison in order to flow like a stream. This is an excitement and mystery which is borne out of harmonious relation between molecules. Again water frozen into ice, there again we can observe the relationship established for the union to solidify into ice/snow. Thus is a great excitement that goes and goes on. The solidification of water into ice/snow is influenced by the law of nature, a behaviour borne out of nature's seasonal and transitional influence. Looking contrarily, throwing a feather it sails away in the air endless and goes out of sight. Then you throw up a clod, and it falls down and there is a basic relation influenced by gravity.

The garden is beautiful with a multitude of flowers adorning the ground space. It is beautiful, surprisingly beautiful and enchantingly beautiful. Who gave this beauty to flowers? The harmony of relation transforms the bud into flowers which becomes wholesome because of functional harmony.

The love between man and woman could not take place without harmony of relation between the two human characters. The product of reasoning and relationship fructify and induce the liking between them. Further, to cite another instance we love certain birds for their song. It carries the harmony underneath which induces to love the sound of the bird which looks like a song. God is infinitely harmonious in his creations. In the creation of God, there is a wise purpose in it. The grace and the delicacy of taste in a person noticeable either in his dress or for his liking the food is governed by harmony.

According to Dr. Bruce former Professor of medicine at Harvard, that if you drop equal pebbles at exactly the same time into water from the same height, they will produce the same wave ripples i.e. their waves will be in harmony with each other and when the ripples meet the combined effect will be an amplification of the wave length - in other words the merged waves become more powerful signifying harmony. But if the pebbles are dropped from different heights or a mille second apart, then the resultant waves will not be in harmony and cancel each other out- the waves become weaker. The scientific approach to an object of research involves skill in perceiving a dynamic essence, the combination of one with the other mutually incompatible elements, which negate each other and yet at the same time belong to each other because of harmony in relation.

Likewise we can observe the harmony in relation under two and four stroke engines. The very distinction between two and four stroke engines is all the four strokes viz suction, compression, power and exhaust are completed in one revolution of the crankshaft in two stroke engine and the same four strokes are completed in two revolutions of the crankshaft in four stroke engine. To ensure the balancing element of the crankshaft and harmony in the movement of the piston in the cylinder the most commonly used configuration for firing order of the piston is 1-3-4-2- for a four stroke engine. The functional harmony of the piston within the cylinder is attained by ensuring the ignition system fires the piston for every 180 degrees of crank rotation. Firing order is influenced by engine vibration, engine cooling, and development of back pressure. Thus harmony in the functioning of an engine refers to a balanced and viable state of combination of interacting elements toward an equilibrium state is achieved within the automobile engine.

The likeness for a girl arises because she is pretty and beautiful. The Creator in his spirit had a reason and felt to create her with beauty which has harmony underneath. Honesty in a person makes the person lovable by many individuals. The spirit of honesty in a person arises because he has a harmonious view of things. In other words he derives contentment on various forms of life activities and performances and dislikes opposition and hate antagonism of any sort.

In plant life and in its creation we can see the functional harmony in different stages. In tissue culture for instance the plant cutting is placed in a medium, a soup of nutrient chemicals that supply all its needs. Thus the process of development starts. The medium includes growth hormones which stimulate the cells in the cutting to divide, producing a mass of plant cells that doubles in size every six weeks or so. Eventually, this mass of cells begins to produce small white globular points known as embryos. In due course embryos develop roots or throw up shoots and begin to look like tiny plants. It takes 18 months to come up to this stage. Thus in this development process there is harmony among cells that takes place involving matching and multiplication of cells in a given time period before it develops into a plant. The harmonious interrelationships among plant cells underlie appropriate synchronization of plant properties without which the plant would not have emerged. This is called functional harmony in simple terms.

Harmony in the Family

Harmony in human beings is the first level of understanding. Being the member of the family is a basic and fundamental aspect which has an important bearing in grouping the family to form a society. Healthy families have harmonious relationships. Harmonious relationship is the beginning and end of all happiness fulfilling both the individual/group. The whole range of relationships underlying home, schools, or colleges influence the bigger social order where we live as members that support our existence in a meaningful way. The concept of harmony in a broader perspective underlies-harmony in living with responsibility in a family and ready to understand others is a sine qua non for mutual acceptance. It emphasizes the importance of conscience in our relationship with each other. In sum, functional harmony in the family underlies wilful submission, mutual fulfilment and satisfying social obligation governed by trust, love, gratitude, reverence, and guidance, interrelationship and recognition. Above all, ensuring justice among each member of the family is an essential component governing interrelationship.

Harmony in society

People of conscience strive for social harmony, sometimes to the extremes of Puritanism. The idea behind this is to live comfortably within one’s society with tolerances and forgiveness which are basics for social harmony. The concept of social harmony dates back to ancient China to the times of Confucius. Broadly speaking there are five different dimensions underlying human society. They are Education, Health, Production-work, exchange- repository/storage and justice/security. To remain perennially happy and to maintain just society is the ultimate goal. To realize these fundamentals, such as the right type of understanding, prosperity, trust and coexistence is a sine quo nun for a harmoniously functioning society.  Besides, social harmony has moral and ethical responsibilities. It underscores the need for a philosophy which contains morality as one of the governing virtues for harmoniously functioning society. Likewise personal tranquillity has a major share in harmonizing the social relationship- feeling of harmony within oneself, with people of other cultures, personal peace with the whole mankind. The type of political institutions and constitutional guarantee enshrined thereon influence social harmony. For instance, democracy is the heightened form of political institution having high people’s participation in which, at least in theory, “people are sovereign.” Sovereign independence of people, reduced to an elected majority through democratic principles that wield power to rule the people. Equality and justice assured through political institutions has a role to ensure social harmony.

Further, expression of truth and treating people in par with each other is an extraordinary aspect for realizing social harmony. Such a relationship is not to be observed under dictatorship. Thus the type of political institutions in force by and large satisfies the principle underlying social harmony. Social harmony could be likened to each organ in the human body. Important functions of each organ like heart and lungs require each other in a body to make the body system as one whole. In the same sense, an important idea of society has the potential to combine the different institutions of the social system promoting social harmony. Thus organic functioning of the society having different social components ensures harmonious functioning of the society.

Further, the place for civil society having harmonious relation between groups is borne out of various interactions wherein family though remains a biological unit of reproduction but it helps in shared relationship. Civil society is the totality of households whose major interaction is economic buying and selling and contracting etc. While looking into the future we observe that the signature ideology of modern society is combining free enterprise with socialistic principles. The governing philosophy therefore shifted around economic growth to overall societal balance and harmony.

Functional Harmony and Economy

Harmony in the functioning of the economic system is indispensable for economic development and growth. There are no other views against this fundamental truth .In general when pre-condition for functional harmony does not exist (basic legal structure) there is only poverty and conflict replaces cooperation. It follows that absence of conflict/violence creates a better environment for peace, cooperation and economic prosperity. The latter is therefore the outcome of functional harmony in all its sphere of influence be it society, polity, and other institutions that make up the economic system a show piece for emulation. Harmoniously functioning economic system recognizes the “individual”, as a basic unit in society having his natural freedom .The individual who is part of the economy is independent, harmonious and self regulating. The institutions that make up the economy like corporations are the creatures of State. These institutions need to be watched closely by the citizenry since their propensity to disrupt the harmonious functioning of the economy is enormous. The classical thought stressed the importance of free trade (Laissez-Faire) in which capital held sway for the smooth functioning of the economy. The latter day thought has however opted for mixed- economy in that it warrants the existence of both the private and public sector being controlled by the government. The intervention of economic planning in the capitalist order occurs via decentralized and voluntary decision.

On the contrary, the mixed economy prefers socialistic vigour which even though allows free play of capital but assigns a prominent role for government intervention in the regulation of economic activities. The functional harmony of the economy anticipates division of labour in production, equity in distribution and to ensure social justice through state intervention. The underlying economic objective aims at the creation of the highest possible use value for the longest possible time while consuming as few material resources and energy as possible. Such an approach in contrast makes a significant departure to present day thinking which focuses mainly on production and related material flows as its principal aim to create wealth. What we need at present is functional and service oriented economic order because the current economic practices are based on linear thinking. The latter idea is based on the fact that finished goods promote an added value and stop there. It involved manufacturing liability for quality and waste, since it stops after sale of the product. The buyer becomes responsible for the utilization and disposal of goods without knowing what resources are involved in the finished goods given for final consumption. Therefore it is a limitation in the sense of harmonious functioning.

On the contrary, the sustainable economic function tries to harmonize the utilization of economic resources leading to optimization of economic functioning. The primary objective is empowerment of ecological over economic reasons.

Further, it offers workplace mobility rather than worker mobility. Also it has the benefit of highest resource use efficiency using fewer resources. The production is localized into smaller regionalized units with higher and more skilled labour. It emphasized the fact that the functional harmony installs the loops having no beginning and end. In an economy of loops there is no waste in the linear sense. Loop is similar to a natural system such as a water cycle. It also stresses the importance of conservation of economic value .The development of the economy takes into account the historical past in channelizing resources toward a sustainable growth path. The economy moves from a regime of mystery to one of enigma. People encounter a greater variety of persons who are different from the business world - as customers, employers or suppliers- than they do in any other area of life.

In economies, business cooperation is important. It is mutually beneficial. In this context the word competition used in economics imply to strive together for fulfilling various economic functions. The functional harmony invites peace, good governance, freedom for contract and the absence of corruption. Therefore if these conditions are present, there will be economic development and growth. This could be obtained only in a functionally harmonious economy which insists on the importance of peace and harmony for a sustainable growth path. This Index of Economic Freedom developed as an annual index ranking by the Heritage Foundation and the Wall street Journal to measure the degree of economic freedom in the world Nations. According to this index only five nations are grouped under totally free. Singapore, New Zealand, Australia, Switzerland and Ireland have scores ranging from89.7 (out of 100) to 81.4 respectively as of 2021. Under the bottom level as many as 81Nations are categorised as mostly “unfree” having scores ranging from 50 to 59.9 in the same year.

Let us consider the importance attached to human capital. Human capital development refers to improvement in Education, Health, Training and costs of Research and Development activities. Human capital is based on intellectual, spiritual and physical activities which of course ensure harmonious functioning to develop a healthy Nation and cause for rapid economic growth. Further, reinforcement, and participation of civil society development of competitive private sector, reformation of the system of public management, especially the tax structure to ensure social justice, transparency of state policies and political accountability plays a larger role in causing rapid economic growth.

In modern conditions where scientific and technological revolution has widely unfolded, a meaningful development of social structure with active government participation promotes functional harmony. Functional harmony in economies is a matter of continuous equilibrium operating at different levels by the influence of various economic forces. There is integration and disintegration of numerous economic forces and they move toward a condition of stability.

Wilfred Pareto says an economic policy is welfare increasing when it makes some people better off and none worse off. Unfortunately it seldom obtains in realistic situations in the functioning of the economic system. When a new economic policy causes a disturbance it moves the system and no doubt there may be partial stability in select areas of its influence which the new policy impacts. The question of functional harmony to remain a permanent feature in every segment of the economic system is a utopian expectation. Because the new policy creates balance and imbalance and they cancel out each other providing for a package of equilibrium. There is no single stage or totality/equilibrium in the macro sense. For instance the demand and supply may be equal in certain areas qualifying the sense of economic packages having the aspect of equilibrium. There is no matching performance for the demand and supply to be the same in other areas of economic interaction but it creates chaos until it becomes a stable package for the fulfilment of equilibrium causing harmony. Thus in the macro sense there are a series of equilibrium packages operating in the economy providing for a harmonious function. There is a distinct possibility for the economy to experience growing imbalance, stability in certain areas and even in a harmonious stage perhaps in the sense of hypothetical slumber. Therefore there is no conclusive evidence to prove that the harmony in functioning of numerous economic forces is in a stable state in the short run and it fits and starts.

Generally speaking, as J. Keynes said, in the long run everyone is dead in the sense of substantial structural changes. Therefore Ex-post- situations are in a harmonious state and equilibrium remains. Whereas Ex-ante situation tend to move toward equilibrium which would materialize only in the long run

Harmony in politics

Harmony in politics in a sense is like two poles since it seems an idealistic expectation and almost like a utopian concept. Because it involves collective responsibility and it is a tussle between the ruler and the ruled. The earlier thought from Plato to Kant differs on the question of achieving harmony in politics. The best political order according to Plato is that it promotes social peace in the environment of cooperation and friendship among different social groups each benefitting from each other adding to the common good. Rousseau as Plato believed that once political society is in order it can contribute to the restoration of morals. Plato stood for peace despite social diversity. Social peace according to Plato based on the equilibrium and harmonious union of different social classes.

The vision of an ideal state rests on the foundation of a good political order and as such in every one’s own interest. It is concerned with the common good of the whole political community and is to the advantage of every one. The underlying truth is that it aims to restore righteous order via “Economia”. The desire was for moral thinking. It was considered sacrosanct in bringing about a new dimension. It led to the emergence of class consciousness which provided a universal thinking and it acted as a benchmark for measuring relative changes in the social order. Further for Plato, political harmony is possible and practicable in which conflict is inevitable. It was thought that political harmony is an art of statesman's ship, not an art of citizenship. The fulcrum of political harmony underlies ethical concepts which give prominence to justice. The best rational, righteous political order leads to a harmonious unit of society and allows each of its parts to flourish but not at the expense of others.

Even from the time of philosopher Solon (591 BCE), the presence of haves and have nots was a glaring issue. Solon suggested reforms which according to the then prevailing practice were discriminatory. Both the rich and poor were not agreeable to the laws enacted by Solon. Solon’s formula was on giving equal status to all irrespective of merit which visualized democratic principles aiming at distributive justice. His equity based approach is contrary to the principle of giving share proportionate to the merit of those who receive them. On the other hand Plato always maintained and argued for social peace based on the equilibrium and harmonious union of different social classes. For Plato as for Solon the government exists for the benefit of all citizens and all social classes and must meditate between potentially conflicting issues. A government cannot carry out its function unless it has popular support. It will probably lose its strength if it is unable to maintain internal and external peace and to provide services desired by the population. Aristotle was in full agreement with his teacher Plato in so far as political economy concerned. Aristotle stressed that a state cannot exist as a political community without recognition of mutual obligations and a shared concept of justice. Solon, predecessor to Aristotle, also emphasized a similar view.

According to Aristotle, the state is a natural institution possessing moral authority. State aims at the perfection of man and there is no contradiction between the individual and the state. Man by nature a moral or an ethical being destined to live a life of justice. For, Aristotle ethics is not a means to an end but rather an end in itself. It involved obedience to moral rules or laws. To live an ethical life it involves together in harmonious fellowship with others and within a political community under a system of civil law. Ethical life is necessarily a life devoted to the cultivation of virtue in particular the virtue of justice. Aristotle maintains that the best practicable policy is one that combines elements of oligarchy and democratic form to reduce the disorder generated especially by the conflicts between rich and poor and their divergent conception of justice.

Further, it may be stressed that the political economy rests with balance of power and more importantly toward foreign relations. There are various routes to achieve this balance of power and political economy. Perhaps it may be achieved through economic cooperation among member countries to develop the sense of security to realize harmony in the region. This may also be promoted through collective bargaining in the Global arena. Political harmony largely rests on compromise and it is an art because it must resolve disagreements among people with different opinions and desires. Compromise is usually necessary if violence and coercion are to be avoided.

According to political scientist Bernard Click “the activity by which different interests within a given unit of rule conciliated by giving them a share in power in position to their importance would progress toward the welfare and survival of the whole community. Citing Aristotle, Click argued that politics is not unity but harmony- that is peaceful and cooperative existence of different groups and not reduction into a single composed pattern.” Sometimes however the reality is disturbed by polity which often breaks down and people resort to coercive measures. Politics is the activity of reconciling conflicts and gathering support that makes government existence possible.

Government is the process that makes and enforces rules and decisions for society. Government and politics are more indispensable as civilization advances. When a government is working well the political process would continually and unobtrusively resolve the conflicts that might otherwise tear the society apart. Power is to politics what money is to economics the medium of exchange the universal common denominator.

Politics is related to three main forms of power -influence, coercion and authority. Political power is not a homogeneous quantity like money and it does not have a single unit of measurement like any currency for that matter. The idea of a strong nation and political destiny would not have been possible without harmony, in that ethics play an important role in maintaining the idea of political leadership. Politics is an idea of collective responsibility according to Durkheim. Political harmony generally must be negotiated. In the modern world in fact it is the idea of negotiation that suffers and countries tend to polarize to compensate for our inability to imagine peace.

The modern slogan is “peace through business” in international relations. If we look at this with earlier thought it indicates that harmony stood for establishing perpetual peace among communities .Thus the aim of politics is for the removal of conflicts between individuals. Besides, modern thinking aims at promoting cultural values and for imposing homogeneity in one way or other through responsibility and to initiate steps for perpetual peace and emphasizing its indispensability for political harmony.

Thus functional harmony in any field of human activity is a matter of harmony among variables. None of the sciences is an exception to this fundamental truth. Politics and government together are not separate entities. In so far as the governance is the contrivance of human wisdom the polity underlies it. There are different forms of government in practice especially those currently popular are Democracy, Republic and Communism to mention a few. Under democracy the elected representatives through the electoral process wield the power to rule. The governance is bound by written constitutional law or by convention/custom as the case may be to rule the polity .India and U.S.A. for instance have opted for sovereign democratic republic. Even under communism the governance is wield by the communist party headed by the President elected by a collegians of communist party. The functional harmony under this type of governance is obtained so long as the people’s welfare is guaranteed and proceeds without friction in the process of governance.

The dysfunctional aspect of governance under parliamentary democracy is to be observed between the ruling party and constituents of opposing parties. Under a multi-party system if the opposition has the unity with cohesion would subvert the ruling party during the legislative process from disowning any bill floated by the ruling party.

The functional harmony for governance demands a majority for the ruling party in both the houses of parliament. Such a majority enjoyed by the ruling party enables harmonious functioning in the parliament/legislature as the case may be. The system of governance in any form of governance rests largely with harmonious functioning of the institutions since Constitutional challenges have to be addressed adequately. The Legislative, Executive, and Judiciary have to be in cognition with each other to ensure smooth functioning. In a federal set up the constitutional responsibility of each State has to be fulfilled to ensure smooth functioning. The expectation is every state should function satisfying the larger interests of each State without any sectarian outlook. Thus the expectation of justice and moral among polity and the State, emphasized by earlier thinkers like Plato and Aristotle holds significance even to this day to ensure functional harmony.

Harmony and crime

Social deviance and crime are part of societal progress. Crime as a social deviant albeit cannot be responsible for social harmony. Rather the variables for social deviance and crime are autonomous entities and remain functional. Their relative significance and resulting outcome having interrelationship is a matter of concern under social pathology. The combination of socio-economic deficiencies like poverty, unemployment and resulting dichotomy between social classes- such as haves and have not - is primarily responsible for deviance and crime.

In a changing social context the existing moral code and laws become extinct. Further changing social values like custom cultural disposition due to external contact and by virtue of changing social awareness within society create conditions for deviance and crime. Motive as a dysfunctional aspect is a major cause for crime is indisputable hence becoming functional. Further, social dynamics across different social groups allow for re-socialization. To interpret deviance is also becoming functional,- in the sense that different groups acting independently become cohesive in their relationship. Primary and secondary socialization enhances the socio- cultural context of deviance and crime. Besides, different levels of exposure would incline people toward deviance and crime.

Gender inequality is a case in point. Men become functional to commit an offence against women. In recent times globalization has increased the vulnerability between rich and poor having their interrelationship to cause deviance. The growth of internet facility in the realm of communication becomes functional and increased the flow of information unifies their interrelationship create conditions for deviance and cyber crime .Thus from different viewpoints the variables falling under various category becomes significant and functional such as financial insecurity as a means to fight against societal pressure. Robert K Merton maintains such strain is common in society which he claims in his strain theory. He maintains that social structure as a factor becomes functional by exerting pressure on individuals to achieve accepted goals. The individuals lack the means to tide over the difficulty imposed and strained by the societal pressure to commit crimes. Selling drugs and prostitution have become relatively strain for such social imbalances. Robert Agnew (1992) likewise developed emotion as a motive for crimes. According to him, loss of positive stimuli (death of family or friends) , negative stimuli (Physical or verbal assaults) and the inability to reach desired goals have become relatively significant and functional to commit crime.

Pleasure and pain principle evolved by Ceasre Becerra and Jeremy Bentham maintains that people by nature are self seeking and therefore liable for crime. Durkheim reiterates that crime itself performs a social function. According to him, had crime not been responsible for social change it would have disappeared in advanced societies. Hence he considers that crime and social change are interrelated. Social norms that acted as moral code in the previous situation had become defunct in the event of crime occurrences. Since such a moral code is related to previous criminal behaviour for that specific society becomes null and void in changing social circumstances. A change in moral code is therefore implicit with changing society to govern crime. In all these spheres, the relative significance of variables and their interrelationship becoming forced by it harmonizes the situation which fortunately becomes functional and hence cannot be ignored.

To sum up it may be stated that Functional Harmony, is concomitant to success in any activity underlying creativity and those influencing and involving functional aspects governing human participation. Thus functional harmony reflecting the relative significance and interrelationship of variables is sine qua nun for the successful occurrence of events. Functional harmony is to be observed in any form of human participation. It is fundamental and noticeable particularly in the creation of human form, animal, and plant life and even seasonal variation in nature has to satisfy this fundamental truth and reasoning.

The entire events falling under the sun- observing from such as family, society, economics and politics to mention a few- has to fall under the realm of functional harmony. Even the dysfunctional aspect such as crime taking place in all societies cannot be completed and fulfilled because it is analogous (Harmony and function) to the prevailing situation which is relatively harmonious and interrelated in the sense that the culprit fixes a specific target and commits the offence. According to Durkheim crime is one of the components of social change and it takes place in all societies. He felt it caused revision of moral code and laws.

End

# **Enigma Called Future**

All about future is simply an embodiment of several uncertain things to happen that to follow and those happenings that decide the fate of everyone who are part of this planet earth. No one can predict events of the future with any amount of clarity and accuracy. At the most we could only try to understand about future as to how, would be the turn of events and what it would be its nature/type. Even, the idea of occurrence of events and its pattern and form would remain obscure. Perhaps it may concern an individual, society, politics and Nation.

To say it precisely about future events, we can safely travel in the domain of law of nature which has the unmitigated space to pronounce as to what the future is going to unfold. To say more passively that the events of future are beyond the scope of ordinary human comprehension; the easier approach/expression in so far as human understanding about future is to connive it to the term God who is infinitely supreme in all His manifestations. It is quite possible to compare the future with the universe since both occupy a dark space. Apart from the known galaxies in the universe the rest are dark matter and in a similar context we can think about future as the unknown matter wherein we can accommodate anything in so long as the future remains dark and a mystery. There is no measurement for space and in a similar way there are intangible unknown features that occupy the future.

Natural events remain   beyond human comprehension and more so out of man's knowledge domain. After the occurrence of a natural event you can measure the impact. That is called perception of an event. Rightly speaking it has become a thing of the past. We have deciphered the seismological zones but it is still an approximation. Expectation is another term used to pronounce the future. Expectation has reason to a certain extent. The quest for the future is not without the quest for the present .The events shaping the present carry forward reasons underneath for future happenings. Scientific experiments are analogous to the future. Likewise, the historical past has a bearing to explain the future. Because customs and practices follow a settled practice would carry an alignment and to estimate tentatively about future occurrences.

We can predict the emergence of human, animal and plant form since it is genetically bound which cannot change. Human sperm and ovum combine to produce the human form. Likewise the seeds of the same genre produce the particular plant species and possess the characteristics, features observed in the original seed. All specific features covering human, plant and animal such as their size, height and formation of intellect in the case of humans are governed by genetics. All forms of planning an event falling under the domain of human knowledge have the potential to predict the future. Although future is mightier than present since it remains unknown, the future however has to align with the present since it is the present to a larger extent influence the formation of future events. For instance the Budget- the statement of income and expenditure- is futuristic in nature. It took the present pattern of income and expenditure as a benchmark to forecast the anticipated income and expenditure. It is based on several assumptions taking the cue from the past /present.

To know about a feature is sort of fancy and the basic premise is to know what kind of experience that future ought to pose. Always the future unfolds a novel thing. It may concern quality of life or a new experience as we commonly observe in the case of newly married couples. In the case of man and woman relationship in marriage  it is a great transition from  a joint family to the one  of involving  understanding each other  as husband and wife and more specially the unfolding of sex  in particular and thereafter the birth of child  and so on and so forth. The new experience in marriage is not only privacy protecting man and woman but also in running a life either with plenty of resources or a scarce pecuniary form of life depending on wealth the couple possess.

The human family has however moved from history of geographic separation to one of instantaneous global communication and connection. It results in the awakening of collective consciousness. There is going to be systemic change governed by the human brain. In other words, the current egocentric manifestation would lead to changes of re-organizing human wisdom craving for unity and peaceful coexistence. So far we lived beyond the means of our planet's ecosystem and resources which took several thousand years to form. Unfortunately in the guise of development we destroyed the delicate ecosystem, a path unbecoming bestowed by our grand civilization. Now we live based on positive hope and optimism. Though we may acknowledge that the human brain is endowed with resilience to meet economic and environmental challenges and yet we failed in certain respects providing for a sustainable growth path.

There is going to be a veritable change in the fabric of human civilization and a massive impact on cultural orientation. Such a massive change occurs due to a radical change in the economic system which transform   from a localized market system to that of a globalized market. There are no sporadic changes rather great transitions which portend monumental changes impacting values and also changes to take place in our organised institutions. It is the common people that make history in that future that is always present as a promise. History unfolds many things involving material culture of the past, understanding communities and charting the rise and fall of civilizations. According to William Lund “History was the study of the past, with a view to understand the present and we understand the present to guide the future."

Future remains to be seen so never give up, in that time plays a clarion role and be sure that nothing remains unchanged over a period of time. There is no need to fear blindly about the future. Almost every generation has faced a crisis and yet we have made it this far. Human beings are resourceful and adaptable creatures. Once we know the part of the system we can determine vulnerability, sensitivity and then model the degree to which an intervention could have an effect. In fact what is to be determined is the relevance of the question about future. In a world of constantly changing pursuit, there is hardly anyone subject or set of subjects that will serve you for the foreseeable future let alone the rest of your life. Bill Gates personifies change in such a way that change is nothing but an effort to know about the future. Adding value in the new application is a prediction about the future. His aim in this direction is about long term view. This means to invest a lot in research and development to help us to understand future directions while staying competitive in terms of product development today. Gates believe every three years are important in terms of redesigning what to do? Reinventing ourselves is the watchword for Gate's. According to him we have to make sure we are the ones replacing our product instead of someone else. Future largely depends on liberal sharing of ideas, a melting pot in which ideas are evolved.

What is the role of “trend” in the future? A proper answer to this question stands in fact that trends are reclined in various forms: society, culture, area, time and period. Also trends vary in terms of intensity and duration. Trends refer to a process of change. Trend means product development. In Health for instance a whole new philosophy is built around this core ideas which hover around health awareness, body, spirit, and soul which promotes prevention as opposed to intervention. Trend spotting is about getting advanced knowledge of what will happen in the market.

Future is still an unexplored mystery. Potential that is and those we understood so far about earth are infinitesimally small. We need basic research to unfold mysteries underlying the universe through extraordinary intellectual effort not visible so far because of limited human understanding about many things. There are still many things to unravel especially those connected with human participation. It requires concerted effort through extraordinary application of scientific inquiry. Thus the future is an unbounded mystery yet to be explored with a greater sense of application of basic research.

The impacts of the future on social and emerging societal changes due to technological changes are very wide and varying in its importance. Artificial Intelligence, bio-engineering, cybernetics, cloud computing and many such novel changes makes future not only amazing but bewildering changes at short notice makes human kind difficult in making the right type of choice  between what is good and evil. Further, Trans-humanism is the next step in human evolution. Technology allows living longer, working less and helping us to know more than ever before. Unfortunately what will we do once most of our labour force is being increasingly replaced by computers and robots? Who has the final say in how knowledge is used and who has access to it. Despite the fact the material changes are phenomenal; it is like beating around the bush as to what economists used to say, as you have more of a thing the less you want additional increments of it. Beyond a certain stage everything becomes superfluous and there is no domain to explore in the economic sense. Optimizing every activity puts a full stop for fresh thinking since; it is a stage of everyone getting everything. There is no claim for ownership and the term individual possession will become a thing of the past. Universal basic income will become the social vaccine of the 21st century.

What awaits the political future? The thoughts hover around common good and equity and justice for all in all walks of life irrespective of cultural relativism. A sincere politician has to think about the process of change and prescribe recommendations for establishing an egalitarian society. Political decisions have to be bolder and the politician should come out of their comfort-zone understanding the maladies of the society irrespective of geographical boundary and move toward working for the common cause for the world community in which the mask of cultural relativism should be broken and the political future should be assured for common good. Therefore it is good to reflect on positive aspects aiming for the good of all but you cannot eat up all your current time. Looking at our past, present and future relationship can be daunting but it is important to dedicate  time to them .To pay attention to what to-morrow will bring and how it will change and to brood over who we are  and what happens to us should be hallmark of future thinking. We should drive our effort in doing the best out of the current situation which pleases everyone.

Globally speaking the attention shifted from security issues to ecological and economic interaction. We might term this new area “political economy". The dominant cold war security issues have now become the thing of the past for which lesser attention is called for. But security issues took a different turn. Needs are growing because of population explosion. As a result, what people demand poses a major challenge to ruling political democratic institutions of the major countries? The current situation unfolds armed equality among erstwhile super power nations and emerging powers like China. Iran and North Korea drew attention under nuclear sense and hence the outlook on war remains a highly debatable one. The global nuclear proliferation has become a vital issue and exercising control over this aspect drew attention under the global power angle.

Every nation struggles hard to maintain its Statehood. But the concept of hegemonic stance will no longer be valid in the political arena. Because awareness level in the world has increased exponentially, No country desire to be a political stooge of any superior nation. Every strong nation desires decent negotiations about global problems and to avoid destruction/disruption. The summit talk is not always successful but dilates the process without any conclusion. No nation willing to surrender their sovereign independence and hence political conflict will continue to be the issue.  The current trend is the balance of power shifted to economic growth and wealth that decide the political leadership.  With such global condition, environmental   (climate change), and Economic issues will guide the future political thinking.

The thrust to control terrorism the evil of modern era has become a global issue which every individual nation strive to throw away from   the sense of human thinking process. The attitude of rich nation to help the rogue states that give shelter to terrorists should be nipped in the bud. Such an approach of rich nations serve twin purpose - to realize their own wish for destabilizing emerging nations and to disrupt peace - is contrary to what they speak and practice.

To conclude, I would like to say that future though remain uncertain in many ways is within the reach of to-day or to-morrow from which there is no escape. Future unfolds many mysteries exponentially impacting health, day to day life and above all exploding the political thinking.

# **Origin, Growth and Current Phase of civilisations: in Retrospect and Prospects**

Exceptionally, the most noticeable feature in the origin of civilizations is, all civilizations had their origin close to river beds. The glaring examples are Indus valley civilization close to river Indus, and yellow river bed had led to the birth of Chinese civilization. The most common feature to all civilizations in the early phase has been that people were hunters, fishers and gatherers and not producers of food. The Neolithic revolution has caused the development of Agriculture. Then somewhat later, urban life developed in the Indus valley of India and the yellow river basin in China. However these developments did not negate the nomadic lifestyle of many groups and constant tension between nomadic and settled lifestyles was an important aspect of early historical development. By about 3000 BC writing began to develop in Tigris and Euphrates river valleys in Mesopotamia and soon thereafter in the Nile valley.

A civilization contrasts with non-centralized tribal societies including cultures of nomadic, pastoralists, egalitarian horticultural subsistence Neolithic societies or hunters or gatherers. Civilization also refers to the process of society developing into hierarchical social Classes with a ruling elite and subordinate urban and rural population which engages itself in intensive agriculture, mining, small scale manufacturers and trade. Civilization concentrates power, extending human control and over the rest of nature including over other human beings. While looking into other cultures such as Sumerian in Southern Mesopotamia near the Persian Gulf had established social, economic and intellectual foundations of Mesopotamian culture and this was followed by Acadians’ and Babylonians who united the region. This was followed by important developments in writing (Cuneiform), law, education and religious thought. The most notable occurrence in this context was Hammurabi’s legal code (1750BCE) is the fullest and best preserved ancient legal code. It revealed the fact that a society strictly divided by class and yet bound together by harsh precepts that demanded discipline and order.

Religious development and growth in writing is the hallmark of earlier civilizations. The evolving moral code, law and standards of civilized living borne out of nomadic and barbaric culture demanded unity of life and safety of the property. Belief in God reigned supreme and it is not an exaggeration to observe that religion even influenced administration of government having a shared religious faith and practice. All civilizations attempted to perfect moral and cultural values of society. Besides, there were six civilizations that arose independently characterized by the rapid process of urban revolution and state formation and political development associated with the appearance of the governing elite.

Further, the growth of the Neolithic revolution from around 10000 BCE inspired some of the most important developments in human history including the invention of the wheel, the development of cursive script, mathematics, astronomy and agriculture. A major technological and cultural transition to modernity began approximately 1500 BCE in Western Europe and from then onwards new approaches to science and law spread rapidly around the world incorporating earlier culture into the industrial and technological civilization of the present.

Civilization and culture

The English word civilization comes from the 16th century French "civilise"(civilized) from Latin civilise (civil) related to civics (citizen) and civet’s (city).An understanding of civilization revealed that it is a type of culture which is unique to each civilization and characterized by urban-ism, technological adaptation, social complexity ,long distance trade and symbolic communication. Culture as part of civilization is defined as the ways of living built up by a group and passed on from one generation to the other. In other words civilization is the highest cultural grouping of people and the broadest level of cultural identity people have; short of that which distinguishes humans from other species. People can and do redefine their identities and as a result the composition and boundaries of civilization have changed. Thus cultural contact paved the way for the transfusion of ideas and blending of cultures. For instance, blending of Judaic and Greek ideas brought an expansive thought and discussion of relation of individuals to cosmic order. The western intellectual thought foresees the union of humankind in the universe and becomes the foundation for the climate of inquiry about an individual's position in the universe.

Further, political and moral philosophy got refined in 5th centuries BCE particularly as an outcome of Greek thinkers such as Socrates, Plato and Aristotle. Civilization is meaningful entities and while lines between them are seldom sharp, they are real. Civilizations are dynamic, they rise and fall and they divide and merge. Civilization disappears and is buried in the sands of time. Civilization is different from each other by history, language, culture, tradition and most important religion. There is a relative importance of rights and responsibility between civilizations over liberty, authority and hierarchy. The interactions among people of different civilizations enhance civilization consciousness of people that in turn invigorates differences and animosities stretching or thought to stretch back deep into history. Further, imperialistic influence was the cause of merging cultures.

In the post Hellenic period two distinct cultures merged together. Mesopotamia, Iran and the subcontinent of India are the cases in point. Thus central Asia remained a cultural melting pot with cross cultural contacts that affected the Mediterranean, Western Eurasia, India and China. Their contribution surfaced in art and religion, governing techniques as well as the emergence of nomadic languages. Even though Iranian and Indian cultures remained distinctly separate from each other their contacts had a lasting impact for development. The overplay of imperialism and expansionist policies stem from the fact that over exploitation and diminution of their own resources compelled the nation states to go in for territorial annexation. It has led to maintaining a highly militarized, hierarchically structural and coercion based on culture and lifestyles

Growth of civilizations

While perceiving the growth of civilizations certain common features emerged. They are: large population centres, monumental architecture, unique art styles, written language, system of administering territories, complex division of labour and division of people into different social classes. In general the growth of civilizations is to be inferred from expansion of trade, war and exploration. Normally all these three elements present for the civilizations to grow and remain for a longer period of time. Roman Empire is a good example of this connection. The expansionist character of civilizations is part of real power. It is internalized through cultural and military dominance. Rejecting the dominant one is considered to be an offence. In the earlier civilizations it attracted war. But in later periods Political and economic sanctions have accompanied the Defiance State. In recent times the unilateral nuclear expansion by Iran had subjected it to economic sanction which was lifted erstwhile after a great deal of negotiations.

Likewise we witnessed the declaration of Jihad against non- Muslim states. Alternatively religion has replaced this gap which provides a basis for identity and commitment that transcend national boundaries and unites civilizations. The world is becoming a smaller place. As a result interactions across the world are increasing which intensify" civilization consciousnesses" and awareness of differences between civilization including of course the commonalities within civilizations. Besides economic modernization and social change, people are separated from long standing local identities. However during the past six centuries the world has changed in a more substantial manner. The epicentre of new civilization has become western for all practical purposes. The western impact is to be seen in a specific and unique economic system referred to as capitalism. This is due to the fact the west had been at the peak of power which though dwindled marginally. At the same time a-return- to- root phenomenon is occurring among non-western states. This is in contrast to the desire and will of the non western states which have the will and resources to shape the world in non- western ways.

Cultural characters and differences are less mutable and hence less easily compromised and resolved than political and economic ones. Economic regionalism is increasing. Successful economic regionalism will reinforce civilization consciousness. Economic regionalism may succeed only when it is rooted in a common interaction. Further, liberal views have led to enthusiastically fresh born ideas covering social and political engineering. The world today has to be viewed under these perspectives inclusive of globalization. The clock of civilized living according to a Freedom house survey indicates (2000-2001) there were 86 countries (2465.2 million people; 40.69% of the world population) in which a broad range of political rights was respected; 59 partly free countries (1442.2 million people; 23.8% of world population) in which there was a mixed record of more political rights and civil liberties. Besides, 47countries not rated free (2151.1 million people; 35.5% of world population) where basic political rights and civil liberties are nonexistent.

The comparative position as of 2018 Report by the same agency shows the position has suffered decline in that only 84 countries are found to be free(2529.62million people;38.07%),55 partly free(1478.90million people;22.26%)and49 countries are not free(2634.89million;39.66%).Thus the latest available data indicates that the no of countries not enjoying full political rights and civil liberties with a negative trend that has gone up by4.16 percentage points, which means an addition of 2 more countries not enjoying political rights and civil liberties compared to the previous level registered in 2000-2001.This is a sad feature to be observed despite progress of mankind in several fields suggesting that such composition of population are still in a nomadic and under barbaric state of existence. Political, economic and social freedom are remarkable indicators of civilized living of which only 38.07% percent of the world population living in freedom is the highest score in the history of progressive mankind(Freedom House survey Founded in1941.) recorded so far.

Current phase of civilization

Let us now examine the current phase of civilization. The current phase indicates that democratic civilization reigns supreme of the world order. Since democracy is based on freedom of speech and mind and ruled by a majority population it possesses the important qualities of self discipline. (USA, Europe, Canada, Australia, Japan and India). Globalization combined with expansion of western civilization has created a specific world order. Such a world order has provided stability. It requires legitimacy unlike earlier civilizations which are based on sovereign power. The novelty of current civilization is changes are more substantial and more general than any time before history, especially technological revolution. It appears that changes in state identities are both horizontal and vertical.

Relating the world order in this connection it is broadly defined as a human phenomenon. Bull defines world order to mean “those patterns or dispositions of human activity that sustains the elementary or primary goals of social life among mankind as a whole". The world order is wider conceptually than the internal order of which states are only a part. To deal with world order we not only have to consider the problems and issues with states but also within the wider world political system of which has already pointed out state is only a part. According to Cox, there are three distinctive structures of world order. They are: growth of liberal international economy, the era of rival imperialism and the neo liberal world order. The transformation underlying world order combines the dawn of globalization, one of the features of capitalism. The current exponential growth in information technology has minimised the sense of Nation and the world becoming borderless and anybody can challenge any part of the world in a split second for economic benefit. Within it the civilizations become commonplace for both economic formations and cultural political identity. All these factors put together determine the change of the new world order.

Broadly speaking, there is division/bi- polarization of world order into communist and non- communist states. Western capitalism apart, Eastern socialism with Russia and China as the base, have been gaining momentum. While perceiving the world order into a single whole it rests with the security system which seems to be a qualified choice since all other elements covering economic, cultural and political spheres are dependent variables of security having a distinct role.

The Shanghai Cooperation Organisation is a compact (SCO) led by Russia and China clearly aimed at the west. As such SCO has been often called anti NATO meant to counterbalance US and Europe power structures. SCO's objective is to jointly preserve regional peace, security and stability and establish a democratic international political and economic order. Looking at it differently, the idea of flexible capitalism outright rejected rigid communism. It is called "flexible specialization" for the global market. Lack of long term common interest is the current scenario of the international system. The millennium goals thought to be achieved by 2015 remain more on paper than in action. The recent exit of the US from the Paris summit on climate change is a fragmented aspect of world order indicating lack of faith in common interest globally.

The idea of democracy is based on liberal contract system. While non- democratic constructions are arbitrary products of force and are thus incapable of generating common interest. In sum we can say actor identity determines the quality of anarchy when cultural affinity has a role to play between liberal and non- liberal states. West versus Rest Non western countries can attempt to achieve isolation in order to preserve their own value and protect them from western invasion. However, Huntington argues that the cost of this action is high and only a few states can pursue it. Non-western countries can make an effort to balance western power through modernization. They can develop their economy, military power and cooperate with other non- western countries against the west while still preserving their own values and institutions. Huntington believes that the increasing power of non-western civilizations in international society will make the West begin to develop a better understanding of the cultural fundamentals underlying other civilizations. Therefore western civilization will cease to be regarded as "universal" but different civilizations will learn to coexist and join to shape the future world.

Threat of Terrorism

Widely prevalent terrorist activities are a new threat to modern civilization. There is universal agreement to put an end to terrorism of all sorts’ .Hard core policy to fight against this callous and cowardly practice is around. Every nation has to face this dastardly act untidily threatening the world. Pakistan brand of terrorism is brewing from Pakistan especially against its close neighbour’s viz India and Afghanistan. An all out recognition to put an end to this practice is in the offing. There is international recognition that Pakistan is a Terrorist and a rogue state. The sporadic outburst of terrorism in the west has awakened those nations to stop this activity. The tentacles of terrorism are spreading slowly but steadily and it is a wheel within a wheel where there is camouflaged participation of rich nations to assist Terrorist financially and supplying weapons. Terrorism is an Undesirable activity decimating world peace and progress of civilization.

Finally, to conclude it may be stated that the modern trend from the viewpoint of civilizations connotes the fact that power balance is under a changing pattern. The monopoly enjoyed by few nations in terms of nuclear arsenal no longer holds good. The recent outburst of North Korea in its unlimited test of nuclear arsenal is a case in point which awakened and threatened supremacy of few nations. In the current international context the status of super powers no longer preserves a few nations. It shows the trend. The current international system has been changing radically in terms of material wealth substantially and in ideological terms. It connotes the identity of world order and consequently the identity of the global system. We have everything of the past but in a differing mode having a tilt in balance of power, authority and sovereignty. The identity of states is neither good nor bad in a Machiavellian universe. Only friends and enemies, amity and enmity remain. All remains in a camouflaged continence of peace.

# **Culture and Dignity**

Culture is a broader term. It includes the right from ordinary thinking to embrace human behavioural patterns and other activities that affect human knowledge, art etc. A society is branded civilized or not, based on individual and society's acceptance and overall recognition about matters of mutual interest generally agreeable to each other. The culture has with it the sense of dignity as an inseparable character. Manner of action reveals a person's character. Culture is a set of knowledge acquired over time. It is a wrong perception to assume that a uniform pattern prevails in all cultures. Culture is unique to each society.

Expression of thought through art is a significant aspect of culture. Customized practices observed steadfastly on different occasions have a bearing on cultural patterns. Education plays a vital role for the spread of more civilized behavioural patterns. The growth of literature expresses the avowed sense of intellectual growth. Culture, despite its unique features, is bound to change over a period of time. In this connection, travel through cross country and resulting cultural contact plays a vital role contributing for cultural transformation. Thus culture becomes a learnt behaviour in certain sense just as goods of yester years which remained luxury becomes a necessity of to-day because of continued use.

To look at it differently, even the very sense of political formation obtained in different societies is a kind of cultural outgrowth. Cultural changes keep pace with time. A shift from old pattern to new form is attributed to cultural change. The application of the human mind in its entire endeavour tries to find a new path which in a relative sense is based on cultural views. Nature too plays a crucial role influencing cultural changes. New innovation borne out of a new sense of thinking in all human activity is contributing obviously for cultural change. This could be observed in modern automobiles, aircraft, medicines, electrical equipment, and changes noticeable in communication technology, to mention a few obvious cases. The changes observed in the application of human effort are part of cultural change. Advancement noticeable in education and technology is an induced outgrowth of culture.

Revolution in communication technology caused rapid changes reducing cost of production, travel time and a voluminous increase in consumer surplus (Difference between what you are willing to pay for a good and what you actually pay for it is the economic measure of surplus satisfaction. For instance, to go to the USA you are willing to pay say Rs 20,000 through travel by air risking your life to get a message. But to get the same message you get it through a telephonic call just paying say Rs 100. The economic surplus you get is RS 19900) in the economic sense. The sum of all this benefit is due to cultural transformation due to fresh and wise economic change. The prerequisites of cultural change by and large depend on individual, and societal wisdom realised through transnational and trans-cultural qualities emerged through inventive qualities of culture.

Culture is an embodiment of new and fresh expansion of thoughts, innovation and inventions. We can easily single out the pre-eminence of culture as part of changing society. The desire for change accumulates ideas and ideologies not witnessed before. Such changes contribute and culminate into overall changes in habits and behaviour of individuals and society. The most defined part of culture is to be seen in clothing and other attires affecting human personality.

The evidence of the expression of clothing is seen in dress codes noticeable in different cultures. A deep examination into this aspect reveals every society has its own traditional and modern dress code. Dress code is a kind of dignity and respect which is bound to vary in each society. Despite material changes taking place in fabric and texture the role of tradition preserves the dress code. The designer plays a major role in disseminating changes in the pattern of dressing. The fashion industry and cinema are major mediums in propagating cultural eminence in dress code impacting every culture. The western culture stands for the maximum exposure of the body. This is too obvious in the case of females. In India the dress code is very dignified and decent in the sense women cover the entire body through the attire of saris. The traditional dressing code of Japanese and China too find it convenient to cover the entire body, notably the women. The most debatable part of culture is to be seen and observed mostly in women's wear. In open societies or the so called advanced societies dress code carries lesser significance and importance.

Dignity as part of culture is the kind of social behaviour and norms found in human societies. It is a type of trait transmitted through social learning. The word dignity has the meaning the right to be valued just as culture is part and parcel of societal norms and behaviour. In the modern context dignity can function as an extension of enlighten-era concepts of inherent inalienable right. To conclude it may be stated that culture and dignity are inseparable. Just as culture is learned behaviour and knowledge acquired through practice dignity is an inalienable right however supreme that one may be advanced in culture. A man advanced in culture invariably dignified and he does not display tantrums exhibiting mean behaviour.

# **About Innocence**

The very word innocence suggests it is free from inhibitions. All individuals both men and women are innocent. But in these gender differences the innocence has to be viewed with a conditional clause. Not all men and women are innocent. The innocence is subjective and it varies in accordance with age and related to situations. Both male and female children are innocent until they attain the age of saying "no"/expressing dissent depending upon the object of discussion and situation. Innocence can be likened to exchange of love. A child irrespective of gender in its toddler stage expresses both love and exhibits innocence despite the fact the child either chides or is reprimanded by elders. Generally it is either the father or mothers of the child who correct the child for its impressionistic behaviour. The expression of Innocence in adult depends on the context and the situation demanding the adult behaviour.

As already pointed out, innocence is a sort of behaviour borne out of love. We can observe innocence in children in the form of patience and kindliness. A child has no sense of protest and deviation. A child accepts everything without any reservation. We do not notice jealousy or boastfulness among children. A child is not arrogant or rude. A child does not insist on its own way. The behaviour of the child does not cause irritation or resentfulness. For a child every occurrence is playful and very jovial. A child does not rejoice at wrong but it makes no distinction between right and wrong. A child bears all things, and its life is built upon its faith in its parents. A child believes all things, hopes all things and knowingly or unknowingly endures all things. This in short the character of a child and innocence observed till the child becomes an adult.

On the other hand an adult is quite oblivious of the word innocence. An adult's behaviour is subjective and he is manipulative of the situation to his advantage to show that he is innocent of everything. For an adult everything comes out of an abundance of heart. Heart of an adult is filled with evil thoughts, fornication, theft, murder, adultery, coveting, wickedness, deceit, licentiousness, envy, slander, pride and foolishness. These wicked thoughts defile an adult and how do you expect an adult to be innocent. I do not say all adults are filled with wickedness. As in every field of human activities there are exceptions.

We have instances of “Buddha”, “Jesus”, “Mahatma Gandhi” who practiced innocence and demonstrated it in their own life. Jesus further said unless you become like a child whom Jesus implies about the innocence of the child and humble one you can never enter the “Kingdom of God”. According to “Jesus, the Kingdom” he taught about is the “Kingdom of love”. “Love the God with all your might and soul and love thy neighbour as you love yourself” is the easy way to attain the “Kingdom of God”. Jesus never spoke about a separate religion in the name of Christianity. All his teachings are about “love”. To love one another you have to be innocent without any sense of discrimination of various types now seen in the midst of mankind.

# **Is Conscience the maxim for the world's future?**

Chapter-I

Understanding conscience

Conscience is an inner spirit not seen outwardly and humble, but has immense potential in decision making with a sense of conviction. Submitting to conscience has with it the quality of rewarding generously with total satisfaction. It always plays a deciding role. Context and situation has immense strength in deciding the course of action that borne out of human thought process .Context and situation influencing the human mind dependent upon human divisions such as caste, creed, ethnic to mention a few popular cases .An organic man though remains the same in all respects affecting mind and body but his potential to think has been varying which is even more unique among the wise. Thus the depth of the human mind is beyond the limits of ordinary perception and hence unfathomable.

Conscience makes decisions in a more selective way which in a certain sense is unpredictable. Because, it is metaphysical in nature and to say precisely it falls within the domain of spirituality. Conscience is supreme and sovereign and it is an invisible part of man. However it can seize you but to conquer it one has to surrender the self. Reconciliation at any point of time occurs through the process of listening to inner self since conscience rightly distinguishes between right and wrong. It always motivates for betterment along with a sense of righteousness.

The most commonly used metaphor for conscience is "inner voice". Inner voice is heard only when one is about to make a mistake. It is related to moral values. Reasoning has a path in decision making which is nothing but conscience. It involves rational consideration of facts and a conscientious mode in operation respecting each and every one with a sense of equality and justice. In all human endeavours, registration of success becomes wholesome because it is bound by the union of conscience. For instance, in the erstwhile concluded Summit talk between leaders of US and North Korea there was genuine interest in the general welfare of mankind in which conscience played a crucial role? Both the leaders were convinced that the interplay of harmful course that separated the friendship and eventually surrendering the ego wilfully, led to the success of the Summit talk. (During Trump’s Regime)

Of all creations of God, mankind is unique since mankind is gifted with supreme knowledge with potential for reasoning. Man possesses the sense of Supreme Consciousness which is all powerful and all pervading. In fact it is a divine spread within mankind because man has the faculty of conscience. It is symbolic of valour and enterprise and raring to go against established norms and values. It makes no distinction between rich and poor and it is common to all. It reveals the sense of truth and justice. In all branches of human knowledge such as Politics, economics, sociology and in every other scientific pursuit conscience plays a vital role. The sense of general welfare is embedded in all the branches of knowledge cited above. Unilateral pursuit in any branch of knowledge will have a wrongful connotation affecting the general welfare of mankind. In such a course the sense of conscience is subdued and set aside ignoring larger interests. The glaring example is the US approach to raise tariffs on Steel and Aluminium by more than 25 percent affecting International trading interest (during Trump’s regime). This is a reflection of vested interest. It impacts global interest. The collective spirit reflecting the World Economy and comity of nations is injured irreparably. Such a course adopted by the US is detrimental to the interests of general welfare.

