

# Micro notes week 39

## Economics

### Farm lessons from China, Israel

- China's per capita income in dollar terms is almost five times that of India, and Israel's almost 20 times higher than India.
- In 1978-84, farmers' incomes in China increased by almost 14 per cent per annum, more than doubling in six years.
- Israel cultivates high-value crops for exports by using every drop of water and recycling urban waste water for agriculture, by de-salinisation of sea waters.
- Water accounting in Israel is something exemplary.
- Israel uses sensors, Drones, Vertical farming.
- R&D (17 percent)
- Linkage between Farmers, Agro industries and labs

#### Need for agri-reform in India

- The average holding size in China was just 0.9 ha in 2016-18, smaller than India's 1.08 ha in 2015-16.
- Small holders can do wonders- given the right incentives, good infrastructure and research support, and the right institutional framework to operate.
- Indian agri-food policies remained more consumer-oriented.
- Farmers' incomes remained low and so did those of landless agri-labourers.

#### Way forward

- Change its policy framework from being subsidy-led to investment-driven, from being consumer-oriented to producer-oriented, and from being supply-oriented to demand-driven.
- Linking farms with factories and foreign markets, innovations-centred system.
- India must break away from the policy of free power for agriculture
- Highly subsidised urea and open-ended procurement have become a deadly cocktail
- Out-of-box thinking is needed to break this regressive cycle.

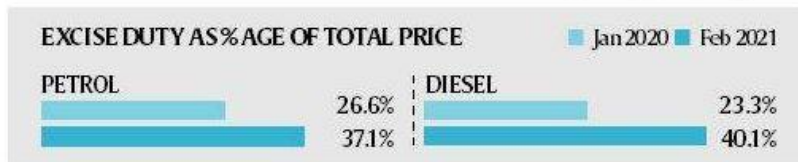
## 2. Why are Petrol, Diesel prices rising?



**CHANGE IN PRICES: INDIA AND THE REST**

| Country          | Jan 2020<br>(in USD/litre) | Jan 2021<br>(in USD/litre) | Change  |
|------------------|----------------------------|----------------------------|---------|
| India            | 1.03                       | 1.17                       | 13.6%   |
| China            | 0.72                       | 0.71                       | - 1.4%  |
| USA              | 0.67                       | 0.62                       | - 7.5%  |
| Brazil           | 1.07                       | 0.85                       | - 20.6% |
| UK               | 1.66                       | 1.63                       | - 1.8%  |
| Crude per barrel | 63.65                      | 54.77                      | - 14.0% |