Emerging economies would be much affected. It has created disruption and disturbed the harmony underlying world trade and economy. The trade-off emanating from world trade is affected badly. Man judges from outward appearance. But conscience is intuition and it springs out directly from the heart. It is undefined law emanating from within oneself. Therefore, man’s dignity underlies in observing this unwritten code of law in terms of logic. Conscience can be viewed as the practical conclusion of a moral syllogism whose major premise is an objective norm and whose minor premise is a particular case or situation to which norm is applied.

Discipline is the fountain head of conscience and its inversion is indiscipline. Take for instance pavement walkers. The walker who is desirous of overtaking the fellow walker does it without causing inconvenience to the fellow walker in which case there is a sense of discipline respecting the freedom on the pavement. Looking at it differently, a driver of a car attempting to overtake in heavy traffic may cause injury to either himself or the other fellow driver in the same road. In such an event causing injury to the fellow traveller is amounted to indiscipline which is nothing but subversion of conscience

In fact, conscientiousness is the bedrock of healthy society. Since each member of the society enjoys individual trust involving social recognition. On the contrary absence of social trust is a trust deficit and anathema to social harmony implying lack of conscientiousness among polity. Conscience can be discerned as personal revelation of scriptural truth. It is the final practical judgement occurring through reasoning .It is a dynamic personal connection to moral values. Human capacity to live by rational principles and in harmonious relation with mind would lead to unblemished character devoid of selfishness. Conscience renders approval of the right type of actions which gives tranquillity of mind. According to the United Nations Charter, “All human beings are born free with equal dignity and rights. Further, they are endowed with reason and conscience and they should act towards one another in a spirit of brotherhood. (Article-I)

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Chapter- II

# **Role of conscience in family and society**

Harmony in relationships between members of the family is a fundamental commitment based on conscience. It is rooted as a moral commitment among husband, wife and children. Mutual love, adjustment, sacrifice and sharing are the basic tenets emanate from the family. It is said charity begins at home. It is obvious and witnessed in a harmonious family because of mutual understanding. Respecting each other’s sentiment and reciprocity there on born only in a healthy family. In several stages of mankind as husband, father and mother and children there has been continuous and mutual exchange of views culminating in the indomitable role of conscience.

Conscience unifies the cognitive and emotional aspects of human life coupled with a sense of moral expectations. Committing a mistake reminds the inner self. In such circumstances conscience is altered not only by things already done but also prevents us doing this that we anticipate or not doing it. These are a judgment of retrospective conscience. In retrospect we may think what we have done earlier was wrong and may have resolved not to do it again. Family life is committed with a sense of helping others, the index of good family. Under such occasions the inner self is moved by conscience to oblige to help others. The role of a husband demanding the duty to unite one's power of reason, emotion and will into an integrated moral whole based upon one's fundamental moral principles and identity. Emotions are associated with conscience but conscience is not reducible to those emotions.

Conscience is not constituted by or directed to a particular normative system or theoretical framework or set of principles. For instance mutual consent in sex life is a kind of unwritten code of married life between husband and wife. At the same time promiscuity in sex is unwarranted both for husband and wife. It will ruin the crux of the family system. Maintenance of integrity between husband and wife rests with mutual faith on each other and they should be trustworthy. According to J.S.Mill, conscience is a complex set of principles that prevent us from doing wrong. This is more appropriate to a happy married life. There are aspects of judgments of prospective or as it is sometimes called legislative conscience. In this connection we come across mutual exchange of love in upbringing the children by parents. Honouring father and mother is the duty of children. Such reciprocal and benevolent exchange of views is binding and conventional on either side i.e. between parents and children is a kind of legislative conscience that unites a happy family.

Conscience in society can be viewed as the “General will” of the people and they frame law accordingly based on moral principles and values safeguarding the general interests of the people forming the society. The people would abide by that law. The law that governs the people has a system of rules and regulations reflecting society's conscience which carries the moral connotation. Every member of the society has faith and recognizes such laws which protect and guarantee the general welfare of the society. Human emotions sometimes override the conscience of the society and such incidents take the form of mob violence and demagoguery. Conscience is a weird thing in a society. Though it reflects the general will of the people and tries to guarantee welfare of the people but at times it hardly satisfies each and everybody in full measure. There are chances of societal conscience to be biased benefiting a section of the society and ignoring others. An individual conscience is even though highly upright and moral than the norms and values, observed in the society, but the individual has to abide by the general will of the society. Societal conscience is weird and individual however capable he is subdued to the general will/law of the society.

In a dictatorship the dictator hides his emotional outburst, but once it gets out of control the beast comes out of it and is difficult to control. Iraq under Saddam Hussein was a glaring example in this regard. A social structure governed by societal conscience is of utmost importance. It is the social edifice around which people would be allowed to function. Structure is usually expressed in the form of laws that are framed by an elected body or a group. Such laws keep both the individual and group working together without undue restraint. Societal laws are subjected to change since it is the context and situation that decides the event hence laws are amenable even though it is the supreme law of the land. Societal laws have to be flexible and must take into account majoritarian views.

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Chapter - III

Need for conscientious politics

A remarkable chapter begins in the history of mankind since the end of the Second World War. A new era has now begun. The desire for territorial annexation has given place to ideological differences though with ulterior motives that remains obscure. Such ideological differences are being sorted out through a dialogue process. To put it differently, mankind has now submitted to conscientious politics which is a sign of progress, civility and maturity. Even though the concussions among Nations still remain but such tendencies seem less significant, however, remains tumultuous and contemptuous.

Conscientious politics rests on legitimacy and falls within the realm of conscience. It invites deliberations on people's will and tries to adopt a persuasive approach. Politics in general involve normative policy hovering around moral dimensions. Looking at it differently, political policy bent upon public justification which is predicated by historical context. The individuals making the conclave (Ministers) for political decisions must possess greater awareness of public needs and precise rational thinking. Integrity of individuals comprising the conclave is sine qua non for best results. Further, political decisions involve judgement followed by practical reasoning affecting the context and situation. The general objective should be for absolute good. It combines moral knowledge and principles.

Generally speaking political laws are subordinate to natural law since the latter instinct is based on fellow feeling, customs and practices. It is akin to virtue of prudence capable of balancing adequately for the common good. A quiet conscience among politicians is the need of the hour. In the current political situation such practices take a back seat. According to the medieval Flemish mystic John Ruys Bevel four qualities to sustain political conscience are: a free spirit, attracting through love (personal charisma), an intellect enlightened by grace, propensity to yield to delight and a selfless feeling. Unfortunately, these four qualities in to-day's politics are conspicuous for its absence.

Salvation of mankind from social evils underlies right political decisions. Decision making in politics has a collective sense since it impacts not an individual but the society at large hence the interplay of conscience is superimposed to give permanence of equality and justice to lead a decent life. The importance of conscience arises in this sense since it vetoes wrong ideals. In the current international context political views are biased and have sectarian ideals. In such a course the emergence of religious dogma which turned into bigotry tries to subvert Nationhood. This has led to the growth of several groups each with its own narrow views on society and ideology disturbing self determination.

Self determination is possible only in a democracy not in other political institutions like dictatorship/totalitarian regimes. The sense of conscientious politics is now under stress because there has been large scale financing of secessionist forces and terror outfits which emboldened such debased groups to indulge in mass killing of human life, above all intimidating the peace loving nations. Pakistan is a glaring example in this context. Political dynamics of today are based on identity politics. The perception of social relations has been subjected to radical changes. There are multiplicities of factors affecting the interest of the world community. The realities now facing the world community today is racism, nationalism, ethnic relations and anti immigrant policy. There is no consensus. Globalization, the refugee problem, and immigrant issues were the reasons put together as a common issue that divides the people. In such a reality, it is difficult to think about the rhythm of togetherness. Conscientious politics necessarily have to fit into a larger groove of moral plane and righteousness. In its absence there is no sense of conscientiousness.

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Chapter-IV

Culture and conscience

The word "culture" has a very broader meaning. It includes all civilized activities of mankind. Therefore culture cannot be defined in a limited sense. It is a cornucopia of everything that involves meaningful intercourse with mankind. Culture is expressly imposed on us and internalized because of continuous association with varieties of groups starting from a very small group such as family to as high as society which represent an amalgam of a larger association of people. On the other hand conscience emanates within one self and an aspect of eternity. Precisely speaking conscience is the inner voice which is natural and inborn. But there is no such thing as inner culture. Conscience is the ideal that satisfies the good group. Conscience controls human behaviour. Failure to heed to conscience results in painful experiences of shame and guilt. Conscience gives a sense of calm, peace and tranquillity.

The evolutionary transformation underlying human interaction led to the formation of social traits like empathy, reciprocity and altruism, the building blocks of conscience. Thus conscience too underwent neo- biological development. The sense of justice and truth forming part of conscience was not an immediate/overnight occurrence, but has its root in the distant past from time immemorial. Some special quality of insight and imagination led to the realization of brotherhood as a distinct trait in man not seen in non- human species.

Mankind is tended for gregarious living which resulted in sharing of a quite unique experience such as good spirit and the other with conflict perspective. Therefore to set right the unique path of correct perspective mankind classified belief system and behaviour into good, bad, sacred and profane. Perhaps this is a paradigm of culture and conscience. As already pointed out there is no such thing as inner culture. Thus culture is external originating from without the person from his/her surroundings and community. No one can claim culture is born within us. But culture can affect conscience. We can say for instance, that a culture of evil obliterates conscience and a culture of benevolence enriches and refines conscience. Looking at it differently, moral responsibility is individual decision but moral accountability is culture. The widespread prevalence of rape of minor girls is a case in point of moral responsibility which by and large emanate from the individual.

It may be stated that culture influences conscience in the sense that external surroundings affect the internal. The environment, atmosphere emasculate one's being in accordance with the person's individuality. In other words, the strength of inner self is decided through external impact which may be good or evil. Likewise, we can identify the tendency of different groups to alternately dehumanize and re-humanize one another in a process, configured by the dynamic interplay of culture and conscience.

The cultural channel of inheritance enables human species to adapt almost in an unlimited fashion to a fresh and new environment without having to undergo the cumbersome process of new genetic and adaptation over several generations. An innovation carried out in the cultural system can be acquired in a matter of minutes. Smart phone cell technology in this context is a profound example. Our conscience is the voice of the society and culture is the medium conveying that voice.

Every culture needs harmony to persist. If we look at the evolving perspective between conscience and culture, culture survives because of compassion. Compassion is necessary for the harmony of survival. In today’s world, violence, greed, murder, rape and theft are the social evils that exist. But they are not constant. The constant is compassion, a prelude to conscience. Culture and conscience evolve continuously. We know the essential to survive is within us. And we are already evolving toward it. The continuous dialogue process taking place internationally on politics, trade and Socio-cultural planes are the trade-off in these directions. Despite the enormity of differences we continue to indulge in brotherhood, i.e. universal brotherhood which transforms our conscience and culture for survival. Our conscience, that is our desire for living together, is the collective law and principle embodied in us. We are aware that individuals are weaker than the combined power of groups. Thus culture is conscious and it is the group and its norms continue to have overwhelming importance.

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Chapter-V

Why conscience is important in to-day’s world

The world's conscience seems to have subdued on several counts. The most essential concern in to-day's world is to ensure a peaceful living. It is under stake. The survival of the fittest of Darwin's dictum seems to be more pronounced to-day than before. Majority in the world is quite oblivious of what is happening around us and mostly blinking about how to sustain a meaningful future. The end of the cold war era between superpowers is a welcome change, but it is replaced by rising new power groups to the detriment of the world conscience. The unity among nations remains formal and it is not bound by the union of brotherhood and real understanding.

China is now emerging as a new global power from Asia. On the contrary, the US at all costs wants to maintain hegemony by planting ideals of peace, friendship and cooperation. It always wants to circumvent through unpredictable notions and ideals putting the world conscience under severe strain. The realm of international politics, economy and Socio-cultural relations are under a beaten track. In the political arena the decade old Syrian war has yet to see the light of the world. It created a mass refugee problem affecting the peace of European countries.

It also strokes the immigrant issue as a global problem shaking conscience of the world on humanitarian grounds. The anti-immigrant issue drew special attention and was viewed as an intercontinental problem. In this context the revision of immigrant policy both by the US and UK poses a severe threat to immigrants especially of Asian origin including of course Europe marginally. This has cropped up not only the immigrant issue but the racist problem to a greater extent. The US and UK took very strong and stringent measures against immigrants affecting their livelihood. The population from emerging economies are the worst sufferers.

On the economic front ruthless competition and very quick technological obsolesce affects the start ups and emerging economies. The very survival has now turned questionable. To add to it was the trade war initiated by the US in a large measure detrimental to the interests of the world trading community. The uptrend of economic issues tends to disturb and question the very sense of world conscience. The policy of live and let live gracefully is no longer viewed as a rightful policy. It seems a monopolistic fervour has gripped the world economy. The world's conscience is rudely shaken and it tends to show the Damocles sword hanging restlessly where and on whom it will fall is a dilemma facing to-day's world.

On the Socio cultural plane as pointed out earlier the refugee problem, racism and anti-immigrant issue poses a severe threat and shook the world community. The current pandemic viz COVID-19 shook the world order drastically. A rebound took place shaking the very rudiment underlying both health and functioning of the economic system. The pandemic impacted the world in a more deplorable fashion, causing mankind a moral lesson. That nature once determined to cause devastation makes no distinction sparing no human based on colour, creed, wealth, ethnicity .The pandemic affecting 220 countries around the world. Public gathering presents an ideal opportunity for infection to spread rapidly. The Global death toll due to COVID-19is estimated to be around3.88 million. Besides, it caused both economic and social disruption. It exposed the weakness underlying healthcare infrastructure and strained the economic system, disrupting supply chain impacting in terms of unemployment and exposing weakness of globalization.

The conscience of the world ticks blindly. It is obvious that there is a trust deficit among the world community. Every country is super charged with selfishness devoid of conscience. Every country wants to supersede the other and become non-conformist to the ideals of moral value obliterating the conscience. Viewed politically the disengagement of the US unilaterally from the nuclear deal fructified between Iran and other European powers indicates a type of vested interest and a dogged approach affecting the comity of nations involved in the deal. It indicates the US lacks maturity and is inclined toward a wrongful perspective (under Trump’s regime). Pricking one nation on ideological premise and favouring a single nation (Israel) by the US is not only antagonistic but a wilful failure of brotherhood. US not signing the policy on the environment at the Paris accord (under the Trump Regime). It shows the selfish approach and unwise attitude of a single nation to the utter distaste of the world community.

The trend of polarization leads to formation of fresh alliances on Socio- Economic grounds is the avowed policy of the Asian and Latin American countries. The objective is very clear. Such grouping is intended to isolate Hegemony of the US. China is playing a very leading role in this connection especially through its one road one belt policy. Ideological competition is now a feature of Chinese foreign policy. China attempts to showcase its own political system in a positive light criticising American-style democracy flawed or in decline. The head of China Institutes of Contemporary International Relations, has declared “the USA is sick”, China has stabilized, and the world has changed. Further, China’s conclusion of a bilateral investment treaty with the European Union is a classic divide- and- rule tactic against the West. Chinese President said in the World Economic Forum (WEF) “that to clique or start new cold wars, to reject, threaten to intimidate others.... will only push the world into division. It will always end up harming every nation’s interests and sacrificing people’s welfare.WEF on the other hand set the forum with a title” the Great reset” which it says is a” commitment to jointly build the foundations of our economic and social system for a more fair, sustainable and resilient future” . China wants to integrate both small and large Asian conglomerates by lavishly spending in building and strengthening up the Asia-Euro infrastructure. Thus groupings of Nations play a very leading role in uniting the world order. The sense of universal peace and friendliness is gradually disappearing. Instead the competitive spirit is taking wrongful connotations.

Further the growing disturbance to the atmosphere through pollution seems to be very adventurous for emerging nations in which developed nation’s show lesser interest. The growing threat through terrorism is a new problem facing the world order. So far, there has been no successful attempt to contain terrorism on a firm basis. There is sporadic outburst of terrorism killing human life and destroying the property. These are the consequences and the outcome for the failure to heed to the conscience process.

Concluded

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# **About Soul/Self**

Thought about soul/self will soon drive one to scriptures/religion. Because it is religion that advocates the rest of the soul is the human body. There is so much ambiguity in it. Does the soul refer to it consciously based in a certain sense? Or knowing oneself is an aspect that is attributed as soul. When somebody says make a soul search, does it mean you need to examine your conscience aspect of the human body. The manifestation of the soul trait is talked about much less for the beings which lack sixth sense just as human beings. I am given to understand that perhaps the rational part of the human mind distinguishes between doing right and wrong connotes the existence of the soul. The Bible says "For what will it profit a man if he gains the whole world and forfeits his life. What use is it to you ( it means your belongings) if you lose the soul.” Here it refers to the hard part of conscience since it knows right and wrong doings.

 There is also a mystery about the soul. It is personified as spirit/force that is invisible. In so long as the last breath of man which makes the human heart ticks and soon after the soul/spirit leaves the human body the heart stops functioning. Some of the findings on the structure of the soul studies say it leaves the body with a thud/ such great force invisible. There is so far no empirical evidence to prove the mystery about the soul. What remains so far on the structure of the soul are too many conjectures?

Soul in general refers to a substance, a matter since it occupies space in the human body. Soul is a matter just like any matter exists in the physical world. Attributing a religious connotation is a flamboyant way of glorifying the soul which is a matter just like any other matter. Attaching a ritualistic importance to the soul is metaphysical in nature. Soul is also not an object in a traditional sense since it cannot exist in a stationary state. Soul is immortal according to Hindu philosophy. Buddhism does not believe in the existence of the soul. If the soul is immortal where it goes after the death of the human body where it occupies a supreme place. In this aspect it is difficult to arrive at a strong and conclusive opinion.

Looking at it differently when the soul is immortal, its existence by conception is proven false. Because there are certain views which say that the eternal soul never exists independently. What does it mean? Thus its existence is implicit with something which is nothing but the human body. Some of the versions says that it has limited knowledge etc implies the soul becomes whole when it enters the human body. According to Christianity man is created in the image of GOD. God dwells in man in spirit and truth. How far the individual realizes the truth left to his own intellect and the circumstances of his birth decides the issue.

Many ambiguities prevail to date concerning the state of the soul. Soul may be eternal; immortal which are in fact attributes since there is no empirical evidence in this regard to prove the above statements. We can say at most with a certain amount of dignity that the soul is an attendant spirit of supreme God who dwells in man in spirit and truth. Man is a messenger of God since each man has a soul. Each may have a spiritual pursuit. All Sam-saris (Married ones) are not successful in the pursuit of spiritual goals intended by God. Jesus Christ said “those who want to follow me deny themselves and take up the cross.” This is the reason why Yogis, Rishis, and Priest vowed not to marry.

Muslims believe the ultimate end or happiness of the soul depends on its ability to separate itself from the demand of the body and focus on grasping the eternal aspects of the Universe. They believed in the existence of rational and non-rational parts of the soul. They believed that the non-rational part comes into being and unavoidably perishes. The philosopher IBN SENA believed that the soul has no beginning and no end. All philosophers agreed that non- non-rational part of the soul is destroyed, and they differ with regard to the end of rational souls.

According to Jainism the soul is a conscious substance that is present in all living beings. Consciousness and power of understanding are the most prominent and inherent qualities of the soul. There are two types of souls.-liberated soul (siddha) and the soul bonded with karma. There are infinite souls in the Universe. Number remains constant as the soul cannot be created or destroyed. Each soul is responsible for what it does. It experiences the consequences of its action.

There is no soul according to Buddhism. Buddha teaches neither an eternal ego nor a temporal ego entity. Buddha teaches that what we call ego, self, soul personality etc are merely conventional terms that do not refer to any real independent entity. There is no reason to believe that there is an eternal soul that comes from heaven or that is created by itself and that will transmigrate or proceed straightway either to heaven or hell after death .Buddhist cannot accept that there is anything either in this world or any other world that is eternal or unchangeable. Soul searching is useless and illusory according to Buddha.

According to Christianity, the soul refers to the whole person in need of God who is only one who can preserve a human being or extinguish the self forever.(Mathew 10:28).Therefore Nephesh (soul in Hebrew)/Psuche (soul in Greek) refers to the totality of the person as a centre of life emotions, feelings and longings that can be fully realised only in union with God. According to Augustine “soul’s immortality derives from the repository of the imperishable.” The human soul is a certain substance participating in reason and adapted to the governing of the body. Three principal qualities of the human soul are, Memoria, Intelligence and voluntas. These three faculties are not separate distinct entities but they are functions of the soul that share in its substantiality”. The message of the Bible is that we are not immortal but that God wants to give us immortality. Death is passing events into another dimension of reality. Death is the annihilation of consciousness.

Thus the concept of soul by and large is imaginary. To quote Aristotle, “soul is part and parcel of human flesh”. The notion of immortality of the soul is debatable till today. There is no conclusive or empirical evidence on this score. Whatever belief attached to it is based on individual intellect, his knowledge/ wisdom about creation.

A sect of traditional Jews questioned Jesus Christ about resurrection in which they have no belief. They cited an analogy saying a woman had seven husbands. As per Jews tradition if a brother dies the next should marry the woman. Likewise all the seven brothers married that woman and the woman died finally .They asked Jesus to whom this woman becomes wife under resurrection. Jesus replied in resurrection everyone will be like angels and there is no account of who is to whom. Thus according to Christ it is the will of God to decide whom to be resurrected governed by his good and bad deeds. Jesus has not mentioned the soul.

To sum up it may be stated that there is no empirical evidence to prove the soul's existence. Man invented religion and religious belief thereon has become a basic need to explain life's experiences and to offer solace from life's troubles. The idea of soul reflects the particular values and aspirations of culture in this life. It is an attribute to human life in order to have a sacred connotation to life.

Soul is related to psyche and consciousness. The inner voice/spirit dwelling in us always awakens and pricks human self while performing an action. A good deed is approved by the spirit to prick the psyche until the conscience clears it through some retribution. The Christians called the retribution to attain salvation or to free the spirit /psyche through confession.

# **The Soul mate of Happy Mind underlies in Peaceful Heart**

Ever since man's first entry into this world he was alone. God so desired to give him company. God was full of wisdom and discrete and even joyful at the moment while creating a wonderful piece out of man's bone. God so desired that such a created piece is to woo man and God prefers to call that creation as woman. The woman so created was complete in all spheres equal to man's embodiment and fully endowed with creature comforts that are complete with fabulous features in every aspect that pleases the man. Woman so created was a priceless possession for man until he fulfils and maintains God's commandments. In fulfilment of his commandment the idea of eternal happiness and a peaceable heart was given to man on a conditional basis. What was the condition? Since God endowed all faculties to man His anticipation was that man would not be a slave of thoughts emanating from his companion called woman.

Unfortunately, the worst had happened. The poor woman was invited by a seemingly indoctrinated being in the guise of a serpent which was deceptive and brilliantly connived to cheat the woman to eat the forbidden fruit commanded by God Himself. Man was all along innocent and could not distinguish between rights and wrong and lost his sense of commandment given to him by God. Man's companion woman was the culprit who was cheated by the Devil the serpent and ate the forbidden fruit. The moment the man too ate the forbidden fruit was the moment dawn in him the sense of consciousness in man. From then on man began to think rationally through reasoning.

According to Christian scripture man was created in the image of God.(According to Christians God is spirit and truth).Advaita philosophy contends that even in heavenly abode there is gradation of souls. This idea of the presence of gradation of souls according to Advaita philosophy implies the very presence of God is the summation of supreme souls/spirit according to the hierarchy prevailing in heaven. It also implies the lowly placed souls enjoy the benefit of rebirth into the world until they consummate the entire karma borne out of their several births to become a supreme soul/or to become in the likeness of God. In philosophy, happiness translates the Greek concept of "EUDAIMONIA '' and refers to the good or flourishing rather than simply as emotion.

In psychology happiness is a mental or emotional state of well being which can be defined by among others positive or pleasant emotions ranging from contentment to intense joy. Happiness is a fuzzy concept. Related concepts are well being quality of life flourishing and contentment. Since the turn of the millennium the human flourishing approach has attracted increasing interest in psychology especially in the work of Martin Seligman. Ed Denier and Ruut Veenhoven and international development and Medical research in the work of Paul An and give importance to this approach. Utilitarians such as John Stuart Mill and Jeremy Bentham advocated the greatest happiness principles as a guide for ethical behaviour. Friedrich Nietzsche wants us to consider the value of what is difficult and what can be realized through struggle, difficulty and thus to come to see the affirmative value.

And unhappiness truly plays in creating everything of great worth in life, including all the highest achievements of human culture, not least of all philosophy. Confucius argued that if we did not feel satisfaction or pleasure nourishing one's "vital force" with righteous deeds that force would shrivel up (Mencius 6A:152a:2) .

In the Nicomachean Ethics, written in 350 BCE. Aristotle stated that happiness (also well-being and doing well) is the only thing that humans desire, for its own sake unlike riches, honour, health or friendship but also in order to be happy. Aristotle argues that the good life is the life of excellent rational activity. For humans Aristotle contends our function is to reason since it is that alone those we uniquely do. And performing one's function well or excellently is one's goal. Thus the life of excellent rational activity is a happy life. Aristotle does not leave it that way however, for he argues that there is a second best life for those incapable of excellent activity. This second best life is the life of moral virtue. Happiness is simply a mental state of well being created by positive and good emotions. In fact man needs to renew his mind on a daily basis for various reasons in order to sustain happiness. Just as weed grows on the ground spontaneously without any human effort the human mind easily pollutes depending on his type and level of contact. There are multiple contacts and opportunities for a man to meet good, bad and people with evil thoughts. Therefore the situations are bound to vary and circumstances are challenging. Unless the human mind renew with the right spirit on a continuing basis it is difficult to sustain happiness. Just as the breeze, its origin and direction remaining unknown it is the spirit dwelling in each man should always seek the best and good to realize happiness within the given environment that each individual has to face on a daily basis.

According to Edmund Spenser “it is the mind that makes good or evil, that makes wretch or happy, rich or poor."Having accepted happiness is a choice and an attitude of mind and has changed my attitude from negative to positive. Since we create the state of mind, we can create our own happiness from negative to positive. The question that is pertinent in this connection is what is the state of mind? A state of mind is a temporary psychological state, the emotional and intellectual content of mind at a precise moment. A state of mind can be created by external factors that have influenced our life but most importantly a state of mind can be created by us. Basically in happiness there is a positive resourcefulness or negative resourcefulness state of mind. Happiness is not an eternal event in human life. It is a joyful event in certain respects and it can be ephemeral.

Happiness has two parts. The sense of a continuous happiness is realized through Yoga, a blissful state largely borne out of spiritual thoughts and understanding. The other part carries a materialistic connotation and sense of happiness in this sense is temporal and short lived. Like eating a delicacy of food and the connoisseur of food enjoy the happiness and goes off quickly as the sense of taste begins to fade which remains momentarily and disappears rapidly.

Happiness is transforming (Sublimation is a psychological component to attain a state of mind filled with peace which leads to happiness depending upon the nature of difficulty that one experiences. For instance after a day of hard work listening to music gives solace to the mind filled with joy/peace of mind) joyful moments as an outcome of winning an event, action, or finding a fresh usage or new product. The peaceful heart is the soul mate of a happy mind. The reasons for happiness are explained elaborately and the above causes are self explanatory to understand happiness. Happiness is not a possession to be prized; it is a quality of thought and a state of mind. If the mind is in a state of peace, happiness is given, and remains constant throughout. If the mind is happy and nothing else to disturb, that state is the peace of heart which is assured. Thus happiness is a state of mind and it is a choice. Gratitude is the key to happiness. A positive thought or reasoning brings happiness.

Everything physical is bound to change and hence can never give the sense of peace if one is attached to it. Surrendering the ego is the first step. It is natural to jump from one thought to another. It is the culprit that disturbs the mental balance. Looking at it differently an uncontrolled mind would disturb the peace of mind and heart. Innumerable desires disturb the column of thoughts. Start living the present moment beautifully, since too much rational thinking disturbs both mind and heart. Einstein said that I never came upon my discoveries through the process of rational thinking. Rely on our intuition. Alfred Einstein said the only real valuable thing is “intuition.” Listen to your heart and do what it tells you to do.

Meditation is one of the best ways to calm your mind and have a mind like deep water. Further limit your information intake because it confuses between right and wrong. It is not easy to find happiness inside ourselves and it is not possible to find elsewhere. Life is not waiting for the storm to pass rather it is about learning how to dance in the rain. A peaceful heart is nothing but a state of contentment. Fulfilling a promise or a task leads the heart to remain peaceful. In the ultimate analysis it may be stated that both happiness and a peaceful heart are like both sides of a coin. One cannot be realized without the other. Having both at the same time, leads to contentment of the soul (Brahman).

A contented soul is like God himself. Man always strives to realize both at the same time. The attempt is like the experience that distant lends charm. As one goes near either happiness/peaceable heart, their horizon deepens. To realize both on a continuing basis still remains a mystery.

# **Polarization the Bulwark of Modern Democracy**

The tendency for polarization is as old as mankind. In the early period polarization stood for protecting life and property. Later on differing ideals and ideologies has helped to form groups. The successor to groups is the birth of organisation/institutions which come into being mainly due to animosity, security, threat, inequality and other ills that corroded the human value and affected all aspects of human endeavour. Of late terrorism becomes more rampant destroy peace and stability among nations that are "weak" which induce nations to come together to fight out this political/social evil. Multiplicity of factors could be identified for polarization. The very sphere of human participation in all walks of life is now based on forming groups. The tendency to stand alone is disagreeable to humanity because mankind is gregarious by nature. The feeling for polarization emerged mainly because of fear psychosis.

While tracing early history from Greek political situations indicates the presence of a coalition of city states for governance. Polarization, as it stands for expressing a remarkable trait for the unity of mankind and exhibits a rhythm of togetherness. Even in kinship relations we observe the tendency for polarization. The cultural bias and income inequality between kinsfolk give rise to polarization. Perhaps the wealthy among the kinsfolk display feudal character ignoring the less privileged among kinsfolk.

Let us now examine with a broader outlook for seeking polarization in the current context prevailing over the world. Apart from political causes, the desire for polarization among humankind crops up due to differences in economic conditions, Socio-cultural values, Defence, Security and Trade between countries. With these perspectives in view an attempt is made to find the causes for the grouping of nations on each of these different heads mentioned above.

Basically, the foremost cause for the tendency for polarizing arises from political reasons. When public opinion goes two extremes, polarization occurs in politics. The erstwhile Cold war conditions between the United States and Russia is the case in point. Further, in politics there is no middle ground for moderates. Two sides argue vehemently (as in Cold War situations) practically on every subject from the economy to managing debt to the military.

It is human nature that people tend to argue more ferociously if they verbalize a position. This leads to increased polarization as people tend to not to switch over or even reconsider their positions due to not wanting to look at though they are “weak" and prone to flip flopping.

Looking at it differently, basically it is split in consensus leads to polarization. Further, the grouping of nations arises from political will, distance, sense of security, similar ideas and ideologies and implicit differences in trade are the causes for polarization. Almost all discussions on polarization in politics arise out of tussle between political parties and democratic systems of government. Generally moderates lose power and influence in the political process. Besides, pronounced reduction in the dimensionality of political conflict can be cited as another reason. Escalation in a bi-directional relationship also causes polarization.

As far as root causes go, there is much difference between now and 1848 which is a date generally attributed to the first revolution of the industrial age. Coming together of nations also arises due to Geo -political entities and operational convenience that transcend barriers characterized by boundaries and demarcation. Further, society has become more mobile and social groups are less stable than in former eras. As a result people are less restrained by the fear of losing social support. Most people now know that if a relationship, friendship or group identity does not work out it may be readily discarded for the next one.

Restructuring of Nation states since World War I, has created a sort of political wrestling. The presence of Neo-Marxist based government ideals or more libertarians’ ideals and some sense of Globalism tend to isolate certain groups of Nations which tend to polarize. Also identity politics based on racism has emerged and also a politically revisionist view of history started to creep into the picture causing collaboration and compromise among political groups as the other cause for political polarization.

Marginalisation of minorities tends to polarize in such a way that previous minorities gain more power. In the US for instance moving from a white dominant society becomes subservient to a multicultural society creates fear among the whites. When a group previously has been in a privileged position are now having to surrender their position of privilege they typically find this very uncomfortable and indeed sometimes become fearful of backlash. This is clearly a major cultural change for those who have grown up expecting a privileged existence.

Besides, repetition of opinion and news enforces preference and prejudices. The more a group consumes them is another cause for polarization. More than that ubiquitous technology led to opinionated people with wrong notions and ideologies tend to make people argue absurd things as factual and real.

The growth of the Shanghai Cooperation Organisation (SCO) formed in 2001 is more relevant in this context. The SCO stands for liberation movements and to challenge the conduct of terrorism. The objective of SCO is to secure national sovereignty of the member countries. Besides, other causes for polarization stem from cooperation from economic angles, technology, culture, energy and other fronts. The emergence of China as a regional power and its future position as Hegemonic in international context may be helpful to solve border problems. We see politics to work, there has to be compromise and willingness between nations to negotiate.

This is more visible in the current international context. The current world order is for a multi-polar approach as the core policy of international diplomacy supplanting the bipolar tendencies. This stand significantly poses contrast to the unilateral approach which seems antagonistic to the present world vision. It is pertinent to mention the unilateral withdrawal of the US from the Paris accord on Environment. Likewise the US refusal (during Trump’s regime) to move away from the comprehensive nuclear deal involving Iran is concrete evidence to show that such a unilateral approach in total disregard for the views of the comity of nation states needs to be condemned.

The union of states fall within a political consensus largely inclined to safeguard Defence, Security and Trade such as NATO formed in 1949 SARC(1995), SCO(2001), NAFTA(1994), APEC(1989), ASEAN(1967), EEA(1994), OPEC1960), ACS(1994), BRICS(2009). The population strength of this global institution indicates their importance in the global forum is shown below. Global forums Population strength in percent SCO 50%, APEC 38 %, SARC 24.89, ASEAN 8.50%, EEC 7.58%, NAFTA 6.40%,AL 6.13% ,OPEC 6.3%,Commonwealth of nations 32.43% (source: compiled from respective data source). While perceiving the economic factors, the countries come together to maximize benefits. Mainly, the desire to overcome severe competition, tariff barriers and for mobilizing financial resources and services to mention a few reasons, seem to be available within member countries.

It may be mentioned in this context that economic inequality is a cause for nations coming together. Most of the world's population is poor. Wealthiest 20% of the world population receives 75% of the world's income, While 40% account for only 5% of that income. The large countries at both ends of the spectrum have been called "twin peaks"(QUAH1977). On the lower end are those people constituting 2.4 billion in number, who earn less than$1000 per year.. The latter said a group of people command only 9% of the world's income even though they constitute 42% of the world's population. Such groupings of people are found in India, CHINA, Indonesia and Africa. The other smaller peak representing only about 500 million people has income over$11500 per person found in the US, Japan, Germany, France and UK. These country groups monopolize 48% of world income while accounting for only 13% of the world population. As On JAN 2020 10% OF THE WORLD POPULATION GETS LESS THAN $2 PER DAY. Two Thirds of the world population (23% or1.3 billion) are on multidimensional poverty across 101 countries and this group mostly living in middle income countries. Such glaring income inequality and the existence of twin peak images graphically describe the economic polarization which increases exponentially along the continuum between these two groups of countries. The mid-range countries are Brazil, Russia, Mexico adding a bit more to world income inequality (Courtesy: Human development report of the UN).The new version captures Inequality- adjusted HDI for151countries.It shows the countries with relatively better position constitute only 30(very high category) and in low category accounts for 60 countries and the rest 61 countries fall in between high (22) and medium (39).

Increasing internationalization allow for greater communication and trade ideas, goods and services worldwide, has led to a growing economic marginalization affecting particularly developing countries as trade and investment flows fall within high income countries to the exclusion of much of the rest of the globe leading to an economic polarization (HELD, Mcgrew, Goldblatt and Perrton, 1999)

Social and cultural causes for polarization could be attributed to increased spatial segregation of Socio- economic groups which correlates strongly with social polarization as well as social exclusion and even lead to social fragmentation. Besides, cultural poverty is not an exception contributing to polarization. Added to this were differences among social groups arising out of income inequality and social displacements. The growth of cities and the presence of urban environments create economic restructuring and inequality among social class and racial lines. The case of the creative class is also responsible for this kind of different social groupings causing segregation among members to another part of the society. Furthermore, class conflict, lack of a common social sphere could lead to isolation which in turn is hostile to one another. For instance it was observed during Arab spring uprisings the social media furthered the social stratification already present in several Arab states. Also cultural diversity is a cause for polarization. Racial and ethnically differing social groups are the prime reason in the sphere of cultural polarization. Having increasing religious and moral values are also reasons to be cited in this regard.

Further, immigration and higher fertility among non-whites citizens and demographic makeup of the nation falls under cultural diversity responsible for polarization. To go deeper into this discussion we find the formative historical experiences of societies should not be influenced reciprocally by culture and theoretically plausible processes should explain their impact on culture. It may be pointed out; different groups develop their own cultural heritage in response to their unique historical experiences. This heritage change slowly causes cultural elements to persist over 100 years.

To conclude, it may be said that the relative position of countries on cultural values orientations change very slowly even decades and perhaps even centuries. The current world order has become very sensitive to differing international issues and therefore no single nation is in a position to remain aloof and claim superiority to tackle the international issues. The unfortunate aspect is certain superpower countries tend to cooperate unilaterally based on cultural/religious bias. Some countries take this as an advantage to belittle other groups. In this connection the more relevant issue is the tussle between Israel and Palestine and also Syrian civil war is another unfortunate incident to mention that crop up based on cultural/religious entanglement. It may be stated that under present international situations countries are realigning themselves to accommodate the growing consensus based on strategic area bound conclaves. The Indo -pacific strategic framework consisting of member countries of Indian Ocean Rim Association need to complement each other with a world vision to sort out international issues and emerging new world order.

Growing Chinese influence as a vital regional power in East Asia causes concern among major power hungry nations. Therefore the need for seeking alliance as a net security provider with logical partnership with countries surrounding Indian Ocean seems to be the natural outcome of strategic importance. Especially with archipelago states that are geo- politically positioned at the centre of Indo-pacific region as well as to upgrade the maritime relations is the logical move forward. The current approach of the US in Indian Ocean is obviously to counter the growing influence of China in this region. The US renaming the strategically important pacific command(PACOM) as the Indo -pacific command is a clear expression of US interests to count India as key partner in strategic planning in the Asia Orbit which undergoes a substantial change mainly because of growing Chinese role (which in a way seem to be of territorial aggrandizement) in the region. Renaming the combatant command by the US is significant in that it reflects recognition within the US government that the East-Asia and Indian Ocean region are gradually transforming into a single competitive space. It appears to be a vital recognition not only for INDIA as an indispensable pole of the region in the future but also to play a crucial role in the ASIAN orbit. The US has admitted that their national Defence strategy is not one of confrontation; instead open rules based international order that would enable this region to grow and thrive fruitfully for several years. However there is no denying the fact the current US stand in the Indo-Pacific region is aimed at reducing the growing influence of China as a major Asian Power in East Asia Member states.

The country around the world is regrouping particularly in the light of Chinese growing influence economically to challenge the hegemony of the US. The old NATO composition formed to counter the former Soviet Union now wanted to take a stronger position aiming to contain Chinese influence. Even Russia's attitude toward China’s growing power based on its economic strength and military power. The US special interest in India has to be seen in this light. China on the other hand is trying to destroy India’s confidence and others' confidence in India by reducing the latter’s status into a state of isolation and impotence in global affairs. Therefore India should strive to become economically a stronger nation. India should keep in mind how the colonialists handled India. America is one such country that suffered under the hands of colonialists.

Later it awakened and it took 150 years for US to become a World power. But the prevailing world scenario is radically different than it did 50 years ago. Now there is exponential growth of technology and availability of better growth oriented information. All depends on the wisest sense in policy making. Hence the most desirable policy for India is to make an economic power itself. The civilization plus the tradition, culture and custom are clear evidence that mankind always listens to the views of the rich. History also in this connection provides numerous empirical accounts as to how the people oblige to the rich. Even in kin relations within family circles the relation between the richest and others differ vastly. Hence India still need not wait and adopt a firm attitude in its in foreign policy. Let the country aim at liberal foreign participation in the industrial sector where our industrialists are shying away.

The policies providing for increasing privatisation will not enable solving the unemployment problem. Instead the country should opt for industrial cooperatives to be set up in every state to mobilize unemployed engineering graduates. Bring the unemployed graduates into a common umbrella annexing the current respective PLI scheme. Give directions to the financial institutions to provide Project Approach guidance and financial assistance to such industrial cooperatives. Develop urban infrastructure on a priority basis. Seventy Five years' record of India’s poor industrial performance (industrial output oscillating between 22and 24% of GDP value) is enough to provide the needed lesson. Let India awake to the changing power equation of the world which rests only on economic wealth and subsequent changes in power equation. As on date the US and Western powers eye India based on its democratic ideals, its vast market potential in particular and India’s strategic geographical location. Therefore India need not remain a peripheral nation in its own strategic location.

# **Critique on Diplomacy**

The Oxford dictionary defines “diplomacy as the management of international relations”. This is a broad innocent expression of diplomacy. The trend of modern day diplomacy is cleverly merged with hypocrisy and combines altruism with a secret to exploit a nation State's economic and political interest. Generally speaking, cultivating manageable favourable world opinions toward a nation state is the mandate of diplomacy. By diplomacy nation states partake in the most pluralistic organizing institutions in the international systems. While looking at diplomacy in general terms, it relies on conferring, mediation, conciliation, accommodation and other amicable means of adjusting conflicting interests and disputes.

Diplomacy is vast and increasing in its scope and is dynamic but not static. Diplomacy is as old as hills. It can be traced back to the days of Vedas and its existence is from ancient times. Mostly diplomacy is bilateral in nature but now its character is multilateral in scope. It embraces multitude of interests from the simplest matter of detail in relation between two states to vital issues of economic, war and peace. The value of diplomacy is either moral or immoral; rather its value depends on the intentions and abilities of those who practice it. In present days world diplomacy has a greater role to play. According to Quincy Wright the art of diplomacy largely depends on negotiation in order to achieve the maximum of group objectives, with a minimum of cost within a system of politics in which war is a possibility.

The Machiavellian art of diplomacy rests largely on the supremacy of the state. According to him, the State is to be worshiped even at the cost of sacrificing an individual. For Machiavelli absolute state is the end. For him politics is a constant struggle for power. He says end justifies means and his advocacy of double standard is the current trend in diplomacy. The operational state according to Machiavelli should be based on political realities, ideology and power. Chanukah says there is always some self interest behind every friendship. There is no friendship without self interest, is a bitter truth .Diplomacy is basically malign in nature. It is a kind of playing truism against one State. Showing body to one and tail to another is a type of order in current international diplomacy. In both the acts, the intention is to circumvent truth

In the olden days the art of diplomacy was to prevent war. But in its modern connotation it signifies to taunt behaviourally and threaten but maintain a distance. It is of demagogue type showing power which is pronounced in slang language as rowdies. Countries of present day context are more prudent going further beyond negotiation if seldom click victory but loss, strive for peace more coherently.

Cut throat diplomacy was in practice in olden days. While speaking friendly in one voice and attacking in a more malignant fashion under the head of diplomacy is the act of a traitor. A very fine example was the Chinese aggression against India in 1962. All politics is power politics. Trading in the war of words is the current trend under diplomacy. Pakistan is a notorious scum under this category. The current trend is to acclaim supremacy as world power either economically or politically. To reign supreme in the political sense is an outdated concept since every independent state shirks such behaviour diplomatically. Militarily every nation strives to equip them either independently or by joining some military or political forum in an emergent situation. The collusion of western European states with NATO is a case in point. Likewise the Shanghai cooperation organisation (SCO) under the aegis of Russia and China as major partners is specifically aimed at NATO.

The wealthy or the so-called developed Nations alliance with emerging economies is not without any self interest. There is a strategy behind it. It may be either to exploit market opportunity or as a destination for fresh investment. Emerging economies have vast underutilized resources, and trained man-power which would afford a more competitive economic opportunity. Ringing bells and creating the sound of opportunity is for cheap labour and vast resources underlying emerging economies. The upcoming and the old regional trading blocs are not without ulterior designs. All these are fructified through top level negotiations underlying diplomacy. ASEAN, APEC, International commodity agreements benefiting western powers focussing on Asian countries are diplomatic gimmicks. Investors from the USA seeking investment in other countries had increased four times in one year between 1992-1993.Trading in international stock funds in the US had increased from 138 to 188 between 1992-1993.

Globalization took a more comprehensive course where financial markets have been growing leaps and bounds posing a great challenge to policy level changes. After the collapse of the Soviet Union, the US remains as the sole superpower. In the post-world war II US had permanent membership of the UN and veto power in the UN Security Council allowing it to undertake military action without formal Security Council opposition .As of 2015 the US had more than 800 military bases in 70 different countries. Why? What is the purpose behind it? The answer is diplomacy.US is very inventive if they are cornered on one side they boo their existence on other side as a foreign policy issue affecting international interest. For instance, since 1970 issues of human rights have become increasingly important in American foreign policy as a pretext to confabulate the country posing phenomenal human rights outbreaks.

China is the latest emerging power in Asia and the second largest economy in the world. Its initiatives politically and economically are breathtaking. China defined its foreign policy objective consisting of Domestic stability, Sovereign security, Territorial integrity, and National unification. China’s 18th CPC Report pledges never to yield to outside pressure, a phrase which was not in the 2007 work report. New addition was to promise to protect China's legitimate rights and interests overseas when working to promote public diplomacy. China reiterated that it will never permit foreign powers to humiliate it either by Japan or Western countries. China's prime aim is to preserve and maintain ASIA-PACIFIC policy at the heart of its diplomatic first strategy. Under foreign policy context China pronounced the ONE BELT ONE ROAD policy (OBOR).It is a policy of demonstrating economic supremacy of china. China invests several billions under OBOR to cement Asia with the West and as an infrastructural strengthening project. It seems China's attempt under this case is to overcome numerous domestic problems and mainly to promote job opportunities to its bulging population.

India promotes the MAUSUM, a transnational project wrapped in a two dimensional package filled with strategic and cultural fundamentals. India wants to realize the objective underlying MAUSUM projecting by engaging with other nations of similar intent such as Indonesia, Malaysia, Myanmar, and Thailand, and Vietnam by mixing through cultural and strategic events. Through project MAUSAM New Delhi seeks cultural and business bonding with nations lying along Indian Ocean. It is taking help from likeminded nations such as the US, Japan and Thailand to accelerate infrastructural connectivity. Thus diplomacy is multifaceted and its particular aim is by hook or nook to gain supremacy over the very next neighbour.

It is well known that every form of friendship is not without ulterior motives. The very object of providing abundant assistance is to curry favour by the donor. China's assistance to Pakistan the rogue state which houses terrorists is with the prime motive to antagonise India and instigate terrorism. Such countries foreign policy is nasty, cheap and conceived with low intent. Those countries have no legitimacy to be recognised as a nation. Unfortunately such states are supported by rich nations mainly to destabilize peace loving nations.

The current standoff in Ladakh by China is an unprovoked, unwanted and a deliberate dismantling of an erstwhile friendship meet between Indian PM and Chinese president held in October 2019 (at Mamallapuram , Chennai) in India. Such type of misdemeanours is unwarranted and to be condemned by all accounts. The unprovoked transgressions with a full-fledged military build up in eastern Ladakh in May 2020 from the existing status quo replicate similar transgressions elsewhere along the Line of Actual control. In this connection it may be of relevance to view what Alexander L. George, a pioneering political scientist in his path breaking book on deterrence and coercion in a career spanning over six decades on coercive diplomacy. His variants of coercive diplomacy are- a gradual turning of the screw, a try- and-see, a tacit ultimatum or a full-fledged ultimatum. Interestingly, as India’s defensive posture was strengthened militarily, so did the coercive content and economic posturing vis-a -a-vis China. Having failed to withdraw by mid- July, India had two options as per the escalatory ladder laid by Alexander George. Indian response conformed to a predictable escalation ladder that stopped at a tacit ultimatum. Chinese engaged in significant overreach and did not expect the Indian Army and the Indian Air Force to mobilise its strength and slip into their operational role at high altitude with ease.

If one looks at the crisis through the prism of a larger global and regional context or even through the more focussed lens of coercive diplomacy there are several positions for Indian statecraft, particularly in the diplomatic and military realms. India has militarily recovered well diplomatically played hard ball and strategically postured deftly despite the constraints of the ongoing pandemic. However it is too early to predict the trajectory of events. Once the snow melts, it shows how far the Chinese have bitten the dust than they can chew and could be looking for a face saving solution. When such a possibility emerges with the kind of power asymmetry that exists between two countries, it can only be fair to argue that India has done well in countering Chinese coercion in Ladakh with its own brand of counter-coercion. Finally, to say that the current trade war between US and China is a sequel to the swaggering Chinese approach to annex the South China Sea into its territory. The US for its part claims its approach is rule based and though trade negotiations are in progress the solution is far from being realized in the near future. The US idea is to curtail defiance\China which on several counts browbeat and outreach the US hegemony in international relations

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# **On Chaotic World and approach toward World Peace**

I intend to highlight the current world order hovering around politics, economy, and socio-cultural implications which are crucial in determining world peace. Implications of global politics largely depend on economic wealth and potential military strength of a country. During the cold war era both USA and Russia enjoyed hegemonic roles covering those two aforesaid aspects in the global arena. The breakup of the cold war has reduced the influence of Russia as one of the dominant powers in world politics. Now even the USA as a hegemonic / superpower may not be under adumbration because of rising Chinese influence as an emerging power in Asia.

The previous trend in global power rests on the build up of the nuclear arsenal. In this connection even North Korea and Iran have demonstrated their nuclear potential in recent times. North Korea's outburst of its potential under intercontinental missile power has awakened not only its neighbours such as South Korea, Japan and China, but also the US was much concerned about this score. In fact, North Korea demonstrated its willingness to go in for the nuclear arsenal it has created and attracted wide attention the world over. Under the groupings of nation states for security purposes it is relevant to mention NATO (North Atlantic Treaty Organisation) and   SCO (Shanghai Cooperation Organization) to mention a few important alliances having military connotation. However North Korea has agreed to bring down its scale of missile and nuclear program as a consequence to the Summit talk concluded between leaders of US and North Korea.

Besides, the emerging pressure from China as new global power in the Indo -pacific region deters the role of the US as a sole Superpower. At all costs the US wants to curtail the influence of China in the Indo-Pacific region. The US pronouncement that it would act upon ruled based activities is camouflaged utterance to reduce Chinese influence in the Indo -Pacific region. However the Chinese stand on the South China Sea seem to have aggrieved several countries in East Asia especially Japan. Thus the emerging scenario under world politics is rather disturbing and seemed to be in a chaotic condition. Further, in this connection the decade old Syrian war is a stark reminder of the confabulation in the world order. The involvement of Russia, Iran and Turkey in Syrian war is border less and prolonging without any logic. Turkey is worried about the increasing influx of refugees into its fold on humanitarian grounds. Russia insists upon only a dialogue process for bringing an end to the war. The US collision with rebels seems to be a topsy-turvy approach since it views both Russia and Iran as arch rivals and unpardonable adversaries in the Syrian war. It seems the US seems beckoned to thwart Iran's role in the Syrian war, the former's stark adversary in west Asia. On the whole international politics now built upon concussion and not based on consensus of let live and inclined others to live in good grace.

Hannah Ardent (German- American philosopher) sent out a warning in her paper entitled “Coming home to Roost” which the present generation must heed.” “All speculation about deeper causes returns from the shock of reality... the stark naked brutality of facts of things they are”. Her focus is largely on her deep –seated interest in political humanism and a free space in the world inhabited by people who are inspired by public principles and ethics that stands against any form of sectarian outlook, megalomania either for self glorification or in sustaining political interest for some more years in power. In this connection Ardent argues, “Lying was guided by ideology and backed by terror and bolstered by “hidden persuasion” through manipulation of public opinion. The war, for instance in Iraq or a few decades earlier in Vietnam was not in support of democracy and human rights as American often harped on but to show their hegemonic role in the world order. Trump's role during his Presidency is a clear display of authoritarian regimes throughout failing to take account of ethics or humanitarian necessity. Trump demonstrated his will for “biological racism” that is visible in the history of apartheid, the evil of incorrigible megalomaniacs striking out at the very dignity of being human. Such tendencies are noticeable in certain parts of Asia and also need correction.

These apart, terrorism has grown out of proportion intimidating, world's peace loving nations. Instigation of terrorism and acting as a safe haven for terrorist is left unnoticed. In this connection, the immunity enjoyed by Pakistan for not being condemned by the world community and providing shelter to terrorist needs attention. In fact Pakistan plays a facilitator role for terrorists to destabilize peace and governance notably in neighbouring India, and Afghanistan. In Afghanistan reign of terror unleashed by Taliban rebels has almost ruined the country doubting its redemption from the Taliban rebels.

Terrorism has grown steadily in the last decade, a trend that shows no sign of abating. Deaths caused by terrorism increased by 61% in 2013 which almost resulted in almost 18000 people killed in terrorist attacks. Of those deaths 82% occurred in just five countries viz Iraq, Afghanistan, Pakistan, Nigeria, and Syria. Terrorism has also affected many of the world's most peaceful countries with terrorist attacks occurring in France, Denmark, and Australia in the last year. It is important to note that peace is becoming unevenly distributed. These conflicts challenge government legitimacy and deepening sectarian divides, the destabilizing effect of ISIL and the cross country proxy conflict between Saudi Arabia and Iran. A report in June 2017 on the global peace Index highlighted the impact of violence on the global economy reached US$14.76 trillion. The report also found that the economic cost of violence is 12.4% of world economic activity (gross world product) or$1988 for every person. Since2012 the economic impact of violence has increased by 16% corresponding with the start of Syrian war and rising violence in the aftermath of Arab spring uprising.

The global outlook on peace indicates that four most peaceful regions notably Europe, North America, Asia Pacific and South America recorded deterioration in peace. Largest overall deterioration occurred in South America owing to fall in safety and security domain mainly due to increases in incarceration rate and impact of terrorism. The most substantial changes occurring in the index was observed in the Middle East and North Africa where several countries suffered from an upsurge in violence related to sectarian strife and civil conflicts resulting in the region being ranked as the least peaceful in the world. The world's top five peaceful countries are Iceland, followed by Denmark, Austria, New Zealand, Switzerland and Portugal. Syria remains the least peaceful country in the world, a position it held for the past five years

World peace has been depicted as a convergence of local, self determined behaviour that inhibit the institutionalization of power and ensuring non-violence as strong weapon. The solution is not based so much on an agreed agenda or investment in higher authority, whether divine or political but rather a self organised network of mutually supportive mechanisms, resulting in a viable politico-economic social fabric. The principal technique for inducing convergence is thought experiment enabling anyone to participate no matter what cultural background, religious doctrine, political affiliation or age demographic. The media such as Internet, Wikipedia must play a collaborative role in disseminating the peace process (Courtesy: Google).

World peace or peace on earth is the concept of an ideal state of happiness, freedom and peace within and among all people and Nations on earth. The idea of non-violence is a kind of motivation for people and nations willingly to cooperate either voluntarily or by a system of governance that abhors warfare. Different cultures, religions, philosophies and organisations have varying concepts on how such a state would come about. Peace generally increases with higher levels of urbanization. This is a by-product of higher levels of development. Countries with weak positive peace factors are more likely to use the military for internal suppression.

Perhaps, world peace would be achieved through addressing human rights, technology, education, engineering, medicine or diplomacy used as an end to all forms of fighting. The UN has always been striving to achieve world peace without war or declarations of war. Nevertheless, nations have entered numerous military conflicts since then. World peace is viewed as being associated with peace through strength and concepts of preponderance of power (as opposed to balance of power) hegemonic stability through uni-polar stability and imperial peace.(such as Pax Romana, Pax Britannica or as Pax Americana). Looking at world peace differently, we need to establish justice as the foremost requirement of peace throughout the world. Proponents of democratic peace theory claim that strong empirical evidence exists that democracies never or rarely wage war against each other.

Some even think that globalization will bring about a world state. Many countries such as China, Italy, US, Australia, Germany, India, and Britain have unified into a single state with others like the European Union following suit suggesting that further globalization will bring about a world state.

Peace is a matter of education and impossible to achieve until we have learned to deal charitably, justly and openly with one another as nations as well as individuals. We can think of peace in other two different ways the first one is lesser peace is collective security agreement between the nations of the world such as NATO and SCO. The other feature is that the greatest peace is the eventual goal of lesser peace which is envisioned as a time of social unity and spirituality.-A time when people of the world genuinely identify and care for one another rather than simply tolerating one another's existence. This is Bahaya's view. According to Buddha world peace can only be achieved if we first establish peace within our minds. The Bible says, peace can only come by the word and love of God which was perfectly demonstrated in the life of Christ.

World peace day is observed annually on September 21. It is dedicated to peace and specifically the absence of war and violence such as might be occasioned by temporary ceasefire in combat zones for humanitarian access. The day was first celebrated in 1982 and is kept by many nations, political groups, military groups and people.

# **“Love thy neighbour” still remains an utopia of Human excellence**

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The advent of mankind on planet earth is filled with myth and glory. Adam and Eve were the first stock of human beings blessed by God according to the Bible. In fact God was enthralled by the sight of humans since they were created in His own image. God blessed the early mankind and established paradise with the ultimate glory of Nature in all its manifestations for their joy and existence. Thus mankind’s relationship with Nature is unique and has commenced since an early period. Nature not only meets several needs of mankind but a reciprocal obligation required on the part of mankind with the principal aim of maintaining a right type of balance and protecting thereby Nature in all its manifestations.

However, detesting mankind's supremacy while creation, which seems to be a special favour bestowed by God, the Devil unbearable of mankind’s supremacy, intended to overthrow mankind to become subservient for Devil’s end game. The devil skilfully exploited a woman's weakness. It tempted Eve to eat the forbidden fruit by God, so that they become God-like. Adam and Eve ate the forbidden fruit. Man began to realize the sense of reasoning. That very moment man was overthrown from paradise and confronted with misery of all types for disobeying the very commandment of God. Human excellence was lost at the altar of reasoning. Once the reasoning has begun to rule mankind, all evils are born. The embodiment of God’s love which incarnated in the human form and endowed with excellence for loving one another has henceforth lost its root and significance. Unfortunately as a sequel to it, human suffering begins to grow with such enormity defeating the very sense of loving one another the principal code embodied while creation. The event of successive failures has been the outcome- for the human failure to love one another- in every sphere of human relationship and participation.

Cain and Abel, the early offspring were born with the sense of brotherhood relation. Both Cain and Abel were good spirited but it was not long lasting. Abel was more pleasing in the eyes of God since his offerings were from the very best stock. Cain thought God’s love for Abel was immense which developed into a sense of jealousy and hatred toward Abel. Cain made the first sign of sin by committing a crime murdering Abel. Seen from this angle it seems since early existence of mankind-time immemorial - was filled with jealousy and hatred pushing down the “virtue of love thy neighbour.”

Further developments were as old as mankind, when men became more potent becoming very bold and courageous rendering to lose the virtue of “love thy neighbour”. The net result has been in fulfilment of Devil’s end game in committing all types of evil and sinning. At this juncture, the need for discipline was felt. As a follow up to this grave situation prevailing among mankind the ancient text, like Manu Smiriti was evolved which spelt out the code of law in correcting man’s actions and behaviour. The cusp of all religious codes that came later, aimed at correcting human action evolving the spirit of love.

Religions were born in manipulating human excellence through inculcating the spirit of instilling universal brotherhood and above all to develop the core spirit of love thy neighbour principle. This is the reason that the scriptures stress the bond of love. It was said that unless “one becomes like a child, he would never enter the Kingdom of God.” Because the child’s love is pure, showing neither particular intent nor selfish. Child has the quality of all embracing spirit and harmlessness. Child’s love is absolute and infinite, similar to the Kingdom of God.

If so, why is the need for different religions? Since the destination is the same based on the symbol of love, interpreted as God’s kingdom /wisdom? All religions spoke about love as the single most explicit path and a unitary character for salvation. Unfortunately, the current multiplication of different religions is expressive of lack of understanding and bore an enigma.

In To-day’s world, human participation in all walks of life is based on fear- fear for individuals, fear for society and fear for authority. Love thy neighbour principle has no place in to-days world. Mankind was evolved out of animals according to Charles Darwin; therefore men’s instinct has been steadily losing ground about the “sense of proportion” in dealing with fellow human beings; whereas love has a unique place in human relation since creation. Mankind is aware of the fact that the very existence of the animal kingdom is based on the principle of survival of the fittest. The same axiom unfortunately has been extended in the realm of human relation too.

According to scriptures “love is patient and kind. Love is not jealous or boastful. It is not arrogant or rude. Love does not insist on its own way, it is not irritable or resentful; love does not rejoice at wrong but rejoices at right. Love bears all things, believes all things, hopes all things, endures all things, so faith, hope, love abide these three the greatest of these is love. Be courageous and be strong. Let all that you do be done on love.”(Bible)

While examining mother’s love it seems not very pure and absolute. It is to a certain extent selfish. Since, Mother’s love seems to be more inclined for its own sibling. Mother’s love other than its own siblings seem to be an exhibit of concern for others is expressive of extending within a limited sphere hence its boundary becomes narrowed “There is no fear in love and perfect love casts out fear. For fear has to do with punishment. And he who fears is not perfect in love. Those who love God love his brother too.”(Bible)

There is evidence that in every field of human participation there is an obvious reflection of selfishness. The motive for love gets hindered and the sense and notion of love for one another gains lesser importance. Discoveries; invention and innovation are outcomes which are accidental with little implication for love. All the aforesaid activities have been ingrained with motives. Such motives are for distinction, benefit or for profit. These motives have gained supremacy over love. All fields of human knowledge and human participation involving Politics, Science, Economics and Sociology carries with it the notion of authority. When authority has the primary place, it ignores the fellowship of brotherhood and above all the notion of love. In such a course love is subordinated and it is predicated with a selfish knowledge plane. For instance, under political democracy it is the majority opinion that reigns supreme. In Economics it is the desire for profit. Science intended for praise and distinction and of course the benefits that accrue thereon are a type of service. Sociology is based on norm, mode, governed by major cultural behaviour and social control to align the society. Did you see any predominance for love as a sole purpose in any of these disciplines? In such a course “Love thy neighbour” as far as it goes remains a “utopia” and difficult to identify as part of human excellence.

Now, Artificial Intelligence (AI)) has been gaining in importance at a steady pace. It may not be a surprise that a very soon machine is going to replace man in all human activities. Does the machine possess the instinct of love? Then how do you expect the machine to be considerate? Man’s existence in the future seems precarious when machines take the lead. It would usher in many socio-economic problems- unemployment, shortages in supply of goods satisfying human need, lack of socio-human cohesion, multiplication of crime etc.

Further man’s love of nature is on the decline. God created mankind with complete dominion over nature and its endowments but with the implicit notion that man should be sociable in understanding the complexity of nature with love and harness natural resources with a rational sense for utilizing nature's bounties. Still there are several and many mysteries of Nature remain an enigma yet to be unravelled. Thus since creation, Nature has remained and still continues to provide and meets man’s needs despite man’s unfriendly approach in cohabiting with Nature, even though Nature is the immediate neighbour for mankind. Mother Nature has a pride of place in man’s existence.

Nature is multifaceted and tampering nature is dangerous and injurious. Nature has its set boundary. Disturbing Mother Nature would release its fury in a more dangerous way. Further, in the name of technological improvements and its impending reactions against natural endowments still remaining unknown several fresh and new activities are implemented which leads to harming the reality of Nature’s bountiful potential. For instance production of food-grains to satisfy the growing human population is now under stress because soil has lost its real potential and rising multiple cropping is a cause in this direction. The yield level of crops has gone down. Therefore farmers are compelled to use chemical fertilizers (a technological innovation) to overcome poor yield. In this connection, inducing better yield levels of crops through chemical fertilizers resulted in the occurrence of multiple crop diseases which again resulted in the use of chemicals to save the crop from pests. This is a type of tampering and disturbance caused against natural resources. Before the Green Revolution (1971), organic farming was predominant in practice. The attempt to enrich soil potential through chemical fertilizers crippled the natural potential of soil. The combination of poor soil potential coupled with enhanced use of chemical fertilizers more than the recommended dose caused a Himalayan blunder affecting human health.

Scientists believe that mankind has built up a destructive relationship with Nature. As a result our ecosystem has become vulnerable because of the exploitative approach of the natural environment. According to one estimate 31% of the diseases that hover around the planet are manmade and occurred due to changes observed in land use. The pandemic such as EBOLA, SWINE FLU, and SARS are instances to cite in this regard devoid of mankind’s unremitting approach and love of Nature in all its manifestations. The current COVID-19 Pandemic ruining human health, observed in the world at large is another such instance in this connection. All this happens because of mankind’s destructive and exploitative approach to the Natural resources injuring the environment.

These apart, unlimited carbon emissions in the guise of economic development have led to the immense presence of greenhouse gases in the atmosphere which turns injurious to Nature’s balance. This has disturbed the climatic conditions affecting the natural seasonal occurrence of rain and it resulted in flooding and created mammoth displacement of human and animal life and also causing huge financial loss. Thus man’s love of Nature continues to be declining. Mankind’s leaning towards Nature is becoming more negative in approach, disturbing the natural endowments. That ultimately turns disastrous and removes the healthy balance that has been observed since time immemorial in human, animal and plant life.

Besides that, human interaction and man to man relationship bears no evidence of true love both nationally and at the international front. The sudden burst of Racism and Refugee problems are the cases in point. It was more pronounced during 2015 and 2016. Fear of persecution for reasons of Race, Religion, Nationality, and Membership of a group or political opinion resulted in human displacement both within the country and internationally. Conflict in to-days world is more intricate and complicated than at any point of time since the Second World War. This is true. An estimated 66 million people are currently displaced either within their own home countries or abroad. But 86% of these remain in the developing world, not in wealthy regions such as Europe.

Despite these differences and intricacies which is a reality injuring human relation, however, a more conciliatory vision, in the context of broad conflict zone now confronting the world today affecting human race, for want of love, is the presence of United Nations organization (UNO) and its allied institutions catering to various type of human needs. It is a more unique and magnifying symbol of love for humanity. The UN charter Article-I bears evidence to love thy neighbour principle which states “All human beings are born free with equal dignity and rights. Further, they are endowed with reason and conscience and they should act towards one another in a spirit of brotherhood”.

Currently the UNO has 193 member countries, a more satisfying picture in the sense of “love thy neighbour” principle.UNO undoubtedly an impressive icon of mankind’s love for humanity at large. The existence of UNO even to-day is a proud moment for humanity exhibiting the “love thy neighbour” principle. As on date UNO is a 75 years old institution since its formation in 1945. The existence of this institution even today is simply a marvel.

It goes against doubting views of men like Sigmund Freud who said “in fact love thy neighbour is the strongest defence against human aggressiveness and an excellent example of the un-psychological (expectation) of the cultural superego. This commandment is impossible to fulfil; such an enormous inflation of love can only lower its value not get rid of the difficulty. Civilization pays no attention to all this; it merely admonishes us the harder it is to obey the precept the more meritorious to do so. But anyone who follows such a precept in present-day civilization only puts himself at a disadvantage Vis-a –Vis person who disregards it”. (Source: Civilization and its discontents). The aforesaid view was however proved wrong and human excellence is still remaining relevant and benign for the benefit of mankind.

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# **LIGHT THE ORIGINAL FORM OF CREATOR**

The Creator was munificently wonderful and ubiquitous and His omnipotent spirit present visibly and detailed in all forms of his creation. The creator’s vision is filled with greater enormity and remains immeasurably infinite. In that vast infinite potential of His creative power the creator exhibited supreme revelation of His unique desire for love; among all forms and manifestation, despite their variety in several senses. This is one of the reasons perhaps, under the wide expanse of the Universe which is still said to be expanding according to scientific truth; all forms of life were given the power of dominion over nature each according to its importance. Theories about the origin of species in the planet earth abound without any definite sense and expression. Each theory has its own domain limited by individual perception and according to their exposure under the vast canvas of the earth hence remains incomplete and not satisfactory.

The creator in the process of creation distinguishes His spirit with a split, in moral and also with a conflicting sense. But it carries enormous equanimity. The split approach under creation has with it the sense of complementary role of the spirits that he foresaw. In all these aspects which are the embodiment and the infinite presence of creation, light represents the mode of Creator. Light has other qualities too. It has energy to foment through light. Herein crops up the supreme quality and inventive role that the Creator displays his infinite spirit. Thus light remains the personification of the creator. Light forms part and parcel of succeeding creative events and performances which the Creator relegated and gave the function of creative role to his attendant spirit of His creations.

Accordingly man was the Supreme outcome of creation. Man was alone. Hence the creator because of His benevolence felt man’s loneliness and created woman only as a companion to man. The moral split of the creator though with a conflicting sense has however carried the spirit of equanimity. Man and woman therefore live together and complement each other organically. The anatomy of woman in a profound sense endowed with the spirit of life giving role borne out of heat energy that sparkles beneath light.

There is a single source of light in the profoundly known galaxy of mankind so far. The immensity of the supreme creator is seen under regular cosmic rotation of the planet earth around a huge light source called the Sun under human jargon which also provides heat energy to all forms of life. The activities of mankind have to constantly intercept with the source of light which is the infinite presence of the Supreme Being.

The Creator while creating as said earlier has proceeded with split sense morally, the humans called it as male and female. The male represents light and the female represents energy. This is a common feature observed among all creations commencing from humans to all other forms of life including plant life too. In the case of plants certain plants have both male and female compositions too in the same flower since they have no mobility. The ingenuity of the Creator is awesome and how great in His creative role is exemplified by this fact. The creator formed everything with a wise purpose which requires supreme consciousness to realize the underlying truth and principle as well as the glory beneath in every life form.

The early man was a hunter and food gatherer and he had no sense of production. The man in the beginning created light by scratching stone which he called fire. He used fire for baking food. The civilizations that emerged subsequently are mostly close to river beds and had the benefit of water. Man began to discover and invent many things out of necessity. In all these ventures light and energy remained basic till today which is the original form beneath creation. Scientifically speaking it has several connotations because of differing applications. In the case of nuclear energy it is the breaking up of an atom that produces heat energy transformed into electrical energy. But underneath, it is only a personification of light that produces energy. In science they call it thermodynamics-it states the relationship between heat and other forms of energy (such as mechanical, electrical) and by extension of the relationship between all forms of energy.

In all these cases, the primary source is light which emanates as an instant occurrence. For example lightning and thunder. Sound heard later we call thunder is a secondary occurrence but the first sight is light. Here too, we come across another common feature wherein stroking of two bodies is fundamental to cause light. The hydrogen clouds when they dash together produce lightning. In the automobile engine or any other form of creative activity, the stroking principle remains a common feature. In the case of automobiles a spark of light fires the fuel which makes the piston move up and down according to the given firing order governed by the relevant automobile model since the latter occurrence turned into mechanical energy which makes the automobile move and even in the case of aircraft engines also the same principle holds good. Why do we go so far? In the case of both man and animals and sub creatures the principle of stroking remains the same to produce heat with the exception of non- mammals. In the case of non- mammals they produce eggs. The female sits over the eggs and generates heat over a certain period of time and finally a new form of life emerges. But to get the eggs formed which is only a sequel to the principle of stroking between male and female that feature remains the same.

To cap it all, it may be pointed out that mankind was gifted with the spirit of light(an embodiment of the Creator) in the sense of removing darkness in him (darkness in the case of human refers to guile, deceit, evil thoughts, false witness, slander and fornication). “Eye”, the most vital organ in the human body, provides light to the human senses underlying brain cells. The scripture says “Eye is the lamp of the body. So, if your eye is sound, your whole body will be full of light; but if your eye is not sound, your whole body will be full of darkness”. The essence of light has been spoiled causing distortion and removing the balance of nature in the sense of economic development. Its ramifications manifested in various forms disturbed natures balance which mankind called in the name of climate, atmosphere and environment and so on and so forth. Now we talk about sustainable development reducing greenhouse gas emissions as part of economic progress. Under this context the worst sufferers are developing countries. The developed world has already damaged the balance of nature through rapid economic progress. As a consequence the imbalance hit the scope for development in a more devastating angle causing huge hindrance for progress of the developing countries. The sequel to it was the emergence of vast inequalities affecting income distribution, and standard of living of people living in developing countries. Nature though capable of reequipping in quick succession but the space and elbow to reform is not accompanying at the required pace both humanly and materially from the developed world. Besides growing dissensions politically, polarization and sectarian outgrowth of terrorism disturb world peace despoiling the original sense of the Creator who desired love as the core and fundamental crux while creating humans. Mankind despite being endowed with sixth sense to have dominion over Nature behaves in a more ruthless fashion. Unfortunately, the uncivilized sense of hatred, jealousy, distinction based on race, caste, ethnicity and violence of all types still perpetrated among nations, individuals and against women in particular is an unbecoming and abominable feature of mankind. I end with this quote: “

“Time what it is; Time what has been, and Time what might have been, points to the same end which is always present”. This has been the feature of mankind’s existence since time immemorial. God has to come again and perish in torment again to save the world community to cultivate the spirit of loving one another.

The COVID-19 pandemic taught the world not to make distinction amidst world community based on rich or poor but teaches a lesson to remain always a homogeneous community based on love, trust, enabling for equitable distribution of wealth and income ignoring all types of discrimination practised so far. Nature has so far not distinguished in any manner personified by mankind. Its abundance is common to all like “Sunlight”.

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# **Changing trend under US role within and Foreign Policy**

The US now under transition replacing Trump the former president by Joe Biden the new president took charge in January 2021. Trump leaves the US in the midst of confusion on world affairs in which he had a major share. During Trump’s tenure the US policies on world affairs lacked maturity and there is no defining character in its foreign policy approach.  The earlier move by US under 2+2 talk with India does not appear to be very effective. It is just like throwing bait on the innocent. The US claim that this talk would facilitate a bilateral trade to the tune of $500 billion is nothing but an attractive proposition and a naive idea to a matured and a largest democracy like India .What does it signify? It is neither clear nor what US intends to do. This is one aspect of the US misdemeanours. Then the display accompanying the US role was to impose tariffs to the tune of 25% on Indian exports. Us claim that so far Indian exports have not been brought under the tax regime and maintain that we are not fools to follow such a policy.

India is an emerging economy and it yet to set a strong foot on exports. US abrupt withdrawal from the generalized scheme of preference (GSP) for India indicates US not trustful friend and a country depended upon for all practical purposes. Further, the US stand against India's interest with Russia is not clear. It seems US stand against interest of India's on S-(Missiles) 400 deals with Russia is to counter the move of India seems an infringement on a country's sovereignty and interference on foreign policy. It appears the US wants to treat India just like it treats any other communist/socialist bent countries, even though it is aware that India is the largest democracy in the world.

Under the stewardship of Trump US foreign policies on all counts remained confabulated and beyond normal perception about inter country relationships. The spirit that focuses on the US first in all spheres is being renewed under Joe Biden to the new US President. The role of US hegemony in the economic, military seems to have no clear and definite vision. It seems that the US intervention in international affairs appears to have the role of a dud and a figurehead policy having no sufficient power to influence countries as it was in days of cold war years. The instances vouch for this fact is the US military role in Afghanistan and its collision with the rebels in Syrian war is a failure. Further, the US's unilateral withdrawal in the nuclear deal with Iran(during Trump’s tenure as President) ignoring the European powers that were the part of that deal and US failure to refuse to sign the Paris Accord on environment are the typical cases to cite for the immaturity of US role after the assumption of Trump as US President. The recent sanction imposed on Turkey (a NATO member) for their purchase of S-440 missiles from Russia by the Trump administration is an unwanted incursion into other nation’s sovereignty. Such an attitude should be condemned. The current trend in world politics is increasing polarisation governed by each country’s security and economic interest. Even though Turkey may be a member in other international military forums in which the US has the leadership role, the attempt to stifle a country’s independent political will is uncalled for incursion on their sovereignty.

The US is in a dilemma about the right course of action. During Trump’s President Juncture, the country was facing abnormal criticism on all fronts from his own countrymen and colleagues. President Trump's reaction seems to be childish. It was quite unbecoming of a world leader to indulge in knee jerk reaction to each and every statement uttered by his detractors. Even within his own countrymen Trump was not able to face stiff résistance posed by the US congress. Trump’s dogma of building a wall against Mexican border to prevent illegal immigrants from entering the US involving $5.45 billion was considered to be a naive approach by the US congress. There was a shutdown of US Govt for 25 days rendering the US staff without pay is a disgraceful approach condemned vehemently by US congress. It is not clear who is gaining and at what cost? The defeat of Trump in the November election2020 is a landmark victory for Biden. But Trump disagreed with the outcome of the election. Despite his submission for an orderly transition on January 20th he remains inconclusive instigating violence with his supporters who stormed the capitol in a stunning attempt to overturn the presidential election results, undercut the nation’s democracy to keep himself in the White House. Trump incited an assault on the seat of governance because he cannot accept the reality of his election loss. Mr. Trump will be remembered as a narcissist and a pathological liar who managed to rise up to the US presidency and retain support because of tax cuts benefitting ultra-rich and corporate sectors in the country. The Republican Party has brought this ignominy upon itself because of Trump’s mischievous role ending his presidency in a more shameful way damaging the image of a respectful democracy acknowledged so long by the world community. It is a blot on the American constitutional democracy.

How the US will step forward and progress in its foreign policy both on political and economic angles driven by a liberal and inclusive ethos under the new president is the test of time remaining to be seen in future. Primarily to start with the first reckoning in his policy approach under president Biden the latter cannot fully repudiate the Trump paradigm of putting America first. His diplomatic challenge would be Iran. Biden’s campaign mission was to bring back the US to its former position under the nuclear deal with Iran. Its outcome has to be watched keenly among the west Asian allies and their reaction among its detractors, especially Israel. Emerging alliance called QUAD (Quadrilateral Strategic Dialogue) in which US, Australia, Japan and India are members seem an inflection to disengage India from Russia apart from the already strained relationship with China. The other surprises emanate from Biden’s choice of his cabinet colleagues. A large and good composition of women under vital portfolios and that too with high proportion of Indian origin lots ignoring the race and colour served earlier under former president Obama is a more amazing approach viewed against traditional thinking of Americans against women. The entire world's attention focussed on the US since a very elderly man advanced in age but adequate exposure in the affairs of US administration would definitely display wisdom, equity and justice in rendering his presence felt more uniquely in world affairs.

Biden so far handles international relations diplomatically and yet it seems on a seesaw basis. The US wishes to maintain a strong bonded relation with Europe. In erstwhile concluded G7 meet, (US, UK, Germany, France, Italy and Japan member countries) all member countries become conscious of emerging shifts in global power balance. The systemic challenges based on the rule based international order emanating from China poses concern to world order. The US President meeting with Russian President Putin after the G7 meeting is to keep Russia into its fold which is in close proximity in relation with China in recent times. To overcome supply chain disruption for semiconductors, the US has passed $250 billion for semiconductor research design and manufacturing as an obvious outcome to restrain Chinese dominance and influence. Further, the US and the 27 member EU have decided to cooperate for the promotion of technology, regulation, industrial development and trade in an attempt to help the West compete better with China. All these moves by the US are to keep the latter in the foremost position as in the past. But one of the miserable failures of the US is the abrupt move away from Afghanistan of its troops enabling the Taliban to establish its rule in the country. This would enable Pakistan for the movement of terrorists into India and disrupt peace in India.

# **Sielulintu\***

We, as global citizens, entered the third decade of the century on a high note. Through celebrations and grand gestures, we hopefully invited the start of the year 2020 like a miracle that was going to tone off every single discrepancy of ours and bring in multitudes of happiness in answer to our very high hopes. And then, we hit a few bumps. Some are very big and some small to maintain the balance of nature. We cursed our fates, our lives and the Universe. But unanimously, we agreed to do it together. The sheer suddenness of everything that lies ahead for us caught us off guard. And it is the reason perhaps we were vastly disappointed.

After the advent of lockdown, we were initially thrilled. We almost got paid vacations to stay home and spend quality time with our families. We never knew there could be so many chores to do at home and we started helping out and even treated each other with Dalgona coffees. We learned to cook, clean, and just live for the absolute sake of it! Also, somewhere in the back of our minds we were holding on to the best, before the worst hit. In the next stage of lockdown, things changed. We had to fight our way to the supermarket at the prime time of the announcement to get toilet papers. Apparently people started stocking them for 2022. Food, toiletries and other essentials were gone as soon as they hit the market. So did the masks!

Every time the news was on, the alarming fear struck high. It was absolutely evident how much we were losing and much we could in the future. We watched our loved ones contract the virus. To come to terms with it was the easy part. It got worse to adapt to a life without them considering we didn’t actually have a way out. Who would have those happenings to follow to cause despair, desolation and unbeatable worry? We were adhering to strict social distancing while some of the people we knew were even quarantining and we were all alone together.

Happiness you can share, grief...not so much. Especially, at a time when you couldn’t have people that you may know. Sometimes the lack of a hug causes breakdown. Bereaving or not, lockdown definitely started attacking our mental health at some point. We earned silence in terms of peace. People stuck alone wanted family time and people staying with families wanted me-time. It was either deafening silence or reverberating noise with no in-betweens.

Facetime, Google meets and zoom calls pacified us one notch down. It allowed us to get a peak at how the normality of the future would be. But predominantly it only induced conscious evasiveness. This change has become more forceful rather than occurring naturally.

We learned a lot of new things last year and that is something that we'll be holding on for a long time. We started appreciating our time with our families. We reconnected with people with whom we couldn’t earlier for some reason. We checked on the people around us. We laughed until our stomach hurt and cried our hearts out. Our priorities altered greatly. We were considerably more mindful than usual and took a leap of faith and held on. Maybe 2020 wasn’t so bad altogether.

Having entered the New Year, we have genuine resolutions perhaps, nothing extraordinary. Probably we’ve all made a collective resolution this year to be a better version of ourselves than we were. Together we can move forward, with lessons learned and life- altering memories. Scarred or not, this year i.e. either going to hold a large space in both our hearts and heads.

Sielulintu is the Finish mythical soul- bird that is said to be the protector and guide one’s soul after death.. It represents a new life for the soul that has kick- started its journey to be a better place. We, in this New Year, are leaving behind things both important and heart weighing. This year couldn’t be exactly unique from 2020 but 2021 could be the year where we get to make the best and worst decisions. Because of all we know neither of them could bring the best times of our lives. Unfortunately, the second wave of the pandemic has been playing the havoc inflicting health causing death of higher magnitude and injuring the economic prosperity of nations.

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Author\*: Cathy Marion

# **A World within a World\***

There’s unique philosophical guidance to every single person. It’s that only “Something” that pushes us further when we feel stuck and immobile in the eternal loop of life until of course, there isn’t a loop anymore. That “SOMETHING”, I discovered when I started reading fiction. Fiction is just glorified Reality. It explains everyday things through eccentric dynamics. It takes our souls to a world apart, devoid of logical reasoning only to return it back to the body that thrives in reality and demands logic. But the enigmatic pattern, when looked at from distance, the entirety of it, reveals the parallelism.

Though it has extensive existence in literature, it untiringly manages to never run out of its plenary in the diversity it offers. The unfaltering creativity it institutes in the writer and the reader simultaneously, from the work has led to the strong establishment of the genre through time. The absolute highpoint of fiction is that it doesn’t restrict itself to a framework. It has been explored and diversified through several significant epochs. And that is the objective of literature in a nutshell. A piece of writing that befits no niche in particular but accepted and empathised eternally.

A historical fiction with a blend of romance, realism and drama by Jeffrey Archer named Kane and Abel, the first book of the trilogy has been my favourite piece of literature for years now. From the irony of the title, inspired by The Holy Bible to the detailed plot and character development throughout, I loved consuming every word of the 500 paged books. The parallel drawn between the two main characters will push you to the curb to determine who the protagonist is: Is it the civilized American socialite or the immigrant Pole? When life plays villain, there’s a constant rush to compare them as individuals

There’s the Titanic sinking, the atrocities of the stationed soldiers in Poland and World War 1 and 2, taking away the lives of global citizens in the backdrop, but it’s just Kane and Abel we care about. The unbelievable flow of storytelling takes the story up a notch and it is undoubtedly Jeffrey Archer’s master piece. The range of emotional fluctuations the reader goes through is the cherry on top. I remember crying my heart out after I finished the last line. I sighed and reminded myself that I lived for days like this. The overwhelming sad ending is the epitome of perfection.

“If you want your children to be intelligent, read them fairy tales. If you want them to be more intelligent, read them more fairy tales”- Albert Einstein

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Author\*: Cathy Marion

# **Skimming through memories\***

\*Trigger warning\*

I woke up every day feeling less of myself. I could feel my soul with a little more every passing day. Somewhere in the back of my mind, I could feel a voice either urging me to push myself off the ledge or to hold on tighter for my dear life. It took months to convince myself that if I didn't do something about it, “doomsday” wouldn’t be far away. I imagined myself slowly ceasing to exist and fear caught up with the latter thought eventually. As they say “better late than never”, I sought professional help. “Clinical depression is medically curable. Don’t lose hope.”, the woman wrapped in a cotton saree sitting across the table promised me. It was harder than just words. I was seventeen and suddenly my life was devoid of purpose. I turned a stranger to myself. I would search for myself in the mirror. My mind was tired and so was my soul. But there was “Hope”

I would go seek old pictures, just a memory of me being happy. It gives a little reassurance. It built further, like a virus. I wasn’t pale anymore. The blood that brought me warmth a long time back started gushing through my veins again. Happiness was not something I was looking for anymore. I gave up seeking pleasure in monumental events and soaked in the contentment of the “little things”. As the scars in my body started fading, I closed the untracked space I’d created with people. I wasn’t constantly being pulled back into emptiness and overwhelming darkness. It took time but it did pass. I do look at pictures when I feel low and I found a recent one, my mum clenched her palms around mine, passing a current of unsaid words as she’d smiled for the camera.

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Author\*: Cathy Marion

# **Ruminating on lockdown\***

There's a fine line between fantasizing about something and having it given to you.

A few months ago all you wanted was a little break from the daily hustle and bustle of your life. Who would’ve thought that you’d be blessed with a week long holiday that’ll turn into an indefinite hiatus?

Remember a time when you dressed up in formals after a three hour sleep schedule to be present at a daylong rendezvous that has nothing to do with your job? That day when you sunk into your chair hoping your neck would finally give up its numbness and at least hurt you. Just the way you traded feeling alive to passive depression...

And now you’ve got myriads of time and you have no clear idea what to do with it! The things you thought you’d want to do are not the things you want to do anymore. Maybe, because you’re confined to a closed space and asked to do things under pressure or maybe, because you didn’t have a foolproof “to do” list in the first place.

The thing is somewhere deep down you realize that things will go back to normal in a matter of time. You know sometimes when you're bored of the monotony in life, you mess up things for fun and then things go really wrong that you have to spend the rest of the month trying to solve the things you screwed up? You were just trying to bring some flavour to your life and then you end up craving an out!

In a few years, your memory of things about this period would become hazy. You could be laughing at things that went wrong right now. But... It's not easy. You might feel lost among the millions of people sharing the same consequences. You might feel like the pandemonium is scarier than the pandemic itself. And... That’s Okay.

Life... it is a “harmonic cacophony”. It’s messed up in the most beautiful ways. And you’ll learn the most valuable things that could change your life like never before during times like these. And you feel “lost” might actually have a silver lining.

After all, to get lost is to find something...

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Author\*: Cathy Marion

PART-III

# **Perspective on Economic thought from early period to Modern Era**

Economic thought may be divided broadly into four phases:

1. Pre Modern (Greco, Roman, Indian, Persian Islamic and imperial Chinese)
2. Early modern ( Mercantilist, Physiocrats)
3. Modern – Beginning with Adam Smith and Classical economist in the late 18th century
4. Development of Systematic Economic theory: mainly commences since the beginning of what is termed as Modern Era.

A coherent, absolute and a chronological view of economic thinking were totally nonexistent during the pre modern era. Rather the views on economic ideas were largely underlying as an adjunct to the then social and political structure. In this background there was a kind of subset that could be identified in the economic sense. One view was extolling the sphere of thriving business and craft endeavour with spontaneous order of social cooperation acknowledging equality before law. While the other view maintains that there is no place for individual freedom due to the belief that all resources must be subordinated to the State. Later in the 8th Century BC, Hesiod identified the presence of scarcity in human actions hence the need to allocate resources efficiently. He also mentioned competition as a vital entrepreneurial function to surmount big problems due to shortage of resources. Further, he also stressed the need for respecting law and justice for entrepreneurial function to thrive.

Sophist thinkers sympathised with trade, the profit motive and recognised entrepreneurial role. They distrusted the centralised and absolute power of the Government. Besides that, the subjective interpretation observed under modern economic sense could be traced earlier in the writings of Xenophon, the first scholar to introduce the concept of dynamic efficiency which is based on avoiding waste.

However the early Greek thinkers could not acknowledge the role of the market and the evolutionary social order. They hate mercantile activity and mercilessly criticized relatively more classical- liberal thinkers of the time. The three famous Greek philosophers of the time Viz Socrates, Plato and Aristotle were branded as traditional opponents of the fundamental economic thinking involving trade, industry and entrepreneurial profits. Plato attacked private property, praise for State ownership and nominalise theory of money and in short extolling the ideals of totalitarian State. Aristotle too disclaimed the spontaneous market order to the theory of value but defended private property and made a distinction between “usage value” and “exchange value or price of things. Aristotle condemned the role of interest as a market price that coordinates the behaviour of consumers, savers and investors. Interest in his view was unjustified generation of money from money. He considered money as deliberate human invention and not as in fact emerged through an evolutionary process.

The Physiocrats coming under the early modern economic thought process emphasized the importance of productive work and particularly agriculture for the creation of economic wealth. Their early support for free trade and deregulation influenced Adam Smith and Classical Economists. Mercantilists too fall under ancient economic thought and advocated economic activity as a good which has to be taxed to raise revenue for nobility and the church. They encouraged trade through a particular area. They were also impressed upon to regulate economic exchanges by feudal rights such as the right to collect toll etc.

The emergence of classical school with the main exponent Adam Smith focussed on the theory of value in the creation of economic wealth. In classical theory equilibrium is a function of wages and interest rather than supply and demand. Under classical approach the term utility is conspicuously absent in theories of value. In the classical school the value of a good is equivalent to the cost of production. They view value as an inherent property. Further, classical thought considered profit is a payment to a capitalist for performing a socially useful function. The classical view is completely devoid of the rationality principle. They make no distinction between individuals and firms. The concept of profit according to classical view is it accrues to the firm in the same sense as how wages accrue to workers, the economic benefit brought on by the invisible hand of the free market. The equality between savings and investment determines economic equilibrium was the considered view of classical.

The neo classical view on several counts totally juxtaposed the classical view on the theory of value. The term utility is given greater emphasis under neo classical approach. Economic equilibrium is a function of supply and demand. Both utility and scarcity of goods based on demand supply determines the value according to the neo neo-classical approach. The neo-classical considered value is based on utility. With regard to profit, the latter treat it as a surplus. Neo-classical view that the supply and demand for goods results in a higher price than that of labour and capital and its components simply have different equilibrium prices. Under neoclassical sense the rational behaviour of both individual and firm guides in such a way the individual tries to maximize utility and firms seeks to maximize profits. The economic equilibrium takes place at the intersection point of supply and demand curves. Economic equilibrium in the macro sense takes place when aggregate supply equals aggregate demand.

Neo-classical economics dominated macro economics and together with Keynesian economics formed the neoclassical synthesis which dominated mainstream economics as neoclassical macroeconomics from 1950 to the 1970’s. It was completed with New Keynesian economics as classical macro economics from the 1970’s to 1990. The central assumption of Neo classical approach is

1. People have rational preference between outcomes that can be identified and associated with values.
2. Individuals maximize utility and firms maximize profits.
3. People act independently on the basis of full and relevant information.

The change in economic theory from classical to neoclassical has been termed as marginal revolution. Notable strands of economic thought have emerged in 20 th century. During this juncture as many as 20 schools of different economic thought have emerged. The most relevant from current economic thinking are Keynesian economics, Institutional economics, Marxian and neo Marxian economics, Post Keynesian economics, etc.

Keynesian approach focussed on macro economics in the short run particularly the rigidities caused when prices are fixed. Keynesian economics has two successor groups. Among this group one thought explains the macroeconomic rigidities and adjustment processes and research into micro foundations for their models based on real life practices rather than simple optimization models. The other group tend to share with other neoclassical economists and they emphasize on micro foundations and optimizing behaviour but focus more narrowly on standard Keynesian themes such as price and wage rigidity. They are usually made to endogenous features of these models rather than simply assumed as in older style Keynesian ones.

Institutional economics focuses on understanding the role of the evolutionary process and the role of institutions in shaping economic behaviour. Its original focus lay in Thorsten Veblen’s instinct oriented dichotomy between technology on the one side and the ceremonial sphere of scarcity on the other. John Galbraith and Gunnar Myrdal belong to this school.

In the late 20th century areas of study that produced changes in economic thinking were Risk based (rather than price based models) and imperfect economic actors and treating economics as biological science (based on evolutionary norms rather than abstract change). The study of risk was influential in viewing variation in price over time as more important than actual price. This applied particularly to financial economics where risk/tradeoffs were the crucial decisions to be made. Further, unrealistic assumptions under neo classical economics are often cited and that weakens the neoclassical approach and it bent more with normative bias

Mathematical sophistication of neo classical economics increased. Paul Samuelson’s Foundation of economic Analysis (1947) contributed to this increase in mathematical modelling for the study of economic problems. Later Joseph Stieglitz focussed on information as a source for economic decision making. He considered problems of asymmetric information and moral hazard both based on information economics profoundly affected modern economic decisions like executive stock options, insurance markets and third world debt relief. As of now the influence of energy rather than price relationship determines economic structure.

Economic history is marked by many revolutions and paradigm shifts. It was based on rational behaviour of individuals and firms. The former tries to maximize utility and the latter aims for the maximization of profits. Some even suggested the liberalisation of markets and improving their efficiency and achieving the highest possible overall gain in output and welfare. Later on market failure was acknowledged which justified Govt intervention. Further, the view was to limit the Govt’s fiscal deficit to promote private investment. Monetary policy was gaining in importance since then in controlling inflation and managing overall demand.

In the current context, within the field of Ecological economics, views that neoclassical economic systems by nature are dysfunctional. It considers neo-classical causes of destruction of the natural world through accelerating consumption of non- renewable resources as well as the exhaustion of the “waste links” of the eco space as mere externalities. However such externalities in turn are allegedly viewed as occurring only occasionally and easily rectified by shifting public property to private property. The market will resolve any externality given the opportunity to do so. So there is no need for any Govt intervention or any other kind of community intervention.

A fresh thinking prompt to put an end to neoclassical thinking arrived in 2008 after the occurrence of the financial crisis in the western world affecting the Global economy. Most economists now agreed that market imperfection of various kinds is inevitable and disowned the “efficient market hypothesis”. The financial crisis led to the finding of slowdown in economic growth and productivity and rising inequality accompanied by rise of environmental degradation. Economists have thus begun to acknowledge that orthodox neoclassical approach had done a poor job and made a significant departure from the role of free market prescriptions. With the arrival of new data sources economics has become more an empirical science. The empirical validity of economic functioning has begun to be incorporated into mainstream economics and accepted by leading institutions (though it is by no means universal) for policy level thinking.

Few economists now think rational “homo economics” is a useful way of explaining how people behave in real economic life. For example people tend to operate within a particular frame of thought rather than seeking a full range of information sources and tend to draw general (and often mistaken) inferences from small samples of experience” Herd behaviour''.( when people follow others as happens for example in financial markets) can be common. Modern views focus on “economic action” and are powerfully embedded in social structure institutions and relationships. Tasks and preferences are not somehow “given” or exogenous to the economic system; they can be actively shaped by forces such as advertising the impact of new technologies and new kinds of social networks and institutions.

The current thinking therefore aims at environmental sustainability, raising the well being of the people, reducing inequality and system resilience. In recent years the terms “inclusive growth” and green growth have been used to describe national economic pathways. There are three crucial dimensions in this process in practice. First is the adoption of a wider set of economic indicators to guide policy making. Other key indicators include measurement of economic security, subjective well being, environmental quality and public goods. A particularly new field is the development of “distributional National Accounts” which show not just aggregate growth of GDP but how it is distributed across income and population groups.

Finally a look into the composition of the Nobel prize in the field of Economics from the beginning in 1969 to 2020 , reveals that the focus on pure theoretical formulation of economic approaches has been much less compared to analysis of economic processes. Thus the group of awardees fall more in understanding the functioning of economic processes constitute 21% of the total winners since 1969 followed by economic theory based awardees accounting 13.5%, those who contributed in functioning of the market works out to 11.5% and economic growth and development oriented and analytical methods shared equally at 9.6% each of the total . The next highest share went to those contributed under Financial markets works out to 7.8%. The rest of the awardees are not on a significant scale falling under Monetary, Welfare economics, International trade, Economic decision making followed by allocation of economic resources, analysis of economic problems and lastly under economic governance.

To conclude, it may be pointed out that if the world is to address the profound challenges which confront us today business as usual is not an option. In a world of extraordinary complexity and radical uncertainty only the foolish would argue that the solutions are simple. The depths of issues we now face make clear that the old approach is not enough. No single prescription will fit all circumstances. Every country is different and each will wish to find its own way. But we are struck by the wealth of insight and understanding which now exists across the field of academic economics policy making from which solutions can be drawn.

# **Performance of the Indian economy**

Whatever one may say about the performance of the Indian Economy, the fact remains that it is not doing very well. The performance to say in all senses of the term is not spectacular, realistic and encouraging. The sectors responsible for employment such as manufacturing are not picking up very well. The government spending was on the rise mainly in Defence and other services. This segment expande

d by 10% in financial year 2018 on top of 10.7% growth registered in 2017and increased to 15.7% in 2019-20 and the growth in government spending arises not from productive sectors rather to keep momentum of its administrative machinery. In fact the GDP (Gross domestic product) in terms of GVA (Gross value added) was attributed to tax mop up. These tax mop up at RS 15.9 lakh crore is roughly equivalent to GVA at current prices from Rs 16.6lakh crore to Rs22 lakh crore in Financial year 2018.The 7.0 % increase Observed under GVA in 2019-2020 is attributed largely to public Administration and Defence and other services which accounts for15.75% in that year.

The burgeoning payoffs to govt staff have clearly acted as a stimulant over the last three years pushing up consumer demand increasing thereby sales of goods and services and thus feeding gross value added growth. Removing these items India's real growth seems to be digressing. It was 5.9% in the financial Year 2018 and 6.6% in the financial Year 2017, 6% in 2019 and registered a miserable growth of 4.1 %( constant prices) in 2020. Further, the impact of COVID-19 on several sectors of the economy has been phenomenal in that the GDP growth turns negative. A provisional estimate of GDP, for the second quarter ending in March2021, indicates the economy would shrink by 7.7% following the23.9% fall observed in the first quarter. Just two sectors are estimated to register positive growth in GVA, with agriculture continuing its strong growth upto the second half (3.4%) followed by electricity, gas, water supply and other utility services posting (2.7%). Real GVA at basic prices is estimated at Rs 123.39 lakh crore in 2020-21 viewed against RS 133.01 lakh crore in 2019—20. Such sharp contraction is termed as recession for the first time in independent India’s history. This trend is not the hallmark of a sustainable growth path since India is considered to be the third largest economy in Asia and also rated as a fast growing economy. Despite giving fiscal stimulus under various heads the economy is still in doldrums, inability to pick up is not the feature of a stable and a matured economy under the group of emerging categories. The fiscal deficit due to fiscal stimulus is reported to rise upto7% of GDP ending March2021. According to available reports, poor revenue realisation and divestment of state run companies could be as much as Rs 7 trillion.

Structural reforms are badly needed especially those about industrial structure which shows its inability to respond to several fiscal stimulus indicates the current industrial structure is not broad based and limited to a few large segments involving huge investment. Regional spread of industries confined too few locations (West and South). Such a skewed trend in industrial spread is not a welcome feature for an emerging economy. Now the current pronouncement for an inward looking policy without global participation may not help to attract better technology to improve share under the export market. The current policy announcement for production linked incentive requires inputs in certain industries which involve imports since we do not have local capacity to supply such inputs. Under the current situation impacted by Covid-19, dependence on imports for such inputs has impaired production line of electronic goods due to supply chain disruption caused by China.

The approach to disconnect globally would reduce competitive spirit among local producers and further need for protection of a few industries would limit the scope for consumer choice, a condition similar that the country had suffered before liberalization policy. Liberalization resulted in the revival of the auto industry with the emergence of different brand models in the car and medium vehicle category.

If the local industries and producers complain of dumping due to free trade agreements it only signifies the structure of industries within the country is not broad based to meet input needs of local industries. The survival of Bharat Heavy Electricals (BHEL) amidst competition indicates they encourage growing participation of local ancillaries under small and medium category to meet their input requirements at a competitive price. Medium and small scale industries (MSMEs) now serving as ancillaries to BHEL are reporting a huge rise in steel cost from Rs 54000 to 64000 finding it difficult to survive. Similar instances are reported that the buyer who has placed orders before increases in prices of steel are not willing to provide a commensurate increase in prices of the final products. To stress again the policy of revoking free trade agreements under the pretext of dumping of goods may depress consumer choice. Absence of competition affects supply of quality products just like before liberalization rendering short supply of quality and branded goods. Free trade agreement enables innovation and entry of new technology to meet larger demand at a competitive price preventing monopoly markets for a few industries.

Radical policy intervention is also needed to revive the economy not only in terms of credit growth but to tap fresh areas that remain underutilized. Economy requires integration on a large scale both within and FDI flow to encourage new technology to exploit existing potential in terms of labour and other resources remaining unexplored so far. Besides, it caused large-scale unemployment and deepened the margin of the poverty group in the economy.