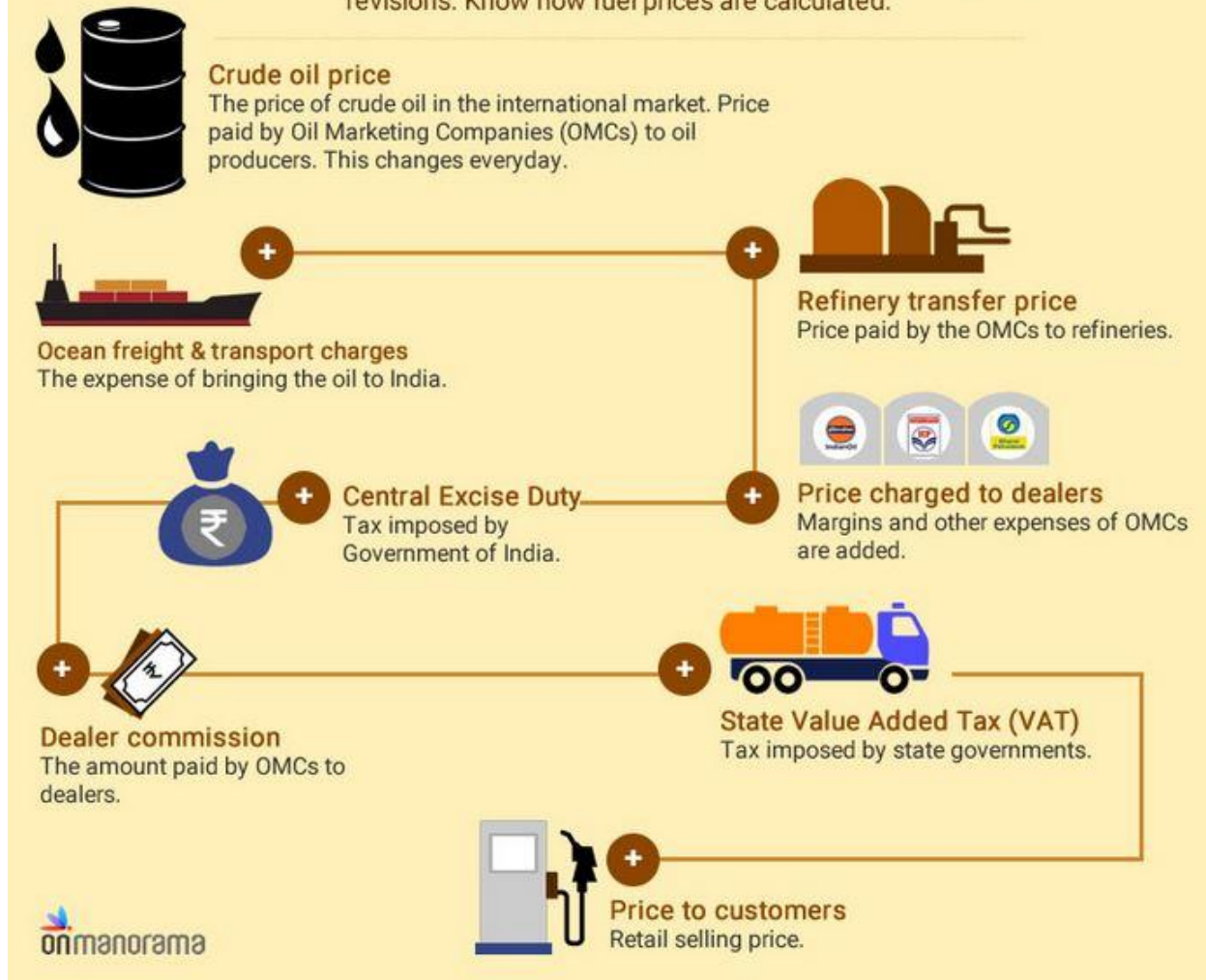
Source: PPAC, Trading Economics, Statista



**Fuel price dynamics in India**

# BREAKING DOWN PETROL & DIESEL PRICES

Petrol and diesel prices have steadily been increasing after daily price revisions. Know how fuel prices are calculated.



- Retail petrol and diesel prices are in theory decontrolled — or linked to global crude oil prices.
  - But this does not happen in practice, largely because oil price decontrol is a one-way street in India.
- Global crude oil prices ↓ and prices slide, the government taxes ↑ and levies to ensure that it rakes in extra revenues.
- The main beneficiary in this subversion of price decontrol is the government.

## Why crude oil prices are rising now?

- Prices collapsed in April 2020 after the pandemic spread- demand fell away- later travel restrictions reduced and factory output has picked up- global demand has improved, and prices have been recovering.
- Saudi Arabia voluntarily cut its daily output.

### How will these hikes impact inflation?

- rising fuel inflation has been counterbalanced by declining food inflation
- Rising fuel inflation may pinch consumers who have to travel further for work

## 3. Mahabahu-Brahmaputra

Hon'ble Prime Minister  
**Shri Narendra Modi**  
to flag-off indigenously built  
**Ro-Pax Ferry service**  
between Dhubri - Hatingimari  
on Brahmaputra River

महाबाहु  
ब्रह्मपुत्र  
—समृद्ध पूर्वोत्तर से संपन्न भारत की ओर—

220KM  
Distance will be  
28 KM THROUGH RO-PAX

08 Hrs  
Road

03 Hrs  
Ro-Pax Ferry

To be transported annually

- 3 lakh passengers
- 2,400 trucks
- 60,000 thousand two-wheelers/bicycles

Around 1.32 lakh litres of fuel will be saved

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- The program is aimed at providing seamless connectivity to the Eastern parts of India.
- Includes various development activities for the people living around River Brahmaputra and River Barak.
- **PANI (Portal for Asset and Navigation Information)** will act as a one-stop solution for providing information about river navigation and infrastructure.