The erstwhile picture indicating growth was not real but a resultant of high duties on fuel a cause for increases in gross income. The Govt has jacked up Excise duties on petrol and diesel in two instalments. Currently petrol is taxed more than 100% and on diesel it works out to 66.48%. Likewise the rise in custom duty accounts for 62.1% in 2014-15 and 20.9% in 2015-16. The composite incidence of both excise and custom duties on the petrol front worked out to a rise of 122.5% between 2009-10 and 2015-16. The pickup in private investment seems to be not very encouraging. Harping again on tax collection especially the GST (customs and sales) is not a reliable indicator for growth in GDP. It is just a monetary measure. Giving Peter on one hand and plucking doubly through tax from the same Peter could not be pronounced as growth. It is a digressive economic policy and not welfare increasing. Robbing from Peter and paying comfortably through increases in welfare spending such as on Health, Education etc is said to be welfare increasing.

ECONOMIC GROWTH WITHOUT COMMENSURATE INCREASE IN

WELFARE-CONUNDRUM CONFRONTING INDIAN ECONOMY.

Executive Summary

The economic model chosen for India’s development purpose commencing from the first plan was not in consonance with economic realities prevailing in the country. India had just then emerged as an independent country with a poor structural pattern in terms of industry with a bulk of the population engaged in Agriculture having low income potential. The development attempt during the First plan implementation chose the Harrod - Domar model which needed a high level of savings and investment. It also requires skilled labour, failing which it would result in a high capital –output ratio. Even now our capital to output ratio is on the high side. It has increased from Rs 30 to Rs 40 to produce a good. This is another reason for India being classified as a high cost economy and it still persists.

Having scope for such a high level of savings and investment to emerge locally both within the domain of private and Govt was ruled out. Under this context the government should have attempted deficit financing as a safe measure to increase the level of investment to promote small and medium scale industries spread all over the country taking into account the available local resources pattern in terms of labour and private capital. Since, expenses on administration and other social sectors required minimally at initial stages of development. Instead the priority in the allocation of finance was assigned to Agriculture (17.4%), less for industries (8.4%), followed by a very high proportion for (24%) transport and communication. In contrast China allocated heavily for large and medium industries to increase employment and gross value added. Thus India missed the development path in substantial proportion viewed against China seen in terms of GDP/GVA growth.

The growth in the tertiary sector which has to become an incidental development through vertical and horizontal growth of industries has picked up well exhibiting a higher growth path. In fact the scope for absorbing a growing labour force under the tertiary sector is there but not in a proportion required for India. The labour composition under the tertiary sector does not require high skill as in the case of industries hence it picked up well in India. In contrast China exhibited a declining growth for Agriculture as the country progressed and a major growth under industry followed by a steady growth trend under tertiary characteristics of a fast growing economy.

India though exhibited a declining trend in agricultural growth but it neither has nor witnessed fresh addition to industrial capacity instead a heavy composition of labour still occupies a major share under agriculture(as on 2020 41.49% of the workforce in the country are employed in Agriculture) which has low potential for income growth. This is the major reason for low growth in GDP/GVA till the end of Ninth plan.(up to 2002). If the growth under GDP/GVA is phenomenal it would have resulted in incremental changes in per capita growth under gross national income (GNI) and per capita final consumption expenditure (PFCE). Unfortunately, it almost remains consistently low with marginal changes. This means the bulk of the population is still under a low income group with minimal changes. In fact growth in GDP exhibits volatility and wobbling between 7-8% which is not the character of a fast growing economy. In 2019 and 2020 GDP growth will suffer a decline. This happening seems most unfortunate despite the completion of 12 five year plans in India. In the case of China at the end of 12th five year plans China emerged as second largest economy in the world and a manufacturing hub, ( because of high priority given to industrial growth from the initial plan) which was categorised a poor and poverty ridden country in 1949, now shocking the very hegemony of USA.

The Indian policy makers may attempt to make a realistic estimate about the country’s potential in terms of industrial growth etc instead of misled by western powers that coin empty phrases like India is a fast growing economy and will become a superpower to gain entry into large markets available in the country to market their goods whose economies have become saturated. Another glaring imbalance under policy making is allowing multinationals under retail marketing. Retail marketing in India contributes$ 482 billion (22% of GDP), employs 249.94 million constituting 57% workforce consisting mostly of unskilled types. Retail traders in India are largely composed of very small investors in the urban sector and a small group under the rural economy. Now the entry for FDI under retail marketing is further liberalised. The consequence of which in all probability would definitely ruin the scope and future for unskilled labours under this sector.

Further special studies given to research groups (in the private sector) focus more on growth projections which seems unreliable from the skewed growth trend now witnessed on a regional basis. Identifying the real economy for increasing production and productivity is largely missing in such studies. Regional potential and their contribution to GVA, availability of skill, unemployment, poor distribution of industries regionally and cause for depressive growth in industries, backwardness due to poor infrastructure facilities which hinder private investment compared to developed regions, installing technology to suit local needs and engaging rural population with fruitful employment and preventing their migration to cities causing proliferation of slum population and other incidental economic and societal instability like access to education, health etc. are ignored from the purview of study. The policy makers should indicate a comprehensive framework in the terms of reference for the study. These private agencies trained with western bent completely ignore the local conditions and potential areas which drive growth and focus mainly on making unrealistic projections.

Every plan, including of course several years of (since independence) exposure to development experience within and concrete evidence of rapid progress of Asian neighbours, the country’s development approach indicates inconsistent priorities assigned in allocation of resources. Thus policy making without a clear picture and perspective about overall functioning of the economy is evidenced through the performance under major sectors for GDP growth. The need for clear foresight and substantial vision for rapid progress under policy intervention to fix the country’s growth target in par with fast growing emerging economies of the world required. The 2020 GDP growth turned negative .It led the country into economic recession in the economic history of India. Asian Tiger economies confessed that their rapid growth was attributable to the High calibre of bureaucrats.

Even now the Agriculture sector dominates in labour absorption despites its low contribution to GDP. This is another reason for the high level of income disparities in India. Labour absorption is low under the manufacturing sector. Household sector is another area experiencing low wages despite its high contribution to GDP growth.

GDP/GVA contribution is high only in 9 states out of 32 states and other union territories in the country. Region wise distribution shows only the West and Southern region and a single state in the North emerges as major contributors to both GDP/GVA accounting for more than 75% in the country’s GDP growth up to the year 2020. This is a clear case of poor policy intervention in the country.

The number of industries is high in the east and central region as per the last NSSO survey but in terms of GVA and gross output added it is concentrated only in the West and Southern region. This implies a low level of investment involving tiny and very small industries in the east and central region.

Total factor productivity (TFP) for the economy as a whole is 4%.It is high under the electricity, manufacturing and services sectors. The increase in factor productivity shows only increase in input growth and not in terms of increase in wealth. The study undertaken in this connection by RBI (2000-2015) indicates 10 out of the 19 states under study are impacted by lack of irrigation, health and road infrastructure.

Unemployment situation indicates the average for all India is 6.3%. Only four states fall below the all India average. Region wise unemployment situation shows that it is 12.2% in Haryana under North, Tripura 11% in and Nagaland 12.2% in North east, Odisha11.8%, Bihar 10.4% in East, Uttarkand10.9% under Central region, Kerala11.8%, and Telangana 10.3% under South.

Of the total population, the people falling below the poverty line (BPL) constitute around 22% for the country as a whole. In other words 26 crores of the people fall under BPL category. The distribution of social class under income distribution shows just 10% of the population group share 77% of the national wealth. Under rural composition which constitutes 60% of the entire economy the BPL group comprises 25.7%. Northeast and east combine a large bulk falling under BPL category. Jharkhand 37%, Manipur 36.9%, Bihar 33.7%, Odessa 32.6% and Assam32.2%.

The new policy thinking is for self reliant growth. The self-reliant attempt was made as early as 1999-2002 and the country achieved self-reliant growth under food production and was even glad to observe the country export Rice as one of the exportable commodities. The world is now becoming increasingly integrated through exponential growth of information technology. Free trade agreements as an instrument for promoting trade growth are getting more pronounced especially in Asia. Membership under group ASEAN consists of most of the developed countries. Now under the initiative of China RECEP (Regional cooperation economic partnership) is emerging as a new regional group in Asia in which major Asian economies are members. India has withdrawn its participation because of border tension with China. Trade experts displeased with such a step emanated from India.

Moreover the policy of self reliant approach is welcome in areas where the country has resources potential and comparative advantage. Increasing participation under various trade agreement groups at global level is a wise approach in the current context of globalization. It is also more studious to make local producers more competitive. Increasing foreign participation helps for transfer of technology as well as enhances availability of branded goods to benefit wider choice for consumers.

Future seems becoming a more nearly occurring event than anticipated due to technological outburst seen under information flow. It has shrunk global boundaries borderless. Under this context the first move did not matter; rather the best move carries value and recognition in terms of economic growth. World today witnesses multiple challenges beckoning the countries to value international trade and entering into free trade agreements to enhance the market share since there has been wider awakening for rapid growth among emerging groups of countries where reciprocal bent as trade strategy is needed of the hour. Any attempt to disengage from the multi polarised environments would curtail the growth potential.

APEC trade arrangement accounts for 60% of world GDP and likewise the new RECP now being emerged under the initiative of China has a share of 30% of global GDP. Resilience and vitality is the current buzzword to bounce for a higher GDP growth through modernization to face global challenges. Hence openness enables a country to move forward while seclusion holds it back. India’s failure to withdraw to enter into RECP may seem a misstep according to experts from the viewpoint growing multilaterally.

Self-reliance is an inward looking policy seen from the angle of expert’s view may cause injury from a development angle. In order to drive income and employment generation the better approach is through increased integration with global economies and having a liberal view on tariff. Already India has lost the opportunity by choosing the wrong growth model at the commencement of the first plan. Hence the more wise and prudent move is to integrate with the global economy as far as possible to enhance economic growth in the right direction. Behave like a jackal for policy intervention and export promotion and be sober while arranging for imports-let it is need based (consumables like gold, gem and jewellery be minimised).

# **ECONOMIC GROWTH WITHOUT COMMENSURATE INCREASE IN WELFARE-CONUNDRUM CONFRONTING INDIAN ECONOMY**

India is the 2nd most populous country in the world with 1.3 billion people coming next to China. In terms of Geographical area India has 3287263 Sq.kms the 7th largest country in the world is divided into 35 States on a linguistic basis. There are 22 National languages and a caste system with – 4000 caste distinctions. Religion, race, caste and language not only determine personal identity but also play an important role in making several economic decisions. India adopted a secular democratic polity with a socialistic pattern of production at the initial stage of Independence and is now transitioning towards capitalism.

From the commencement of First plan India adopted the Harrod- Domar model which from the current perspective of development and progress this model seems to be not a very wise approach and inconsistent keeping in view the poor heritage that the country inherited while becoming independent. India then was characterised by poor savings potential, low capital availability, and without sufficient industrial structure and hence scope for fresh investment was deplorably low. In contrast, the aforesaid model requires high savings and skilled labour without which it would result in high capital to output ratio. The latter condition with regard to our industrial structure still remains unattended.

The centralised planned approach for the allocation of resources for the development of the economy envisaged a prominent role for the tertiary sector, perhaps keeping in view that this sector has great potential for increasing employment opportunities. While viewing China in this connection, it gave greater importance to the development of medium and heavy industries and such a strategy paid many dividends to Chinese economy. It enabled high value added exports and was more competitive compared to India. The share of industry in GDP for China in 1999 was 41.6% compared to 20.2% in the case of India and witnessed a further jump to 51% in 2005-06 whereas India’s share remained stagnant at 20.1%.This is a basic flaw in India’s development approach. Further, the emoluments /wages are high under industry compared to the tertiary sector which is another factor for growing income inequalities in India. In the absence of job growth in manufacturing sector the workers enter tertiary sector with relatively free entry for job seekers and thus pulling down the earnings per worker

Up to the end of Eighth (1992-97) plan the actual GDP growth realised for India was up to 5%only. The economic crisis (foreign exchange shortage) of 1991 compelled India to adopt a liberalised approach at the compulsion of the IMF for getting assistance to rehabilitate the economy from the crisis. The economy took off since then toward a high growth path. The table-I below indicates the GDP growth since the adoption of the liberalization process.

Table-I

GDP, World’s share of India, Inflation, Debt

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Gross Domestic Product | | % Share in the  World (India) | GDP Growth  In % | | Inflation  In %  (India) | Debt  In %  (India) |
| Absolute  (in Billion  US $) | GDP  PerCapita (US$PPP) | India | China |
| 1990 | 986.9 | 1164.0 | 3.62 | 5.5 | NA | 11.2 | NA |
| 1995 | 1426.3 | 1522.0 | 3.74 | 7.6 | NA | 10.0 | 69.7 |
| 2000 | 2077.9 | 2018.0 | 4.16 | 4.0 | 8.5 | 5.6 | 73.6 |
| 2005 | 3238.3 | 2901.0 | 4.77 | 7.5 | 7.5 | 4.4 | 80.9 |
| 2010 | 5160.8 | 4181.2 | 5.76 | 8.5 | 10.6 | 10.52 | 67.5 |
| 2015 | 7159.7 | 5464.8 | 6.44 | 7.99 | 7.0 | 4.9 | 69.9 |
| 2016 | 7735.0 | 5839.8 | 6.70 | 8.25 | NA | 4.5 | 69.0 |
| 2018 | 8998.6 | 6652.7 | 6.99 | 6.12 | 6.7 | 3.4 | 69.8 |
| 2019 | 9542.2 | 6977.3 | 7.09 | 4.18 | 6.1 | 4.7 | 69.8 |
| 2020 | 8631.3 | 6283.5 | 6.66 | (-) 10.28 | NA | 4.9 | 69.8 |

(Source: Google, Wikipedia)

The above picture shows the data at a five year interval chosen specifically with a view to avoid fluctuations if any in the period and to observe changes in real GDP growth in the medium to long term as a priori to liberalization.

The table –I reveal that GDP growth made a significant departure from the threshold level of 5% growth since liberalization in 1991. GDP growth has begun to show a big jump in that it remains in the region of 8.3%, the highest recorded in 2010. The growth trend indicates almost consistent consistency since 2010. A sharp fall in GDP was observed in 2000 accounting for 4% and in 2020 it recorded a low of 6.66% and the latter shrink was attributed to COVID-19. A satisfying trend noticed was the inflation has always been underlying in the region of 5.6% and 4.9% during the period under review. The popular view was that inflation should be on the lower side to aid growth. It seems disproved since inflation was at the highest remaining at 10.5% in 2010 in India when GDP too registered the highest growth of 8.5%. But it would impair the welfare of the people and increase the inequality in the distribution of income between rich and the poor. Briefly stated, it creates a negative impact on overall welfare. Such a positive relation between high inflation rate and GDP growth is conundrum in the economic sense. In contrast, GDP growth of China has been consistently high during the period under review.

The share of different sector’s contribution to GDP would clarify the position obtained both in India and China. The sectoral contribution in India and China is given below in table-II.

Table-II

Sector wise contribution to Gross Domestic Product (GDP in percent)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | Agriculture | | Industry | | Tertiary | |
| India | China | India | China | India | China |
| 1990 | 29.6 | NA | 20.6 | NA | 49.6 | NA |
| 1900-00 | 23.2 | 27.1 | 20.2 | 41.6 | 56.1 | 31.3 |
| 2000-01 | 22.3 | NA | 20.5 | NA | 56.9 | NA |
| 2005-06 | 18.2 | 13.0 | 20.1 | 51.0 | 61.6 | 46.8 |
| 2010-11 | 14.6 | 9.3 | 20.3 | 44.3 | 65.1 | 46.8 |
| 2014-15 | 14.1 | 8.3 | 21.2 | 42.2 | 51.9 | 49.4 |
| 2015-16 | 14.2 | 8.3 | 21.2 | 42.1 | 56.7 | 51.6 |
| 2016-17 | 9.0 | 7.8 | 21.2 | 39.8 | 57.5 | 52.5 |
| 2017-18 | 13.9 | NA | 21.5 | 39.7 | 57.5 | 53.0 |
| 2018-19 | 10.8 | 7.2 | 17.3 | 39.0 | 46.9 | 53.9 |

(Source: Compiled from RBI, Handbook of Statistics (2020) and World Bank data)

It is clear from the above picture that China has been showing consistently a rapid progress and a huge leap forward under Industry in contrast to India which exhibits a kind of stagnancy vouched by the fact( as explained above) that industries contribution to GDP has been consistently low compared to China. The traditional view has been that the share of Agriculture to GDP in a growing economy should exhibit a declining trend is visible both in the case of India and China. Even here China shows a steadily declining share under Agriculture from 27.1% in 1999 to mere 7.2% in 2019-19. India also follows a similar trend under Agriculture but not at a more emphatic pace as observed in the case of China.

Another feature stressed in the case of a rapidly growing economy is the rising contribution of the tertiary sector to GDP growth. This is more emphatic in the case of India which implies that the contribution of the informal sector is moving forward at a very high pace than the Industries. Under

Services category Trade Hotel etc, and Financial services played a crucial role in enhancing the contribution. Under hotels etc the share lies in between 31.2% and30.4%. Financial services had significant growth and its share ranges from 34.8% to 35.8% during the period under review. The pull up to GDP growth in real terms than industry was largely emanating from services is obvious. It also suggests that there is no fresh addition to capacity under the industrial sector and the existing capacity has been put into intensive utilization. The stagnancy of the industrial sector also indicates the need for rapid modernisation and innovation.

The emerging results from the analysis of GDP on sectoral contribution did not show any encouraging trend. The results show that the contribution of each major sector has almost been stagnant except the category under services shows some improvement in its contribution. The share of administrative expenses under this head maintains a consistently steady trend during the period under review.) WHY such a stagnating picture emerges despite liberalization of the Indian economy? China which adopted a capitalistic formula and a liberalized approach since 1980 witnessed a huge leap forward on all accounts improving many fold increases under its crucial economic indicators. China has become the second largest economy in the world challenging the hegemony of the USA. Economic assistance to less developed regions and also involving on a mammoth scale in strengthening infrastructure around the world through its one built road initiative is a most striking feature to be observed in the case of China’s economic growth and development. It has gone even to the extent of attracting even the developed European economies in the process of building and renewing global infrastructure.

Looking at the growth perspective from another angle for promoting the supply side from the individual sector, Gross Value Added (GVA) would be a better measure. In absolute terms GVA was Rs 81069.46 billion in 2012, the beginning of the 12th plan period and subsequent increase in GVA was also observed. The increase has been very gradual and steady registered 5.4%, 6.0%, 7.1%, 8.01% from 2012-13 to 2015-16 respectively. However, the GVA in the succeeding years suffered decline in the region of 7.9%, 6.5%, 6.0%, and 3.8% between 2016-17 and 2019-20 respectively. This is a misery since a veritably stable and steadily growing economy in terms of GDP showed a sudden downturn, the cause of which remains a mystery even though COVID-19 hampered the growth path during the first quarter of 2020.

Gross value added (GVA) in absolute terms by the Public, Private, and Household sector indicates that the contribution from Private and Household has been more favourable in contrast to the Public sector. The position is given below, Indian economy is village based.

Table-III

Gross Value Added-Public, Private, Household sectors

(Rs in Billion)

|  |  |  |  |
| --- | --- | --- | --- |
| Heads | 2011-12 | 2016-17 | 2017-18 |
| Public | 1669.36 | 25970.25 | 29212.01 |
| Private | 27489.54 | 52601.42 | 58814.11 |
| Household | 36889.56 | 60787.49 | 66801.02 |

(Source: National Accounts Statistics)

Indian economy is village based. It has 664,369 villages up from649481 as per 2011 census. The states having highest no of villages exceeding 5% to total no village in India are Utarpradesh16.39%, Madhya Pradesh 8.31%, Odisha7.85%Bihar 6.79%, Rajastan6.91%, Maharashtra 6.64% and West Bengal 6.17%.The value added by industry is high only in the case of Maharashtra which accounts for 18.3% to the total value-added by industry in India in 2012 and a marginal decline in 2017-18 stood at 17.6. %. For other states with predominant village composition-Value-added lies 4.6% and 5. 7%, 2.3% and 2.81%, 2.47% and 2.05% , 0.63% and 1.04%, 4.5% and 4.3%,and for West Bengal it was 0.35% and 0.77% respectively during the period under review

Pattern of distribution of industries and contribution to economic growth: The table-IV given below shows the spread of industries and their contribution to value added.

Table-IV

Number of factories (%), GVA (%) and Total emoluments

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| States | No. Of Factories | | GVA (%) | | Total Emoluments (Rs. In billions) | |
| 2011-12 | 2017-18 | 2011-12 | 2017-18 | 2011-12 | 2017-18 |
| Tamilnadu | 17 | 16 | 9.42 | 11.2 | 268.12 | 575.28 |
| Maharashtra | 13 | 11 | 18.30 | 17.60 | 434.75 | 753.43 |
| Andhra Pradesh | 13 | 07 | 8.0 | 3.2 | 165.66 | 141.35 |
| Gujarat | 10 | 11 | 11.3 | 15.0 | 231.62 | 508.51 |
| UP | 7 | 7 | 4.6 | 5.7 | 127.36 | 265.49 |
| Karnataka | 5 | 6 | 11.5 | 7.0 | 157.22 | 332.29 |
| Rajasthan | 4 | 4 | 4.5 | 3.5 | 63.31 | 147.74 |
| Haryana | 3 | 4 | 3.7 | 4.9 | 109.63 | 251.82 |
| Punjab | 6 | 5 | 3.7 | 2.2 | 66.47 | 128.77 |
| Total | 78 | 71 | 7342.2 (75.1) | 1084.65 (73.94) | 1624.24 (75.5) | 3104.68 (74.2) |
| Rest of India | 32 | 29 | 2431.37(24.9) | 3823.20 | 526.74(24.5) | 1078.89(25.8 |
| All India | 100 | 100 | 9773.57 | 14669.70 | 2150.98 | 4183.57 |

(Source: compiled and calculated from Data, RBI, Hand Book Statistics, 2020)

The above position indicates how the industries converge and their spread (78%) concentrated only in 9 states out of 35 states in the country at the beginning of the Twelfth plan and in terms of GVA(75.1%)and a marginal decline in 2017-18(71%) was observed. Perhaps, this decline would have spread to other regions but not in a significant proportion. Even under distribution of emoluments under industries the concentration around 71% to 72.4% falls under these 9 states. Relatively speaking the emoluments under industries would definitely be better off than under agriculture. This is a clear case of income discrimination and disparity under disposable income between industry and agriculture. The other major feature observed in the structure of industries could be accessed through variation in the value of GVA contributed by different industries. The table- V below indicates total value on GVA basis, contributed by industries since we have no break up details on individual industry groups.

Table-V

Distribution of Gross value added (GVA) by industries-by no of States

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| GVA (value in Billion) | 2011-12 | 2015-16 | 2016-17 | 2017-18 |
| Less than 500 | 30 | 29 | 28 | 28 |
| 501----1000 | 2 | 3 | 4 | 3 |
| 1001 and above | 3 | 3 | 3 | 4 |
| Total no states | 35 | 35 | 35 | 35 |

(Source: Compiled from RBI Handbook of Statistics, 2020)

The above picture demonstrates the gaps underlying the low level of capital employed, employee composition in terms of number and productivity, capital and labour converges largely under the less than Rs 500 billion categories. A very negligible increase of factories under GVA among states seen since 2016-17 (501-1000) and in 2017-18 (1001 and above) is self-explanatory and needs no elaboration.(Table-V).

A further analysis on this score suggests that productivity measure (GVA) as a ratio of index of output and inputs would provide clarity about the actual potential underlying industrial sector in the country. The value added relative to gross input focuses on productivity relating to labour and capital. Likewise gross output relative to gross input indicates the productivity related to capital, labour and intermediate inputs. The table –VI indicates the productivity (GVA- of both labour and capital) and the ratio in percentage terms shows the outcome viz output relative to input

Distribution of high GVA contribution- by Major states

Table-VI

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| States | 2011-12 | | | 2017-18 | | |
| (GVA) in billion | Gross Inputs | Output in % | (GVA) in billion | Gross Inputs | Output in % |
| Andra Pradesh | 793.71 | 3115.62 | 25.4 | 462.20 | 2649.91 | 17.4 |
| Gujarat | 1104.87 | 8879.20 | 12.4 | 2207.66 | 11392.04 | 19.3 |
| Haryana | 357.00 | 2082.55 | 17.1 | 721.51 | 4311.84 | 16.7 |
| Karnataka | 1125.07 | 2821.27 | 39.8 | 1021.83 | 4267.54 | 23.9 |
| Maharashtra | 1792.22 | 8261.55 | 21.6 | 2586.32 | 9410.86 | 27.4 |
| UP | 445.94 | 2880.59 | 15.5 | 843.12 | 4303.24 | 19.6 |
| Punjab | 362.83 | 1418.35 | 25.8 | 843.12 | 1805.61 | 46.7 |
| Rajasthan | 439.77 | 1464.77 | 30.0 | 517.87 | 2456.62 | 21.1 |
| Tamilnadu | 920.79 | 5175.56 | 17.8 | 1640.83 | 6997.25 | 23.4 |
| Total | 7342.2 (75.00)% | 36099.46  (75.3%) | 75.4% | 10846.90  (73.9) | 47594.91  (72.1) | 22.8 |
| All India | 9773.57 | 47894.60 | 20.4 | 14669.7 | 66052.02 | 22.7 |

(Source: RBI Handbook of Statistics, 2020)

The results indicate a sort of mixed trend in terms of changes in GVA between two points of time-beginning of the 12 th plan and at the end of the plan period. There has been a huge jump observed on GVA on a point to point basis in the case of Haryana, followed by Gujarat, Punjab, UP, Tamil Nadu and Maharashtra. Andhra Pradesh and Karnataka registered a negative growth under GVA during the period under review. In general the increase in GVA represents an increase in productivity combining labour and capital. The increase in output relative to input was seen only in Punjab, Maharashtra, Tamilnadu and Rajasthan at the end of 12th plan. However the tremendous heterogeneity that exists across industries in terms of labour and capital found to be the centrepiece of growth seems to have been neglected by Govt and investors is a matter for introspection.

The regional imbalance in the location of industries and their contribution to India’s growth seems to be very disappointing and discouraging. Since only Nine states account for 75% of GVA in the country, it is found to be a miserable trend which needs immediate correction. The urgent need of the hour is to constitute an expert committee to identify the reason for backwardness and other factors restraining investors ignoring the large conglomeration of states (26) to undertake fresh investment for promoting industrial growth in these neglected states. In a sense it seems an avoidance which requires special attention. This is a very sad picture to observe and showing continued negligence of these states indicates inadequate policy intervention in realizing the importance of industries in the nation's growth. Industries have potential severally in absorbing growing labour force and in reducing disparities under income distribution.

The most unbecoming feature of this type of unconditional perpetration of this glaring imbalance seems unattended during the past 7 years which requires and needs immediate attention. How this glaring imbalance left unnoticed under policy intervention and poor initiative by FICCI consisting of leading industrialists is an industrial paradox. Relying merely on GDP growth to measure economic growth is an age-old conventional approach and it is a nominal measure indicating only monetary growth but not in terms of supply of goods and services and improvement in standard of living which get reflected only under GVA.

The Govt’s latest announcement of production linked incentive (PLI) for Rs 1.46 lakh crore scheme over next five years to create jobs and make India self-reliant, includes industries falling under food processing, telecom, electronics textiles, specially steel and automobile. The aim of the Govt is the scheme will make Indian manufactures globally competitive and ensure cutting edge technology causes efficiencies and economies of scale. The new PLI policy offers an incentive to thresholds of incremental investment and sales of manufactured goods; these thresholds vary for foreign and domestic mobile firms. A recent study on Analysis of factory-level production data from the Annual survey of industries (ASI) shows that in 2017-18 value addition for surveyed firms (barring two outliers) ranged from 1.6% to 17.4% with most of the firms being below10%. For most of the surveyed firms more than 85% of the inputs were imported.(this news is taken from The Hindu, official Newspaper of India)

Comparable UN data for India, China, Vietnam, Korea and Singapore (2017-2019) show that except India, all countries exported mobile phones more than imports- Which indicate the presence of facilities that add value to these parts before exporting them. Therefore the Phased manufacturing programme (PMP) to cause increases the value of domestic production; it requires improvement in local value addition which remains a work in progress. A recent study by Ernst& Young for the India cellular shows that for an effective cost of say Rs 100 ( without subsidies)and then effective cost added with subsidies and other benefits the cost of the phone is higher in India stood at 92.51 compared to China 79.55, Vietnam 89.05. In summary, the PMP policy linked with (PLI) has barely been helpful in raising domestic value addition even though value of production increased considerably.(news item taken from The Hindu, official Newspaper of India). The study done by RBI in 2008 has brought a similar trend that the total productivity growth (TFP) was only 2.3% per annum which was characterized by only the accumulation of input as against productivity instead of value addition. The unfortunate aspect is the mistake is repeated again is another instance of inadequacy without comprehensive investigation of the existing gaps and field research required for a more constructive approach underlying policy intervention for rapid promotion of industrial growth.

This mammoth disparity in the distribution of industry in the country vouches in adequate attention underlying policy level and lack of enterprise and fear to set up industries among investors in backward areas despite several incentives being put forth by the Govt. The government should make it mandatory through legislation and if constitutional amendment be required compelling industrialists to set up industries in backward areas. China in this connection has set up mini handicraft oriented industries on homestead basis covering electrical, circuit board making etc. Briefly stated there is a need for fresh thinking on a regional basis instead of operating and evolving policies on a macro basis and that too on an ad-hoc basis to tide over the contextual imbalances. Cluster approach in the backward region may be thought of to promote industries taking into account the local potential.

TOTAL FACTOR PRODUCTIVITY FOR INDIA:

In this connection analysis of Total factor productivity (TFP) is an appropriate indicator to measure the efficiency and also accounts for cross country differences in output growth and per capita income.TFP at the industry level as well as for the economy and its broad sectors for the period 1980-2008 using both value added as well as gross output specifications of the of Services, the most marked increase was observed under construction. The trend growth for this production function gives the following results. The value added incorporated two inputs-labours and capital and in the case of gross output the explicit role of intermediate inputs such as energy, materials and services were considered for observing the production function.

As regards value added growth, trend growth during 1980-2008 for services has been reasonably high and consistent at 7.23% per annum. Manufacturing stood at 6.13 % per annum. Growth trend for Agriculture shows dismal performance which registered 2.96% per annum. In the case head in terms of Gross value added increased from 4.7% per annum during 1980-81 to 1999-00 and a remarkable growth of 10% per annum from 2000-01- to 2009 over the 1980-2008 period. The growth in people employed was more pronounced under construction. Services and Agriculture remained a laggard sector. Growth rate of capital services in the economy was 6.46% per year. It was highest under manufacturing at 8.76% and the lowest at 3.51%under agriculture. The inter industry differences in growth indicates it was highest for Transport recorded 12.06% and a low of 3.51% for agriculture.

For all 26 industries taken up for the study median growth of gross output was 6.9% per annum. Output growth is very much pronounced for Post and Telecommunication (14.6%). P&T and Financial services along with three others under manufacturing (electrical, Optical equipment, and rubber and plastics) posted in excess of 9.4% during the period under review. Electricity registered an increase of 6.9% during 2000-08 from 1.1% in 1980-99.Manufacturing recorded 2.76% during 2000-08 from 0.4% observed during 1980-99.

The trend growth for labour productivity was 4% during 1980-2008. The trend growth was high for electricity stood at 6.0% in the same period and manufacturing recorded 5.4%. The trend growth for the economy as a whole was 2.0 % during 1980-99-2000-08 and a hike in GVA from 5.2% per annum during 1980-99 to 7.65 per annum in 2000-08.

TFP increased to 2.3% per annum during 2000-08 from 1.1% in 2000. Findings however suggest that there is a large accumulation of inputs as against productivity growth in explaining India’s economic growth. There has been a revival of productivity while splitting the periods 1980-1999 and 2000-2008. TFP growth is faster in the second period. Similar results hold for labour productivity.

In general, manufacturing, gas, water, and services show improvement in productivity. Agriculture, construction, mining, and quarrying shows decline during the period under review. Output growth is higher for capital services instead of capital stock. In regard to labour, per person contributes better than quality.(Education). The study reports that lowering regulatory restrictions in the product and services market may hold the potential to increase productivity across industries in coming decades. (the above study results are gathered from RBI estimates of productivity growth for the Indian economy dated 11th June 2014). There is not much change till now. The per capita GDP growth was 1% in 2019. According to the World Bank estimate the public sector annual GDP growth (constant US$2010) would be 3.1% in 2021.The above picture gives a macro picture about the performance of the Indian Economy.

India still remains a novice without adequate investment under modernization of its industrial capacity with fresh technology and innovation capacity is not at all taking place at the required pace to make our exports competitive which render our earnings through export not at all sufficient to clear the current account deficit which always remains negative. The level of investment (under Research and development) has been remaining well below 0.65% of GDP compared to China which is investing 2.1% for R&D. There is no central initiative to correct regional imbalances and upcoming industries left to state initiatives. In fact Asian tiger economies confessed that their economic performance in large measure owes to high calibre bureaucrats. It is for the policy makers to identify opportunities and develop a sound institutional set up arrangement for easy bilateral and multilateral flow of fresh investment abreast with technology for creating more employment opportunities.

Productivity Trends in Agricultural sector:

Productivity at regional level -State wise- under Agriculture still accounts for high labour absorption will explain the disparity as a priori to inconsistency underlying in the allocation of resources. In this connection the data on yield level of food grains as of 2019 for different States viewed against the National average (2286/Kg per/ha) gives the following,

Table - VII

Yield level of total food grains (All India average 2286 kg/ha)

|  |  |  |
| --- | --- | --- |
| Rank | State | Yield/ha |
| 1 | Punjab | 4658 |
| 2 | Pondicherry | 3345 |
| 3 | Delhi | 3567 |
| 4 | Telangana | 3035 |

(Source: Handbook of Statistics RBI, 2020)

For others the yield per/ha has been lying in between2938/per ha and 2972/per ha. The total area irrigated in the country is 65 million hectares (45%) out of 141 million hectares net area sown in the country as on 2017-18 for which the data is available. The peculiarity in this regard is the States with highest net area irrigated in the country such as Madhya Pradesh (29.1%), Rajasthan (22.8%)out of the total area irrigated in the country could not find a place under highest yield per ha under food grains. This indicates management of irrigated areas need vast improvement in these states.

The State-wise picture on Net area irrigated and total food grains production is given below at two points of time – in the beginning of the 12th plan and at the end of the plan period on 2017-18

Table –VIII

Net area irrigated and production of food grains

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| States | Net area Irrigated in % | | Total food grains production  in % | | Yield Kg/ha |
| 2011-12 | 2017-18 | 2011-12 | 2017-18 | 2018-19 |
| Andhra Pradesh | 7.94 | 7.6 | 4.19 | 3.80 | 2694 |
| Bihar | 4.64 | 8.6 | 5.41 | 5.97 | 2402 |
| Chhattisgarh | 2.15 | NA | 2.60 | 2.09 | 1617 |
| Karnataka | 5.23 | 8.7 | 5.83 | 4.13 | 1422 |
| Madhya Pradesh | 12.00 | 29.1 | 7.86 | 11.73 | 1970 |
| Maharashtra | 4.94 | NA | 4.83 | 4.64 | 1071 |
| Punjab | 6.22 | 11.3 | 10.80 | 11.06 | 4658 |
| Gujarat | 6.44 | 2.68 | 3.42 | 2.39 | 2134 |
| Haryana | 4.68 | NA | 6.92 | 5.68 | 3981 |
| Tamilnadu | 4.51 | NA | 3.91 | 3.76 | 2972 |
| Telangana | NA | 4.0 | 2.89 | 3.31 | 3035 |
| Odisha | 1.92 | 2.1 | 2.47 | 2.50 | 1766 |
| West Bengal | 4.68 | NA | 6.16 | 5.92 | 2938 |
| Total | 97.15 | 89.18 | 94.22 | 91.55 | 2286\* |

(Source: Compiled from the data, RBI Handbook of Statistics, 2020 - All India\*)

The above position indicates there are only 13 States out of 35 states in the country that find a place both under irrigation as well as for total food grains production in the country. These states account for above 95 % of the total area under irrigation and contribute more than 90 % of food grains production in the country. Another feature observed was that only 3 states-Haryana, Maharashtra and Madhya Pradesh- have been cultivating all major crops such as Rice, Wheat, Pulses, Oilseeds and Sugarcane. But in terms of yield per /ha Haryana is the only state that tops above the all India average.

Hence regional specialization of crops may be attempted taking into account the comparative cost of cultivation as well as yield level of crops. Because, fertility of soil differs from one region to another hence spreading crops uniformly in all the locations results in wasting scarce resources. The table-VI below indicates the yield per/ha of individual crops whose average yield is higher than the all India average.

Table-IX

Yield level of major crops

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| States | Rice Kg/ha | | Wheat Kg/ha | | Pulses Kg/ha | | Oil seeds Kg/ha | | Sugarcane Kg/ha | |
|  | 2011-12 | 2018-19 | 2011-12 | 2018-19 | 2011-12 | 2018-19 | 2011-12 | 2018-19 | 2011-12 | 2018-19 |
| Andhra pradesh | 3302 | 3729 | Nil | Nil | Nil | Nil | 482 | 589 | 80770 | 79359 |
| Bihar | 2155 | 1948 | 2206 | 2998 | 711 | 558 | Nil | Nil | 51714 | 89181 |
| Delhi | Nil | Nil | 4349 | 4312 | 1939 | 2000 | 1251 | 1262 | Nil | Nil |
| Gujarat | 2279 | 2279 | 4132 | Nil | Nil | Nil | 1608 | 1458 | 63119 | 73182 |
| Haryana | 3044 | 3121 | Nil | Nil | 706 | 1141 | 1394 | 2042 | 73253 | 78243 |
| Karnataka | 5795 | 3012 | Nil | Nil | Nil | Nil | 665 | 824 | 90251 | 90000 |
| MP | 1340 | 1880 | 1908 | 1847 | 803 | 916 | 1073 | 1096 | 38685 | 48905 |
| Maharashtra | 1841 | 2236 | 858 | 1090 | 693 | 670 | 1223 | 1096 | 84866 | 77200 |
| Punjab | 3741 | 4132 | 4898 | 5188 | 789 | 938 | 1360 | 1499 |  |  |
| Rajasthan | Nil | Nil | 3175 | 3501 | 546 | 636 | 1243 | 1581 | Nil | Nil |
| Tamilnadu | 3918 | 3562 | Nil | Nil | 552 | 648 | 2479 | 2411 | 11398 |  |
| Telangana | 2942 | 3452 | Nil | Nil | 479 | 861 | 1216 | 1835 | 85410 | 79590 |
| UP | 2358 | 2704 | 3113 | 3432 | 993 | 1051 | 828 | 1079 | 59583 | 80807 |
| Uttarakhand | 2121 | 2412 | 2379 | 2910 | 801 | 922 | 1082 | 938 | Nil | Nil |
| Westbengal | 2688 | 2926 | 2765 | 3012 | 706 | 796 | 994 | 1255 | 104567 | 84455 |
| All India | 2393 | 2638 | 3177 | 3533 | 699 | 757 | 1133 | 1271 | 71668 | 80105 |

(Source: RBI Handbook of Statistics, 2020)

India is the second largest producer of rice and wheat next to China but its productivity is low. China produces 6.5 ton per/ha of rice, while India records 3.1 ton/per ha and for wheat China register4.7tonper/ha and India has a low of 2.9 ton per/ha. Small holdings are the main reason for poor productivity in India. Over 85% of the farmers in India have- the average size- farm holdings ranges between 0.30 ha (defined as marginal holdings accounts for 92826 no’s -67%) and 1.42ha (defined as small farmers numbering 24779- 18%). With such a low and precarious size of holdings the yield level will never improve and would remain poor forever.

Consolidation of holdings should have been attempted immediately after independence when the whole of India united under strong national leadership without any fissiparous tendencies and undesirable groupings with caste and political lineage too was low as we see to-day. As on date the concept of federalism remains only in paper. The nation come across deliberate division and discrimination of states in the distribution of natural resource especially the equitable sharing of water between states borne out of low political ideologies which spoils the intent for achieving self reliant economic progress resulting in unmindful allocation of scarce resources especially in a country that experiences shortages of capital resources. Consolidation of land holdings was implemented only in Punjab and Haryana.

China because of communistic lineage since 1949 and centralised approach has amalgamated the small holdings through coercion and transformed into cooperative farming( consisting of 6 to 7 farmers per group) and shared the produce among farmers and became the second largest economy in world today within a period of 71 years shaking the very hegemony of USA.

What about the result for the rest of the States? The answer underlies effective policy intervention to remove major regional disparities which have been left untouched so far despite 12 Five-year plans had been completed. The current approach in allocating resources in the same proportion both for the laggard and the best performer has been a serious lacuna to be modified through effective policy intervention for allocating resources in the right proportion. We need to set up a regional development board to assess the potential and weakness underlying the North, North East, Eastern region, Central, western, and Southern region. The pattern of extending agricultural credit shows that 86% of the total credit goes to the aforesaid 13 states in the beginning of the 12 plan period and it remains in the same proportion, rising up to 86.8% for the same states as of 2019. The table-X below shows India’s stand amongst the emerging group of economies under Agricultural performance as of 2008.

Table-X

Fertilizer consumption

|  |  |  |
| --- | --- | --- |
| Country | Fertilizer consumption (kg/per/ha) | Crops Productivity (kg per/ha) |
| China | 92.7 | 6.5 |
| Vietnam | 195.5 | 5.2 |
| Bangladesh | 140.2 | 4.1 |
| India | 138.6 | 3.2 |

(Source: World Bank data)

As of 2019 fertilizer consumption in India has come down to 133.1(All India average). But interstate consumption per/ha varies immensely from 126.0kg/per ha in Maharashtra to as high as 245.3 in Telangana. Further, declining productivity per unit area under agriculture is much lower for India compared to major crop growing countries of the world. The reduction in subsidy for the Agricultural sector is a fault on the Indian Govt to face the challenges of globalization without adequate preparation. Western prescription for economic development is not suitable for India with high proportion of rural population (69% to the total population) dispersed in6.64lakh villages as of 2019 which went up from 6.49laks as per 2011 census data The subsidy provided to Agri sector in other countries is given below:

USA--------$32(5%)

Japan..........$35(4%)

China.........$30(24%)

India..........$14(59%)

Figures in brackets indicate no of people engaged in agriculture. Small holdings and subdivision are the major lacuna facing Agricultural sector improvement in India. Growth in Gross value added by Agriculture is 2.41% in 2018-19 over 2017-18 even though 41.49% of total workforce employed in this sector indicates low productivity per workforce.

The disparities underlying income inequalities, the outcome of which get reflected in GNP per capita(historical data), per capita final expenditure, NSDP-state wise, unemployment,(rural and urban)human development index (HDI), social sector expenditure, capital expenditure, per capita availability of power, literacy rate, poverty ratio are discussed below.

Income disparity: Ginny coefficient is a measure of income distribution.IMF in its 2016 report on regional economic outlook for Asia and Pacific reported that India’s Ginny coefficient rose to 0.51in 2013 from 0.45 in 1990.Credit Susie’s Global wealth for 2014 reports bottom 10% of India’s society owned merely 0.2% of national wealth while the richest 10% have been getting steadily richer since 2000. People living at the bottom 10% are characterised by low wages, long working hours, lack of basic services such as safe drinking water, sanitation, education, health services and do not own a house. The social class divide and their share of wealth is given below.

Table-XI

Population of Distribution of Wealth share

|  |  |
| --- | --- |
| Social Class (%) | Wealth Share (%) |
| 10-20 | 0.2 |
| 20-30 | 0.8 |
| 30-40 | 0.3 |
| 40-50 | 0.8 |
| 50-60 | 2.6 |
| 60-70 | 3.8 |
| 70-80 | 5.7 |
| 80-90 | 9.4 |
| Rest in Top | 77.0 |

(Source: Credit Susie’s Global Wealth Data Book 2014)

Income transfer programs to alleviate agricultural distress will not be meaningful as long as it ignores agricultural labourers. The reasons for such deplorable conditions are the low growth rate of wages in the unorganised/ unregistered sector. Secondly a higher proportion of incremental public sector income is accruing to public sector employees than to public sector capital. ((Source: Wage growth: by Sunil k Sinha and Devendra k pant).An analysis of national income as it accrues and gets distributed across labour and capital indicates that in advanced countries the trend of lowering labour share has commenced since 1975. It is attributed to rapid advancements of technology and globalization of trade and capital. These two factors have led to steep decline in the cost of capital and other investment goods which tended to replace labour.

But India liberalized its economy in 1991 and in fact could have improved labour to capital productivity toward better income prospects. This has not happened since then; instead, increases in income inequality were more pronounced in the post-reform decade.(1993-94 and 2004-05)and it occurred very steeply in the urban sector. According to the Central statistical organization (CSO) of the total income generated between financial year 2012 and 2017 shows that nearly one third accrues to labour and two thirds to capital. This has been stable over this period despite wages and return on capital growing at compound annual growth rate (CAGR) of 12% and 10% respectively. In the case of agriculture despite growing the share of wages at a CAGR of 11.1% during the financial year of 2012 and 2017 the labour received only 15.3% of the income and the remaining 84.7% goes to owners of capital. The share of agricultural wages accounts for only 8.4% despite this sector contributing 18.2% of the total income. This reveals the fact about the low level of wages to Agricultural labourers which accounts for only 21,060 per annum.(Rs 1755 per month) .

At the institutional level the wages growth of unorganised/ unregistered enterprises was the lowest (7.7%) and of Private Corporation was the fastest (16.0%) for financial year 2012-2017. The plight of wage earners in the household sector which accounts for 44.5% of the income generated in the economy but received only 26.4% of the total wages is quite similar to Agri wage workers. Agriculture has still been the major sector of employment even though its share is declining in the overall income. Growth rate of the service sector in the financial years of 2015-16 9.7%, 2016- 17 9.7%, 2017-18 7.7%, 2018-19, 8.1%, 2018-19, 7.5% and in 2019-20, 6.9% a marginal decline observed. But the fact that inequality has increased is more pronounced in the tertiary sector- “Growth with inequality” a peculiarity contrary to the experience of development in other countries at similar stages of development. The manufacturing sector in India is characterized with persistent “dualism” (Firms employing less than 10 workers and those with more than 500). This gap between these two extremes is much larger in India than in other Asian economies. Manufacturing employment with low productivity and low wages has led to overall low productivity of the Indian manufacturing sector. Further, substantial heterogeneity in the quality of labour leads to substitution of high quality labour thus leaving out the poorer sections of the labour. Service sector growth in India is productivity led and not resulted in employment growth. Wage sector in India comprises 40% in the rural work force and 50% in the urban workforce.

For Economic and social progress and the goals of economic policy making relying on GDP growth is no longer a dependable measure indicating development with increases in welfare. GDP growth cannot provide a tangible improvement in physical, improvements in social networks and quality of public service such as health and education; none of these automatically improved simply by higher GDP growth. GDP is no longer a correct indicator to suggest either well-being or in the sense of society’s economic progress particularly for those on lower incomes and in precarious work and where private consumption is prioritised over public goods. High rate of poverty is the outcome of the development process in developing countries. For fairness and prosperity to go hand in hand requires revising the economic policy approach to improve the earnings of the poor people which has a larger impact on consumption and a steady rise in aggregate demand instead of raising the income and wealth of relatively well off groups which is currently a more virtuous happening in India. This should be curbed at any cost if India is to become a Superpower in 2050.

The historical trend in GNP per capita is presented below Table-XII. Even though it gives positive results, the impact at the economy level is not invigorating since the below poverty group is on the rise.

Table-XII

GNP per capita- Historical data (% change over previous years at constant prices 2011-12)

2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19

Per capita GNI 3.9 4.9 6.1 6.6 6.9 5.9 5.1

Per capita PFCE 4.2 5.9 5.1 6.6 6.8 5.7 6.1

(Private Final Consumption Expenditure (PFCE) (Compiled from NSSO data)

Both GNP and PFCE go together without significant changes. Both GNP and PFCE go together without showing any enormity of changes. Incremental changes should have taken place in the above aggregates in the event of significant changes under absolute changes under GDP. The above position indicates the bulk of the population still wallowing under the same income level with marginal changes.

The picture on Net State Domestic Product Region-wise is given below in Table-XIII

Table-XIII

Regional distribution of NSDP

(In Billion)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Region | 2011-12 | % | 2018-19 | % |
| North | 14207.65 | 19.5 | 21836.19 | 18.3 |
| North East | 2034.89 | 2.80 | 3222.04 | 2.70 |
| East | 6106.86 | 8.40 | 10265.74 | 8.60 |
| West | 16594.03 | 22.70 | 28309.81 | 23.70 |
| Central | 11717.35 | 16.00 | 18315.63 | 15.40 |
| South | 22377.44 | 30.60 | 37315.23 | 31.30 |
| Total | 73038.22 | 100.00 | 119264.64 | 100.00 |

(Source: Compiled from RBI, Handbook of Statistics, 2020)

West and Southern regions combined contribute more than fifty percent to India’s NSDP both in 2011-12 and 2018-19.Among these two regions in the West- Maharashtra and Gujarat accounts for23% in 2011-12 and 24% in 2018-19. Likewise Tamilnadu and Karnataka in the South account for 17% in 2011-12 and 18% in 2018-19.On overall basis however, the Southern region appears to be more productive compared to other regions. The low performing states in their order underlie the north east, followed by East, Central and North. This regional imbalance requires policy level intervention at the national level since during the last eight years these regions are relatively speaking remain stagnant which ipso facto affects the quality of life of the people under economic sense. -Low level of employment, poor wage conditions, life expectancy, people falling below poverty line(BPL) including of course the low level under Human Development Index(HDI)

The table below indicates the Gross value Added on regional basis,

Table-XIV

Distribution of Region - Gross value Added (GVA)

|  |  |  |
| --- | --- | --- |
| Region | 2011-12 % | 2018-19 % |
| North | 16.58 | 14.85 |
| North East | 0.91 | 1.23 |
| East | 5.53 | 6.14 |
| West | 13.07 | 14.85 |
| Central | 32.26 | 35.50 |
| South | 31.65 | 27.43 |
| Total | 100.00 | 100.00 |

(Source: Compiled from RBI, Handbook of Statistics, 2020)

As already pointed out, industrially backward (Medium and Small-scale) states are located in the North East, East and central region which account for more than 26 out of 35 states in the country. According to NSS Round 73rd Round completed in 2015-16 it revealed that North AND SOUTH) accounts for11.29percent of the total industries in the country followed by 2.88% in northeast, 25.10% in East, central 21.98%, West 12.925% and South 27.92%.The peculiarity is though West and South having lesser industries but accounts for 61.42% of the total investment in the medium and small scale industries in the country. It suggests the other states have very small and tiny industries without much sophistication involving higher levels of investment. It is further vouched by the fact of the total emoluments disbursed to labourers, in that only the west and south accounts for 60% of the total. The low growth rate of labour productivity at 3.64 %( 2019) on a yearly basis is a matter for concern (1992-2019) in the manufacturing sector has already been pointed out. Moreover, the value added measure of productivity is clearly not a measure of technological change in an industry or an overall improvement in efficiency. It reflects the industry's contribution to aggregate income. Modern productivity improvement techniques are aimed at improving efficiency involving both intermediary and primary inputs. In this sense India has abundant labour and underutilized resources. The trend growth of labour productivity and total factor productivity (TFP) by broad sectors is presented below.

Table-XV

Trend growth of labour productivity and TFP by Broad sectors (2000-2008)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Sector | Real value added  Per person in % | A2  In % | B2  In % | C2  In % |
| Agriculture | 2.10 | 1.81 | 1.68 | 1.52 |
| Mining Quarrying | 3.22 | 0.23 | (-) 0.17 | (-) 0.24 |
| Manufacturing | 5.43 | 1.74 | 1.30 | 0.73 |
| Electricity, Gas etc | 6.05 | 2.94 | 2.62 | 2.60 |
| Construction | (-) 2.48 | (-) 2.48 | (-) 3.31 | (-) 3.31 |
| Services | 3.56 | 2.54 | 2.07 | 1.87 |
| Total Economy | 4.04 | 2.42 | 1.74 | 1.40 |

(Source: RBI Reports estimates of productivity growth for the Indian economy,

A2-TFPG completed using labour per person & capital stock ;

B2- labour input capital stock ; C2- labour input and capital services)

TFP across industries is high under electricity covering-A2, B2. C2,- all . Three categories- value added per person and A2 composition followed by manufacturing and services. Other sectors exhibit volatility.

Unemployment situation prevailing in India is given in Table-XVI below. The union territories are not shown. The table shows the number of states above All India average.-6.3 percent. Only 4 states account for less than the all India average. Region wide distribution indicates that unemployment more than 10 to 12 and above fall under North-Haryana 12.2%Northeast-Tripura accounts for 11%., Nagaland12.2%. Against Eastern region- Odisha 11.8%, followed by Bihar 10.4% and in the Central region –Uttarakhand 10.9%.Under South- Kerala 11.8%.Telangana 10.3%.

The distribution of unemployment between urban and rural composition shows that the All India average for urban is- 6.9% and rural - l6.1%. Urban unemployment was high in Nagaland 20.2% Uttarakhand 15.7%, Odisha 14.9%, Tripura 13.4%, Telangana 12.2% and Bihar 11.4%. Under rural category Nagaland 16.1%,Haryana 13.0%, Odisha 11.3% and Kerala 11.6% (T) Unemployment of women rose by 15% from pre- lockdown level of 18% which could result in a loss of India’s GDP of about 8% or Rs 15 Trillion.

Table-XVI

Distribution of unemployment Pattern in states

|  |  |
| --- | --- |
| Total Unemployment  In % | Number of States |
| Below 6 | 4 |
| 6.1-8.0 | 8 |
| 8.1-9.9 | 9 |
| 10-11 | 3 |
| 11-12 | 3 |
| 12 and above | 2 |
| Total | 29 |

(Source: Compiled from RBI, Handbook of Statistics, 2020)

Of the total population in India 22% of the population are living below the poverty line in the country. Of this lot, the rural people falling under BPL group constitute around 25.7%. Under the urban category it is slightly better with only 13.7% of the population coming under BPL. Among the states the highest composition of BPL falls under Chhattisgarh and Jharkhand accounting for 45%. Since the rural economy accounts for 60% of the entire economy it needs special attention in mitigating the size of poverty by creating employment opportunities to increase their income level. Poverty statistics based on MRP consumption indicates that the north east and Eastern region combine to fall under BPL group. The states arranged in the order of acuteness of poverty are: Jharkhand 37%, Manipur 36.9%, Bihar 33.7%, and Odessa 32.6%, followed by Assam 32.2 %.

The Human Development Index region wise- no of states- is presented below is self explanatory. It has arrived giving weight to Education, Health, and per capita income. All India average for HDI is-0.647

Table-XVII

Human development Index

|  |  |  |  |
| --- | --- | --- | --- |
| Region | High | Medium | Low |
| North | 4 | 1 | 1 |
| North East | Nil | 5 | 1 |
| East | 1 | Nil | 4 |
| West | Nil | 1 | 3 |
| Central | 2 | 3 | Nil |
| South | 3 | 3 | Nil |
| Total | 10 | 13 | 9 |

(Source: UNDP)

Keeping aforesaid results in view t is pertinent to mention in this context that USA with democratic polity took 186 years to be declared as a developed country when the financial capital shifted from London to New York in 1920.Obviously in a democratic set up rapid transformation could not take place at the required pace (even after 74 year since independence in the case of India.) as is evident from the US economic history. Whereas China with Communist bent, able to tide over poverty (it was under dire poverty in 1949) within a span of 71years.India is one of the largest Democratic Country in the World and it suffers from several heterogeneity (seen under social, political and cultural groups). But this is not an excuse. The sad aspect of it is, despite India having both manpower and natural resources IN ABUNDANT measure. But it is unable to register high growth path indicates it suffers from right kind of policy intervention as well as gross under utilization of resources.

Also, our investors are risk averts and they follow the “bug stop” approach in the sense that unless someone goads and the investment climate is more favourable our investors are not prepared to undertake risk. Therefore with such a laggard attitude seen among investors, the Govt has to step up the initiative to build up the infrastructure to promote the investment climate through bilateral/ multilateral to attract FDI (Foreign Direct Investment) flows since the global economy has now become more integrated than before. It is unfortunate to observe that our investors have failed to explore the potential available regionally instead converging their investment in the already developed regions. The failure to follow up on the previous plan targets and identifying the comparative advantage underlying regionally and treating both efficient and laggard areas in the allocation of resources in the same proportion are some of the serious flaws that continue to stall the growth of India requiring immediate attention. Further, inconsistencies in allocating resources also require attention.

The ease of doing business in India still leaves much to be desired. India stood at 134th rank in the global index of doing business (with less friction underlying regulation and Govt policies) out of 189 countries surveyed in 2013. Under corruption index surveyed in 2016 India ranked 79th position out of 183 countries. These are basic issues and bottlenecks to be resolved at a rapid rate to promote a high growth economy in terms of GDP with corresponding increase in equity, reducing the growing disparity in the distribution of income. Based on a global competitive index surveyed in 2008-09 comprising of134 countries India’s rank was 50 compared to 30 in the case of China. Likewise, labour productivity for China was 0.137 in contrast to a low of 0.128 for India.

Effective Policy intervention to promote industries in the underdeveloped region with the ease of doing business is the dire need of the hour. Foreign direct investment has to be attracted with high export potential and to absorb the growing labour force to make our product competitive amidst global competition. India in fact lost the opportunity to promote industries having export potential which was the avowed policy approach of the Asian tiger economies as well as China.

The policies now in vogue in India carry no weight for rejuvenating underperforming areas especially for promoting industries. Formulation and implementing policies of western oriented economies which are saturated and they try to stabilize existing growth (hovering around 1.5% to 2.5%) pondering emerging economies for their market and resources. Pursuing western oriented policies add more misery than in reducing the glaring income inequalities which become more pronounced since the liberalization era commenced in 1991. The IMF prescription for reducing fiscal deficit and reducing subsidies should have been adopted in a gradual sense instead of outright manner in the context of increasing globalization for which India was not adequately prepared. Admitting multinational retail marketing in India is a major flaw since the latter group contributes$462 billion (22%of GDP) and provides employment to 57% of the workforce.

India is being constantly misled by the World Bank and IMF to focus on restraining fiscal deficit and for reducing subsidies instead of increasing public expenditure to promote infrastructure to attract private investment which has been shying away to undertake risk in the midst of globalization which was much pronounced during the 80's and 90’s. The inadequacy of western prescriptions such as to contain fiscal deficit resulting in crowding out is found to be misplaced. In a recent study done by Hrishhikesh Vinod, Honey Karun and Lekha Chakraborty in The Handbook of Statistics books titled “Financial, macro and micro econometrics using R” (bit.ly/30Nf6sn) using maximum entropy ensembles time series methodology showed that public infrastructure investment is the prime determinant of private corporate investment in India and hence financial leveraging through fiscal spending is sine qua non for the pickup in private investment in the country.

India being an emerging economy has been upgraded reducing the proportion of concessional finance is a misdirected approach of the World Bank. Moreover there has been no multi directional attempt to attract foreign investment with cutting edge technology to exploit and to increase export market share which still depends on traditional goods having no value added content.

But current thinking on a self reliant economy requires to be reconsidered for India to become a global power. Amidst a growing labour force which is expected to grow 10-12 million over the next two decades with the working age population crossing one billion marks by 2030. The focus on growing younger (65% of its population is younger than 35 year) workforce should be to develop into a skilled workforce to meet digital growth and improved technology which becomes the buzzword for future economic growth. Already digital growth within the country is under a cash transfer mechanism now in force to benefit lower income groups is welcome change. In the context of increasing integration of the global economy through rapid spread of communication technology, the opening of certain sectors of the economy would help to embrace skill and technology transfer. The upshot in information connectivity has empowered the Indian community. The current data indicates that mobile phone users in the country have jumped from 261 million in 2007-08 to 910 million as of 2013-14. Internet users among Urban Indians work out to 137 million. In rural India it is growing by 58% annually. Such a jump start in the spread of knowledge from traditional to digital medium such as in education has increased several folds

The awareness level among civil society has become stronger than before. State level intervention is needed from the standpoint of cultural, lingual and under health. Under this background the role of capital formation in the traditional sense will not make our industries become competitive and produce quality goods for Indian consumers. Because of the liberalization policy we see to-day different brand model cars in the automotive industry. To think about five trillion economic growth the idea of a self-reliant approach seems grossly inadequate since technology is driving an increasing share of the value adds coming from digitisation and data analytics in products and services across industry segments. The need to build up skill formation through the gradation of human capital is the need of the hour. The idea of a self -reliant economy was mooted as early as the fifth plan (1974-78) and we achieved self reliance under food production and the rest of the economy remained stagnant despite 45 years having lapsed since liberalisation in 1991.

The colonial approach of administrative pattern no longer holds good in a liberalized country and in a large democracy like India. The vital sectors such as economic affairs, foreign trade and Finance and commerce at all cost should be replaced by specialists instead of general administrators who lack expertise and the acumen to handle the critical situation in the context of global integration. The specialists should be given cabinet status and to report only to the PM about growth prospects and for review purposes. It is most desirable the role of general administrators is confined to head taxes, information, rural development, and information etc. India’s economic growth which has been limping for the last 74 years since independence vouches for the fact that general administrators need to be replaced by specialists in the aforesaid areas.

# **My Insights on the progress of India as a fast growing developing Nation**

In whatever way you try to perceive India’s economic growth it compels you to view more in a disparaging sense because the negatives have a more pronounced impact that overwhelms observation about the progress of India. Despite 74 years lapsed since independence (it is not a young democracy as some says since a nation has multiple advantage to progress if a stable Govt with National perspective pursuing right development policies for economic growth) and still we wobble under a relatively low development path compared to other emerging developing regions who have been under similar conditions as India was at the time of pre- independence. The available data on various counts about India’s economic growth processes indicates in respect of vital indicators as a measure of growth has been abysmally on the lower side which gives the negative impression that the latter aspects outnumber the column of progress. For instance Asian Tiger Economies( Singapore, Korea, Thailand and Taiwan) including of course the currently emerging Asian giant in the sense of economic power such as China were dependent largely on Agriculture to start with under the erstwhile economic scenario. These economies were also structurally lowly placed like India in terms of poverty, low capital and investment under industries.

Later, these economies radically changed their growth strategies giving high priority for industrial development. Since these economies are relatively small (Asian Tigers with exception of China)) compared to India they allowed free foreign participation which led to the enormous flow of foreign capital. In fact, after the end of Korean War, as much as 15% of its GDP was squandered on war and dependent on US assistance until 1965. They gradually shift their economic strategies in accordance with the changing global context since these countries depend largely on export-led economic growth. In contrast India preferred a non-aligned policy in that foreign participation was allowed in a limited fashion. Only in the case of building steel industries foreign participation included the cooperation of Soviet Union. The allocation to industries in the first plan was just 8percent, Transportation and communication and Agriculture getting a larger share in plan allocation

In the current context of globalization, growth across nations classified into high, medium, and low connects GDP as a reference point as a vital indicator to assess the economic growth on the aforementioned criteria mentioned above. If we go much deeper on this aspect the increase in GDP now being increasingly looked down upon, instead the economic growth performance is seen through improvement in human dev- elopement index (HDI). The latter approach throws light on access to education, health, life expectancy and literacy since GDP is only a nominal measure in terms of monetary growth. Let us limit our observation to GDP growth among Asian economies compared to India. The table-I below indicates the growth pattern in respect of GDP and GDP/ per capita growth between India and China.

Table- I- GDP growth in India and China

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | India | | | China | | |
| GDP in US$ | GDP/ per capita in US$ | Per/Capita GDP growth in% | GDP in US$ | GDP/per capita in US$ | Per/Capita GDP growth in% |
| 1960 | 37.03 | 82 | - | 59.72 | 89 | (-) 0.2 |
| 1970 | 62.42 | 112 | 5.16 | 92.63 (19.3) | 279 | 15.8 |
| 1980 | 186.33 | 267 | 6.74 | 306.17 (6.5) | 312 | 6.5 |
| 1990 | 320.98 | 368 | 5.53 | 394.57 (3.9) | 348 | 2.4 |
| 2000 | 468.39 | 443 | 3.84 | 1211.35 (8.5) | 959 | 7.7 |
| 2010 | 1675.62 | 1358 | 8.50 | 6087.88 | 4550 | 10.6 |
| 2015 | 2103.59 | 1606 | 8.0 | 11059.95 (7.0) | 8066 | 6.5 |
| 2018 | 2713.17 | 2006 | 6.12 | 13891.16 (6.9) | 9975 | 6.2 |
| 2019 | 2875.14 | 2104 | 5.02 | 14363.48 (6.1) | 10276 | 5.7 |

(Source: World Bank data)

The above position, relatively speaking both in terms of GDP and per capita growth China outpace India in a significant proportion especially under per capita GDP growth. China overtook India in 1978 under GDP/per capita which means the standard of living of the population would have definitely undergone changes. GDP/ per capita for China has reached$6075 in 2012 up from $306 in 1980. In 1993 FDI (Foreign Direct Investment) flow increased to 6.25% of GDP i.e. $27.52 Billion. Thus China though with a communist bent and with a centralised approach felt the need and importance of foreign capital for its economic progress. The available data shows that China became the world’s second largest economy in 2012 next to the USA. India lagged far behind China in 2012 since it adopted an inward looking policy totally with the view to protect a few corporations and lacked foresights in attracting FDI flow to enable rapid industrialisation.

The growth in GDP /per capita of Asian Tiger economies shows high in 2017.Singapore, US$57,713(nominal) and US$90531(PPP), Hong kong US$ 46109(nominal) US$61016(PPP value), South Korea US$29891(nominal),US$ 39387(PPP), and Taiwan US$ 24577(nominal),US$ 49827(PPP). Asian economies' global trade increased from 14% in 1953 to24.1% in 2002.These four economies had invested heavily in their infrastructure as well as in developing intellectual abilities of their human talent, fostering and retaining their educated population to help their development processes causing rapid improvement in their economic performance. India, which has been releasing the best brains to other developed countries such as the USA, seems to have been pursuing a very retrograde step which is still under practice. The Indian Diaspora of the total population in the US constitution 16.4% of the Asian American community. As much as 23% of Indian business school graduates take jobs in the US. This is clear evidence of brain drain affecting India’s economic progress. When the most creative human resource is not retained within the country, there is no point in claiming that India has the number one youth population in the world? Looking at it differently the youth population is merely a number, not a skill- based strength. This indicates lack of foresight, and needs a relook into the immigration policy. The need of the hour to achieve the status of an economic super power underlies Brain which is counted more at this juncture than in human number.

Enormous foresight and distant economic vision for policy making for stable economic growth of the country conspicuous for its absence is obvious from the stagnancy observed both at national and regional level. Seventy four years have lapsed since independence, a very long period under economic sense. The available data shows only 9 States account for 75% of Gross Value Added(GDA) for the country and it indicates the rest 29 States and union territories are still remaining backward and that too since liberalisation of the economy in 1991. China liberalized its economy with a free market approach (in 1980) allowing foreign participation now becomes the second largest economy of the world with a high level of GDP per capita and a sustained growth of GDP for 30 years since liberalisation.

Table-II

Comparison of India and China on GDP and Sectoral growth as% to GDP

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Sector | Country | 1960-69 | 1970-79 | 1980-89 | 1990-99 | 2000-11 | 2015-16 | 2017-18 | 2018-19 |
| Agriculture | India | 42.2 | 38.6 | 31.7 | 27.4 | 19.4 | 14.2 | 13.9 | 10.8 |
| China | 37.2 | 32.3 | 29.4 | 20.5 | 12.0 | 8.3 | NA | 10.8 |
| Industry | India | 19.9 | 22.3 | 23.5 | 26.1 | 27.3 | 21.2 | 21.5 | 17.3 |
| China | 35.2 | 44.5 | 44.3 | 45.4 | 46.5 | 42.2 | 39.7 | 39.0 |
| Services | India | 37.8 | 39.1 | 42.8 | 46.5 | 53.3 | 56.7 | 57.5 | 46.9 |
| China | 27.7 | 23.2 | 26.3 | 34.1 | 41.5 | 51.6 | 53.0 | 53.9 |

(Source: Macro trends LLC)

The rate of savings as percentage of GDP of China and countries comprising of Asian Tiger Economies (Korea, Singapore, and Thailand) are given below.

Table-III

Ratio of savings as % of GDP

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Countries | 1960-69 | 1970-79 | 1980-89 | 1990-99 | 2000-11 |
| India | 12.5 | 17.9 | 20.5 | 23.6 | 31.6 |
| China | -- | 30.5 | 34.7 | 409 | 47.4 |
| R.Korea | 8.7 | 22.3 | 26.5 | 35.1 | 31.5 |
| Singapore | 4 | 28.6 | 41.7 | 48.2 | 43.9 |
| Thailand | 18.7 | 22.3 | 31.0 | 35.3 | 29.6 |

(Source: World Bank Data)

Savings as a percentage of GDP has been exhibiting a huge jump from 30.5% to 47.5% in the case of China. Asian Tiger economies also show an increasing trend similar to China, and Singapore among the Asian Tigers registered a substantial growth. India shows a gradual growth under savings.

Textiles which so long have enjoyed a higher weight under index of industrial production (the weight of 14% in 1984 has gone down significantly in new index to carry 3.71%) now being under revision indicating low value added from this group. Textiles industries have had high labour absorption potential. It seems that now Bangladesh and other Asian economies displaced India from exports of textile products. This is a very sad picture indicating India’s poor progress. Even under electronic goods the price of cell phones (Cell phones for instance under the new PIL approach) emerging in the country are relatively costly compared to the nearest foreign competitor located in the country because the latter uses inputs of his own brand whereas India depends on imports for imports for such inputs. There is no point in blaming and exiting from free trade agreements.(our poor capability and local industrialists instead of modernizing still lobbying for protection). Heavy concentration of automobiles and its ancillaries in particular is the only positive aspect of industrialization. That too converged in southern parts of India managed by a family group and the emergence of a few foreign branded cars due to liberalization policy emerged in 1991 enabled wider choice for consumers in the car sector. Besides, the pickup in pharmaceutical industries in India is not a very positive feature. Such industries were discarded in the European countries fearing acid rain.

Another indicator of development is the change in the urban composition. The table-III below indicates India’s position. The indication of growth in urban centres is seen as reservoirs of skills, capital and knowledge and centres of creativity and innovation. Urban population in India has grown from 78.9 million in 1961 to 286 million in 2000. The growth in the urban sector in India appears relatively low compared to other countries. Under Indian conditions increases under urbanisation have to be viewed from the angle of growth in non-farm jobs, infrastructural level and the supply capacity of public services. Besides, the effects of urbanisation could be assessed under improvement in economic, social and environmental sustainability. However it is difficult to establish a direct role between urbanisation and economic growth. Several studies on this score indicate the urbanisation level and GDP per capita have a positive relationship.

Globally urbanisation has risen from 39% in 1980 to 52% in 2011. In low and middle income countries urban populations increased rapidly from 31% to 47% over the same period. India falls in the population group of 20-30% increase in urban population. Higher levels of urbanisation are concentrated in the 70-90% range which happens in the case of developed countries. While classifying urbanisation into five different categories China falls under Ultra- high speed where the population growth ranges from 6-11 % but urbanisation and economic growth is high. China registered sustained GDP growth of 8.9% and a rapid urbanisation with annual growth rate of 1% .In India urban growth is very high in the case of Goa (62.2%), TamilNadu(48.4%), Mizoram(51.5%),Maharashtra(45.2%) and Kerala (47.7%).The spread of urban infrastructure such as State highways, length of roads, National highways, NSDP, proportion of banks relative to all India Shows that Maharashtra lead in all these categories followed by TamilNadu, Kerala and Goa. Of the total population, (India) 35.2% lives in slums or 6.55 crores. The slum population is high in Maharashtra with 1.18 crores followed by Andhra Pradesh with 1.02 crores.

Table-IV

Urbanisation in India and other countries (in percent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Countries | 1960-69 | 1970-79 | 1980-89 | 1990-99 | 2000-11 |
| India | 18.7 | 21.2 | 24.2 | 26.5 | 29.4 |
| China | 17.4 | 17.8 | 22.5 | 30.6 | 43.2 |
| USA | 71.7 | 73.7 | 74.4 | 77.0 | 80.8 |
| Japan | 67.3 | 74.7 | 76.7 | 77.9 | 85.7 |
| Germany | 71.8 | 72.5 | 72.8 | 73.2 | 73.4 |
| World | 66.3 | 70.3 | 72.8 | 75.0 | 78.4 |

(Source: World Bank data)

The general opinion has been that financial deepening and economic growth are interlinked. In this connection the financial market has been liberalised since 1991 in India to enable credit flow to accelerate economic growth. The depth of the financial market in India may be assessed in the growth of the money market, Govt securities market, equity market, and Foreign exchange market. Under Indian conditions the growth in deposits with banks is important in the sense that banks hold 74% of the banking assets with public sector banks. Deposits with banks which were 15.5% of national income in 1969 increased to 81.1% in 2012. Market capitalization under the National stock exchange (NSE) was US$2.27 trillion and the amount with Bombay stock exchange (BSE) stood at US%2.2 trillion as of April 2018.

The credit flow shows that Agriculture accounts for 8 % (November 2020), Industry 31% (February2020) Services absorbed 27 % (November2020). Personal loan accounts for28% of the total bank credit, up to February 2020.Despite huge growth under financial deepening, the growing Non- performing assets (NPA) which stood 4.3% of total gross loans are a miserable feature as against 1% observed in the case of China. The growth in the corporate bond market in India is only 3.3% of GDP as against 10.6% in China, 41.7%in Japan and 49.35% in Korea.

The growth in the manufacturing sector in India has been exhibiting some degree of dichotomy in growth in recent years. Only a small segment of this sector is growing in technological capabilities and attracting global attention. A large number of small industrial firms are lagging behind. Largely the factory sector is lagging in a more pronounced fashion and the unregistered sector too seems to gallop at a low pace. The number of registered companies as of 2018-19 indicates a tiny sector involving investment up to one lakh accounts for 47.5% of the total companies registered in the private sector involving authorised capital of Rs 0.87% of the total authorised capital under this sector. In the group’s 5-25lakh, companies registered under Private sector accounts for 40.14% and Public limited companies59.5% among the total registered companies. Their share in the total authorised capital accounts for 7.75%% and 0.86%% respectively. Under the class 500 to 1000 crores category the number of companies registered in the Private sector accounts for 0.12% of the total and in Public its share is 0.10%.The corresponding authorised capital share accounts for 3.12% under Private and 14.44% under Public. As against the class above Rs 1000 crores no of companies under Private has a share of0.16% among the total factories with an authorised capital share of 63.62%. In the case of Public the number of companies registered has a share of 0.11% of the total with authorised capital share accounting for 69.75% of the total authorised capital under Public. The overall position indicates the prospects for propelling growth under income and employment is not very promising since a large group falls under a tiny sector and the scope for employment for companies exceeding RS 1000 crores may not be very high since their total no under this group is very negligible. According to the Registrar of company’s data as of March 2019 indicates that out of 18, 73,044 registered only 1,156,374are in active position (61%). This has been the trend under industrialisation. The distribution of registered companies state-wise indicates the highest recorded was in Maharashtra (19.8%), Delhi (17.8%), West Bengal (10.8%),Tamilnadu (7.6%), Karnataka(6.2%), Telangana (5.6%), and Gujarat(5.3%). The pattern is as usual that States with developed infrastructure are able to attract fresh registration. The total registered companies in these states accounts for73.1% as of March 2019.Of more than 6800 odd companies listed under BSE/NSE, only 38% are under active trading under BSE and NSE accounts for 83%. This has been the trend under industrialisation in the country. Viewed from the label of India as a fast track growing economy, the observed above needs introspection from policy perspective, political ideology and social stability.

Industry wise classification of the registered companies shows that manufacturing accounts for 26.79% as against 44.54% of the total authorised capital for industry. Under Services sector business has a share of 51.33% as against the total authorised capital of 54.80% followed by 9.45% for community personal and social services, trading accounts 6.8% and finance 5.77%. Thus the general impression gathered is that despite the financial sector deepening the growth in employment and income through industrial promotion has not been achieved so far. A stable growth with a steady pace both under GDP and Gross Value Added still remains a distant dream from realizing it for the country.

Areas that need reform

1. The resources like water, gas, Electricity of national importance should be nationalised and brought under centralised control demonstrating strong leadership to utilize such resources for national growth. Federalism should be exercised with the right spirit keeping the country's glory in forefront in those areas of national importance.(cited above).Let the country shine in the eyes of nearest competitors ignoring other areas of lesser importance. Had not Banks been (1969) Nationalised, financial services would still remain underdeveloped. A very bold political step was implemented and a move forward in the economic sense with greater vision helping rural India which was under the grip of money lenders. Such a step taken under opportune time enabled financial services to contribute for gross value added which has been showing an increasing trend from 30% to 35% in 2019. Further abolition of privy-purses was another bold initiative to save criminal waste of public expenditure.

2. The need arises to merge the entire population under different income groups. It should be initiated consisting of-Upper, High, Medium, Middle, and low categories. Such grouping of the society would ensure homogeneity of population and help open the areas requiring attention for development and in the allocation of resources to economically weaker sections to improve their standard of living. All developed regions of the world both in Asia and West, such grouping of the population on income basis is the basic feature observed which could be implemented in India too. It enables to achieve balanced economic and societal progress by replacing several divisions existing now. Regional political parties may be maintained but it should have focused more on National perspective and societal progress instead of any sectarian interest.

3. The bureaucrats should display vision for rapid progress keeping in view the country's potential and in simplifying economic ideas and implement suggestions made under economic survey reports and disseminate such ideas at village level. The villagers need employment opportunities hence their knowledge level on exportable goods could be encouraged as handicraft industries. Technology has made the world smaller and digital technology will make it even more integrated hence bureaucrats must engage the attention of the rural population on the latest available technology and spread knowledge as well as create awareness among villagers for their participation in nation building since 60% of the economy underlies only in Rural India. Moreover, agriculturists engage fully only for 4 to 5 months in a year. In the remaining period they may be fruitfully engaged in areas identified under PLI scheme through cluster approach instead of allowing such populations to migrate toward urban areas creating slums and deterioration of social peace and order.

4. The approach for development should be radically changed for the promotion of equity among communities, reducing vast inequalities of income which increases the proportion of BPL category. Legislation should aim at uplifting the economy taking into account vocational advantage and local resources for the generation of income and employment. Priority areas are in plenty requiring reform, especially value added areas like industries which seem to be limping both at national and regional level.

5. Private investment may be encouraged creating infrastructure like school, health and others providing to attract investment in backward regions (Low Income States, (LIS) see IFC Report of 2018) instead of converging into few states cited. Huge scope for generation of employment is possible by removing certain structural impediments in lagged states like Bihar, UP etc. Corporate taxes may be hiked. The Govt attempt reducing the corporate taxes by a huge margin has not been accompanied with improvement under investment in any significant proportion.

6. A relook seems necessary about the certain luxurious gubernatorial position involving huge public expenditure; such areas and their role and importance in the functioning of the country may be reconsidered.

7. Besides duplication of efforts both at central and state administrative machinery rendering the same type of work could be centralised to avoid wasteful expenditure. The scope for new/ original works especially under the engineering section has already been saturated both at national and state level with few exceptions- increasing shore based infrastructure like rail, road, development of minor ports for marine exports- to facilitate trade. Such neglected areas need to be understood with clear economic sense. Hence a huge hierarchical pattern under administration and their spread at regional level in length and breadth of the country are superfluous may be tailored to meet the need to minimize administrative expenditure. For instance, the Chief engineers in certain states formerly under the care of two Chief engineers need to be rationalised. Mostly in all States there are only maintenance works dominating now. Further, Two engineering wing rendering the same role as the other seems superfluous hence be merged as single agency

8. Likewise we have several specialist wings both at university and department level like “Remote sensing agencies” rendering the same function as the other. The laggards shall be merged with a single agency. Now digital technology in the form of GPS setting (Geographical Positioning System) is available with all the development agencies in the district hence duplication of efforts shall be diminished as far as possible to release capital for development purposes.

9. Cost structure while evolving estimates for development works under area development programmes need drastic revision. It should be realistic taking into account the appropriate location needed and to provide reasonable profit without imputing commission of Himalayan proportion in the estimate. A realistic attempt to rationalize and minimize such over estimation of cost enables release funds for development purposes. The current condition indicates, a Rupee spent on development works reaches to the extent of only Rs 0.50 to install a structure and the rest are leakages affecting the quality of the structure. Further, for installing the same design and type of work there is huge variation in cost between two implementing agencies. Rationality behind such huge variation under cost, a “mystery” remains unquestionable from the lower down functionary to the top level administrator heading the ministry while allocating funds. (Engineering structures in particular where two agencies are involved)

10. Under area development programmes the selection of works should be need based instead for achieving financial targets.

11. Administration of rural development and units involved in installing structure at the district level suffers for want of quality. For instance, within a year of construction, the house designed and completed by the field officers (for poor villagers) started leaking under the rainy season. At the block level the field officer is being crowded by power angles emanating from different corners. Further, the scope for development to identify potential areas for growth is surrendered at the altar of power, fearing local politicians, and the block level official has a nexus with low level Panchayat Heads for selection of works. District collectors are playing the role of intimidator for achieving physical and financial targets which has a bearing on their performance assessment on development instead of acting as development thinkers. The block level officer has no independence to make decisions of his own.

12. Primarily the question of marketable surplus under Indian conditions of farming is highly uncertain because of very low size farm holdings (about 85% of farm holdings fall under marginal and small holdings). The situation of emerging large marketable surplus arises relative to holding size at the farm level. Hence, Small farm holders prefer to sell their low output either at local mandi or village traders even if the profit margin is low since the latter are situated close to their home or village. The official data show that even for paddy and wheat respectively only 29% and 44% of the harvest is sold in a mandi, while 49% and 36% is sold either to a local trader or an input dealer.

Barbara Harris - white, a scholar of India’s agricultural markets once observed, “deregulated imperfect markets may become more, not less imperfect than regulated imperfect market.”The National Commission on Agriculture had recommended that every Indian farmer should be able to reach a mandi in one hour by a bullock cart. The poor response of private players entering into agricultural marketing mainly because of high transaction cost. Even if the private market emerges the costs would be transferred to the farmers as a lower price. The Govt to maintain a minimum of buffer stock will have to be maintained which requires continuing minimum support price policy (MSP). Unfortunately the latter is not keeping pace with the rising cost of cultivation. In the meanwhile Commission for Agricultural costs and prices has been recommending to Govt to stop the open- ended procurement of food grains. Even in advanced developed countries, subsidies on agriculture are high compared to India. The Govt may act proactively to encourage cooperative farming (combining together of 5 to 6 farmers) for consolidation of holdings. Local politicians and resourceful farmers may be involved in educating the benefits underlying such an approach. Any policy intervention devoid of benefit to the farming community (because of smallness of farm holdings) would collapse the future of farming interest. It would result in dependence on import of food grains which is obvious from the prevailing public distribution system despite the country’s ability to emerge with surplus under food grains production.

13. Further, officers from “Elite” category acting as Chairperson for development programmes in the State should involve sincerely in understanding the agenda sent to them well in advance. The business of his specific role should be honoured scrupulously by contributing effectively about fresh ideas for improvement in the implementation of the programme. The current pattern of “Time scale for salary” to this “All India Recruits” officer group should be replaced by an incentive and reward system for next level promotion based on their innovative and inventive approach in conceiving and implementing development works in their area of operation. Such an approach would make this group of officers realize they are indebted to constitutional interest which aims at national and societal progress. In fact East Asian Tiger Economies and China followed the practice of rewarding/incentive their bureaucrats for effective contribution.

14. The very purpose of the single window committee is intended for spot clearance. The members of the committee consist of Heads of Administrative Department in the rank of Secretary/Chairman. The agenda for the meeting was sent well in advance to committee members. The industrialist/ investor came across delays at the municipal/local level after getting licence/ approval from GOI to attend the Single window committee meeting for spot clearance by the committee. Investors were disappointed since the senior officers could not give spot clearance due to lack of foresight of the area of interest and display immaturity and the investors blamed the members in their presence. Such a sorry state of affairs could be avoided. The focus while allotting vital portfolios to the Head Administrative Department at Secretary Level, the perspective and vision of the country/ State is desirable instead of mere seniority.

15. The District heads belong to an “elite group” of officers on tour 4 days out of 6 days in a week. Such District heads should exercise their vision in identifying the potential and scope for further development. Before they get their transfer a “Vision Document” for the district should be prepared by him and it should act as guide for his successor to proceed where he left. Likewise the preparation of vision document exercise should be repeated by all the District heads before his exit of the District by transfer. Since the elite group officer under police service takes the same pattern examination like his counterpart viz Collector, the former may take up the law and order of the district releasing the Collector to focus mainly on development of the district. The Govt should form a specific ad-hoc rule to prepare a vision document as a landmark of his role in the development of the district. Mere bossing over the subordinates does not need a special so-called elite group.

16. The “elite” group officers heading the District unfortunately display authority as though they are endowed with enormity of vision and knowledge which is not warranted by the current trend in development approach and pattern in practice as well as the country’s low “Rank under several development indicators” globally. In general officers emerging from this group are promoted at 6th year from their date of recruitment because of time scale practice in vogue which has already been pointed out should be replaced by a reward/ incentive system. In the current emerging competitive world scenario it needs more vision and expertise from a development angle. The current pattern of training All India officers with colonial and feudalistic bent should be replaced with welfare sense. This group of officers should exercise their power intuitively involving deep sense and after careful observation without a sense of threatening the subordinates. It is most desirable that the views of field officers at the bottom level also need respect since they have firsthand knowledge of the area they are functioning and operating on a daily basis. To get lucrative assignments post retirement this group discourages specialised knowledge in the field where it is of utmost importance.

17. In one instance the suggestion to improve opportunity cost of Govt land with fully developed infrastructure may be leased out for private participation was shelved without follow up. The Private interest is very huge and prepared to pay any high premium price for land leased out. This revenue yielding source for Govt was rejected by the District head saying it is against Govt policy. The District head could have exercised his discretionary power and shown net positive result and outcome in the form of earning a fresh revenue source to GOVT and a set model for others to follow. Large administrators at the senior level in the Govt are at the verge of retirement and lack fresh ideas and hence they would accept fresh ideas that emanate from young administrators at the district level. Now the Govt encourages private participation in “Govt land”, a suggestion that was made 30 years back when I was a field officer. The revenue loss caused to the Govt by such languid compliance by District level heads is left to the reader's judgement.

18. Most disappointing aspect of District administration was- after the interval of 10 years-“3 Elite groups”- officers succeeded as administrators in a district. The poor approach in administration of the district was visible in that neither any landmark nor virtual changes in the district had taken place within a gap of 10 years. - In the sense of economic, infrastructural patterns, land use changes etc. There was no structural change under societal perspective which remained backward. The only flourishing industry was mushroom growth of hospitals because there has been no attempt both at state level and at district level to improve quality of water supply in the course of the last 10 years. How do you expect a district/ Nation will grow when officers do not display interest and commitment with a vision for development in their area of operation? Hence a relook into their special perks like “time scale” which gives automatic hike in salaries to these “elite group” officers without taking into account their effective contribution in their development role, require a modified approach.

19. Therefore the pattern of recruitment policy for top level bureaucrats should be radically modified and changed taking into the current world scenario in which the country is forging ahead. The need for specialists in Finance, Economics, Commerce, Sociology, Trade and international relations should form the curriculum for competitive examination. A special paper to assess their vision on development and perspective of the Indian economy may be included to assess their ability may also be included. The marks allotted for personality tests may be reduced accordingly. The current practice of writing in regional languages should be stopped forthwith. Instead English should be replaced as a medium for written and oral examination. Most of the development oriented literature is available only in English language which would enable the aspirants to equip themselves with the latest knowledge required for development purposes. The very idea of recruiting elite group officers is to identify growth potential, and to develop perspective due to their exposure into different areas of development and not to boss over lower level subordinates. India’s growth trend and status at the Global scenario is a clear indicator to vouch for the poor visionary role rendered by this group. I feel very sorry to point out this aspect. .

20. Under industrial promotion the officers heading both central/ State level Finance cum development institutions should attempt to disseminate current technology and spread knowledge in the district by engaging resource persons trained with engineering background. It will increase employment opportunities since several engineers are unemployed. Formerly the creation of industrial centres was not successful because of a lack of imaginative approach among the bureaucrats. Now several engineering graduates are unemployed or underemployed. Fresh ideas on new technology having export potential in local language at a rudimentary level may be printed enabling wider circulation among ordinary villagers to understand and create awareness. Since agriculturists are fully engaged only 4 to 5 months in a year. In the rest of the period they migrate to neighbouring areas for employment which may be prevented. More women should be engaged since they seem to be more enterprising than men for making small electronic gadgets. For production purposes they should create industrial clusters like self groups and promote handicraft industries now in vogue in Taiwan, Japan and China which make their final goods more competitive because of inputs produced locally. In contrast, India is still import dependent for simple inputs which make our goods not competitive in the export market. India is now flooded with millions of engineering graduates without fruitfully employed.

21. The need for a full-fledged Forest department with IFS (Indian Forest Service) spread over the state is superfluous. Their role may be limited to reserve forest areas. Since the planting programme does not involve any sophistication and it is now undertaken by ordinary village level panchayat presidents and at block level. Planting programmes has now become a very common activity hence the size of this department may be pruned. As far as possible, encourage local species which require less irrigation and maintenance instead of promoting exotic species that require heavy watering and regular maintenance. (Neem and Tamarind are the most popular species to suit any local conditions).

22. The need for objectivity under the evaluation process focussing more on unknown “areas for improving implementation” would provide the uniqueness of the Evaluation report to draw the attention of policy makers and help in making a fresh approach under implementation. Unfortunately, instinctively low profile and analytically weak perception having no sense of retaining objectivity for evaluating schemes were the order of the day. Obviously evaluation reports could not fulfil the Govt's expectations. Inventive spirit of juniors was discouraged. “As usual business approach” observed under Govt circle has brought down the glory of the Evaluation department and it lost the sense of identity in research. It became a routine administrative department devoid of any specialised nuances and seniors feared the “elite group” officers in the administrative department. The environment was not challenging and intellectually very poor staff occupied reverential positions in the evaluation circle. J.M Keynes the father of modern classical economics regretted in his memoirs that his seniors kept him outside while explaining the “General theory of Income and employment” evolved by him in 1930 to the then PM of Britain. Such has been human nature since time immemorial. Therefore nothing new in this approach of humans hence any need to regret.

23. Apart from beneficiary oriented programmes the G.O. issued in the case of input oriented schemes, the district authorities involved under implementation should be given independence and instructed to exercise their expertise to alter the process of implementation to suit field conditions. Unfortunately, G.O’S issued never include such a provision instead all regions treated in par without any distinction. One sentence common to all G.O. is “after careful examination” (observed in the case of TamilNadu) “need introspection from policy makers” in the sense of regional disparity falling under land use, soil conditions, cropping pattern to mention a few obvious cases.

24. The current monetary policy approach has bent following western countries which are saturated economies which adopt monetary policy for stabilising the existing growth. Indian economy still has enormous potential for growth. Hence monetary policy should aim at restructuring the financial sector. The existing financial engineering approach encourages unrealistic financial instruments over and above the traffic can bear. (Growth under the Derivative market for instance seems unrealistic). Apart from these, reforms needed to reduce the proportion of non- performing assets by selling securities with such entities to match with real monetary expansion. Attempting to recapitalize such entities would cause artificial increase (I mean no matching supply of goods and services) in money supply creating inflationary conditions. Already the economy is under performing due to COVID-19 and the prices of primary food articles are on the rise. Monetary policy committee must focus on regional disparities and hence credit policy flow should be modified accordingly. Pursuing a macro approach in this connection is not holistic in nature. The role of a centralized institution for monetary purpose should act proactively indicating how its monetary policy impacts various regions and sectors more in a constructive way paving the way for availability of credit under recessionary conditions. In economics only in ex- post situations we could think about equilibrium, but by and large when monetary policy is initiated it may cause dislocation in certain areas but create equilibrating conditions in certain areas. There would be a package of equilibriums in an economy in a given time. Our country needs a segmented monetary policy instead of manipulating a single monetary instrument since several areas remain unutilised. (THIS IS EXPLAINED IN ANOTHER ARTICLE IN THIS BOOK MORE ELABORATELY).

25. India still remains a credit ridden dependent economy for development purposes hence segmentation of monetary approach is the need of the hour. Instead RBI adopts and follows western patterns which are capital rich regions and their focus is on stabilization. The RBI though has regional heads for the flow of information which at present is wanting. At present commercial banks work in a routine fashion without taking into account the regional/area specialization in the distribution of credit. (The current credit plan does not involve any specialised sense keeping in view of regional requirements. They finalize with the role and participation of the District collector who renders the role of jack of all trade but master of none. District collector himself an amateur to development administration just got his District role after the sixth year since their recruitment.) The RBI‘s current monetary policy approach seems rather tinkering in nature which could not promote effective credit flow in a degree required with needed intensity in those areas impacting the sector abundantly. I am sorry to point out this aspect.

26. Because of adequate international exposure the opportunity to visit both developed and emerging economies in Asia and Europe has come as a God given opportunity to the author. The author utilized his long evaluation exposures which enhanced his credibility in observing the development pattern in the regions he visited during foreign trips.

27. The characteristics of developed regions are:1- Homogeneity-population and its size, language, smallness of boundary with exception of USA, Soviet Russia, and China the latter three countries are fairly larger in size compared to European countries, UAE, Israel, Jordan and Tiger economies of Asia Which are relatively smaller size in all sense of the term.2-Respecting the rule of law.3.Discipline among people.4-Massive urbanisation which contributed better cultural composition 5-All are cold regions(excluding UAE group) 6-Adequate water course running within city helping inland transport contributing for growth in Tourism with the exception of UAE composition- under UAE Dubai is an exception which developed inland water course by diverting Sea toward city (wondered at commitment, for development of a fishing village in 1954 and the Monarch’s interest to utilize the abundant petro dollar for economic development) promoting Tourism industry and this includes Egypt too where the river Nile run through the city helping tourism promotion. 7. Extraordinary infrastructural development which led to urban growth.-under this special mention to be made with regard to fine Road, flyover and other development are incidental to infrastructural development.8- Cleanliness is the hallmark in all the locations that I visited 9- Abundant tree population on either side of the road observed in Europe and it is unique to Moscow in Soviet Russia. Moscow is pronounced as a city of trees. Among all the countries that I visited, my first choice is Soviet Russia and second China. European countries and Asian tiger economies exhibit congestion. Special mention has to be made with regard to Russia. Massiveness in every aspect – roads, buildings, devoid of congestion observed in the UK, Spain, Madrid, Portugal, France, Italy- Rome, Venice floating in the sea and Milan a trading centre. 10. Above all commitment, sincerity, integrity and a vision for Nation’s progress ingrained among the national leaders visible for an onlooker is the main reason for rapid progress which is grossly missing in India. Unity in diversity is an empty phrase and a curse while assessing progress of India.

28. Areas requiring reforms are numerous. In the first place the development policies evolved for a divergent economy in a vast country like India on a macro basis is the basic flaw. Several approaches and models during the last 74 years could not uplift the economy from the quagmire of poverty which increases on a daily basis. There is enormous scope for administrative reform keeping in view the emerging world trend on economic growth and performance. A bulk in Govt administration with impressionistic composition devoid of any specialized knowledge should be replaced. Such composition needs replacement both at national and state level. The commitment and vision in nation building is grossly missing from various quarters. Accountability and contributing effectively should become the core of administration and for next level promotions. Corruption at public institutions both at high and lower level should be punished showing no leniency.

29. Therefore the economy needs segmentation on a geographical basis-North, North East, East, Central, West and south. The States/districts should be clubbed together as a separate cluster into these geographical units. Each region should have a separate NitiAayog. These institutions must conduct a survey of the area of their operation to sift underlying potential and evolve development policies and clear for the allocation of resources and recommend creation of infrastructure to cause rapid growth. Such grouping of NITI Aayog on a regional basis should evolve a separate budget for the region and clubbed together for presentation in the budget presented in the parliament. The practice of preparing an annual budget should be replaced. The reasons are explained in another article (Fresh insight on Economic Thinking). Likewise the States (clubbing the district by grouping into – North, South, East and West.) should also adopt such a decentralised approach for development purposes both for identifying potential as well as for allocation of resources.

30. A bold political initiative required to amend the constitution for grouping the country’s population on income basis into-Upper, High, Medium, and low. Such grouping of the population enables us to focus on the group that needs attention in economic and social sense. Further, there is the need for a think tank with specialist sense in areas of allocation of resources taking into account the regional variation, in terms of resources potential, backwardness, and local skill availability, and unemployment, contribution to both GVA and regional NSDP and above all patterns of industrial distribution.

31. Macro policy with a homogeneous sense now pursued is another flaw in our development approach. The policy formulation should take into account the aforesaid gaps instead of treating both efficient and laggard in the same proportion. Regional specialization is necessary based on comparative advantage underlying in each cluster. Promising areas in each cluster in terms of potential for exportable goods should be assigned priority in the allocation of resources. Employment opportunities should be increased through increases in skill development.(DETAIL EXPLANATION IN ANOTHER ARTICLE)

32. The idea of financial deepening due to liberalization since 1991 intended to reach unbanked areas for credit flow could not be stated as very impressive other than banks. (Financial deepening is the ratio of M2/GDP)-In the case of India it works out to 35% as of 2020. In advanced countries the percentage of financial deepening works out to 103%. Previous position indicates banks and insurance played a crucial role in that the data shows their contribution to GDP was 4.7% and to services sector11.8% from 1993-94 to 1998-1999.The flow of funds based indicator of financial development in India shows the following position:

FLOW OF FUNDS BASED INDICATOR OF FINANCIAL DEVELOPMENT IN INDIA

1990-91 1995-96

Total issues to national income ratio 0.401 0.493

Intermediary issue ratio 0.736 0.702

(ratio of secondary issues by banks and

other financial institutions to primary issues)

(Source: RBI publications report details)

33. The above position indicates the ratio of intermediary contribution shows a decline in 1995-96 compared to 1990-91. As already pointed out the growth in the equity market under the head derivative market is merely an aggregate that has no independent value hence its growth under the sense of financial deepening merits little sense since its impact on the real economy is zero. In a similar sense foreign exchange market is bent on Profit motive and hence its impact on ordinary people carries no significance. Equity market (cash segment) has a speculative role which too merits little sense under the category of improving the status of ordinary people.

34. The trend in the performance of India observed from various angles, labelling India as a fast track growing economy needs introspection. Areas that need immediate attention are: revising policy perspective with regard to allocation of resources, grouping the vast diverse society of the country on income basis, installing specialised knowledge in identification of potential areas, encouraging investment in the industrially neglected regions, developing skill among youth population, engaging rural population (which accounts for 63% of the total population)on a remunerative basis by setting up industries having export potential as cottage industries, setting up new bank branches in unbanked areas.

35. The entire country despite regional variation should focus on national progress for creating economic and social stability. The Election Commission should approve only parties with clear ideology for nation’s and regional progress. The last 74 years demonstrated the country suffers for want of consensus in the above sense. The constitution may be amended to create a corpus of Election Fund for the nation as ''A whole”. This fund should be distributed to each state in accordance with the size of the population and other parameters depending on the political party’s performance which areas need scrutiny by the Election Commission. The political parties in the respective state may be allowed to operate only with such electoral funds allotted. In Order for Democracy to survive most effectively in the future, it should become accountable and political parties must participate in the conduct of election with funds allocated by the Election Commission to realize the ideology of making the people sovereign under Democracy. THIS IDEA OF CREATING “Electoral Fund” MAY BE MOOTED IN THE INTERNATIONAL FORUM LIKE UN TO MAKE DEMOCRACY AS THE MOST IDEAL POLITICAL INSTITUTION.

Unfortunately the ideology for progress in our country encourages fissiparous tendencies which despoiled the sense of federalism enshrined in the constitution. If the process of ruling the community and Nation’s progress proceeds in a harmonious path there is no need for stealthy marketing for power. The country’s potential and strength to feed a teeming poor population during COVID-19 pandemic need no elaboration. A mature and so-called fast track emerging economies coined by international lending institutions are misconceptions to gain a huge market base available in the country. Hence policy intervention should be realistic to remove imbalances of several types narrated above. The spread of information technology has improved the awareness among people hence they acknowledge a sincere power that rules the nation with the sense of equanimity without any second thought.

# **Petroleum pricing in India**

Let us have a brief history about the origin of petrol and how it underwent changes in application world over. Chinese discovered petrol in the first century BCE and they in fact were the first to record the use of petroleum as early as the 4th century BCE. Petroleum was considered burning water in Japan in the 7th century. Petroleum covers both naturally occurring unprocessed crude oil and petroleum products like Naptha, kerosene etc that are made up of refined crude oil. The estimated oil reserve for the world is 1.68 trillion barrels which will last 53.3 years at the current rate of extraction from oil wells. We currently consume the equivalent of over 11 billion tonnes of oil.

The largest reserve in the world and the first five countries according to their reserve position are (in terms of millions of barrels) Venezuela-302,809, Saudi Arabia (267,896), Canada (167,896), and Iran (165,600) Iraq (145,019). In sum a total of 97 countries are involved in crude oil extraction in the world and the total reserve in the world accounts for 1779655.In Terms oil reserve India occupies the 24th position in the world i.e. 0.29%. India produces every year an amount equivalent to 7.8% of its total reserves (as of 2016).

Crude oil and natural gas production in India as on 2018-19 was 34.20million metric tonnes (MMT) as against 35.68MMT in 2017-18 showing decline of4.15%. The estimated oil production in 2019-20 is 35.04mmt and natural gas production 34.55(BCM). The import of crude oil in 2018-19 was 226.50mmt registering growth of 2.75%. The growth in terms of import value at 38.26% is high compared to 20-48% registered in 2017-18.Import dependency of crude oil on consumption basis works out to 85% in 2019-20 compared to83.8% in 2017-18. Import of crude oil takes place at international prices. Thus wide variation in import value is one of the reasons for the high price of petro products in India.