## 5. Fifteenth Finance Commission

- **Article 280 of the Indian Constitution defines the scope of the commission:**
  - The commission is constituted to make recommendations to the president about the distribution of the net proceeds of taxes between the Union and States and also the allocation of the same among the States themselves.
  - It is also under the ambit of the finance commission to define the financial relations between the Union and the States.
  - They also deal with the devolution of unplanned revenue resources.
- Important functions
  - Distribution of net proceeds of taxes between Center and the States.
  - Determine factors governing Grants-in-Aid to the states and the magnitude of the same.
  - To make recommendations to the president as to the measures needed to augment the Fund of a State to supplement the resources of the panchayats and municipalities in the state on the basis of the recommendations made by the finance commission of the state.

- Any other matter related to it by the president in the interest of sound finance.

### Major Highlights of the Report 2021-26

- **Share of states in central taxes**
  - **Vertical devolution:** The share of states in the central taxes for the 2021-26 period is recommended to be 41%, same as that for 2020-21.
- **Criteria for devolution**
  - Income distance
  - Demographic performance
  - Forest and ecology
  - Tax and fiscal efforts
- **Grants**
  - **Sector-specific grants:** Sector-specific grants of Rs 1.3 lakh crore will be given to states for eight sectors. A portion of these grants will be performance-linked.
  - **State-specific grants:** These will be given in the areas of: (i) social needs, (ii) administrative governance and infrastructure, (iii) water and sanitation, (iv) preservation of culture and historical monuments, (v) high-cost physical infrastructure, and (vi) tourism.
  - **Grants to local bodies:** Grants to local bodies (other than health grants) will be distributed among states based on population and area, with 90% and 10% weightage, respectively.
  - **Disaster risk management:** The Commission recommended retaining the existing cost-sharing patterns between the centre and states for disaster management funds.
- **Fiscal roadmap**
  - **Fiscal deficit and debt levels:**
    - The Commission suggested that the centre bring down the fiscal deficit to 4% of GDP by 2025-26.
  - **Revenue mobilization**
    - Income and asset-based taxation should be strengthened
    - To reduce excessive dependence on income tax on salaried incomes
  - **GST**
    - Revenue neutrality of GST rate should be restored
    - States need to step up field efforts for expanding the GST base and for ensuring compliance.
  - **Financial management practices**
    - A comprehensive framework for public financial management should be developed.
- **Other recommendations**
  - **Health:** States should increase spending on health to more than 8% of their budget by 2022.
  - **Defence and internal security:** A dedicated non-lapsable fund called the Modernization Fund for Defence and Internal Security (MFDIS) should be established.
  - **Centrally sponsored schemes (CSS):** A threshold should be fixed for annual allocation to CSS below which the funding for a CSS should be stopped .
- **Criticisms of the report**
  - **2011 census population as criteria:**
  - **Creating a regional divide:**

- **Performance based incentives disincentivizes independent decision-making:** Any conditions on the state's ability to borrow will have an adverse effect on the spending by the state, particularly on development thus, undermines cooperative fiscal federalism.
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- **Significance of FC recommendations**

#### **Conditional grants to local bodies:**

##### **Incubation of new cities and urban grants**

- It is for the first time that a Finance Commission has recommended Rs 8,000 crore to states for incubation of new cities, granting Rs 1,000 crore each for eight new cities.

##### **Grants for health and setting up of disaster mitigation fund**

- The Commission's recommendation for setting up the state and national level Disaster Risk Mitigation Fund (SDRMF), in line with the provisions of the Disaster Management Act, is both well-timed and necessary.