The highest oil refining capacity is in the USA (18.97million barrels per day as of August2020). The other countries falling under this group are China, Russia, India and Japan. China accounts for 14.7% of world oil refining capacity. India has a refining capacity of 249.37 MMTPA is the 4th largest in the world. Public sector refining capacity improved to 79.7% in 2018-19. Of the total 23 oil refining units in the country 18 are under public sector, 3 private sector units and 2 units are joint ventures. Total production of petroleum products in 2018-19 was 262.36mmt which provides a growth of 3.13%. Growth in consumption of petroleum products was 213.22mmt providing growth of3.42%. Imports of crude

The global consumption pattern reveals as low as 32% for Europe and Asia, 53% for the Middle East. South Central America has a share of 44%, Africa 41% and North America 40%. The world at large consumes 30 billion barrels of oil per year and the top oil consumers are developed nations. India is the 3rd largest energy consumer in the world next to China and the USA. It is also the fastest energy consumer accounting for 809.2million tonnes of oil equalling (MTOE) in 2018. To-day oil and natural gas are major sources of primary energy accounting for 35.7% share under primary energy basket in India. In fact 83.7% of total oil and 45.7% of natural gas consumed in the country are import based and have significant implications on energy security in the country.

The pricing of petrol first adopted PIMEX in 1986. This market linked pricing was widely adopted and still the same method remains for pricing crude oil in international trade. Despite the widely fluctuating price of oil, India continues to ignore world market prices and has followed the Administered price mechanism (APM) since 1975 based on the principle of import parity but APM was dismantled in 2002 and adopted cost plus methodology for pricing purpose. Pricing of crude oil by Indian oil refineries follows the benchmark crude of both sweet and sour crude in the immediate preceding year. Indian basket considers “Brent” for sweet and “Dubai and Oman'' for sour crude. During 2017-18 Indian refineries processed 74.77% of sour crude oil and 25.23% of sweet crude oil. While dismantling APM Indian basket price was$23/bbl which went up to an average of$85.09 per barrel in 2010-11.The trend in price changes in Brent crude and Dubai between 2009 to 2015 (for which the latest data available) indicates increase was positive in 4 years under Brent and Dubai remains positive under rise in prices for 3 years during the period under review. Since India depends largely on import of crude oil it has to bear the impact of fluctuations and also payments to be made in US dollars. The fluctuations under the latter case affect pricing of crude oil with all its consequences under Indian basket. The fluctuations under dollar to rupee exchange was favourable only in 3 years considered between 2008-09to2018-19 which means in the rest of the period India has to incur higher payments in terms of dollar for crude oil purchase.

While reviewing local pricing formulas, Petrol and Diesel were formerly under the regulatory control of the Ministry of petroleum and were subsidised by Govt. However petrol was decontrolled from regulatory mechanisms in June 2010 and Diesel was decontrolled in 2014.Public sector companies dealing in Petrol and Diesel were given autonomy for fixing remunerative prices for both goods with the primary aim of competing in the global market. Also private sector companies were also encouraged to deal under oil to sustain competitive pricing for petro products. But this approach was short lived since tax reform undertaken by the Govt has thwarted the idea of autonomy given to public sector companies for various reasons. The Govt’s primary aim to contain fiscal deficit gained precedence since tax mobilisation was not realised to the extent of reducing fiscal deficit. In this connection an easy measure to realize revenue was to jack up the duties on petrol and diesel. Currently, petrol is taxed more than 100% and on diesel it works out to 66.48%. Excise duty rose to 80% in 2015-16 and custom duty rose to 20.9% in the same period. The combined tax incidence (Excise and Customs) on both petrol fronts works out to122.5% between 2009-10 and 2015-16.

The market share of public sectors is in considerable variation in that Indian oil corporation (IOC) which accounts for47.3% in 2011-12 declined to 39.1% in 2017-18., Hindustan petroleum corporation which had 18.61 has gone down to 17.5% in the same period. However the Private sector registered a rise in their market share from 12.6% to 22.6% in the same period under review.

Further pricing of petrol/diesel has been channelled on a daily basis since 2017 which takes into account the variation in the price of crude along with exchange rate changes. Besides imposition of freight charges, price charged to dealers, excise tax, VAT plus dealer’s commission and along with local sales tax impact retail pricing of both petrol and diesel. Pricing of petrol on a daily basis for a hunger prone country like India which still depends on its Public distribution system to meet the subsistence needs of its low, middle and very poor people who do not experience an overnight increase in pay packet and the daily wage earners in particular are the worst affected. Because daily

Pricing of these two vital inputs (such as petrol and diesel) involves transportation of ordinary perishable goods like vegetables and fish which are staple food items consumed by common people.

According to one estimate freight charges under truck transportation involving Diesel accounts 65% of the total operating cost of a truck and toll charges accounting for 20% is added to that. Naturally the rise in operating cost due to daily pricing of fuel becoming increasingly difficult for operators to recover the running costs. A study on sensitivity of fuel cost to crude oil price impacting freight charges was estimated to be 40%. That incidence of rising operating cost is being shifted on freight charges affecting prices of perishable goods. The wholesale price index of primary articles due to petrol which was 79.8% in 2017 increased to 169% in 2019(Base Year-2011-12). Currently the rise in prices of vegetables which are in short supply due to winter season is attributable mainly due to daily pricing of fuel which is a vital input under transportation of various goods.

Although the petroleum sector has been subjected to GST since 1st July 2017(items included are, crude oil, Natural gas, petrol, and diesel and aviation fuel) these items are excluded from the purview of GST since constitutional amendments have not been made so far. The Govt considers and views the petroleum sector as an area yielding Golden egg providing scope as an easy revenue source to meet its galloping fiscal deficit. Since India’s 22% of the population still fall under BPL category any further delay in bringing these petro products under GST is a gross miss calculation underlying policy advice causing further worsening the life of poor people. Since production of crude is operating under a cartel it is constantly subjected to wide fluctuations. Apart from this Indian rupee to dollar exchange which is another weak area due to our poor export earnings. Hence the question of finding stability for pricing petro products in the event of daily pricing could be resolved on a permanent basis by bringing these petro products under GST regime failing which it leads to further escalation of prices dislocating the economy. The consequence of unmitigated rise in prices of goods of mass consumption affecting the livelihood of poor people in a more miserable fashion would disrupt both social and political stability of the country.

# **Review on India’s Balance of Payments Position**

I would like to make it clear that the present analysis on India’s performance on balance of payments position in the new millennium has considered data on five yearly bases between 2000 and 2015-16 and continuously from 2017 up to 2020. The data taken up for the analysis is purposely taken at a five year interval with a view to reflect the gravity of the payments position and to avoid short frequency in data which would reflect an insignificant position.

For certain aggregates intervals on five yearly bases are not available hence available data for the year concerned are considered for the analysis. The data covered a wide range such as GDP( at constant prices), variation under current and capital account, trade balance, borrowings under multilateral, bilateral, short term borrowing, and external debt affecting payments position are included to study the impact on payment position. For all practical purposes 1999 is treated as the base year on a matter of fact basis since it is the last year before the entry into the new millennium.

An appreciation about India's balance of payments position shows a low current account deficit of less than one percent (0.53%) of GDP in 1999. This is an aggregate measure concealing the real depth of the problem. What is more worrying is the fact that even for this low level of current account deficit, India’s external debt was considerable, standing at Rs 18441.67 billion in 2002which is 21.1%percent of GDP. It has increased to Rs 34418.83billion 2018. (20.1%of GDP) and rose further toRs37548.72.billions in 2019(19.7% GDP). A further rise of 20.9 percent is noticeable in 2020 when it stood at Rs41984.92 billion. . The basic question is how India is going to respond the ever growing external debt

Commercial borrowings to meet debt commitment show it was 31.2% of total debt in 1999. This aggregate has seen continuous growth thereafter. This debt commitment stood at Rs8977.40 billion in 2014, a further jump observed in 2018 to Rs 13127.23 billion. Thus rise in the commercial borrowings is non stoppable seeing an increase of Rs14288. 97 billion 2019. The latest figure indicates that it stood at RS16602.15 billion in 2020. Commercial borrowings as a percentage of total debt has increased to 38.05 % in 2019 and stood at 39.54% in 2020.The debt to GDP ratio was hovering around between 23.9% and 20.6 %( 2014-2020). The idea was an increase in marginal debt must be capable of incremental change in GDP. An exact measurement though not feasible but changes in real GDP growth on a year on year basis could be considered for this purpose. (Table I). The picture on growth in real GDP indicates it is hovering around between 7.0 percent and up to a maximum of 8.2 percent from 2015 to2017. However, a sharp declining feature was observed in 2019 registering 6.1 percent and a further steep fall was seen in 2020 recording a dismal show of only 4.1 percent. The payment due for servicing the debt in this period did not show any encouraging trend and it has been lying in the midst of a high of 8.8% in 2016 and a low of 5.9% of GDP during the period under review. This was mainly due to the fact that the earnings on merchandise trade have been on the negative side. The data on merchandise trade is given IN Table-II

Table-I -India’s gross total debt

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Total Debt (Rs in Billion) | Results on real GDP growth (in percent) | Debt to GDP Ratio |
| 1999 | 4285.50 | 7.4 | 23.0 |
| 2001 | 4823.24 | 8.2 | 19.6 |
| 2005 | 5863.05 | 7.0 | 18.1 |
| 2010 | 11786.38 | 6.1 | 24.0 |
| 2015 | 29786.66 | 4.1 | 31.0 |
| 2016 | 32175.63 | 7.9 | 23.4 |
| 2017 | 30559.56 | 8.2 | 19.8 |
| 2018 | 34418.83 | 7.0 | 20.1 |
| 2019 | 37548.72 | 6.1 | 19.8 |
| 2020 | 41984.92 | 4.1 | 20.6 |

(Source: Handbook of Statistics RBI, 2020)

Table –II

Position on Net Merchandise (Rs in Billions)

|  |  |
| --- | --- |
| Year | Net Merchandise |
| 1999-00 | (-)55.68 |
| 2000-01 | (-) 567.37 |
| 2005-06 | (-) 2296.64 |
| 2010-11 | (-) 5804.70 |
| 2015-16 | (-) 8495.31 |
| 2016-17 | (-) 7544.52 |
| 2017-18 | (-) 10317.27 |
| 2018-19 | (-) 12608.61 |
| 2019-20 | (-) 11149.02 |

(Source: RBI, Handbook of Statistics, 2020)

The above position indicates that the net merchandise has been on the negative implying the potential of India’s earnings through exports is very low. Further the relation between Exports and Imports and Trade Balance shows the following condition.(Table-III)

Table –III

Exports and Imports and Trade Balance

(Rs. in Billions)

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Export | Import | Trade Balance |
| 1999-00 | 1595.61  (0.71) | 2152.37  (0.95) | (-) 556.76 |
| 2005-06 |  |  |  |
| 2009-10 | 8455.34  (1.9) | 13637.36  (3.0) | (-) 5182.02 |
| 2010-11 | 11574.74  (15.52) | 16834.67  (22.63) | (-) 5259.93 |
| 2015-16 | 17163.84  (12.66) | 24903.06  (18.55) | (-) 7739.22 |
| 2016-17 | 18494.34  (12.21) | 25776.75  (17.11) | (-) 7282.41 |
| 2017-18 | 19565.15  (11.68) | 30010.33  (17.68) | (-) 10445.18 |
| 2018-19 | 23077.26  (12.43) | 35946.75  (19.07) | (-) 12869.49 |
| 2019-20 | 22182.33  (11.17) | 33557.62  (16.66) | (-) 11375.29 |

(Source: RBI, Handbook of statistics, 2020 Figures in brackets is percentages to GDP)

It is obvious from the above figures that trade balance has always been negative. This was mainly due to the fact that Indian exports did not carry high value added composition; besides the country’s ever-dependent on high volume of oil imports took away a sizable portion of export earnings. Further, the real effective exchange Rate (Both Export based as well as Trade based weighted indices)did not show any appreciable trend during the period under review which implies that there has been no substantial change in the composition of Exports earnings to cause any positive impact on trade balance. High volatility of Rupee observed commencing from 2016 onwards. The annual average Rupee exchange rate against Dollar which was Rs67.20 in 2016 has appreciated to Rs 70.42 in 2019. This means all payments involving dollars would experience volatility beyond our earnings through exports. While looking into the composition of goods under exports and imports the following results emerged. The pattern of distribution goods on percentage basis into three different categories is given below

Table –IV

Percentage distribution of Exports under different Heads

(In %)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Heads | 1999-00 | 2005-06 | 2010-11 | 2015-16 | 2019-20 |
| Agro Based | 10.58 | Nil | 2.56 | 7.82 | 11.31 |
| High Value added | 26.33 | 31.28 | 44.05 | 45.59 | 58.09 |
| Consumption Based | 20.37 | 1.51 | 21.49 | 15.00 | 18.07 |

(Source: Compiled from RBI Hand Book of statistics,2020)

Table--V

Percentage distribution of Imports under different Heads

(in %)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Heads | 1999-00 | 2005-06 | 2010-11 | 2015-16 | 2019-20 |
| Agro Based | 6.56 | 2.79 | 3.71 | 3.13 | 3.59 |
| Production Oriented | 16.48 | 36.73 | 34.85 | 43.70 | 42.60 |
| Consumption Based | 37.24 | 42.85 | 48.93 | 38.08 | 38.22 |

(Source: Compiled from RBI Hand Book of Statistics,2020)

A growing economy should exhibit, High valued earnings through innovative exports having changes reflected in remarkable share and content under commodity composition over a period of time. Such changes alone qualify a country’s growth performance seen either in terms of GDP or factor utilization reflected under Gross value added. The above table –IV under exports does not show any remarkable changes. A more miserable feature is that Agro based goods continue to occupy a central position whose share varies between 10.58% in 1999-00 and 11.31% in 2019-20. Generally speaking the agro based goods do not enjoy a price advantage to have an impact on export earnings. Viewed against High value added category under exports the commodity composition does not show any remarkable changes implying there is stagnancy of goods under exports and hence the earnings realised under this head is merely a reflection of changes observed through price variation despite the fact that the period under review has an interval of 20 years beginning in 1999-00 ending at 2019-20. Another deplorable feature observed is the goods falling under the consumption category under exports are also subjected to price disadvantage. Their share varies from 20.37% in 1999-00 to a low of 18.07% in 2019-20. Hence the Indian Economy is in doldrums which require radical policy changes to promote exports with a sense of innovation causing a change with variety in content replacing agro composition embracing new and fresh technology bound goods having price advantage under export market.

The emerging picture under imports comprising goods composition is similar to what has been seen under exports category. The Agro category of goods under imports clearly reflects such imports are meant for consumption. It consists of fertilizers, edible oil, vegetable oil, and Pulses. The last three goods were meant for the public distribution system to meet the needs of the BPL group. Such pitiable conditions still exist in the world's third largest economy. This is a more discouraging view against the fact that such a picture emerges even after the completion of 12 Five year plans in the country since independence. The production oriented imports do not show any huge jump in the interval of 20 years, the period under review implying there is no fresh addition to innovative production capacity. To maintain better utilization of existing capacity the trend of rising imports under this category is again a feature borne out of rising input prices. Further our investors are prone to risk averts and beat around the bush with existing capacity. Besides, crowding out of investment which is more pronounced under certain categories like transport equipment, and automobiles is another reason for lack of substantial pick up under imports about improvement in investment.

Another disappointing feature to observe is composition of consumption oriented imports is still dominating their position ranging from 37.24% in 1999-00 to 38.22% in 2019-20. The goods falling under this category are Petro products, Gold followed by Gem and Jewellery. The Petro products have always been dominating the share accounting for 26.3%in 1999-00, 29.5% in 2005-06, 28.6% in 2010-11, 21.7% in 2015-16 and 27.6% in 2019-20. The Gold had a share of 7.26% in 2005-06, 10.97% in 2010-11, 8.33% in 2015-16 and declined to 5.93% in 2019-20 followed by Gem in the order of10.9%,6.1%,9.4%,5.3% and 4.7% in 2019-20 respectively during the period under review. The above trend observed both under exports and imports do not vouch for evolving a sound broad based economy ensuring growth both in welfare sense and efficient factor utilization. In the latter sense the country is endowed with rich man power and natural resources but poor policy intervention renders the economy still limping for progress despite completion of 12 Five year plans.

Hence, the need of the hour is for effective policy level changes for producing a greater output with least cost combination of factor input replacing the traditional bound goods with technologically advanced inputs reflecting efficiency in the context of greater integration of the world economy. India though graduated to a higher level by the IBRD institutions like World Bank which resulted in the reduced flow of concessional financefrom45% in 2000 to just 8.6% in 2020.further, US removed India from the generalised scheme of preferences (GSP) are acting against India’s potential market for exports. Keeping these things in view the country should awake to the growing uncertainties and competing world order due to Globalization. Fresh policy intervention needed for up gradation of both exports to meet rising import cost and similar steps taken for minimizing imports mainly to meet better production of export oriented goods causing better earnings under export category instead of relying on traditional exportable goods. As the world’s third largest emerging economy there should be commensurate changes that must accompany the composition of goods falling both under exports and imports for achieving better terms of trade is a sign and symbol for effective growth. Briefly stated, modernization of the existing capacity and production potential should be done with greater urgency without any further delay.

Further, India's multilateral and bilateral and short term debt reveals the following position

Table-VI

Multilateral, Bilateral, Short term and Long term Debt

(Rs in billions)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Heads | 1999 | 2000 | 2005 | 2010 | 2015 | 2018 | 2019 | 2020 |
| Multilateral | 1296.82 | 1371.32 | 1388.97 | 1934.40 | 3281.48 | 3717.81 | 3961.31 | 4490.70 |
| Bilateral | 743.04 | 792.78 | 745.30 | 101.97 | 1360.60 | 1647.90 | 1766.60 | 2034.40 |
| Short-term | 181.37 | 171.60 | 775.28 | 2361.88 | 5351.44 | 6645.80 | 7499.24 | 8057..08 |
| Long-term | 3931.60 | 4113.88 | 5106.29 | 9429.08 | 24363.97 | 27773.08 | 30049.4.8 | 33927.84 |

(Source: Handbook of Statistics, RBI, 2020)

The multilateral debt is with more than one country like SAARC (South Asian association for regional cooperation), countries like NAFTA (North American free trade agreement), which indicates the terms and conditions between countries of debt determine the payment position.

The multilateral debt as a proportion to total external debt lies in between 31.5 percent in 1999 and 10.6 percent in 2020. It was high 31.9and 25.6% in 2000, 2005, respectively. It has come down to 16.4 percent in 2010, 11 percent in 2015 and10.6 percent in 2020. However its proportion determines the gravity because it involves India’s investment outside as well as technological transfer mutually agreed upon between countries.

The proportion of bilateral debt relatively speaking has been on the lower side. It ranges from a high of 18.49 percent in 2000 and a low of 4.8 percent in 2020. Likewise the short term debt (less than 180 days or more but less than one year) in 2000 stood at 14.26 percent of total external debt. However it has increased to 18.0% in 2015 rose to 19.31% in 2018, and a further jump to19.97% in 2019 and registered a marginal decline to 19.19% in 2020. The high proportion of short term debt is dangerous since it creates out flow of capital.

The short term debt must as far as possible be kept on a lower side from payments point of view. The external debt as a proportion to GDP (debt to GDP ratio) seems to lay between 23.9% in2014 and 20.6% in 2020 during the period under review. Composition of long term debt consists of bonds and notes (9.6%) followed by loans 58.4%, trade and credits 0.6% and deposits 31.3% as of 2014.

External commercial borrowing, as a proportion to total external debt, was in the region of 19.6 percent in 2000 to as high as 38.1 percent in 2018, remaining 38 percent in 2019 and rising again to 39.5 percent in 2020. External commercial borrowings have an average maturity period of up to 3 years for loans up to $20 million and up to 5 years for loans exceeding $20 million. External commercial borrowings include loans from banks, supplier’s credit, and Securitised instruments. Investments in capital goods under industrial sector/infrastructure investment like power, telecommunication, road including bridges, and railways. Table-VII reveals the position on external commercial borrowings.

Table-VII

External commercial borrowings

(Rs in Billions)

|  |  |
| --- | --- |
| Year | External commercial borrowings(ECB) |
| 1999 | 129.67 (31.2) |
| 2000 | 84.48 (19.6) |
| 2001 | 112.94 (23.9) |
| 2005 | 115.33 (19.6) |
| 2010 | 319.22 (19.6) |
| 2015 | 11285.01 (38.0) |
| 2016 | 11971.76 (37.2) |
| 2017 | 11155.14 (36.5) |
| 2018 | 13127.23 (38.1) |
| 2019 | 14288.90 (38.0) |
| 2020 | 16602.15 (39.5) |

(Source: Handbook of Statistics RBI, 2020 Figures in brackets is %to total extern assistance)

An analysis of historical trends in current account deficit, capital account and pattern of financing current account deficit and movements in exports and imports reveals the gravity of balance of payments position. The following table-VIII shows the position of the current account during the period under review.

Table-VIII

Current Account

(Rs. in billions)

|  |  |  |
| --- | --- | --- |
| Years | Current A/c deficit  (Rs Billion) | Percent to GDP |
| 1999-2000 | (-)203.31 | 0.90 |
| 2001-2002 | (+ )164.26 | 0.70 |
| 2005-2006 | (-) 437. 37 | 1. 34 |
| 2010-2011 | (-) 2196. 54 | 4.44 |
| 2015-2016 | (-)1437.62 | 1.26 |
| 2016-2017 | (-) 969.16 | 0.78 |
| 2017-2018 | (-) 3141.26 | 2.38 |
| 2018-2019 | (-) 4002.27 | 2.86 |
| 2019-2020 | (-) 1724.29 | 1.18 |

(Source: RBI Handbook of Statistics 2020)

The table shows the deficit in current accounts in all the years except in 2001-2002. The deficit in current A/C is mainly due to inadequacy concerning the estimates about import requirements and overwhelming commercial borrowing to finance the public sector deficit. Further the current A/C deficit exceeds more than two percent (unofficial norm) in 2010-11 stood at 4.44per cent. There has been a growing current A/C deficit due to implementation of pay commission results and other infrastructural borrowings. This also explains the low performance of the export sector. One of the indicators to know the chronic payments position is to look into the conditions under trade balance.

The size and extent of changes is measured through variation on year to basis and trade balance as a percentage to GDP. While the size part of trade balance shows it varies between 2.5% in 2001 to as high as 8% of GDP in 2010-11. The extent of change in trade balance is abnormally on the high side indicating the imports of oil had a pronounced impact on the extent of change .The extent of variation in trade balance shows that it stood at (-) 556.8 billion in 1999-00 increased to (-) 7739.21 billion in 2015-16. In 2019-20 trade balance was (-) 11375.30 billion. The latter part of the influence is due to fluctuating oil prices per barrel. Such a magnitude of chronic negative trade balance has been in the order of very high magnitude is mainly due to import of oil which was34.2% in 1999-00 reduced by 30.8% in2014-15, 31.8% in 2018-19 and it declined to 27.5% in 2019-20 by 41.7%, is more than the merchandise trade could cover which always on the lower side and also resulting hike in oil prices is a factor to reckon with during the period under review.

The miserable feature was exports had never exceeded 15.52%of GDP recorded in 2014-15 dropped to 12.43% of GDP in 2018-19 and further went down to 11.17 percent of GDP in 2019- 2020 as against high volume of imports. The import which was 22.63% of GDP in 2014-15 stood at 16.66%GDP in 2019-20.The volume of oil import alone constitutes 27.5%in 2019-20 of total imports. The oil’s compound annual growth rate works out to 5.6% in the 12th plan. (2012-17) viewed against the global growth rate of 1.5 percent. India’s oil consumption grew at 8.3 percent on a year on year basis to 212.7 million tonnes in 2016.India's oil demand is expected to increase at a compound annual growth rate of 3.6 percent to 458 million tonnes by 2040. The annual growth rate of exports which was 0.2 percent in 1961 had increased to 4.5 percent in 2016.

Structure of: Capital Account and Financial Flows.

The foregoing analysis gives the impression that there has been a persistent deficit in the current account. According to theory, the surplus of trade or the current account must be equal to the deficit in the capital account or the deficit in the current account must be equal to the surplus in the capital account. Viewed from this angle, India's balance of payments position shows a chronic deficit in the current account which necessarily has to be balanced by receipts in the capital account. The basic questions that require answers from the angle of capital account are: do I have all receipts in the capital A/C intended to balance the adverse trend in the deficit arising out of merchandise trade? (Exports and Imports) ii what is the trend in the composition of deficit related to total capital receipts? iii what has been the constituent share of individual items under capital A/C and their net impact on receipts for future? iv Is the capital structure robust enough to meet long term requirements of capital? The following table-IX shows the total capital receipts under the capital account.

Table-IX

Capital Receipts

(Rs in Billions)

|  |  |
| --- | --- |
| Years | Total Capital Receipts  (Rs Billion) |
| 1999-2000 | 481.01 |
| 2001-02 | 401.67 |
| 2005-06 | 1096.33 |
| 2010-11 | 2791.05 |
| 2015-16 | 2595.92 |
| 2017-18 | 5949.42 |
| 2018-19 | 3800.23 |
| 2019-20 | 5956.34 |

(Source: Handbook of Statistics RBI)

The receipts under capital account shows a peculiar trend in the sense that the receipts were on a rising trend between 1999-2000 and up to 2017-18 and then witnessed a fall in 2018-19 and again increases in 2020 which means a reason borne out of global phenomenon. Further there was a global financial crisis in 2008.There has been widespread fluctuations under each component of the capital account. It also depends on economic structure, type of flows and global growth pattern. In general FDI flows are stable both in terms of inflows and outflows. Equity flows are undesirable from the point of view of growth and outflows. Between 2001 and 2016-17 the composition of capital flows shows wide variation on a FIVE YEARLY basis. The following Table-X shows the variation during the period under review

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Table-X

Years to Year (Five yearly basis) percentage variations in the components of Capital receipts under capital account.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Foreign Investment | External assistance  (net) | Investment borrowing  (net) | NRI deposits | Other capital |
| 2000-01 | 79.04 | 5.30 | 2.82 | 26.91 | (-) 55.68 |
| 2005-06 | 96.75 | 7.18 | 10.58 | 11.36 | (-)13.28 |
| 2010-11 | 99.26 | 8.09 | 19.32 | 5.30 | (-)31.88 |
| 2015-16 | 104.18 | 5.01 | 14.94 | 40.31 | (-)34.38 |
| 2016-17 | 138.84 | 6.68 | 21.11 | 34.69 | (+)11.16 |
| 2017-18 | 66.72 | 3.26 | 0.86 | 10.48 | (+)20.47 |
| 2018-19 | 79.04 | 6.48 | 18.32 | 18.91 | (-)23.12 |
| 2019-20 | 66.84 | 4.57 | 25.89 | 10.26 | (-)7.50 |

(Source: Compiled from RBI Hand Book of Statistics 2020)

It may be seen from Table-X there are wide variations under various components of capital account. Foreign investment shows wide variation. External assistance seems more or less consistent. Under investment borrowing exhibits large variation.NRI deposits barring 2015-16 and 2016-17 the receipts show consistency. The receipts from other capitals except for 2016-17 and 2017-18, remained negative.

Commercial borrowings remain uncertain- which consists of suppliers credit, bank loans, buyers credit, and floating rate and fixed rate instruments- and the global economic structure is another cause for uncertainty under this category. Other capital except for -2- years shows a negative trend which broadly consists of leads and lags in export receipts. Besides, it includes funds held abroad, India's subscription to international institutions, quota payments to IMF, remittances towards recouping the losses of branches/subsidiaries and residual capital of other capital items held elsewhere.

Emerging market economies became more integrated in the international financial system in 1990. Hence, it is difficult to assign any particular reason for inconsistency of receipts under the capital account. Partly it is an international phenomenon. Further capital control and sterilization too had their impact on capital accounts. There was a global financial crisis in 2008. But India remains insulated from this influence because India’s domestic market is large enough hence required fewer stimuli through exports for GDP growth. Deficit in capital account depends on economic structure, type of flows, and global growth pattern.

A study by International journal of economic, Finance and management growth concludes in the study titled “casual relationship between capital flows and economic growth: empirical evidence from India" by Narayan Seth Finds that there is long term equilibrium relationship between variables like foreign direct investment (FDI), economic growth, and foreign portfolio investment and vice versa according to Granger causality test. In other words, sound economic growth of a country attracts additional private foreign capital flows.

In summation it may be stated that India’s balance of payments position indicates dependency in foreign flows despite high gross domestic savings which ranges from 22.92% in 1999 to as high as 33.5% in 2015. Fiscal deficit ranges from 1.12 %in 1999 to 2.78% in 2016-17 in relation to external loans. It has been financed through external finance which in absolute terms ranges from Rs 203.19 billion in 1999 to Rs719.0 billion in 2016-17 Rs922.53 billion in 2017-18, Rs 966.4 billion in 2018-19, and come down to Rs 682.52 billion in2019-20.Further examinations on this score indicates that utilisation of external assistance ranges between 56% to89% of the total authorisation. The net flow of external assistance after providing for debt service payments (from 1999 to 2020) lay in between 212.06billion the highest registered in 2010-11 and low of Rs78.61 billion in 2014-15. For 2020 Rs 174.96 billion was recorded.

Capital receipts under such circumstances remain uncertain because of the crowding out effect of emerging market economies of which India has to fight its share out of satisfactory performance of the economy. As already stated, the sound economic growth of a country attracts private foreign capital flows. India's current economic growth underlying 6 percent to 7 percent has to be beefed up to attract more foreign capital, especially the less risky investments like foreign direct investment (FDI.) FDI receipt constitute around 2.42 % of GDP in 2017-18 has, declined to2.38% in 2018-19 and improved to 2.71% in 2019-20.The global economy entering a new phase after the impact of pandemic COVID-19.The geopolitical phase seems inclined toward increased polarisation for the purpose of reaping market share for exports, with a fervour for the sense of nationalism, protectionism and strategic political realignments.

To conclude, the cause for poor performance of the economy could be seen through the emerging picture on Gross Value Added (GVA) which is a very clear indicator of the resource use efficiency in the economy. The figures are available from 2013-14 to 2019-29 is given below:

Table-XI

Gross Value Added

(Rs in Billion, at constant prices)

|  |  |
| --- | --- |
| Years | Gross Value Added |
| 2013-14 | 9063.65 |
| 2014-15 | 9712.13 (10.7) |
| 2015-16 | 10491.87 (8.0) |
| 2016-17 | 11328.26 (7.9) |
| 2017-18 | 12074.41 (6.5) |
| 2018-19 | 12803.13 (3.13) |
| 2019-20 | 13301.12 (3.8) |

(Source: RBI Handbook Statistics-2020).

Figures in brackets are % changes over the previous year)

The foregoing picture is clear evidence of very poor resource utilization of resources in whatever form it has been gathered during the last 7 years. The GVA has been registering a declining trend during the period under review. In such a background which is miserably very disappointing how one could expect better terms of trade under balance of payments. As already pointed out the need of the hour is swift modernisation of existing capacity and seeking further to better investment climate with a focus on innovative potential.

Further, the current economic thinking acknowledges that even achieving 5% growth in the era of deglobulisation is considered a significant achievement. The atmosphere of achieving 7% or more growth was possible for a few 100 economies before 2007. A report says such growth prospects have never happened in the history of the global economy. Even in the last decade, only 10 economies have grown7% or more in a year. The link to such high growth was assigned to population growth of a country. The intra-regional trade was the lowest in south Asia compared to any sub region of the world. Now India is in the midst of a highly narrowed trade margin falling under exports, hence the country has to improve and reduce the regional disparities both in economic and income sense to promote growth with equity.

# **Review on India's Debt Position**

Conceptual issues in debt and liquidity

As a rule, debt is normally perceived to have a bearing on solvency and in its expanded form, we can think of liquidity issues concerning the debtor/borrower. Addressing first into solvency problems of external borrowing for a country it is used in the sense of productivity of marginal loan. In other words, incremental change in income made possible by virtue of contracting external loans has to be positive to save a country from a solvency problem.

In so long as the loan contributes to an extra marginal income the burden of servicing the debt to the borrowing country will be reduced. The issue underlying liquidity as part of contracting foreign loan is the country's ambitious approach to borrow externally over and above its paying capacity (current holdings of foreign reserves).Non-availability of foreign exchange reserves not in adequate proportion relative to servicing the external debt would leave the country in a liquidity crisis.

Keeping these facts in view let us now examine India's debt capability during the new millennium. India recorded a debt equivalent to 69.50 percent of the country's GDP in 2016. Government debt to GDP in India averaged 73.42 percent from 1991 until 2016 and an all time high of 84.20 percent in 2003 and a record low of 66 percent in 1996.The debt position of other countries is furnished below in Table-I

Table-I

Govt Debt to GDP (All in Percent as of December 2016)(Source: Compiled from Google)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Country | Last | Previous | Highest | Lowest |
| Japan | 250.4 | 248 | 250 | 50.6 |
| Italy | 132.6 | 132 | 133 | 90.5 |
| USA | 106 .10 | 101 | 119 | 31.7 |
| Spain | 99.4 | 99.8 | 100 | 16.6 |
| France | 96.0 | 95.6 | 96 | 20.7 |
| Canada | 92.3 | 91.6 | 101 | 45.3 |
| U.K | 89.3 | 89.3 | 31.3 | 89 |
| Euro Area | 89.2 | 90.3 | 92 | 65 |
| India | 69.5 | 69.6 | 84.2 | 66 |
| Brazil | 69.4 | 65.5 | 69.5 | 51.3 |
| Germany | 68.7 | 71.2 | 81.0 | 54.7 |
| Indonesia | 27.9 | 26.9 | 87.4 | 23.0 |
| Russia | 17.0 | 15.9 | 92.1 | 7.4 |

India’s debt position and the debt to GDP ratio is given in Table-II. The results show mixed features. The debt to GDP ratio was 30.6 percent in 2014-15 and 26 percent in 2015-16. On the whole, the debt to GDP ratio hovered around from 19.8% to23.9% between 1999-2000 and 2019-20. This is an overall position concealing the real depth of the problem.

It is said that the rate of marginal debt incurred must be capable of raising the incremental incAn exact measurement though not feasible but year to year change in GDP vouch the fact of changes taking place in income. During the initial year of new millennium from 2000 to 2003 the rate of change in GDP was in the region of 3.8% to 5.3%.Thereafter the rise in GDP was lying in the region of 7 to 8 percent though with a negative growth in 2013-14 by (-) 3.5percent.GDP has fallen to 6.1% percent in 2018-19 and to a further low of 4.1% in 2019-20. As such the country's debt position from the viewpoint of solvency was satisfactory. However the rate of change in GDP was in single digit only. Poor utilization of resources was the primary reason for low growth in GDP. For instance the utilization of external assistance-which consists of loans and grants, was in the region of 66.6%and 82%only.during the period under review. This is another reason for low growth in GDP. (According to press information bureau G.O.I., Ministry of Finance,) rise above

Table-II  
Debt to GDP Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | GDP at Constant prices (Rs in Billions) | Total External Debt (Rs. In Billions) | Debt as % to GDP |
| 1999-2000 | 22549.42 | 4112.97 | 18.23 |
| 2000-01 | 23484.81. | 4285.50 | 18.24 |
| 2004-05 | 29714.64 | 5863.05 | 19.70 |
| 2005-06 | 33905.03 | 6205.22 | 18.30 |
| 2010-11 | 49370.00 | 11786.38 | 23.80 |
| 2014-15 | 105276.74 | 29715.42 | 28.22 |
| 2015-16 | 113694.93 | 32175.63 | 28.29 |
| 2016-17 | 123081.93 | 30550.95 | 24.82 |
| 2017-18 | 131751.60 | 34418.83 | 26.12 |
| 2018-19 | 139814.26 | 37548.72 | 26.85 |
| 2019-20 | 145659.51 | 41984.92 | 28.82 |

(Source: RBI Handbook of Statistics, 2020)

India's external debt stock accounting for 18.2% of GDP (Rs4112.97 billion) in 1999-00 increased to Rs 4198.49 billion (28.8%) in 2020 on a point to point basis. Rise in external debt was mainly due to rise particularly commercial borrowing by84.9% over the 2014 level. It was Rs Rs 897.74billion in 2014 increased further to Rs1660.22 in 2020 The increase was substantial which caused concern from a liquidity point of view in servicing the debt.

Short term external debt which was Rs550.99 billion in 2014 showing an increase of Rs 805.71 by 46.2% on a point to point basis. Govt external debt stood at 69.2% in 2020.Further, concessional debt to total debt has been falling from 11.1% in 2012 to a low of 8.6% in 2020. Interestingly valuation gains worth $14 billion tempered the true extent of increase in the total external stock. Without these gains external debt would have raised by $30 billion double the pace. On the positive side while long term debt continues to rise, short term has stabilized and now makes just one 5th of overall debt. But the fact has been external borrowing on the rise during the phase of the financial crisis.

The repayment of external debt involves an increase in demand for the currency of the creditor. In so far as the exchange rate is concerned there is wide margin in fluctuation, rendering exports cheaper. From 1990-2010 the exchange rate has been fluctuating in the margin of 28.6% to 106.7%in 1995. However the real effective exchange was very steady except in 2017-18. The exports earnings show a declining trend since the beginning of 2015-16.The earnings turned negative in 2015-16 by (-) 10% over the previous year 2014-15. The fact was earnings from export had declined to RS 1716 billion in 2015 from RS 1896 billion in 2014-15. Though an increase was observed in 2018-19 it was just 21.7% and stood at Rs 2307.77 billion in absolute terms. The export earnings suffered a decline by about 4% in 2020 over the previous year. But the reserve currency was with sufficient margin through external flows and NRI deposits which gave a cushioning effect. The import reserves were for 8.88months in 2014-15 stood at 12 months in 2019-20

Debt service ratio shows a mixed trend. The debt service ratio which was 17.1 percent in 1999 was almost steady until 2004 when it stood at 16.1 percent. Thereafter the debt to service ratio has exhibited a declining trend reduced to single digit. Between 2005 and 2014 it hovered around 5.9 % and 5.9%. However some pick up was observed in that it fluctuates between 6.4% and to a high of 8.8%. Such a feature is discouraging from a solvency point of view. The condition of long term borrowing has been on the rise. The long term debt which was Rs 2,131.22 billion in 2014 has increased to RS 3392.78billion in 2020. The increase during the period under review works out to 59.1% on a point to point basis.

Finally to conclude, it may be pointed out that domestic factors instrumental in creating concern in debt to service ratio is due to the failure of internal sectors to generate adequate resources for financing the developmental activities. The need for foreign aid which shows a declining trend is also responsible for the rising debt. Further the failure to utilize aid properly which resulted in inability to generate resources for repayment of debt. Likewise the external factors responsible for increasing debt is most of the receipts are in the form of loans involving interest payments (the payment due to the latter lying in between14%to36%. during the period under review.) Further it may be pointed out the utilization of the external assistance has always been lying in between 60 and 70% only. The net inflow out of external assistance which was negative accounting for (-) 761 crore in 1999.The highest net flow recorded so far was in 2010-11 accounting for Rs.21,206 crore and the lowest in 2014-15 registering Rs7861 crore. The proportion of concessional aid has gone down considerably. It was10.4% of GDP in 2014 and will go down to 8.6% in 2020. Further, earnings from export have gone down due to trade barriers and restrictions imposed by developed countries on imports from India. To pay old debt by contracting new debt is not a sound policy.

# **Implications of Credit Instruments in a Developing Economy (India)**

A country has numerous credit instruments at its disposal. The point is how it utilizes these credit instruments to ensure liquidity as well as in causing economic development with stability. At the same time the country has to take care that the manipulation of credit should not cause undue structural problems. The government of a country relies on bankers for credit, raising debt financing and selling through bonds carrying a rate of interest. The latter being a commitment to the government to settle with principal. Likewise, a government can print paper currency for financing essential expenditure when the revenue falls short of expectations. A corporate company for instance raises money through equity or selling bonds. In all these patterns of financing the term borrowings remains the same but under different nomenclature. The basic question is how these types of borrowings are closed or settled financially.

The trend of functioning of an economy or an enterprise in the sense of borrowing cannot go in an unlimited fashion, which means the borrowing should be accommodated within a rational boundary supported by adequate income potential. Unfortunately, the prevailing practice has been that borrowers are given credit more than the size of income. This is called leveraging in the financial sense meaning balancing between current assets and current liabilities. In other words it is simply multiplication of money through different credit instruments depending on the current assets that are within one's hold. The point of fact is such credit instruments have no intrinsic value like gold. Therefore the abnormal trend in this fashion would rattle the system if it goes beyond the reasonable limit.

A government can raise money through taxation. The taxing would act negatively in two different ways. In the first instance the tax is disincentive on production. The taxpayer would evade paying tax or reduce his level of production. In other words capacity utilization would be reduced. Secondly raising the tax limit would cause a rise in the prices of goods and services.

Therefore both the government/corporate has to take care of the income potential  since multiplying credit instrument even though seems to increase liquidity but in reality is debt because such credit instrument carry no intrinsic worth. A sudden withdrawal of credit by the lender such as bank would collapse the system like in the occurrence of trade cycles. To ensure stability the expenditure should be maintained within reasonable limits. The government of a country should always strive to increase income creating activities to balance between economic growth and credit instruments. Now RBI is thinking of creating a Public Credit Registry (PCR). Its scope and limit is not known. All said and done perhaps it may aim at assisting the fractured units in the economy.

The moot question that arises in this context is the relevance and adequacy of creating numerous credit instruments even though it is well known that such instruments are capable of causing liquidity but how far they have the potential to create income and goods and services. As already pointed out, credit instruments are hollow in the sense that they carry no intrinsic worth. A growing economy has to keep a strict vigil in its multiplication. The liquidity of credit instruments in causing expenditure potential while at the same time must multiply goods and services. Depending on credit instruments for settling payment gaps is not a sound financial policy. The expenditure via credit instruments has to balance between the most essential items of heads of expenditure and in multiplication of goods and services.

Utilizing credit instruments for speculative purpose like purchase of stocks and mutual funds is amount to inflationary consequences and dampen the productive potential. Likewise adjustments for prices fluctuations (through hedge financing of all sorts) should be in relation to actual volume of goods and services in trade and currency futures should be in relation with effective exchange rate.

The development expenditure pattern in the Indian economy on a five yearly basis is given below. It shows that development expenditure (combined figures of central and State)

Table-I Development and Non development expenditure (Rs in Billion)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | Economic | Social services | Others | Total Development Expenditure | Non- Development Expenditure | Grand Total (Development and Non-development combined) |
| 2000-01 | 1666.89  (48.30) | 1283.91  (37.22) | 499.76  (14.48) | 3450.33  (52.33) | 3142.93 (47.67) | 6593.26 |
| 2005-06 | 2973.67  (53.22) | 2036.34  (36.44) | 577.43  (10.34) | 5591.04  (53.75) | 4806.98 ( 46.25) | 10394.42 |
| 2010-11 | 7202.58  ( 51.95) | 5293.98  (38.18) | 1367.67  (9.87) | 13864.23  (60.41) | 9087.58 (39.59) | 22952.81 |
| 2015-16 | 12608.92 ( 51.95) | 9098.10  (37.62) | 2483.23  (10.26) | 24190.25  (50.90) | 16195.20 ( 40.10) | 40385.45 |
| 2019-20 | 19356.59  (51.60) | 15469.47  (41.24) | 2685.08  (7.16) | 37511.14  (59.44) | 25598.68 (40.56) | 63109.82 |
| ( Source: RBI, Handbook of Statistics,2020) 1. Figures in Brackets under economic and social heads are % to Total development Expenditure. 2. Under Development non-developmental expenditure % shown with reference to combined development and non- development expenditure - Grand Total expenditure. | | | | | | |

have always been steady hovering around 51%-59%% during the period under review except in 2010-11 when it registered 60.41% . The decline observed in 2019-20 was just marginal but below 60% which in absolute terms works out to RsRs37511.14 billion nevertheless better than the expenditure registered in 2015-16 which accounts for Rs24190.25 billion.

The pattern and distribution of development expenditure between Centre and State (in Table-II) revealed a different picture. The central’s share under the head Economic ranges from 40.39% to 56.16% except in 2010-11 a sharp rise to 56.16% was observed. In contrast, the State’s share under this head has been fluctuating showing decline since 2005-06 and the fall under state’s has registered a low of 43.84% in 2015-16 and it has always been lying below60% during the period under review. The State’s spending under this head recorded a marginal decline of

The combined picture (Centre and State) on social service under development category is similar to the former in that the expenditure margin was lying in between 37.22% to a high level of 41.24%.

Table-II

Distribution of Development and Non-Development

Expenditure-share between Centre and State (in percent)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Total DEV Expenditure  (Rs in Billion) | Share in Economic  Head | | Social services | | Non  Development Expenditure | |
| Central | State | Central | State | Central | State |
| 2000-01 | 3450.33 | 40.39 | 59.61 | 13.77 | 86.23 | 62.82 | 37.18 |
| 2005-06 | 5591.04 | 44.74 | 55.26 | 18.80 | 81.20 | 62.9 | 36.5 |
| 2010-11 | 13864.24 | 48.05 | 51.95 | 10.00 | 32.44 | 51.1 | 33.2 |
| 2015-16 | 24190.25 | 56.16 | 43.84 | 23.61 | 76.39 | 62.7 | 28.4 |
| 2019-20 | 37511.14 | 41.27 | 58.73 | 10.27 | 89.73 | 42.4 | 30.1 |

(Source: compiled from RBI, Handbook of Statistics, 2020)

The centre’s share under the head Social services indicates that it has been consistently low lying in between10.0%and18.80%.A rise in expenditure under this head to a level of 23.61% was seen in 2015-16. The State’s share on this component has been very steep ranging from76.39% to higher level accounting for 89.73% registered in 2019-20 during the period under review. The high level of spending under this head by State’s was mainly due to fulfilling the election manifestos, hence have political connotation. The expenditure under other categories does not account for any significant pattern that merits attention.

On the other hand non- development expenditure has almost been steady ranging around 40.0% to 47.67%% during the period under review. The picture on non- development expenditure between Centre and State indicates a higher amount of spending was observed in respect of Centre viewed against the State’s share on this component. Centre has been spending at a high of 62.82% in 2000-01 to a low of 57.4%. In contrast the State’s share has been near to consistency under this head ranging from 37.18%% to 39.54%. The State’s share however recorded a high level of 42.46% in 2019-20.

It may be seen from the table- I that non- development expenditure commenced to come down gradually since 2010-11.   The development expenditure - comprising economic and social services – viewed against Total expenditure- combining Development and Non-development is remaining less than sixty percent during the period under review. The expenditure on economic services is mainly in the form of strengthening infrastructure like laying roads, and rural spending. The expenditure on social services reveals a mixed trend since State’s have been spending more on social service activities viewed against the Centre which spend low on Social services.

It may be of relevance to mention in this context that the Govt’s development expenditure acts as a type of catalyst to cause increases in economic activities. In such a sense the GDP growth was positive and stood at 9.3% in 2010-11 when development expenditure too registered a growth of

60.4%the highest during the period under review.  Thus a positive correlation exists between the development expenditure and GDP growth is evident.

Let us now observe the liabilities of the State and Central governments and their influence on GDP. The table-III gives the combined liabilities of the central and state governments.

Table-III

Combined Total liabilities of Centre and State

|  |  |
| --- | --- |
| Year | Combined total liabilities of Centre and State ( Rs in billions) |
| 2000-01 | 16041.03 (86.0.) |
| 2005-06 | 29204.00 ( 90.5) |
| 2010-11 | 51061.43 ( 103.8) |
| 2014-15 | 83005.83 ( 78.80) |
| 2015-16 | 94382.48 ( 83.0) |
| 2016-17 | 105844.10 (86.0) |
| 2017-18 | 119281.06 (90.5) |
| 2018-19 | 132684.59 (94.9) |
| 2019-20 | 14690597 (more than 100%) |
| (Source: RBI Handbook of Statistics,2020) (Figures in bracket are % to GDP) | |

It shows (Table-2) that combined liabilities- Central and State- was more than one hundred percent of GDP both in 2010-11 and 2019-20. The lowest works out to 78.8percent of GDP in 2014-15. It is relevant to point out in this context that despite the combined liabilities of the central and state though stood at a very high level of in 2010-11 it was accompanied by the highest GDP registered for the decade stood at 8.5% for the decade. It was also the period that the developmental expenditure begins to show the highest at 60.41% percent of the Total expenditure (combined of Development and Non-development expenditure) recorded during that juncture. Thus the liabilities during that period are justified in the sense that it has a positive correlation both in terms of increase in GDP as well as increase in developmental expenditure. But the increase in combined liabilities registered in 2019-20shows decline under GDP to 4.1% compared to previous highest recorded so far. However, the general picture obtained in respect of liabilities, it is a commitment on the Part of respective governments and sort of accumulation of debt is a discouraging aspect. It is a kind of increasing pseudo liquidity vouched neither in terms of increase in goods and services nor in terms of intrinsic worth. The highest GDP recorded so far was 8.5 percent and the lowest 4.1 percent during the period under review.

Now looking into the picture on capital formation relative to GDP and total liabilities of centre and state gives the following picture. The table-IV indicates the position

Table-IV

GDP and combined liabilities of Central and State

|  |  |  |  |
| --- | --- | --- | --- |
| Year | GDP (Rs. in Billion) | Capital formation as % of GDP | Combined liabilities of center and state |
| 2000-01 | 24535.91 | 25.6 | 39.2 |
| 2005-06 | 32281.73 | 38.3 | 42.0 |
| 2010-11 | 49185.33 | 42.7 | 41.1 |
| 2014-15 | 105276.74 | 33.52 | 45.0 |
| 2015-16 | 113694.93 | 31.1 | 78.8 |
| 2016-17 | 123081.93 | 31.9 | 85.9 |
| 2017-18 | 131751.60 | 34.2 | 90.5 |
| 2018-19 | 139814.26 | 32.1 | 94.9 |
| 2019-20 | 145659.51 | NA | 100.8 |

(Source: RBI Handbook of Statistics, 2020 Figures in brackets is percentages to GDP)

It may be seen from table-IV that capital formation as a proportion of GDP shows a steady increase but suffered a decline in 2014-15 compared to previous year. While looking into the capital formation as a proportion of the liquidity contracted through liabilities of centre and state, it gives an encouraging trend in the sense that the utilization of liabilities has a positive correlation on capital formation.

Besides, under risk management category there is huge growth of derivative market since its inception in June2000. The available data under this category shows India has the largest derivatives exchange by volume, grew 58% to about 6 billion as of 2019 surpasses CME’s 4.83billion according to the FIA website as of January 2020. Certainly, going by the amount of money it seems that it could get under litigation. Derivatives trading surpassed the cash segment in terms of turnover and no of traded contracts. The fact is derivatives have no independent value. In addition to that these derivatives trading contribute to the credit flow which has a bearing on liquidity. The point of fact is whether these instruments match the volume of goods under trade. In so long as the credit flow and volume of goods under trade match each other the functioning of the economy would remain stable. However experts say that derivative trading results in efficient allocation of resources. Its effectiveness has to be seen only in the long run especially in the context of globalization. When the investment flow (which always act with time lag)/credit money exceeds the volume of goods under trade there is the risk of runaway inflation affecting the stability of the economy. The following table-V gives the picture on GDP and per ca -pita GDP of the Indian economy is self explanatory.

Table-V

GDP Performance trend

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| INDIA GDP | Last | Previous | Highest | Lowest | Unit |
| GDP growth rate | 1.90 | 1.80 | 5.40 | (-) 1.70 | % |
| GDP annual rate | 7.21 | 11.09 | 11.76 | ( -)5.20 | % |
| GDP at current prices | 12467.9 | 18971.2 | 20339.5 | 36.4 | Rs Billion |
| GDP at constant prices | 23484.8 | 49370.0 | 57417.91 | 7500.43 | In Rs Billion |
| GDP per Capita | 94751 | 105361 | 108260 | 304.20 | Rupees |

(Source: RBI Hand and Book of Statistics, 2020)

# **How to Build up a Sound Income Transfer and Productive Economic System**

The idea of creating universal basic income (UBI)/universal basic capital (UBC) has been in the news for some time now. The premise is, such an approach would strengthen the functioning of economic system enabling reduction of poverty and removing all kinds of inequalities- social and political. My point of view is neither UBI nor UBC capable of achieving the reduction of poverty and other known form of inequalities. Doling out money without corresponding rejuvenation of productive capacity would be inflationary and would ruin the economy. The economic system could not absorb the excess money distributed in whatever fashion since already there is idle capacity. In this connection there is a need to examine the various production functions that affect /absorb the excess money pumped into the system.

The Keynesian advocacy of causing public expenditure to activate the economy no longer holds good in the modern day context of production function which is largely bound by new technology causing several uncertainties. The current integration of the global market with swift changes in communication affects mobility of both labour and capital. Its dynamic pattern affecting market share for final goods is influenced largely by competitive prices. In 1930 of course there were underutilized factors that becoming effective in stimulating production and absorbing the money pumped into the system.

In the current context there is vast variation between technology induced and primitive production function existing simultaneously since the latter becoming slow paced in picking up the excess money pumped into the system. This would be responsible for creating excess demand forces which in course of time may have the chance to cause runaway inflation. By and large the limping economic forces emanating from the agricultural sector because it is technologically regressive compared to industrial sector. Under Indian conditions, the phenomenal very fragment size of land holdings becoming uneconomical to operate increases the risk pattern.

Doling out money/ income transfer which is the current jargon in whatever mode it takes shape could not cause the desirable impact because of prevailing wide disparity under income distribution. The earlier experiences in the form of asset distribution to low income group to cause income regeneration could not produce the desirable results.  For instance in TamilNadu the distribution of Iron box freely to low income groups caused employment and income generation. But the distribution of sewing machines indiscriminately without knowing the expertise of the beneficiaries receiving the machines, resulted in large scale selling of machines to meet the beneficiaries instant financial needs below the cost price of the machines. Thus the utility and objective of the scheme could not be realized in practice.

The income transfer scheme would be met with the same type of result unless it is linked to immediate and daily use. Currently, the income transfer for gas (subsidy) has the desirable impact because it is put into immediate use. On the other hand bulk transfer of income at one goes would produce negative impact because of the reasons explained above. Moreover the rationale behind a flat transfer of Rs10000 per year for a household is not adequate. In the case of rural, the income transfer should be linked to cost of cultivation under agriculture depending upon the type of crop covering small/marginal farmers; excluding the type of ownership; since absentee landlords avail the benefit whereas the real operators of land are left out (those operate on lease devoid of such benefits).In the urban sector below poverty income should form the basis for income transfer. For landless labourers the income transfer should be linked to below poverty income.

Whether it is rural or urban, every transfer of income should be relative to productive potential in the economy. Mostly it is the shortage of wage goods (in the event of income transfer) manifest in the form of rising prices. In this connection it may be pointed out the technology borne investment never addresses the problem of creating wage goods.  Those who are employed in such areas avail the wage goods simply at a higher price because of their sound income potential (The recent experience was ballooning income of employees under software technology). Therefore the approach of mere income transfer in whatever form, alone will not solve the problem of disparity in income distribution.

Instead the economic system should be divided between those who are in the threshold of below poverty and those in the capital need /hunger type. Investment flows should be addressed equally between these two categories to arrest income inequalities. The Panchayat Raj system and multiplication of cooperative enterprises through micro financing should be encouraged simultaneously on a larger scale. The investment flow should be balanced in favour of those in the poverty threshold and government investment should focus on capital creation both in urban and rural sectors. The private sector should be allowed to take care of itself through tax incentives. There should be a separate institutional set up to govern the multiplication of wage goods. Currently the Public distribution system addresses this point in the most unreliable fashion. This should be corrected. The COVID-19 pandemic exploded underlying weaknesses severally in the economy. Further producers of every consumer of goods should contribute their mite each according to their capacity and need. They should be aware of their importance in the economy and involving critically on the production of goods and services through multiplication of employment opportunities.

The GDP at factor cost is given below.  The period taken up for review starts from 1999-2000 to 2019-20 for which the data is available. The year to year variation in GDP at factor cost indicates that there has been regressive trend in the percentage change of GDP at factor cost for eight years on year on year basis. The positive change in the GDP at factor cost was observed only for ten years in the period under review. A declining feature has been observed since 2014-15. The negative (Regressive pattern) trend implies gross under utilization of resources. Even in the case of positive change it was contributed by a low income base of the previous year. Therefore income transfer not accompanied by positive increases in GDP would be inflationary. Also it may be seen from the table that there has been constancy in variation implying stagnancy in factor utilization. It also implies there is no evidence for fresh investment which has been very limited and low is the reason for this constancy. Further it indicates there is only increased utilization of existing capacity and there is no fresh addition taking place under capacity creation through increases in investment.

Table-I

GDP at Factor Cost (Rs in Billions)-Annual variation

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| YEAR | GDP AT FACTOR COST Rs. In billions | GDP % VARIATION YEAR ON YEAR BASIS | AC | PA | FA |
| 1999-2000 | 18582.05 | NA | NA | NA | NA |
| 2000-01 | 20007.43 | 7.6 | NA | NA | NA |
| 2001-02 | 21752.60 | (-)8.72 | 3.6 | 3.6 | 3.3 |
| 2002-03 | 23438.64 | (-)7.75 | 3.4 | 3.3 | 1.7 |
| 2003-04 | 26258.19 | (+)12.0 | 5.5 | 4.3 | 1.3 |
| 2004-05 | 29714.64 | (+)13.16 | 6.5 | 3.7 | 2.6 |
| 2005-06 | 33905.03 | (+)14.10 | 4.5 | 4.3 | 5.4 |
| 2006-07 | 39532.76 | (+)16.5 | 6.6 | 9.6 | 9.6 |
| 2007-08 | 45820.86 | (-)15.9 | 4.7 | 8.3 | 7.0 |
| 2008-09 | 53035.67 | (-)15.7 | 8.1 | 11.0 | 9.1 |
| 2009-10 | 61089.03 | (-)15.1 | 3.8 | 12.7 | 15.0 |
| 2010-11 | 72488.60 | (+)18.6 | 9.6 | 17.7 | 15. 6 |
| 2011-12 | 83916.91 | (-)15.7 | 8.9 | 9.8 | 7.3 |
| 2012-13 | 93888.76 | (-)11.9 | 6.9 | 11.0 | 10.9 |
| 2013-14 | 104728.07 | (-)11.5 | 5.2 | 9.8 | 12.3 |
| 2014-15 | 105276.74 | (+)0.52 | 7.4 | 1.2 | 2.2 |
| 2015-16 | 113694.93 | (+)7.9 | 7.9 | 3.7 | (-)0.4 |
| 2016-17 | 123081.93 | (+) 8.2 | 8.2 | 1.7 | 3.5 |
| 2017-18 | 131751.6 | (+)7.0 | 7.0 | 3.0 | 1.3 |
| 2018-19 | 139814.26 | (+)6.1 | 6.1 | 4.3 | 2.8 |
| 2019-20 | 145659.51 | (+)4.1 | 4.1 | 1.7 | 6.8 |

(Source: RBI Hand and Book of Statistics, 2020) AC-all commodities, PA- primary article, FA- food article)

The movement in the wholesale price index annual variation shows primary and food articles has been on the high side implying there has been no corresponding increase in the availability of wage goods and services relative to the increase in GDP, implying there was only a monetary increase and not in real terms. Such a feature was observed till 2013-14.A subdued trend in wholesale price index seems gathering since 2014-15 compared to the earlier years. .

All these facts suggests  that income transfer whatever form it takes must keep in mind the corresponding increase in the availability of wage goods and services  to have a benign impact failing which it would cause inflation.

# **The Process of Functioning Real and Unreal Economy**

The functioning of the economy on the whole is interrelated and firmly integrated. Unfortunately, the process of framing economic policies attempts to identify variables as separate and independent, the major fallacy now in practice. This is a major defect since factors are treated independently and hence isolated from each other. Let me proceed now to identify the most important variables which are dependent on one another and playing a major role in the functioning of the economic system. The variables are Population (P), Market (M), and Investment (I), the integration and interplay of these PMI factors play a major role influencing the functioning of the economic system. Of these three variables, the population is independent of the other two variables. Since, the population cannot alter/ change overnight. It can neither be increased nor decreased. But the other two variables viz market and investments are dependent variables. The point of fact is if the dependent variables are manipulated prudently it will feed the economic system in a more healthy fashion and the economy would prosper without undue fluctuations getting out of control.

The finance aspect of investment requires restructuring both nationally and at international level. Of the two variables viz Market and Investment, the latter is volatile and market is always a dependent factor. Market would function in accordance with the behaviour of the other two variables. The changes taking place in the population are always very steady and slow. Therefore economic policy will always have to influence Investment. Investment does not mean pouring money into the system. Investment has to be productive. Investment to deliver fruit has to be innovative and the latter depends on research and development. Unfortunately the latter said two aspects are not fructifying and keeping pace (in adequate terms) supporting the flow of money taking place in the system through investment. The prevailing disparity (Distribution of bank credit is profoundly high in the west and southern region) and concentration of credit flow to meet the better off and a few enterprising categories has to be changed.

The need of the hour is motivation and spread of knowledge to engage the local population especially in rural areas in accordance with local resources. There is a need for decentralizing power and restructuring administration. Institutionally the existing pattern engaged for promoting both financial and technical knowledge is sound but sufficient independence to meet local needs is not provided and is missing exponentially. This arrangement seems to be conspicuous for its absence both at national and regional level because of poor leadership devoid of vision and inclination for development. All conceptually well designed schemes are failures due to poor implementation. Tutoring at every stage and level of monitoring has to be installed indicating lack of discipline and sincerity both among people and authorities involved under the process. India is a glaring example in this connection.

Under this backdrop the consequence of investment behaviour is a kind of confabulation affecting the entire functioning of the economy. Each investor invests in his own right and style ignoring the potential that it has in terms of multiplier effect both on money flow and on employment and income. Primarily investment in the first instant multiplies money depending on propensity to consume. The system could not guarantee whether such a money flow is ensured by adequate production potential. It is a given fact that investment to become productive always reacts with time lag. It depends on the type and nature of the project. Therefore we have to split and regulate investment into two categories viz short term effect and long term effect.

The primary concern is the short term effect of investment causes multiplication of money. In such a case it must necessarily exploit potential demand thereby its market is sustained through population because of the employment effect which plays a major role in creating demand for goods and services. Such type of investment is glaringly possible in agro-based industries. Long term impact of investment through creation of employment and income would take care of potential demand which has a cushioning effect on prices. The secondary investment and employment activities have to be intensified in the short run to take care of the long term impact of investment which I already pointed out reacts with a time lag.

The financing aspect of investment requires restructuring both at national and international level. The investment in general is undertaken either through- self financing/borrowings if the margin of investment is low. But long term investment by and large is of a huge size which requires financing either through equity financing or through bank borrowings-internal/external. In so long as the performance of the borrower is normal there is no liquidity problem. In other words investment has both a short-run effect and long-run impact on liquidity again both for the lender and borrower. In so long as the performance of the borrower is normal there is no negative impact on the overall performance of the economy. If the borrowings were from the foreigner accompanied by lesser performance would have liquidity impact in the short run affecting the stability of the local currency relative to foreign borrowings. If the borrowings were heavy on a short term basis it will cause outflow affecting stability of the local currency relative to foreign demand. The intervention of the central bank to stabilize the stability of the currency would be intermittent and will not ensure long term stability. In other words the requirement of exchange reserve in such contexts has to be heavy which emanates from the export sector. If it is a closed economy in the sense that there is no excess dependence on the export market the need for reserve is limited.

In today's context every economy needs energy imports/oil, for instance. The payment for oil has to be done through foreign currency which needs sufficient reserve international currency viz Dollar. It would lead to the operation of futures/hedge financing, both for commodity and money transactions. The larger importance accorded to commodity /currency futures destabilize the economic functioning through artificial or unreal manipulations of price in the sense of insuring the risk both in short and long run. Manipulation of price through hedging process takes an injurious course very badly and becomes unreal in the sense that it is in excess of goods in trade/actual availability of currency.(No one can predict future events like natural calamities with any amount of certainty and accuracy hence only an approximation). Experts say that it would result in savings. Such an outcome to become a reality only time has to prove it. These are book entries not by real transactions in terms of goods and services.

It has no real validity except a kind of payment arrangement for the risk in future. It is a kind of pseudo-existence of money. Both internal and external causation may create instability to international finance affecting international liquidity. Insuring the future through unreal pricing creates uncertainties of all types. For instance death one day is certain but an accident is uncertain. But covering the uncertain through heavy unreal processes such as derivatives creates artificial shortages. This is a kind of speculation, like the functioning of the stock market. The point of fact is that such unreal transactions encouraging another bogus round of money multiplication process which is not vouched in terms volume of goods which remaining the same .Why I call it bogus because there is no clear match between real and unreal transactions since future is insured on unrealistic basis while there is no substantial changes in production function based on existing potential. It would inflate the economy with unreal transactions without creating real resources. It would create an imbalance equivalent to the unreal money reinvested. It is like driving away the real through unreal activities. The stocks fluctuate for unreal things like sentiments. There is no logic in it. The sentiments bear no direct relation to productivity of investment. But stock fluctuates for unreal happenings. In a sense it is bogus and meaningless. It is to the advantage of speculators helping gamblers. Experts say that functioning of the stock market results in efficient allocation of resources.

Daily fluctuations in stock prices do not reflect a realistic picture of performance of industries. Since manufacturing processes do not change on a daily basis nor do the production function changes overnight. Perhaps substitution of factor inputs would undergo change depending upon designed capacity. J.M Keynes the neo classical economic economist mentioned changes in the rate of interest are affected by speculative function. The speculators borrow at a lower rate of interest to buy stocks to sell later at a higher rate. The assumption that the functioning of the stock market may lead to efficient allocation of resources is a myth. Further expansions under investment are influenced largely by changes under demand conditions until then the process of manufacturing moves in a given direction exhibiting constancy. Hence a wide swing in stock prices either upward or lower level based on sentiments is unwarranted. Instead it creates instability resulting in cash outflow due to sudden withdrawal of equity investment.

Let us now address Non-performing assets (NPA) of banks. The banks declare certain transactions as NPA, it becomes an Idle Capacity. It represents the excess liquidity that the traffic can bear. Such excess money in the system should be narrowed. When sanctioning the loan at the expense of collateral securities for borrowing purposes, the latter should be sold out to match real resources. The still left out balance should be reduced by fresh borrowings at a penal rate. Unfortunately some would have invested in stocks /mutual funds which are unreal assets which cause secondary money multiplication which is not warranted in a real economy. These are unrealistic transactions which simply boost the monetary order without creating real resources. Real money is soft in the sense it would balance with real resources. Unreal money is devilish and will ruin and cause the mismatch between potential and actual. When the actual is low, how you can exploit the potential demand. It is done through printing new money and so on and so forth. Such tendencies in the system destabilize the system. NPA has to be deleted at all costs. Without recovery of NPA and balancing through printing fresh money or borrowings would be meaningless and endless, thrashing the normal functioning of

Table-I

Gross Non-performing Assets (NPA) of

Commercial Banks (Rs in Billion)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Category | 2014-15 | | 2015-16 | | 2016-17 | | 2017-18 | | 2018-19 | |
| NPA | % | NPA | % | NPA | % | NPA | % | NPA | % |
| A | 323.3 | 2.7 | 611.9 | 4.7 | 791.8 | 5.0 | 1039.7 | 6.8 | 936.4 | 5.6 |
| B | 278.5 | 3.2 | 539.9 | 5.9 | 684.7 | 7.0 | 895.6 | 8.9 | 739.5 | 7.3 |
| C | 34.1 | 1.3 | 56.2 | 1.8 | 93.2 | 2.6 | 129.3 | 3.8 | 183.6 | 3.5 |
| D | 10.8 | 1.4 | 15.8 | 1.9 | 13.6 | 1.7 | 13.8 | 1.6 | 12.2 | 1.2 |

A-Denotes Scheduled commercial Banks, B-Denotes Private sector banks,

C-Denotes New private sector banks, D-Denotes Foreign Banks in India

(Figures in percent are (NPA) to Total Assets) (Source: RBI Hand and Book of Statistics,2020

The fallacy of managing the Indian economy

I write this with chagrin how the conclave of well informed policy makers in the Indian economy is quite non-committal in viewing the operation of the fundamentals affecting the very process of functioning of the economy. Generally the central bank approach to raise the Repo rate does not always result in success. Now we have in position what is called a committee on monetary policy. The committee I feel despite its expertise by and large lacks the macro vision. I also feel the decision taken sometimes for the rise in interest rate is a kind of partial tinkering of the economy leaving aside the whole gamut of unreal money operating in the system. Such an approach is like squeezing the balloon on one side completely oblivious of the other side getting bulged. Whatever measure attempted in a tinkering fashion would move the economy to behave in an unrealistic way since a large segment of the unreal economy was left untouched.

India is not a country meant for implementing policy for making research experiments. Leaving aside a large sector of unreal segments or reducing them into a state of hypothetical slumber is not warranted in a welfare state. It is a welfare State and hence who has the responsibility to control is given to anybody's guess. The rising interest rate for instance would prick the flow of money in a given magnitude, shrinking the money flow but having its incidence in other ways. The multiple effects of such a rise in interest would reduce borrowing and increase the cost of borrowing. There has been no impact and effect on unreal money in the system -Speculative flow, NPA,( Non Performing assets) Hawala money and black money- and these unreal resources having no matching supply of goods and services in the system. Its manifestation is on the prices.

Further, in a developing economy like India there is less evidence that supply of goods and services take care of automatically. We are well aware of the significant operation of the public distribution system in the country. It implies the economy is not surfeit in terms of goods and services. The era of public distribution is still in vogue and functioning effectively implying the BPL (Below poverty line) group is still in a substantial proportion. This is not the index of a matured economy. Still, even an infinitesimal change in monsoon affecting its balance is keenly felt in the movement of economic variables creating doubt about the performance of the economy. In this connection I also bring into focus the unwise policy of determining the oil prices on a daily basis. In a developed economy by very definition economic growth implies producing greater output at a greater efficiency and the process of supply of goods and services is granted.

In a country like India revising oil prices on a daily basis affects the volume of goods in trade and it becomes price elastic. In other words even for a small increase in price of the oil would impact the transportation cost of goods whose incidence is on prices and ultimately the sufferer is the consumer and the producer too who simply shift the incidence of rising operating cost by either increasing the freight charges or through artificial reduction in the supply of goods or through lesser capacity utilization (Manufacturing segment) to maintain his profit margin. I would suggest it is high time that oil prices be brought under GST. It would ensure uniformity and avoid uncertainties of all types affecting and distorting the ongoing balance in the economy. The GST margin for oil should not exceed three percent. Since oil is a fast track consumer good and as a result a larger volume of sales would safeguard and ensure a sufficiently large margin of tax net. Sometime back the process of demonetization has attempted the process of curtailing the circulation of unreal money. It was not wholly successful. In fact the GDP growth was alarmingly reduced. In a mature economy the process of investment would take place without undue interference on the supply of goods and services. In Indian economy despite high levels of savings there is no corresponding rise in investment. WHY? The policy makers have to make real soul-searches where we have gone wrong. Instead, adopting ad-hoc policies would address the system in an ad-hoc fashion and then show its ugly head in the form of inflation and shortage of goods.

The same is the case in manipulating interest by reducing the interest rate, hoping it would expand investment and expenditure causing an automatic revival of the economy. Such an approach is also wrong. Revival of the economy is not dependent upon a single instrument like obviating monetary policy. Changing the monetary stance/ policy is an overall measure. The specifics are ignored. For instance failure under agriculture due to failure of monsoon reduces the supply and hence agricultural income falls. It has a dampening impact on overall demand. In a similar way the failure of industrial output has numerous causes and effects. So far we have evolved an index to measure the rise and fall of industrial production. Do we have index measuring changes in the availability of real factors? Do we have an index impacting industry like labour as a factor of production and such other broad aggregates that will have an immediate impulse and impact affecting industrial output?

As of now we have weights for electricity, coal etc in the index and in a similar way we need to broaden the base of index having specific influence on input and output of the monetary policy to have meaningful impact. We have M1, M2, and M3 as monetary aggregates. Besides there are many other monetary aggregates influencing the secondary changes in money supply? Therefore changing the monetary stance in one direction with a single monetary instrument such as manipulating interest rate alone is an inadequate measure since its impact gets generalised without clear insight on which the current (Repo/Reverse Repo) monetary approach would impact the system. In such an event the ongoing equilibrium gets distorted and creates uncertainties in several senses. It has been done without clarity and adds further confabulation. Such attempts like manipulating a single monetary instrument implying it would have a multiple influence in the economy are like blind man’s approach to identifying an elephant. It is high time that economists need to sit and arrive at a common aggregate that takes into account all- around influence involving secondary monetary aggregates which has a vital bearing affecting macroeconomic variables.

Besides, there is formal mention about the informal sector. Definition about the informal sector though available but strict compliance in estimating its contribution to GDP leaves much to be desired. In fact the contribution of the informal sector is of definite margin but we have no definite data on this crucial area. Like the Agricultural, Livestock, and Economic census there should be a separate attempt to define and quantify the informal sector. Perhaps the area under micro financing may cover the informal sector in an indefinite way. This however ought to be used as a proxy to evolve a definite margin about the informal sector. This would complete the impact of money and availability of monetary aggregates. In such a course the impact of monetary instruments would become wholesome. Since Economics is a science of aggregates operating under numerous assumptions evolving and quantifying the missing aggregates would make the analysis realistic. Such an approach takes into account implications underlying unknown aggregates left untouched so far.

The other worrying feature is seen in the implementation of Goods and Services tax (GST). It has a tumbling effect on the economy. The majority of consumers in India are middle income group/low income group. The GST has a tumbling effect in the sense it impacted in an inflationary way. For instance a DOSAI (Eatery Good) which cost Rs 25 under a roadside vendor was charged with Rs 50 in a hotel in that 50% of the cost goes toward GST. Is it a welfare increasing policy? Even though it may increase the revenue for the Govt, its direct implication has a tumbling effect on the poor consumer. An integrated policy guarding the aggregate demand and aggregate supply is the need of the hour. Implementing policies on a bandwagon basis will have a bandwagon effect with utmost detrimental impact in the functioning of the system. If the currency is not stable there are numerous factors behind it. We don't care for exports /. We beat around the bush depending and believing on a huge local market with which we are content to size up the GDP. This is where we have gone wrong. Subsidize exports and increase the reserve currency through export earnings and import will take care of itself. The currency will become stable.

Oil imports are on a huge margin now (about 80% of total imports) and take away a sizable portion of the current export earnings. Ours is a kind of closed economy since our exports do not exceed more than 23% of GDP. Our exports are traditionally bound and there are no high value added goods to increase the export earnings. Depending on institutional investors is not the right policy for fast economic growth. Moreover, foreign direct investment (FDI) to fructify our policies is not investor friendly. Then how do you expect a large flow of foreign currency?

Our investors are very cautious and their attitude is pusillanimous. Investors again beat around the bush. There is no innovation. Our spending on research and development is around one percent of GDP. Investors adopt a bug stop like approach. At present there is overflowing investment in the auto industry than the traffic can bear. There is no adequate road infrastructure but the Govt is non-stop, in permitting the expansionist policy of the auto industry. Our Investors approach is such in that they focus on investments where they are very familiar and strong and they come forward to invest in a limited way.

The need of the hour is that there should be the right type of revival of “think tank” in a more profound and forward looking way instead of beating around the bush. Implementing economic policies on a heuristic (trial/error) basis will not hold good for a real economy. The functioning of the real economy will not wait. It will unsettle the ongoing equilibrium due to a wrong policy. It will be o.k. for the Defence/Space technology since there is no imminent danger. The existing performance indicates the Indian economy is not broad based. It is just a little above the subsistence economy. Can you cite any good /industry that is of a particular Indian brand? The DUBAI economy which was just a fishing village in 1954 now turned into an acclaimed world trading centre in a matter of less than 50 years. India is now 74 years old since attaining Independence. Twelve Five year plans were completed. Where are we? It is a big question mark. China introduced the liberalized policy in 1981 with a capitalistic fervour and now it has become the second largest economy of the world. The French Emperor Napoleon while mentioning China said "There lay a giant. Let it sleep; for it wakes it will shake the world”. How prophetic the words of Napoleon have come true today. India introduced liberalized policy in 1991. Still we remain a limping economy.

# **Evolving Dual factor for regulating the monetary system**

Necessity is the mother of invention. It is the same necessity that plays a crucial role in multiplying expenditure in the economy under the pretext of development. For instance, for a household, increases in expenditure are met through borrowings. A householder borrows on a limited scale keeping in view his level of income. But a government borrows over and above its income on the assumption that it has power and it can print money and sell its assets to meet its current expenditure. Unfortunately this type of unlimited borrowing and printing of new money results in the burden of debt commitment and inflation as well. The question is how far the government can indulge in such profligacy of expenditure. Such profligacy of expenditure leads to managing the deficit as well as in containing the inflationary impact in the economy. This has resulted in cutting short the essential investment/expenditure meant for developmental purposes. Thus the need arises for sizing up investment/ expenditure between essential and non-essential items which require pruning in all its manifestations.

Further, financial market reforms since 1990 resulted in dismantling various price and non-price controls in the financial system to facilitate integration of financial markets. As a consequence quantitative restrictions were relaxed and free pricing of financial assets for improving trading has taken place. Interest rate emerged as a signalling mechanism. In the meanwhile integration of the domestic market with the global market is a sine qua non of the financial reform process. Naturally the boundary of the financial market widened was incidental and a sequel to implementation of financial sector reform. RBI now confronted transferring the policy rate to different market segments and impacting broader credit markets.

The available data indicates, flow of financial resources to the commercial sector (non-food credit) gradually began to increase from 8.4% in 2017-18, 12.3% in 2018-19 and a small slide down took place in 2019-20 stood at 11.1%. In absolute terms the total non- food credit works out toRs86,334 billion in 2019 of which Agriculture and Allied sector had a share of Rs11,113 billion, industry accounts for Rs28858 billion and infrastructure Rs 10559 billion. The lead in the total allocation of credit flow to the commercial sector was met predominantly by banks. The most miserable feature of the growth in credit flow emanating from various institutional structures other than banks has created uncertainties and become difficult to assess the prevailing economic situation. The most discouraging trend has been upward strides in the stock market between 2020 and January 2021. The fact was financial gains booked in the market on transactions do not emerge from productive activities in the real economy. What is more to be observed with a sense of caution is the financial sector growth and its sustainability over time since the real economy remains stagnant.

Financial flows consist of fictitious flows marked by future earnings, like interest on loans, dividends and capital gains as well as profits on derivatives such as forwards and futures used to hedge against uncertainty in deregulated markets. The ingrained uncertainty in de- regulated markets works as a barometer for setting the pace of expectations and decisions. The market may suddenly turn adverse without any sign inflicting large social costs of unemployment and poverty in the real economy. The path of uncertainty started with the sweeping pace of financial deregulation in the late 1990s when banks were allowed to profit by dealing with securities and with the emergence of hedging devices such as futures and options in the market. It also reflects the rise of non- bank financial institutions as shadow banking operates beyond regulations even at a cost for regular banks which had large exposures to non- banks. Official neglect of upswings in the financial sector despite the continuing down swing in the real economy is a matter for concern.

Thus the need arises for an indicator to assess the demand and supply side shocks. The credit flow that has emerged from different sources like derivative exchange market volume grew by to the extent of 58% to about 6 billion as of 2019. Derivatives have surpassed the cash segment- in terms of turnover and number of traded contracts. The fact has been that derivatives have no independent value. Likewise financing durable and speculative market structure caused fresh potential demand not accompanied by corresponding matching supply of goods to meet the consumables of all types.

This apart the wage structure indicates the average wage rate for farmers was Rs 167.50 and non- agricultural workers worked out to Rs 245 as on 2016-17. As per labour survey 2018-19 the average daily earnings of casual labourers in urban areas works out to Rs 256 or Rs 6400 a month(for 25 days) irrespective of academic qualification which includes B.E graduate too. It is well below the official living wage as defined by the 7th pay commission for Central Govt employees. The last grade Govt servant receives Rs 18000 per month. With such Himalayan level of income disparities currently prevailing under Indian conditions; to put it bluntly a vast majority of population is under mere subsistence-hand to mouth- level of living conditions.

Aggregate supply measured by Gross Value Added at basic prices slowed to 6.6% in 2018-19 and this decline was 30 basis point lower from a year ago and 20 basis point lower than its decennial rate of 6.8%.The reason may be fall in Total Factor Productivity(TFP) declined from 1.8% during 2003-07 to 0.8% during 2008-16.The break up in index of industrial production shows the trend in the production of primary goods( having weight of 34% in the overall index) has been consistently lying in between 3.5% and 3.8% except in 2015-16 when it registered 5.0% and 4.9% in 2016-17 respectively. Analysis of GVA growth for the past 16 years shows it was driven by the services sector, industry stability ( its contribution to GDP has been hovering around17.3% to 21.5%) and agriculture declined (seen from supply side). The objective of providing credit through financial sector reforms covering unbanked and to serve needy areas was not realised in practice. Recently it has focused on financial stability leading to regulation and supervision as in the previous regime prior to financial sector reforms. Do the financial sector reforms realise the intended objective? The answer is No. The facts explained above do not vouch the premise of reforms undertaken in the financial sector.

The approach of inflation targeting since 2016 keeping the above facts in view makes little relevance to an emerging economy which needs credit flow in adequate proportion. The alibi put forward by RBI for venturing into this idea after learning from the exposure of a diverse set of countries over a long period of time. But one thing that escaped the attention of RBI was the countries that adopted inflation targeting were endowed with an assured domestic supply chain of goods of all types. Besides those countries were advanced countries in all sense of the term unlike India which is filled with several uncertainties notably 22% of the population fall under BPL category.

Above all, disparity in the distribution of income is in a mammoth proportion which indicates, only 10% of the population share80% of national wealth. High levels of rural and urban unemployment coupled with under employment have been the current socio- economic scenario facing the country. We may boast a fast growing economy but we have to consider the realities which are contrary to the characteristic potential, warranting growth with equity. In addition to that under the Human Development Index (HDI) India is very lowly placed among emerging economies. HDI conditions in India exhibit similar conditions confronting the very poor sub- Saharan African countries.

Under this background multiplying credit instruments has so far not achieved the desired objective. Therefore manipulating policy repo/reverse repo gained prominence apart from traditional monetary instruments. The underlying weakness of this approach is it will have no precise and definite /exact impact on the credit flow due to continuous investment whose size is not predetermined affecting demand and supply of goods. Hence it seems unrealistic and attempts to generalize the economic behaviour underlying different sectors. In such an inconclusive atmosphere existing under the economic sphere whatever monetary instruments exercised to influence the economic behaviour could not ensure the desired results to happen. To state briefly, the emerging trend remains uncertain which again creates further instability requiring fresh approach in an endless fashion. The current monetary instruments may be useful to correct /stabilize a fully grown up economy in all sense of the term. Under Indian conditions with several inequalities underlying distribution of income, supply of wage goods, under- employment and disguised employment we need to regulate money supply in accordance with regulating investment flow of money under several uses. In this connection the following approach may be considered to regulate the monetary system.

The need for classifying investment/ expenditure into- most essential, essential and miscellaneous type- is called for in maintaining an ideal margin covering the aforesaid pattern. Under the most essential category the investment/expenditure that are strategic to satisfy governance has to be considered (Defence, Security etc). The essential type covers those investment/expenditures that satisfy people's expectations that meet their livelihood pattern (To put it in simple terms all Development investment/ expenditure).The investment/expenditure under miscellaneous category may be addressed partially or may be postponed for sometime later. In managing both investment/ expenditure, money as a medium of exchange plays a crucial role. Financing falling under the above categories as detailed above should be brought within an axiom of a dependable factor. That dependable factor should take care of the monetary system as a whole, absorbing the crucial features detailed above to maintain monetary expansion within a defined limit and thereby check and curb unnecessary monetary expansion. The current credit instruments like policy repo/reverse repo, Bank rate, Cash reserve ratio (CRR), statutory liquid ratio(SLR) are in the nature of restricting the credit flow of money under various categories falling under M0, M1, M2, M3, M4 impacting in a more limited fashion.

The most essential (strategic) and essential investment/ expenditure should be brought under the Domestic money factor (DMF). DMF has both domestic and international significance. The investment/ and those expenditure oriented goods falling under the first two categories explained above have multiple uses. The DMF would determine the implication and value of those goods falling under those two investments/ expenditure categories. The DMF multiplied by uses (uses here implies the application of goods in its respective purpose-two categories- quantified in monetary terms) wherever its application/occur; the DMF would determine the monetary expansion. For instance take the case of application/ economic use of steel since steel has multiple uses. Thus the origin of use of steel (quantified in monetary terms) multiplied by DMF would provide the implication of the quantum of money in its present use. Such is the case for all economic goods which have complimentary uses. It explains the fact that the goods which have limited use multiplied by DMF determines its monetary expansion. Thus the use determines the monetary expansion and thereby expansion of money is defined within a limit. The crux of the matter underlies in estimating the scope and right kind of application of the usage of the commodity in question. This depends on the nature and type of investment under the pipeline. In such an event the need for insurance to cover the monetary risk (rise and fall in value of money) arising out of excess demand /supply is curbed because (use) value of goods under various applications has already been determined. Such a predetermined application of usage of the commodity (IN ANY TYPE OF INVESTMENT) multiplied by the DMF controls the money supply. A similar estimate of goods in the export front multiplied by the international money factor (IMF) determines the flow of currency borne out of exports. The need for the IMF arises because the exchange value of the currency in usage/currently subject to change depends upon the premium international currency in demand and supply which settles our FOREX market. The flow of money borne out of exports multiplied by the IMF determines its corresponding flow. The divergence between DMF and IMF has to be governed by a constant reflecting both local and international prices. In a given point of time the local money supply plus the international flow of money sums up the total money supply in the economy. As already pointed out it would have been the use and the nature of application of the goods that predetermines the total flow of money in the system. Once the flow of money in a given boundary is predetermined through its proxy viz the use, we can channelize the application of money between various uses. A factor price whether it is local /foreign based on use basis is governed by domestic money factor and international money factor.

Investment and savings become equal by the very definition, in that factors involved in the investment multiplied by the DMF/IMF in accordance with application in the process under investment gives the flow of money in the system. The part that is saved depends on propensity to consume and becomes equal to investment through secondary changes in investment through multiplier effect. The leverage effect of both multiplier and influence of accelerator effect settles the flow of money in the system.   Thus investment becomes equal to savings. Even if savings is greater than investment at any point of time, the gross investment of the previous period (INVENTORIES) tends to become equal. There is no mismatch between savings and investment

NEED FOR DUAL CURRENCY MONETARY SYSTEM

The defect of the existing monetary system is its lack of regulation and there is no inbuilt mechanism to adjust the money supply in accordance with the changing economic forces. The central bank of a country largely depends on its monetary instruments (manipulating interest, buying securities to curb the flow of money or varying the reserve requirements of commercial banks) to channelize the flow of money with inadequate data. It is simply a tinkering process unsure about the implications that it would cause in the functioning of the economy, hence a vague approach devoid of any realistic sense. The magnitude of impact of such a tinkering approach underlying the current situation( in which the different sectors of the economy are operating) is simply heuristic in nature, hence unrealistic and unsettling the ongoing equilibrium and causing distortion affecting the performance of several sectors of the economy.

The dual factor monetary system implies implementation of one currency factor for the domestic market and another factor for the international market. The divergence between local and international factors will be offset by a constant which would regulate the money supply in the economy. The current practice has been wherein the monetary process is linked to a single international currency viz dollar. Perhaps it may be argued that the current exchange is now being done based on a basket of major currencies. The fact has been such a link implicates the local currency to unnecessary international fluctuations which transform the domestic money supply with all its consequences. For instance the changes in oil price adjusted to dollar exchange will affect oil prices in the domestic market and it will have a chain effect in the economy. Thus the need arises for a dual factor currency facilitating both local and international exchange. The assumption is the presence of dual factors -one for local AND another for international-nullify disturbing economic forces since the factor evolved acts as a barometer of the functioning of the economy.

Methodology for Evolving the Currency Factor: Domestic and International Exchange.

The Factors to be considered for evolving-Domestic/ International exchange- takes into account the following variables since we do not know the applications of several inputs, their nature, quantum, prices which are subject to changes in accordance with demand and supply. Hence we need a median, a common axiom reflecting the magnitude in its various applications.

Factors required for Domestic money factor (DMF)

1. Average of Gross Value Added (GVA) during the previous 5 years. 2. Include wholesale and retail price index 3.Currency and coin in circulation .and Regional performance of bank credit (take into account the credit flow in North, North East, East, Central, West and South in accordance with the spread of bank branches) 5.Goods and Services Tax (GST) with a view to provide tangible unit indicating collective business performance 6.Deposits of all type with banks.7. Stock Market indices 8. Asset management underlying various categories.

The factors to be evolved based on these economic variables reflect the functioning of the economy. This has to be evolved on a fortnightly basis (just as Special drawing rights (SDR) determined on a daily basis consisting of five currencies.

Factors needed for International Monetary Factor (IMF)

1. Export performance during the last 3 years 2.Import during last 3 years 3. Exchange rate fluctuation during the last 3 years 4. Changes in reserve position in the last one year5. FDI flows on yearly basis 6. Capital receipts on yearly basis.
2. Its determination is the same as in the case of DMF i.e. on a fortnightly basis.

The entire exchange that takes place in the economy should be linked to these two factors which I would like to call as Domestic Money Factor (DMF).In a similar way the influence of International forces has to be brought within the limit of International Monetary Factor( IMF). The pertinent question that arises would be whether the value of goods having international implication remains the same? NO. It will vary. To compromise this event the price in the best of time and worst of time under international conditions may be considered. A constant shall be worked out based on the outcome. In fact it is assumed to be a condition of hypothetical slumber for goods in trade internationally. The multiple and bilateral transfer of goods under investment process shall be calculated using the Special drawing rights SDR (IMF) to avoid fluctuations. Further to avoid price distortion due to local taxes should be brought under a common factor such as Goods and services tax (GST). A good example is oil. The oil prices should be brought under GST to avoid wide price fluctuations.

The Divergence between DMF and IMF has to be equalised through a Constant reflecting international demand and supply. The constant thus evolved should be multiplied with DMF to set right the flow of money accrued through exports. By doing so the question of excess money supply in the system is thwarted. The flow of money (supply) will get regulated relative to demand of various goods. The position of incremental prices would not arise since flow of money is in relation to use/application of goods that influence demand patterns. The entire process is linked to DMF which would take care of the regulation of money supply. The recent attempt to demonetize the higher denominated notes in circulation has done this function in a more direct way to curb the excess money/black money in the system. Once the monetary system is standardized through DMF/IMF we can estimate availability and the need for new schemes to monetize and determine the supply of currency. Since DMF is the barometer to express the local prices there is no scope for incremental money in circulation.

Scope for Derivatives and Forward Trading in Money: Now the Futures Market Both for Commodity and Money In Exchange Will Be Brought within an Axiom of DMF and IMF. The scope for unregulated monetary growth and speculative trading on money and derivatives will be curbed within a definite margin. The question of monetary growth in excess of actual merchandise trade will be eliminated. Since the DMF allows the printing of new money relative to actual demand and supply of goods in trade. The accrual of excess money (profit) out of exports would get regulated since the divergence between DMF and IMF is facilitated through a constant which would regulate the money supply in the system.

The excess/ shortage in international transactions get regulated through limited subsidies governed by DMF. The very idea of DMF/IMF is intended to regulate the money supply in the economy.

DOMESTIC INVESTMENT /FDI/TECHNOLOGY TRANSFER:

The domestic investment is regulated through DMF since the latter is the replica of goods in use predetermined with the idea of regulating the flow of money. Likewise FDI (FOREIGN DIRECT INVESTMENT) multiplied by DMF gives the flow of money in circulation. The Bilateral /Multilateral Transfer of Technology and Investment are regulated through DMF/IMF. The excess flow in the above cases would fall within the boundary of DMF and IMF Multiplied by the Constant which regulates the Divergence between Imports and Exports. Wages and Salaries fall within the purview of DMF/IMF. When the economy expands implying the investment increases is predetermined with regard to the use of factors/ goods in the process through DMF/IMF. Therefore the multiplier effect of money operates within a definite margin. The scope for opportunity cost between factors would get regulated through within a definite margin dictated by DMF/IMF. Bank deposits which represent savings, is part of the earlier investment that is transferred to the economy as secondary investment is already reflected through DMF/Since every economic variable is governed by DMF/IMF. The deficit IF ANY arising in the economic process gets self adjusted without undue worry in the system. They do not cause any concern such as inflation/deflation. The index of the stock exchange should be linked to DMF/IMF which would take care of the payment system. Thus DMF/IMF exercises the limit for monetary expansion.

# **Indian Rupee Depreciation**

The reasons for Indian rupee's depreciation against the dollar are not far to seek. Primarily the rupee is overvalued on trade weighted real effective exchange rate. There is every possibility for the rupee to slide further. On the first September 2018 the closing rate of rupee was 70.87 against dollar. On an overall basis the rupee has fallen by 11% year to date. The fall in current month alone accounted for 3.5% on account of weakness in the peer currencies and concerns over widening current account as well as rising trade deficit. (Trade deficit was five year high).

Besides, the month end dollar demand from importers was very significant due to rise in the prices of crude oil. However, services exports and remittances had offset the aforesaid imbalances. The following table-1 gives export, import and trade balance

Table-1

Exports, Imports and Trade Balance (Rs. in Billion)

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Exports | Imports | Trade Balance |
| 2010-11 | 11574.74 | 1683.46 | ( -)5405.45 |
| 2011-12 | 14659.59 | 23454.63 | ( -)8795.04 |
| 2012-13 | 16343.18 | 26691.62 | ( -)10348.44 |
| 2013-14 | 19050.11 | 27154.34 | ( -)8104.23 |
| 2014-15 | 18964.45 | 2737.08 | ( -)8406.40 |
| 2015-16 | 1716.38 | 2490.30 | ( -)7739.20 |
| 2016-17 | 1849.43 | 2577.67 | ( -) 7127.24 |
| 2017-18 | 1956.51 | 3001.03 | (-) 1045.52 |
| 2018-19 | 2307.72 | 3594.68 | (-) 1268.94 |
| 2019-20 | 2218.23 | 3355.76 | (-) 1137.53 |

(Source: RBI Handbook of Statistics, 2020)

It may be seen from table-1, imports has always been the highest compared to exports. It resulted in a deficit in trade balance in all the years. Generally, the pattern has been an increase in imports followed by a rise in GDP.  But the rise in the above period under review did not vouch the said pattern.  The rise in GDP recorded in the period was 9.8%, 9.8%, 9.5%, in the years 2012, 2013, 2014 respectively. In the subsequent years GDP has declined accounting for 7.9% in 2015-16, 8.2% in 2016-17, 7.0% in 2017-18, 6.1% in 2018-19 and a drastic decline by 4.1% in 2019-20% .It implies the uptrend in oil prices stunted the trend in GDP growth .It also indicates the growth variables remain stagnant and does not vouch the fact of a resilient and a broad economic base facilitating for a consistent growth of GDP. Further, the pressure of capital outflow to the tune of $7 billion comprising equity and debt flows has affected the stability of the rupee. Highly local volatilizations of equities in the midst of options expiry along with bullish dollar versus major currencies also weighed the trading front.

India exports 394 products with revealed comparative advantage. In 2019-20 Exports stood at Rs2218.23 billion and Imports Rs.3355.76 billion resulting in a negative trade balance ofRs1137.53 billion. The following table-II gives the picture only the goods topping the trade margin under exports and imports as of 2019-20.

Table-II

Selected goods under Exports and Imports

(Rs. in Billions)

|  |  |  |
| --- | --- | --- |
| Type of Goods | Exports | Imports |
| Gold | Nil | 1992.50 |
| Petro products | 2914.80 | 9250.31 |
| Packaged medicines | 1467.46 | Nil |
| Gems and Jewelry | 2540.66 | 1590.66 |
| Organic and inorganic chemicals | 1326.20 | 1458.64 |
| Total | 8249.12 | 14292.11 |

(Source: RBI Handbook of Statistics-2020)

The above picture indicates that imports was in the order of Rs1429.92 billion whereas exports constituterRs824.88 billion with a trade deficit of Rs 605.04 billion. During the last five years exports of India have decreased from 15.52% of GDP in 2014-15 to 11.17% in 2019-20.The most recent exports are led by Engineering goods 25.1% followed by petro products 13.1%, Gems and jewellery11.4%, Drugs and pharmaceuticals 6.6%, organic and inorganic chemicals 5.9% and inorganic chemicals in 2019-20. On an overall basis India imported Rs3355.76 billion in 2020 making it the 13 largest importer in the world. The most recent imports in 2020 are led by crude petroleum representing 27.5% followed by Electronics11.0%, Machinery and electrical 8.3%, Gold5.9%, Transport equipments 5.2%, Pearls precious stones 4.7%, coal 4.7% and Organic and inorganic chemicals 4.3% of the total imports.

The exchange rate has started fluctuating from 2011 onwards. The table-III gives the position on exchange rate fluctuations

Table-III

Exchange rate of Indian Rupee (2004-05=100)

|  |  |  |
| --- | --- | --- |
| Year | Average | End Year |
| 2010- 11 | 45.56 | 44.65 |
| 2011-12 | 47.92 | 51.16 |
| 2012-13 | 54.41 | 54.38 |
| 2013-14 | 60.50 | 60.59 |
| 2014-15 | 61.14 | 62.59 |
| 2015-16 | 65.47 | 66.33 |
| 2016-17 | 67.07 | 64.84 |
| 2017-18 | 68.39 | 72.04 |
| 2018-19 | 70.42 | 75.58 |

(SOURCE: RBI Handbook of Statistics, 2020)

The table-3 shows that the exchange rate has been undergoing a veritable change every year. It was 44.65 in 2010-11 and went up to75.58 in 2018-19 providing an increase of 170 percent between these two points. Even on a year to year basis the increase has been substantial. On a year to year basis the exchange rate works  out to  ranging from 6.6% to 14.5 %and a decline observed in 2016-17 by about(-3.3%). Combination of factors was at work for these types of phenomenal changes. It is significant to mention that rupee was overvalued on trade weighted real effective exchange rate and hence it may not be a surprise that rupee to cross 72 mark. Besides, the wholesale price index and consumer price index showed a significant rise during the period under review, which too impacted the exchange rate of the rupee.

To sum up, it may be inferred from these facts that the unstable rupee is affected by numerous factors both internally and externally impacting the exchange value of the rupee. The rupee is also sensitive to emerging market currencies in the current month and widening trade and current account deficit had their fullest impact on the rupee for current level of depreciation.

# **Goods and Services Tax in India and other monetary implications**

Goods and services tax (GST) though seems to have revenue potential benefiting the government, in fact it has a cascading impact affecting the interests of the community at large especially the middle and low income group. Let me begin with the multidimensional character of GST.A good before becoming a final good for GST purpose has to undergo several intermediary stages. In the intermediary stage itself it becomes a final good depending upon the groove into which it fits in as a final good. In that particular groove it is taxed as a final good. That intermediary good for having become a component of another final good in which it acts a supplementary good is subjected to tax as having been part of the other final good (the latter being taxed as final good under the context of GST) in which it supplements/remains a component. Thus the intermediary goods of varying types are taxed more than once in the process of production. Is it not double taxation and thereby raising the price of goods in all its applications?

Every producer in one stage remains a consumer of factors involved in the production line. Though it is revenue to the government but from an economic welfare point of view the incidence is on the ultimate consumer becoming the worst sufferer. Take for instance the steel, is a final good in its groove of production. The same steel is used in the manufacture of automobiles/cars. The car becomes the final good which is taxed under GST with steel as a component of the final good viz car. This is a classic example of double taxation leading to rise in the prices of goods and services. GST through a revenue to the government is a daylight robbery of the innocent consumer/community.

Further GST acts as a disincentive on production in the long run. The producer of goods/services provider would formulate the profit margin in such a way since he controls the production line. The producer would consider the optimum production that gives his profit margin and thereby manipulate the size of production/capacity utilization. In other words the producer is able to fix the upper/lower limit of production for the purpose of maintaining his margin of profit irrespective of the GST. Under Indian conditions the Investors are risk averters. Our investors always beat around the bush and adopt a buck stop like approach until somebody good /context improves. Perhaps the advent of new technology may induce the production to pick up. Until such time the production possibility curve follows a linear path/ remains stagnant. In the absence of reviving the production through new technology there is no commensurate increase in GST relative to production. Hence GST too remains stagnant.

The implication of GST in the service category has to be viewed based on the quality of service provided. Even though GST is based on different slabs the question of quality of service provided has to be kept in mind and the quality of service has to commensurate with relative to the taxable slab. Unfortunately in the current context the consumer has to bear the burden of tax liability for the same quality of service provided. For instance, under Railways the air conditioned sleeper coach for two tier charges is on the very high side compared to three tier sleeper service for the air conditioned coach even though the quality of service remains the same.

Further, considering the hospitality/hotel services, the rentals are very exorbitant since the GST has been simply shifted on to the consumer despite the fact the quality of service remains the same. In such a condition, is GST welfare increasing? The answer is definitely no. It provokes a sense of injustice. Shifting the entire incidence of tax on the consumer has no meaning in the sense of welfare and it increases the burden arising out of tax and also it does not warrant the sense of justice. Such an approach makes the provider of service better off or rich and the consumer becoming the worst sufferer. According to the principle of public finance the taxation should adhere to the norm of maximum social advantage. That is, it states that a paisa taken away by way of taxation should be capable of generating the benefit equivalent to that paisa, then only it is welfare generating and the resultant tax could be justified. We find that such a principle is satisfied only in theory but not in practice in India.

Further, take the case of banking service being the lender of loan assistance to the needy investor by taking away the money in the form of deposits from the consumer. What is the performance seen in respect of public sector banks? Non performing (NPA) assets in the banking system have risen toRs.10.3 lakh crore or 11.2 percent of advances compared with Rs 8 lakh crore or 9.5 percent of the total loans as of March 31 2017.It is highly disappointing to note how Heads of banks make such wilful blunders with enormous expertise? Does it not amount to causing a great disappointment to the innocent depositors? Who has to bell the cat? Such people are at large day in and day out.