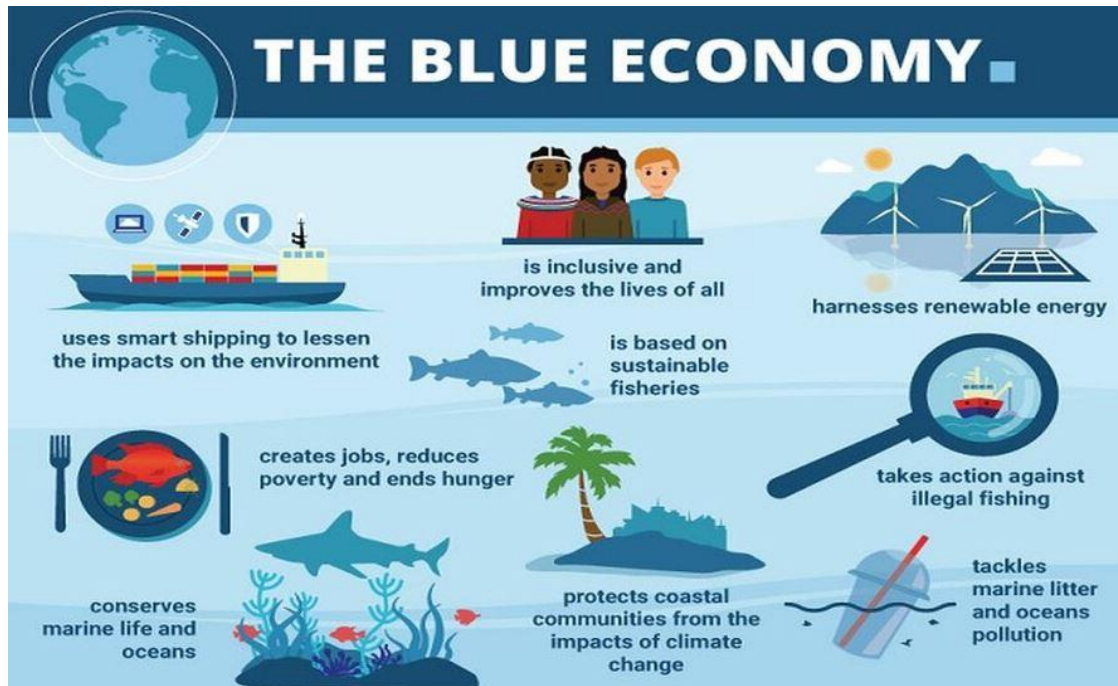
##### **Non-lapsable fund for defence**

- The Commission has recommended setting up of a dedicated non-lapsable fund, the Modernisation Fund for Defence and Internal Security (MFDIS).
- Objective of the fund is to bridge the gap between projected budgetary requirements and budget allocation for defence and internal security and
- to provide greater predictability for enabling critical defence capital expenditure.

## **6. Drafting labour code keeping in mind the realities of informal sector workers**

- **Impact of pandemic on informal workers**
  - According to Oxfam's latest global report, out of the total 122 million who lost their jobs in 2020, 75 per cent were lost in the informal sector.
  - The National Human Rights Commission recorded over 2,582 cases of human rights violation as early as April 2020.
- **Issues with the draft rules in labour code**
  - Rush to clear the labour codes-
  - At present the draft rules apply to manufacturing firms with over 299 workers- this leaves 71 percent of manufacturing companies out of its purview.
  - Aadhaar-driven exclusion-
  - A foreseeable challenge is updating information on the online portal at regular intervals, especially by the migrant or seasonal labour force.

## **7. Draft Blue Economy Policy of India**



- India's draft blue economy policy is envisaged as a crucial framework towards unlocking the country's potential for economic growth and welfare.
- **Objectives:**
  - Enhance the contribution of the blue economy to India's GDP
  - Improve the lives of coastal communities
  - Preserve marine biodiversity and
  - Maintain the national security of marine areas and resources
- **What comprises India's blue economy?**
  - Nine of its 29 states are coastal, and the nation's geography includes 1,382 islands.
  - India's Exclusive Economic Zone of over 2 million square kilometres has a bounty of living and non-living resources with significant recoverable resources such as crude oil and natural gas.
- **Key areas**
  - National accounting framework for the blue economy and ocean governance.
  - Coastal marine spatial planning and tourism.
  - Marine fisheries, aquaculture, and fish processing.
  - Manufacturing, emerging industries, trade, technology, services, and skill development.
  - Logistics, infrastructure and shipping, including trans-shipments.
  - Coastal and deep-sea mining and offshore energy.
  - Security, strategic dimensions, and international engagement.

## 8. India Energy Outlook Report, 2021

- India at present is the fourth-largest global energy consumer behind China, the United States and the European Union.

- India accounts for nearly one-quarter of global energy demand growth from 2019-40 — the largest for any country.
- Also, it will become the fastest-growing market for natural gas, with demand more than tripling by 2040.
- By 2040, India is set to account for almost 20 percent of global growth in industrial value-added.
- India's oil demand is seen rising by 74 per cent to 8.7 million barrels per day by 2040 under the existing policies scenario.
- India currently accounts for 16 per cent of the global coal trade.
- On a per-capita basis, India's energy use and emissions are less than half the world average.