To put it bluntly the table shows the NPA of banks falling under different categories. “Functioning of real and unreal economy” for NPA OF DIFFERENT BANKS

Table-I

Gross Non-performing Assets (NPA) of Commercial Banks (Rs in Billion)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Category | 2014-15 | | 2015-16 | | 2016-17 | | 2017-18 | | 2018-19 | |
| NPA | % | NPA | % | NPA | % | NPA | % | NPA | % |
| A | 323.3 | 2.7 | 611.9 | 4.7 | 791.8 | 5.0 | 1039.7 | 6.8 | 936.4 | 5.6 |
| B | 278.5 | 3.2 | 539.9 | 5.9 | 684.7 | 7.0 | 895.6 | 8.9 | 739.5 | 7.3 |
| C | 34.1 | 1.3 | 56.2 | 1.8 | 93.2 | 2.6 | 129.3 | 3.8 | 183.6 | 3.5 |
| D | 10.8 | 1.4 | 15.8 | 1.9 | 13.6 | 1.7 | 13.8 | 1.6 | 12.2 | 1.2 |

A-Denotes Scheduled commercial Banks, B-Denotes Private sector banks,

C-Denotes New private sector banks, D-Denotes Foreign Banks in India

(Figures in percent are (NPA) to Total Assets) (Source: RBI Hand and Book of Statistics,2020)

Besides, there have been instances wherein individuals and companies managed to avail tax benefits from the Income Tax Department on the money paid to Security and Exchange Service Board of India (SEBI) to settle matters under the consent mechanism. It is non-deductible under US laws where the Securities Exchange Commission has clearly laid down that applicants cannot seek any kind of identification, insurance coverage or reimbursement including tax deduction or tax credit on such an account to the regular. The unfortunate aspect is our Income Tax practices allows this to treat that as a settlement amount as an expense while calculating the taxable income. On this score on FEB 2016 one of the popular industrialists who now owns a sick industry and in debt was exempted based on our income tax now in practice. He was however benefitted under the context explained above by the current income tax regime to treat Rs 50 crores as settlement charge to SEBI as an expenditure that led to the industrialist declaiming a net loss of Rs 43.22 crores for the fiscal. (This news item taken from The Hindu, the official newspaper of India).Such plight of tax evasion is an undesirable approach in a development context since the economy suffers for want of funds. People are remaining mute spectators to this type of miss- adventurism.

# **MINIMUM GOVERNMENT AND MAXIMUM GOVERNANCE**

To start with, let me fully congratulate the Honourable Prime Minister and Finance Minister of India for their crucial role in presenting a very praise worthy budget for 2021-22. The budget carries many positives and yet a few areas have to be handled with caution and care. It is praiseworthy on several counts. The first to mention is the significant departure observed in the budget from fiscal orthodoxy policy, advocated by western views on economic development for emerging economies. The prescriptions of the World Bank /IMF always give undue pressure on fiscal consolidation. The stress on ‘Macro Economic Stability” by the aforesaid IBRD institutions which often repeat to keep borrowings to be kept at low/ minimum has been set aside in this budget. India is in the orbit of development. Hence many more vital areas as well as those requiring correction left untouched several years’ needs immediate attention. Hence pump priming in the sense of Keynesian expansionary spending and focussing more on strengthening public infrastructure to attract private investment is the need of the hour. Hence fiscal deficit is justified.

Secondly, the centre’s move to increase food subsidy from Rs 2.43 lakh crore in the previous budget to Rs 4.22 lakh crores in the current one is really a laudable feature in the sense the poor people benefitted under PDS are taken care of and not ignored is to be appreciated.

Thirdly, increasing the size of the National infrastructure pipeline from existing 6835 to 7400(8.2%) projects involving a huge cumulative spending of Rs 132 lakh crore till fiscal 2025 would definitely contribute toward increasing the employment opportunities.

Fourthly the allocation to Fisheries to the tune of Rs 1220 crores involves modernisation of five major fishing harbours which includes promotion of seaweed cultivation. The latter is an emerging sector with potential to transform the lives of coastal communities. There is scope for a jump in employment opportunities under this sector.

Fifthly, in the privatising approach, encouraging and guiding the start-ups with sufficient support both in technology and finance would go a long way to enable them to exist, and prevail over competition that would emerge strongly from different corners. Further on this score the best brains that emerge from IIT’S and IIM’S must be encouraged under priority areas identified for privatisation and hence a relook in immigration policy seems necessary.

Finally, an increase in Govt expenditure to the tune of Rs 34.83lakh crore (14.5%) than the budget estimate of Rs 30.42 lakh crores, despite low revenue potential is a welcome feature in the sense of keeping development in focus. It includes the rise in capital expenditure to the level of Rs 5.54 lakh crores which accounts for34.5% hike over the current year’s budget estimate. Under capital expenditure, the Ministry of Road Transport and Highways receives 32.7% of the total outlay. That means the scope for unskilled employment is very high under the head Road project which accounts for 13000km. The States are allowed to borrow to a ceiling level of 4% of GSDP would help to consolidate their fiscal deficits to 3% of GSDP recommended by the 15 th Finance Commission.

So far so good while viewing the positive features underlying the budget. Overall the union budget rests on major pillars viz health and well being, Physical and financial capital and infrastructure, inclusive development, focussing on growth. Thus overall the Govt’s developmental politics expressed in the budget particularly on improvement under infrastructure has to be appreciated. Hence less of Government and more of maximizing governance are very explicitly viewed from the aforesaid perspective.

But there are dark sides too in the budget which need attention. The Govt has to approach the ambitious outlays on infrastructure development though vital but its impact on the real economy requires constant monitoring. The RBI’S inflation target approach needs revision which currently is bent on western views requiring introspection.(The need for a relook on this score is discussed in my article “My insights…. and “Dual factor Monetary Factor''…). Further the Govt’s attempt to recapitalise to increase credit flow should as far as possible focus more on the real economy instead of mere monetary expansion. The salaried group is normally well protected. But the welfare of the wage earning class especially in the event of mass inflow of migrant unskilled labour force in seeking employment into different States would be under peril if there is no adequate provision for the revision of wages in accordance with changing economic forces in the respective States where they get employment. Setting up a Wage Board to recommend wage revision at constant intervals would enable this group to be free from the clutches of private entrepreneurship which, bent upon efficiency, may ignore the welfare of the wage earning class. Of course the ploy of one ration card for the nation as a whole is a well conceived idea but its effectiveness while implementing in the field needs a wait and watch approach for quick redress since the outbreak of COVID-19 pandemic exposed the weaknesses underlying PDS(it seems the entire country now under the grip of second wave of COVID-19) .

The distribution of income needs attention in the event of privatisation given high priority under the budget. We have survey reports pointing out widening disparity under income distribution. The growing pattern indicates the gap between rich and the poor is vastly widening. The stress that GDP growth should precede first on all accounts and dismissing the concept of equity in the distribution of income shall be attended later seems a misplaced priority. It is not a very wise approach for a country swaddling under several layers with 23% of the population falling under BPL category out of the total population. This area needs a relook from policy perspective and intervention since it would impair social and political stability in the long run. This could be narrowed through by raising the tax to GDP ratio which currently is below keeping in view the growing privatisation approach. The earlier attempt of the government in reducing the corporate tax to 22 percent has not been accompanied by pick up in private investment. It is a discouraging feature. Further, regional disparity observed in the spread of industries as well as the State’s contribution to GDP/GVA found to be concentrated only in the West and Southern Region. In fact only Nine States for the entire country in the said regions are found to be predominant under the vital economic indicators observed above out of 35 States in the country. This area requires serious attention.

The budget focuses on FDI which may lead to large –scale privatisation. The area of interest under FDI indicated in the budget seems it may fall under banking and financial services. While looking into the prevailing scenario in South East Asia and Eastern Europe, privatisation of banks resulted in the increase of foreign presence. India has a large youth population but most of them are unskilled. The budget makes a mention of the apprenticeship category. That lone approach may not be adequate to absorb the huge volume of youth remaining unemployed.

Besides, there is more stress on self- reliance and stronger Indian companies. A rise in FDI means increasing foreign presence affecting local interest and further dislocation. With these attractive propositions in view to fulfil the Nation’s interest the unavoidable message to be kept in view is the commitment to meet the Fiscal Responsibility and Budget Management (FRBM) obligation. This may pose an obstacle to large-scale privatisation. In fact, reconciling these contrasting approaches need a measured step to move forward with enormity of vision and a cautious policy intervention to achieve success for such an innovative budget process adopted confidently never attempted before in the long history of India’s budget making. Once again congratulating our PM and Finance Minister in this pursuit for a huge success.

FRESH INSIGHT ON ECONOMIC THINKING

Nature has provided both renewable and non-renewable resources. Mankind was given dominion over natural resources to benefit mankind as a whole just as light is common to all. Fortunately the “Light original form of Creator” has been kept beyond the reach of mankind. In the same way seasonal changes in nature are also beyond the limits of human power to alter its potential. All these components of nature are to benefit mankind in equal proportion without any distinction. The ingenuity in mankind unfortunately enabled a few to extract more natural resources than what is needed for their benefit causing shortages. They in turn began to sell natural resources to others in need for the same at a price. While selling the goods at a price the man imputed a value over and above the cost of extraction/ production which created the notion of profits. This accumulation of profits led to further exploitation of natural resources causing the divide among mankind as rich and poor. Thus the greed led to selfish ends creating disparity in the manner of distribution of resources. Besides, mixing between cultures has led to differences in living standards. Thus mankind is prone to weakness entertaining that distant lend charm. It leads to further disturbance to nature and it has now come to the stage damaging and endangering the very environment for survival of mankind. The views expressed here are by and large keeping in view the emerging /developing economies. The ideas with regard to devolution of resources and areas requiring reform reflect Indian conditions.

Now under this backdrop we are confronting economic problems with fresh dimension. The economic problem that the countries face today is about equitable distribution of resources to generate surplus. A few countries flushed with surpluses while a majority are wallowing under poverty. The unfortunate one is at the mercy of the better off. The emerging and developing countries are compelled to reorient their development policies to protect environments already despoiled by the developed countries. The erstwhile free market approach (Laissez-faire) has now become outdated. The developed countries themselves have disowned the utility of this approach since the financial crisis of 2008. Instead the emerging/developing countries have to evolve policies in such a way that we have to resolve economic problems in the light of the following questions.

The current “Economic Mantra” is as simple as this. To ensure effective functioning of an economy we always need to know the answer clearly about- what we have, what we need and how to channelize the available resources between the most efficient and less efficient uses. Unfortunately these basic questions which should have been answered with a clear and right perspective were missed in the first plan itself in the case of India and it has been continuing still. I am sorry to say the continued disorientation without clarity is not accompanied by any appropriate step to correct the situation .Our bureaucrats trained with Western orientation obsessed with old ideas have failed to convert their knowledge prudently that suit Indian conditions. The saddest aspect of it is still reliance on Western prescription has tended to suit the former interest without causing any improvement in labour participation and in reducing income inequalities. The existing inequalities in gargantuan proportions is one of the major reasons for our country’s poor performance economically compared to EAST ASIAN neighbours-Singapore, Thailand, Taiwan, Japan and China the Giant . Napoleon once remarked to China” There lies a giant, let it sleep for it will wake it will shake the World”. Let us become conscious of this statement and align our economic policies in the right direction that suits our potential instead of relying on Western prescriptions. The days of oracles have gone (Oracles used in Greek Mythology). We are now confronting a situation in which every independent nation aspires to grow rapidly. Hence we have to fight our share in the global market/ economy to generate surplus both within and outside by formulating policies that suit our potential and adopt a wise approach for allocation of resources. Let us address the following questions objectively.

1. What are the resources that a country has in abundance?

2. What are the resources that a country needs to ensure a decent living to its population?

3. What are the goods necessary to make the country goods competitive in the international market?

4. What are the goods in which the country has a comparative advantage in production?

5. What areas that need immediate policy correction to maximize welfare?

6. How to allocate resources between various uses?

Emerging /developing countries are enough to answer the above questions prudently to ensure a decent position at the international level. The unnecessary dependency for making mathematical modelling is based on conjectures which a simple pandemic is enough to make our projections jittery to land into troubles unable to serve ordinary day to day needs of the people. Likewise making projections with limited potential without modernisation- I mean skill formation of human resources and giving preference for protection to family oriented industries and in certain cases without modernising capital equipment- results inefficient resource utilization making it unfit for the global market (not competitive price) and did not help in realizing the required objectives.

Let us now examine each question one by one objectively. To address the first one it is as simple as this. For instance let me start with citing a simple example. Let us assume the fountain pen used for writing is emptied, for want of ink. Immediately we take up the bottle with ink to fill up the writing pen. In other words the resource is within our reach and available. We do not face any constraint. In other words in this case we don’t confront the allocation problem. The efficiency of a pen is assumed and taken for granted. In a similar sense availability of ink is also assured. We are aware fully and certain about the efficiency of both pen and ink. But in the case of an economy we need to look with a modified sense. We are aware only about the plentiful resources on hand. What we need to look into is the rational allocation of the available resources to ensure efficiency as in the case of pen. In this connection prioritisation in allocation of resources assumes importance. To solve this we need to distinguish between urgent need and lesser one relative to its efficiency. Since our immediate objective is to generate surplus. More resources may be allocated to areas where realization of efficiency along with generation of surplus does not need and require any special effort.

To take up the second question viz the resources needed for a country, it depends on its demographic pattern in the first place. We need to distinguish between the population in the working group age and those who fall under non-working category. We need to provide employment for all those in the working group category to generate surplus. The term surplus carries special connotation for various reasons. A country enjoys surplus in certain resources and in certain others it depends on others. Herein perhaps it requires an appropriate integration and balancing between the first and second question. Had we allocated the resources in an optimal fashion in the sense of relative efficiency between its various uses we would have generated the needed resources from within. Our dependency on foreign sources would become minimal. To overcome the latter said constraint foreign participation may be allowed liberally to create the needed infrastructure. Absence of such adequate infrastructure in all probability would have blocked the momentum for growth. India is a classical case in this context. Despite seventy five years has elapsed since independence the country is still limping to erase poverty. The country is struggling still with a public distribution system whereas some of the East Asian neighbours with similar conditions while independence emerged as sound economies of the world.

Political will, to maximize a country's interest should become the prerogative and primary reason for decision making in allocation of resources and other interests may be treated secondary which may be postponed or ignored in making the country far superior in the eyes of others. In a Federal set up for instance vital inputs like Water, Energy of all types should be nationalized. Such intervention would definitely contribute to increasing efficiency and for better performance of the economy. These areas should be managed by specialized knowledge accountable to the top political boss of the country. In this connection it is pertinent to point out that the success of Democracy largely depends on Accountability. Absolute Democracy without Accountability is meaningless and it could not produce the desired result in a given time frame. History shows it resulted either in corruption or misguided effort to suit the whims and fancies of the parties in power. America achieved a dominant position as a developed country only after an interval of 150 years in1920 since its independence in 1776. The US then adopted the principle of a liberal democracy. Now such conditions could not be replicated for various reasons. In regard to availability of resources and liberal entry into other markets to generate surplus have become a feature of the past.

The current trend for Polarization of countries in ideological, security and economic sense has become the buzzword of the world. Technological, Communication and flow of information, by split second has become a common feature. The world has become border- less. It left to individual countries the ability to optimize results depending on its political will and economic strength. India now commands respect among the international community for three obvious reasons that suit Western interest. Primarily India is the World’s largest democracy. Secondly India’s strategic location geographically in the Indo –pacific region. Finally India is an emerging economy with vast market potential. In deleting these obvious areas diplomatically which seems basically opportunistic in nature the Western powers attitude to India may carry little significance. Because the Western powers notably G7, why not they come and harp together to make India a permanent member of the Un Security Council for which India has been lobbying for several years. Having known our “western comrade” a major troubling neighbour creating problems for India’s peaceful growth, why did the US continue to assist such trouble makers militarily? This is beside the point from our discussion but it carries relevance because India has to incur unnecessary military expenditure to safeguard its western frontier which otherwise would be spent for other economic purposes.

Most of the emerging /developing economies have suffered from dependency from outside sources. It developed due to misallocation and inconsistency in the pattern of allocation of resources. Because the existing pattern in the allocation of resources failed to generate surplus because of low efficiency. The growth models of the West in general are misguided efforts unsuitable for emerging /developing economies confronted with resource constraints in certain areas for aforementioned reasons. Hence it carries a cost to pay both within and outside. Perhaps payment to be made within may be postponed. But outside sources cannot wait. The commitment from outside should be settled at the earliest to reduce the burden. Hence the country concerned needs to allocate resources optimally to meet both its domestic needs and to meet foreign sources. To offset this discrepancy a country may allow for foreign participation liberally as already cited, ensuring full employment of the working age group population to generate surplus. In this connection lobbying for protection should be set aside to serve maximization for the country's interest and to benefit people to cause full employment.

While taking up the fourth question the allocation of resources must be directed more towards areas in which the country enjoys comparative advantage. While doing so it makes goods competitive to generate surplus both within and outside. To address this category people with special insight and specialized knowledge are needed. Bureaucratic approach will not address this equation effectively. India is a case in point. Splitting the country into different clusters based on its potential. Such clusters should be managed by specialized knowledge depending on each cluster. To realize this objective decentralization for development purposes is the need of the hour. There should be a compulsory legislation to combine 3 or 5 villages to make it a development cluster to ensure optimality in resource allocation installing development programmes appropriate to such village/urban clusters. Such consolidated conglomeration of villages/urban clusters should be arrived at the national level. Resource allocation patterns should be modelled on this basis. Large corporations should not be allowed to participate in areas/ interest allocated for such development clusters identified for the purpose.

Let me cite two major areas which need immediate attention viz Agriculture and the other in Industry. To address agriculture first, Let us specialize and distribute the area under major agricultural crops relative to agro-climatic zones spread over the country based on their average yield potential compared to all India Average yield under major crops. It would help to increase the comparative advantage. Even if the deficit arises there is no harm in meeting it through imports. Because it saves resources in the form of capital, input as well as subsidy needed to support the inefficient one. To avoid mono cropping in such specialized zones, adopt crop rotation based on farmer’s preference since they are more knowledgeable than our experts and administrators. Allocate more resources in such specialized zones since it enjoys the comparative advantage. Of course, under Indian set up where farmers' groups are difficult to convince, they may be educated appropriately about the comparative advantage to make their attempt competitive instead of a blind approach through legislation. The rest of the farmers may be entertained and encouraged according to their preference and educate them on the importance of competitive farming instead of their traditional bent based on subsistence farming. Legislation is made accordingly to avoid confusion both at farmer’s level and in policy making. Invite foreign participation to convince farmers operating at the subsistence level.

For instance, based on the latest data available, it indicates, (2018-19) the following States enjoys better yield than the all India Average in the following crops. The states are arranged commencing from highest to low yield per/ha under the respective crops. WHEAT (all India average-3533kgper/ha)-Punjab, Jharkhand, Delhi, Rajasthan, UP, West Bengal. RICE (all India Average2638 Kg per /ha) Punjab, Andhra Pradesh, Tamil Nadu, Telangana, Karnataka and West Bengal. SUGARCANE (all India Average-80105 ) Punjab, Tamil Nadu, Bihar, West Bengal, UP, Telangana, Andhra Pradesh, Haryana, Maharashtra, and GUJARAT. PULSES (all India Average757 Kg per/ha) Delhi, UP, Jharkhand, Bihar, Punjab, Uttar kand and, Madhya Pradesh, Telangana, and West Bengal.OIL SEEDS (all India Average1271 Kg per /ha)Gujarat, Haryana ,Rajasthan, Punjab, Jharkhand, Delhi, West Bengal and Bihar. More resources may be allocated to the above position in accordance with yield patterns to make crop price competitive. It would help to rationalize the subsidy component logically.

Finally while focussing on policy formulation the following areas need special attention.

The practice of preparing Annual Budget should be dispensed with for the following reasons. The tax proposals to take effect at the field level there is time lag which needs a special study to open up the issues underlying it. Further, large corporations easily tide over the difficulty because of its size and vast market. Medium and Small enterprises need time to align the input cost pattern and to maximize its resource allocation. The time lag involved in the process in deciding the above with their margin creates confusion to sustain in the business confidently. In the meanwhile the next budget arrives with fresh tax proposals. Hence the budget exercises should be done once in two years. Such elbow time is essential to assess growth and enable scope for further increase /decrease in tax measures. Large corporations should be taxed based on market size. Country’s interest should be the prerogative and must preside over corporate interest.

In this connection it is relevant to point out that “India’s FDI inflow for 2020-20211was reported to be US $81.72 billion. This is an overt picture. The disaggregated picture provided by RBI on this score is discouraging. It indicates that net of repatriation/disinvestment FDI inflows had declined by 2.4% in 2020-21, as compared to the previous year. This was due to a 47.2% increase in repatriation/disinvestment which accounted forUS$27.0 billion. Further the Article which narrated these specifies, FDI has not contributed to the revival of economy since it resulted in mere transfer of shares without creating productive assets in the country. Thus it makes clear to cause FDI to be productive we need to indicate our area of interest and invite foreign participation since our investors has the tendency to shy away from fresh areas. Our past history has vouched this point. The Article indicates the major beneficiary is RELIANCE GROUP. According to the RBI, non-acquisition- related inflows into the manufacturing sector were the lowest in 2020-21 even in absolute terms. They were US$6.7 billion in 2020-21 as compared toUS$12 billion in 2016-17, and were even lower than the previous year’s amount of US8.2 billion by 1.3%. The Article says a quick calculations based on the RBI data (which are gross underestimates) indicates that 34.9% of the reported inflows into the manufacturing sector were acquisition-related.”(these extracts were taken from the ARTICLE: “Record” FDI inflows, YES, cause for celebration, no”- by BISWAJIT, DARK.S.CHALAPATHI RAO FROM “The HINDU” OFFICIAL newspaper of India dated June 17, 2021). For further reading for India’s NSDP contribution, Region-wise and Industrial contribution under Gross value added by Industry, Region- wise read my Article (Economic Growth without commensurate increase in welfare-A conundrum confronting Indian economy.)

Petrol/Diesel pricing on a daily basis should be dispensed at once since it has a cascading impact on goods meant for common man’s consumption. The petrol should be brought under GST regime and the rate should lie in between 5to 10 percent region since it is subjected to inelastic category in the sense its demand remains assured and sometime it may also increase in consumption providing for optimum revenue buoyancy. Petrol and Diesel fall under the energy category. To improve better performance of the economy, pricing of these vital energy inputs should be handled judiciously. Since Governments enjoy monopoly (despite short lived decontrolling) for these vital inputs its taxing does not imply sky's the limit. These energy based inputs are sensitive to price impacting several areas of activities both for production and consumption. Both the Centre/State’s Govt’s should be wise and prudent in exerting their sovereign power to tax these vital inputs. According to one estimate, fuel charges account for 65% of operating cost in the case of commercial vehicle operators. Hence continuous increase in taxes coupled with daily pricing is an area for serious introspection at policy making. Oil consumption under transportation between 2012 and 2918-19 accounted for 20% increase on a point to point basis. Agriculture, mining and quarrying accounted for36% increase. Under such circumstances it impacts only the poor and middle income group who do not experience overnight increase in their wage/ pay. Keeping this in view focussing on monetary policy etc. bears little relevance. Since the current inflationary push of both wholesale /retail emerge due to tax impact and daily pricing of both Petrol/Diesel/. It clearly indicates groping in the dark without clarity in economic fundamentals. The most ironic aspect of it is the crude oil prices were at one point of time sliding down in the international market. How to explain this dilemma?

Let Emerging/developing economies make available literature of the goods that have a future at the global market especially the areas mentioned under PLI scheme. Disseminate such literature to educate the village/ urban population in their lingua franca. Arrange training of engineering graduates on goods having a future in the global market. Make him as a contact point for every village/urban cluster identified as a development unit for this purpose. Let the TRAINED Engineering graduates in the respective areas organise 5 to 10 local people according to his educational status. Let them set up tiny production kiosks to meet the needs of the major production centres both domestic and to generate foreign exchange. This will create fresh avenues for employment and they could share the benefit equitably.

The current thinking in vogue for start up in India without adequate exposure would not produce desired result. Instead combining likeminded individuals create confidence in sharing knowledge to produce effective results. The expertise/knowledge available in different areas of that development cluster would remain the axis point for assistance. Such an approach enables consolidation of development assistance. The development cluster becomes accountable instead of a single individual. It increases efficiency to expedite assistance meaning fully. Also it provides for easy monitoring and enables correction. Generally, the clusters suffer for want of operating cost and raw materials. Hence financial cooperatives for providing financial assistance especially for operating cost (working capital in particular) as well as cooperatives for raw materials may be set up in each cluster. Such an arrangement creates full employment of both men and material relative to each cluster. Bureaucrats should not be encouraged in such specialized clusters. Bureaucrats could not ensure optimality in the utilization of resources. The bureaucratic failures that emerged till the end of the twelve five years plan in the country are a stark reminder in this context. China has emerged as the Second largest economy of the World after completing the 12 th plan shaking the very hegemony of the US. Unfortunately India is still finding it difficult to free itself from the clutches of poverty composition which accounts for 21 percent of the population after completion of 12 five year plans.

Another area that merits attention is homogeneity. But in a diversified society such as India giving prominence to caste, language, creed, etc negate the perspective to arrive at a clear picture about the distribution of population and their standard of living. The current practice of allocating funds for the welfare of people has no meaningful denominator. Perhaps to have such a denominator may sound meaningless. Since the country has 21 percent of the population falling under BPL category. This is one aspect of the economic problem. There is another dimension with regard to allocation of welfare funds to the most deserving population group falling under different income categories. To avoid discrimination the need arise to split the population under different income category. In a Federal set up the population group receiving assistance both from Centre and State more than once is a possibility. In this connection the per capita income of the country may be taken as benchmark income to distribute the size of the population. BPL group would remain a constant category. The rest of the population may be grouped (per capita income of each State) in relation to per capita income of the county into Very High, High, Medium and low. Of course the 15th Finance commission took the average GSDP for three years (2015-17-2017-18) to measure the distance in income from the highest income for devolution of resources. It gives 45 percent weight for this purpose. States with lower per capita income are eligible for a higher share.

This approach is discriminatory in nature. It is discouraging and a sort of disincentive to better performers. Such poor performing states may be encouraged to improve performance in a given time frame through policy intervention and not at the cost of better performers. Even in GST collection only Eight States contribute 52.8 percent for total GST collection as of December 2019. (Maharashtra, Karnataka, Tamil Nadu, Gujarat, Uttar Pradesh, West Bengal and Delhi).It suggests certain structural components contribute to poor performers. Therefore to have an objective criterion the entire population of above BPL in the country may be grouped based on income class. The following five income levels may be considered for this purpose.-Very High, High, Medium, Low and very low. It would enable us to watch and monitor closely the last two categories to improve their performance through radical policy intervention. In this connection the pace of momentum of per capita GNI between 2012-13 and 2018-19 indicates near stagnancy. Likewise a similar trend observed under per capita Private Final Consumption Expenditure (PFCI)( please see my Article- Economic growth without commensurate increase in welfare- Conundrum confronting Indian economy)

To cite another instance we take the Value added relative to the highest number of villages in the country. It indicates Maharashtra State with 6.64% of villages in the country contribitute17.6 % under Total Value added for the country. Uttar Pradesh with the highest number of villages in the country with16.39% could contribute only 4.6% under value added followed by Madhya Pradesh 8.1%of villages providing 5.7% under Value added. The others are Odessa with 7.85 village’s contribute 2.3%, Bihar with6.79% contribute 2.8%, Rajasthan with6.91% village’s contribute 2.4% under value added respectively. Thus these States suffer from structural problems which need to be addressed with effective policy intervention. Development accompanies urbanization. Hence the states with a high proportion of villages need urban infrastructure which is one of the reasons for our industrialists shying away these locations.

Likewise if area under irrigation is observed it shows States with low irrigated area able to achieve higher yield / per ha under Total Food grains production compared to all India Average. Madhya Pradesh with 29.1 % area under irrigated cultivation could register only 1970 KG per/ha compared to All India average yield of 2286 Kg per/ha followed by Karnataka with 8.7% under irrigated cultivation could realize only1422 Kg per/Ha. The State with highest yield per ha is registered in Haryana which works out to3981Kgper/ha as of 2018-19 for which the latest data available. The other States with highest yield are Telegana3035Kg per/ ha, (4.0%) ,Tamil Nadu 2972 Kg per/ha (2.3%), Andhra Pradesh 2694Kgper/ha (7.6%), and Bihar 2402 Kg per/ha (8.6%). The poor performers like UP, Bihar, Karnataka, MP, Rajasthan, Odessa, Need special attention to improve their performance. Pumping in more resources to such States would not ensure better performance. (Figures shown in brackets are irrigated areas) Historically, these States lagging behind in other areas too apart from these specific indicators cited above.

Let the emerging /developing countries, to say philosophically focus to better off in areas to ensure full employment both men and material. It would ipso facto provide sufficient income to enable an individual to meet his daily needs according to his capacity. It maximizes individual welfare and enables full employment of both men and material and improves a country’s image realistically.

Let us be clear about where we are efficient and enjoy comparative advantage in production. The quest and thirst for projections are to ensure stabilization for saturated economies like the West and not for emerging/developing countries where we confront poor /under utilization of resources causing low productivity of both capital and labour. (Read my article on-Economic growth without commensurate increase in welfare- Conundrum confronting Indian economy). In this connection the need of the hour is to urge all the States in the country to prepare immediately a comprehensive report on the surpluses of resources/deficit (apart from labour, since India is a labour rich country) and invite foreign participation to supplement capital. Production linked Incentives (PLI) scheme may be cited as an example in this connection. The PLI indicated 10 broad categories for participation. Who will come forward to invest? In this aspect it is relevant to cite that the spread of industries in the country gives a discouraging picture. The industrial spread in India in terms of value added shows it is limited to nine states only. Of this only West and South contribute 73.2% of the Gross value Added as of 2018-19. The country has 32 States besides union territories. What about the performance of the other 23 States in terms of value added? It shows our investors are risk averse. They follow a bug stop approach and adopt herd behaviour. Therefore umpteen PLI type schemes would not help to industrialize the country. In such areas liberal foreign participation may be brought in to overcome the shying away attitude of our investors.

FDI flows for 2020-21 as per RBI report make it clear how we are still uncertain about areas to channelize foreign participation (explained above). Unless we are sure about our areas of interest, the foreign participation would result in speculative investment for easy transfer of benefit without the country's benefits. It is the right time to invite global participation and even influence foreign participation that suits the country's benefit. Till such time indulging in making vague policies continues to benefit a few industries seeking protection which in turn monopolize the resources at the expense of ruining the country’s economy. This would result in wastage of resources – both capital and input. To reduce the subsidy component let us distinguish between the most efficient and less efficient use in resource allocation. The second area coming under industry is addressed below under policy reform.

Need for Radical Reorientation under policy formulation the prime need

Perhaps it may sound like a repetition of certain areas already highlighted in some of the articles in this book. The primary aim here to focus those areas is, they contain enormous potential to generate income and employment. This is the need of the hour to stimulate economic activity and enable the middle and poor income group to participate actively free from the depression caused by the COVID-19 pandemic. The areas that are cited require bold legislative and political courage to improve the image of the nation in the eyes of others both within and outside the country. Let us make our house healthier before trying to encounter and focus to satisfy the interest of fair weather friends.

In this connection Chanukah’s political philosophy seems appropriate to adopt. The former reiterated the view that the maintenance of friendly relationships with enemies until the time fruition enables confrontation. Therefore let us not spill our energy and resources and treat others as fringe requiring lesser attention. The potential areas in this connection are:

1. Have full faith in the principles of the constitution. It states India is a country of the Federal Democratic Republic. Keeping it in view invites foreign participation to connect major rivers from North to South and toward West. It has vast and enormous potential to generate income and employment both for skilled and unskilled labour. Dubai, a fishing village in1954 turned into a world trading centre within a span of 20 years because of the commitment of the UAE leaders to spend the Petro dollars genuinely for development. When such a smaller one and desert State is able to achieve this, why not we? We wish to become Super Power in another 20 years but our focus is not broad based and wanting on several areas. Be liberal with foreign participants to take the least of about55%- 60% of the profit. At the same time, indicate the time frame to complete the project.

The country is ranked 101 among the 151 country’s under income inequality adjusted HDI. Also we have 23% of the people under BPL category. It is sorrowful to observe that India is one among the major producers of food grains production in the World and yet and still 67% of the population are requiring Public Distribution assistance. These are records to show the need to revise our approach under policy formulation as well as under implementation. Herein it requires the bold legislative spirit and a stout political will setting aside all other interest and giving a Sovereign role to the spirit of Federalism enshrined in the constitution. These days’ people have become more conscious of the need for a development role to be played by political parties since penetration of the internet provides the show virtually about developed countries and our own people undertaking visits as tourists to foreign countries expect a similar condition in our countries too. The country now enjoys a solid power structure at the centre and all it needs is the political will.

2. Install NITI Aayog on a regional basis dividing the country into North, Central, East, West and South. Let this group conduct a comprehensive survey assessing the potential of resources both men and material. Labour in terms of skilled and unskilled. Assess the comparative cost advantage of producing food grains in each region. Likewise assess the potential for industries. Allocate resources based on comparative cost advantage. Invite foreign participation where private interest has been shying away and organise industries on a cooperative basis. It has been the trend (shying away attitude of PVT investors) for the last 75 years. Encourage export potential relative to each region. DO NOT ALLOW PRIVATE PARTICIPATION WHERE INDUSTRIAL COOPERATIVES ARE OPERATING. Allow the foreign participants to take 55-60% of profit within a given time frame and develop local skill within that period. Reinvest the balance in those regions to exploit the existing potential. Encourage only industrial cooperatives in medium and small scale sectors in the respective region. Develop the required infrastructure like schools, Health, Road, and Banks. Replicate the approach in all the respective regions identified for this purpose on town ship basis.

3. Develop the Industrial cooperatives to provide financial assistance to meet operating costs particularly the working capital needs depending upon performance. Also establish Industrial cooperatives to meet raw material needs depending upon regional requirements. Provide concessions in price for better performers. Earlier attempts on a similar basis failed because of lack of required skill and poor bureaucratic vision. Now the country has abundant unemployed engineering graduates as well as the working group population in the age group-which constitute two thirds of the total population in the age group of 15- 59 years (timessofindia.indiatimes.com>...) One estimate states that the average age of the 125 billion strong Indian population will be 29 years in 2020(www.business- standard.com and by Press Trust of India- Home>Pti stories)

4. In this connection it is more appropriate to mention the findings of the International Financial Corporation (IFC) Report on MSMES for India released in November 2018. It estimated the potential debt based credit debit gap for MSMES. This sector contribute31% for the country’s GDP, 45%under overall exports, and provides 124 million jobs close to 56 million enterprises. The report says the addressable credit gap to this sector is estimated to be Rs 5.9 trillion(US$90.6 BILLION) Further the report highlights the credit gap cited above constitute 23% of overall affordable credit gap. The report says that it is due to low penetration as well as risk aversion from financial institutions especially in Low income States (LIS) and North East Region. An estimated 47% demand for credit arises from the manufacturing sector. The report says MSMES are functioning in highly competitive environments to sustain growth. Hence MSMES need adequate care and attention enabling the country to become a Global economic power. The LIS, debt demand for credit accounts for 24%. This would enable it to contribute34% to GDP enclosing 53% of the country's population. The North Eastern region requires a negligible proportion of 1% contributing 3% to GDP with 4% of the population. REST OF INDIA requires 75% of debt demand for credit contributing 63% to GDP with a total population of only 43%. Of the total of 600 clusters identified by the States in this regard SIDBI identified 10 clusters to identify the relative position of debt demand credit. It indicates that on the lower side Mysore (in KARNATAKA) requires a low of 1% for furniture and a high of 64% for Engineering in Chandigarh (PUNJAB). Chennai accounts for 32% under leather.

5. The foregoing Para indicates the need to evolve appropriate policy intervention based on our condition and potential. It is better to avoid the carbon copy approach instinct. There is no harm in learning the basics from the well informed knowledge and practices. There is no hard and fast rule to adopt and replicate the same in our conditions which is still wobbling under poverty. Fair weather friends advocate using jargon such as Emerging economies, Fast track growing economy and so on so forth to contain development assistance and concessional finance. In fact concessional finance has now dropped down to 8% for our country. These are all misleading jargons to restrain progress creating a condition of ever dependency status for all purposes and to exploit the vast marketing potential available in the country. One pandemic demonstrated how strong we are and fast we are. Let us be prudent and wise enough to follow our own course. Some of our friends are fully aware that our “western neighbour” is thorn in our flesh blocking our development goal and now another one cropped up in the “Himalayan Region”. The latter’s role in 1962 as well as in 2016 is a well known fact. That friend wants to isolate us and try their level best to make us impotent economically. But shake hands and exchange pleasantries and diplomats. Outwardly everyone displays friendship following Chanukah’s policy but inwardly their spirit is like a wolf in sheep’s cloth. We need to be extra cautious to assess who is the Black sheep?

6. The US took 175 years to attain the status of a developed nation.Uk colonialists exploited us 200years.Infaltion targeting seen in this light under monetary policy needs a different orientation keeping in view the debt demand credit identified for MSMES by IFC. The case for inflation targeting in the developed region provides visibly a varying context. They are confronting to stabilize their existing growth pattern since they reached a saturated level from a development point of view. Even if one observes the noble winning laureates in Economics many concentrate on stabilization policies. Our learned conclave says even New Zealand is following “Inflation targeting”. All these countries have reached the status of developed country. Our country is still wobbling under poverty. Is it wise for a poor man to wear a rich man’s shirt? Nor could we tailor our shirts just to demonstrate we too are rich while inwardly a bulk of the population reeling under poverty. One pandemic has exposed our economic strength which is filled with a few rich, demonstrating to the World at large the enormity of pauper’s condition. Even the pattern in the distribution of agricultural and industrial credit indicates only Nine States out of 32 States in the country absorbs 63% of the credit distributed by banks. It shows the poor manipulation of monetary policy. When the bulk of the states remaining idle contribute nothing (shown as LIS) for availability of goods and services, what is the objective behind inflation targeting?

Let us awaken to our situation and revise our monetary policy approach and aim at better utilization of resources and potentials causing increases in income and employment. Avoid remaining still a mere carbon copy of untenable practices that operate against our interest. The developed regions followed a price mechanism in the allocation of resources and now they too have disowned it since the advent of the financial crisis of 2008. BUT IN OUR COUNTRY WE HAVE ENORMOUS RESOURCE REMAINING EITHER UNUTILISED OR UNDERUTILISED. Our unrealistic policy formulation resulted in poor and underutilisation of resources. Hence we need more credit at the field level to increase the production of goods and services needed by the population. Let us evolve the credit need on a Regional basis as explained in detail in the aforesaid areas and enhance increased participation of men and material to prevent inflation. The prime need of the situation is to provide the basic inputs like “affordable credit” needs to the underdeveloped areas and focus attention on development of other urban infrastructure to attract private investment. Instead we indulge in solving complex equations without fulfilling the basic needs. Likewise a look into disaggregation studies attempted in Economic Survey of 2020-21(Vol-2) to assess resources efficiency is a kind of half step and in jump before fulfilling the basics at the field level. Let us look ahead with all humility into basic fundamentals where we have been going wrong so far (75years lapsed till gaining independence and still there is enormity of inequalities and India ranks 101 among 151 countries under inequality adjusted HDI) and it is better to avoid beating around the bush.(following blind man’s approach of squeezing the so called repo rate -increase/decrease- and repeat endlessly in a vicious fashion). In short, inflation targeting is undesirable for a developing country like ours.

7. Finally to mention the very idea of liberalization is to enable financial services penetration into unbanked areas to promote industrialization. This is not achieved. Instead there is overgrowth of the derivatives market which carries no independent value. Further, of the listed companies in the stock market only fractions of it are actively traded. Under BSE (Bombay stock exchange) out of 8000 listed stocks only 3000 are actively traded. In NSE (National Stock Exchange) out of1600 stocks listed only 1328 are in active trade. Hence financial deepening intended under the liberalization process has not been realised practically. Therefore the need of the hour is to redress the structural deficiencies underlying several areas. In fact the very idea of liberalization is for industrial promotion. But industry contributions to GDP remain stagnant hovering around 22 to 23 % for the past 30 years since liberalization. If a collaborative participation from all stakeholders viz Regulators, market players and investors are harnessed in the right direction Indian financial sector functioning could be changed dramatically.

According to the IFC'S Report cited above, MASMES requires immediate attention. Giving unnecessary focus to monetary policy with vague ideas and sense would cause more injury than benefits to the country which has been wobbling and jittering to come to terms since the 2019 injury inflicted by COVID19. This should have caused an awakening at various quarters. We operate and work in different situations compared to our developed friends in different parts of the globe. Approach the Indian context that suits Indian potential and aim for providing liberal assistance needed under several sectors to cause and generate income and employment which have been continuously neglected. Who prevents us from being innovative under monetary policy instead of following outdated approaches which are harmful in making our country achieve the desired goals? We need people with good ideas, understanding the functioning of our Economy with a clear perspective in all directions and ability to manoeuvre the idle resources productively and make the country a SUPERPOWER BY 2050.

PART-III

Poetry

# **Reconciliation**

I see in you new hopes

Sailing toward a brave new world and

Deliver me into a high state full of

Delightful thoughts are fresh, full of glory and honour.

Relegate the distasteful thought.

That discomforts you, ubiquitous spirit

Tending our love to grasp and unify

That bond which shall grow.

Let happiness in thought,

Leave you joyous in action.

Let us recall the day of union,

Full of hopes, trust and kindness;

Fear not, let twilight blossom into a source full morrow,

You are always mine and I yours.

Your energy and intellect,

Tuned in moulding future

Shining young one our symbol of love

Shall grow up sprightly and mightily

In honour and glory, also our aim

Maim not the darling soul.

Lure my soul and reconcile for merriment

Turn your lips in smile,

Turn in succession with a swaging style.

Trembling heart, tickle to treasure the blossoming smile

End the baneful thoughts that beset happiness,

Be sent into oblivion, Behold the Almighty!

Yonder spirit sure to shower new hopes

Yearning for tolerance and fortitude that is ours,

Since divinity dwells in us

Dismiss my incredulity longing for neighbouring soul

Level my soul and seeking retribution

Now “True Love" shall dwell in you everlasting.

# **Solitary Evening**

I wandered lonely on an evening

In search of soul matching mine

I saw the sky above, and earth below

Wondering where am I

I saw the sun shying beyond and

I am afraid darting another day and

Yet the distant light kindled hopes,

Sure of seeing a matching soul.

A loud shriek, chilling spine,

Erect, I stood to watch,

Horrible sight to notch,

A humble soul transmigrate,

Eternity demands that soul to cross,

Sordid tale that day was to pass.

A gentle breeze was touching me.

Evoked my senses, sends

Solitary heart, to sail with new hopes

Evening that was so cruel, losing excellence.

A blissful dawn, nudging through,

Hope full of boisterous days.

Yesterday's pain nimble mind,

Events full of the past troubled my soul.

Yonder sun about to sink

Knowing not how things come.

Now it came, in thundering speed,

Decree was to see the matching soul.

Loneliness no longer mine,

Engaging always with the darling soul

# **Oh! Expectations**

The day dawn with expectations,

Some for new hopes and promises,

Sure, Men of action toward profits. Alas!

Sight of Poor man's and his thought traverse for nothing

Give to the poor! Men of ideals and actions,

Give hands to save the poor,

Relieve him from bonds of poverty.

Yester years has seen the hunger

Rare was happiness unto him ceases to form.

Men, you oh blessed! Save the poor;

Relieve the poor from the clutches of poverty.

Yonder were the Promises, expectations, Hopes been

Now Poor man's protégé, put an end to it;

To-day let Peace, content, happiness shall fill poor soul

Let us all give hands to save the poor.

# 

# **EPILOGUE**

I am indebted to Prof. G. Chidambaram (G.C.), the founder Director, Department of Evaluation and Applied Research (DEAR). But for his sincerity and integrity in recognising the genuine individual with research talent and intellectual bent I would have ended my professional career in an obscure fashion. Besides my teaching experience for ten years on Advanced Economic theory, Monetary economics and Sociological theories at Post –Graduate level for students (Entire student composition were teachers in Economics/Sociology aspiring to become PG teachers for teaching Economics/Sociology to Plus2 students emerged in TN state in 1978) appearing privately has come in good stead for Research pursuit in my entire carrier. I am thanking you individually with a profound sense of gratitude and remembering “Sir”, always as an “Excellent Human” with great intellectual taste” throughout my life.

Prof. G.C. displayed his acumen in the evolution of Evaluation sense under Tamil Nadu Govt Administration with the benevolence of the then Finance Secretary. During the long tenure of Prof. G.C. in DEAR commencing in 1974 till his retirement in 1988 Prof. G.C. had a very challenging atmosphere emanating both at the Administrative Head of the Department at the Secretariat and the spread of respective line Departmental Heads other than secretariat. Tamil Nadu, then was under the phase of implementing new developmental programmes and schemes involving huge investments under the aegis of international institutions like World Bank, DANIDA, and Swedish assistance covering Agriculture, Irrigation, Forestry and Health to mention a few major sectors. Besides, plan schemes both with State and Central assistance were galloping at a steady pace.

Most of the schemes aimed at improving efficient allocation of resources with a cost effective approach, a few with long gestation falling under Agriculture, Irrigation and Health. International agencies involved in financing such projects stressed on “BENEFIT –COST ANALYSIS”, gaining importance then under economic parlance focussing more on investment analysis for allocation of resources. The programmes under Agriculture involved in spreading a fresh approach about new technology enabling improvement and adoption at farmer level in the sense of rational utilisation of inputs to achieve better yield level of crops. Likewise under Health it involved in fostering knowledge on hygiene among women and better intake of Nutritious food among children.

Such programmes involved monitoring and concurrent evaluation for improving the implementation status to realize the objectives envisaged under the respective programmes. Therefore, it requires specialised knowledge under evaluation and Prof. G.C. because of his genuine hard work, developed the vision on evaluation component and so to say the pioneer for evaluation sense in the State Administration. In fact when the researchers go to field study, the regional Heads of Department recognise the Evaluation Department only by mentioning the name of Prof. G. C. Such was his eminence for the spread of evaluation sense throughout the State.

Prof. G.C’S exit post retirement, DEAR witnessed a steady fall both under intellectual and sense of evaluation witnessed ignominy just like the fall of “Mohall Empire” during the reign of ‘Aurangzeb” since the latter could not bear the inroads of several “Deccan kingdoms”. Historically speaking it was said “DECAN ULCER” ruined the Mohall Empire. In a similar sense because of inadequacy under an analytical frame and limited perspective on all fronts, the “Uniqueness of DEAR” which Prof. G.C. created and built “Evaluation component” as a single soul in the state, lost its glowing presence in the eyes of Administrators.

Some of the good reports were shelved saying it is of “academic interest” and certain others without assigning any reason. Is it fears of an elite group of officers or envious of the quality in the report for shelving? It remains a mystery to me since I authored those reports. The report under the Forest sector for instance involved a consultant in the cadre of retired ‘Conservator of Forest” of that Department, who fully acknowledged the findings. The Productivity under forestry has gone down from 1450 ton per/ ha in 1960 to 450 ton per/ha in 2000. It involved hectic analysis since the colonial period to the present day and suggested opportunity cost of forest lands. Discarding valuable reports for helping policy level decision making has become the order of the day after Prof .G.C’S exit. Above all, the promising ones were discarded and fresh recruits were misguided. Fortunately,( I mention this with a sense of pardonable pride) another report under “Forest-sector” authored by me was acknowledged and appreciated as ‘Excellent'' by the then Commissioner and Secretary to Govt, P&D, and recommended it to G.O.I. as a “guideline” for allocation of resources to Hill Areas Development Programmes and Western Ghats Development programmes in the state. In my 30 years of service under Govt I had completed only 16 valuable reports. But as an independent evaluator my output was 51 reports, appreciated by Secretaries of concerned Administrative Dept.

Further, “Employment” as an area for Research purposes for the award of PhD should not be entertained. It is one of the bogus areas under economic investigation. Even a street mason with a given sum could precisely estimate the employment component. Now topics on economics are undergoing radical changes. Limited income approach of yester years now has become untenable since consumers enjoy enormous credit facilities under income composition(like credit card facility) shook the very fundamental concepts in economics and the burst of information technology particularly through the internet, GOOGLE search engine facility. Hence, one needs to pursue economic concepts keeping the current global trend in view. The other area for instance the SDR (Special Drawing Right) used as a substitute for Gold by the IMF was formerly consisting of 14 currencies. Since October 2016 SDR basket consists of five usable currencies: US Dollar, Euro, China renminbi, Japanese Yen and Pound Sterling. The very purpose of mentioning here is China which was neglected by World bodies as a poverty ridden country now drew the attention of World bodies. China liberalized its economy in 1980 and it became the second largest economy of the world in 2012 by the end of its 12th FIVE YEAR PLAN jolting the hegemony of the US. INDIA liberalised its economy in 1991 and is still limping. At the end of 12 th plan the BPL group in the country constituted 23% of its population whereas China wiped away the poverty category. Whose failure is this? Does it not reflect failure of appropriate policy making and a poor bureaucracy component enjoying time scale benefits and other perks? The most unfortunate aspect of it is that the same picture continues (LACK OF FORESIGHT AND A COMMITMENT TO PROGRESS). I detailed the areas requiring reform in the last two topics on economics.

I really felt sorry to point out these aspects because I too had the sense of sincerity and integrity which you preached that “work is worship” and often repeated that an evaluator should be more than a judge and he should not lose the sense of objectivity and observation. Unfortunately, the approach to evaluation was mired with audit sense, losing the “unique identity'' the innovation “U” caused, SIR, as tradition among administrators and implementing departments. DEAR has become a routine Govt Department adopting the practice “as usual approach” the most deplorable feature observed under Govt administration. I applied Algorithm used under computer parlance which is self learnt. To put it in simple terms it involves raising a series of sequence questions relative to your area of endeavour. The computer provides the data. Nevertheless it needs the ability to identify the relevant from a mass array of data. My exposure under evaluation, one year in appraisal in preparing the chapter on Industry as well as a year in SIPCOT widened my vision including of course my Doctoral thesis on International finance have helped me to grow up my vision to this level. There is a question in the IAS examination, is it hereditary or environment which is important. I say both. I give prominence to the former accounting 80%and the latter 20%. Let me stop with this. To repeat what Prof. GC”s often repeated. “Don’t sermonize”. I practice what you preach.

To conclude, I could not resist praising your glorious days in which I too had the opportunity to serve DEAR more wisely.

I also remember with gratitude the late Prof. H.J.K. Suganthan who was instrumental for my promotions on two occasions from the lower to higher level. I also remember and record with thanks the silent senior officer late, Mr K.V. Palanidurai in whom I learnt the sense of patience and acquired the ability for locating data availability from different sources. I also remember the late Mr S.N. Rajan who helped me enter into the appraisal wing which enlarged my mental horizon focusing more on the analytical frame and my perspective on the State's economy on Industries. I also remember with profound sense of gratitude Prof.L.S.Singh Head, Department of Economics, Magadh University, my Guide for Ph D. in providing valuable guidance in my research venture. I am also thankful to Mrs. Vimala Grace who endured the task of typing doctoral thesis for Ph.D.

I remember Mr.P.Vadivel,my co- entrant and the only gentleman who gifted me with a book “My Experiments with Truth” by M.K. Gandhi for getting the Doctoral Degree(PhD) in Economics, I also remember Mr. K Ravi who guided me severally while entering DEAR.

Finally, I always cherish my Intellectual companion Mr Jailani Basha having a perception of higher order matching the elite group officers, a sincere gentleman with integrity and with least sense of guile in him. Our association has been in progress and it will continue as long as the Almighty intended to prolong.

I repeat my sense of gratitude and “THANKING YOU” immensely, Prof G.C. Sir, enabling me to endure the sense of research pursuit on different topics till now. It is your mantra “Work is Worship” that sustains my interest, and above all provides intellectual satisfaction. I would like to quote what J.M Keynes said, “Knowledge” is the only factor of production which is not subject to the law of “Diminishing Returns”.

# 

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