### **International Energy Agency**

- IEA is a Paris-based autonomous intergovernmental organization.
- Established in the framework of the Organisation for Economic Co-operation and Development (OECD) in 1974 in the wake of the 1973 oil crisis.
- At the end of July 2009, IEA member countries held a combined stockpile of almost 4.3 billion barrels of oil.
- The IEA acts as a policy adviser to its member states but also works with non-member countries, especially China, India, and Russia.
- Focus on the “3Es” of effectual energy policy: energy security, economic development, and environmental protection.

## **Governance**

### **1. Vaccine hesitancy**

- World Health Organization- vaccine hesitancy is defined as a reluctance or refusal to vaccinate despite the availability of vaccine services.
- Like Western nations, vaccine hesitancy has been a cause of concern in the past in India as well.
- **Reasons for Vaccine Hesitancy**
  - Social media-
  - Religious propaganda
  - Vaccine-derived diseases:
  - Inconvenience in accessing vaccines
- **Way forward**
  - adopt the idea of libertarian paternalism, which says it is possible and legitimate to steer people's behaviour towards vaccination while still respecting their freedom of choice.
  - people who are sceptical but can be persuaded through scientific facts and proper communication.
  - pause before you share any 'news' from social media.
  - inculcate the habit of inquisitive temper
  - celebrity effect —

### **2. Proposed amendments to the Juvenile Justice Act, 2015**

- **Juvenile Justice Act, 2015**



- The JJ Act, 2015 replaced the Indian juvenile delinquency law, Juvenile Justice (Care and Protection of Children) Act, 2000.
  - It allows for juveniles in conflict with Law in the age group of 16–18, involved in Heinous Offences, to be tried as adults.
  - The Act also sought to create a universally accessible adoption law for India.
- **Key features**
  - Change in nomenclature from 'juvenile' to 'child' or 'child in conflict with law'.
  - Inclusion of several new definitions such as orphaned, abandoned and surrendered children
  - setting up Juvenile Justice Boards and Child Welfare Committees in every district.
  - Special provisions for heinous offences committed by children above the age of sixteen years
  - Separate new chapter on Adoption to streamline adoption of orphan, abandoned and surrendered children
  - Inclusion of new offences committed against children
  - Penalties for cruelty against a child
  - Mandatory registration of Child Care Institutions
- **What are the news amendments?**
  - More powers to the DM- include empowering the DMs and the additional DMs to monitor the functioning of agencies responsible for implementing the JJ Act.
  - Evaluating shelter homes- background check by DM of all the new Shelter homes by registration under JJ Act.
  - Members of committees- define the eligibility parameters for the appointment of members of the Child Welfare Committees.
  - Definition of Children- expand the definition of children in need of care and protection and include those children who have been victims of trafficking or drug abuse or child labour.

### 3. Reform lessons for education

- Our focus on Gross Enrollment Ratio should also be anchored to Employed Learner Ratio -proportion of our 55 crore labour force in formal learning.
- **Reflecting on global and domestic education experience**
  - structural changes- less hierarchical, lower longevity, shorter employee tenures, higher competition.
  - change in the form of work- capitalism without capital, soft skills valued more than hard skills, 30 per cent working from home etc.
  - change in the form of education- Google knows everything, so tacit knowledge is more valuable than codified or embedded knowledge.
  - Many students lack employability and workers lack productivity because learning is supply-driven.
- **India faces financing failure in skill**
  - Employers are not willing to pay for training of candidates
  - Candidates are not willing to pay for training but for jobs.

- Financiers are unwilling to lend unless a job is guaranteed.
- **Five regulatory changes**
  - modify few parts of UGC Act 1956- to include skill universities.
  - remove clauses of UGC ODL and Online Regulations 2020- replace them with a blanket and automatic approval for all accredited universities to design, develop and deliver their online programmes.
  - allow innovation, flexibility, and relevance in an online curriculum
  - permit universities to create partner ecosystems for world-class online learning services, platforms, and experience.
  - enable all accredited universities to introduce, administer and scale all aspects of degree apprenticeship programs.
- **Steps need to be taken**
  - income support of learning-while-earning
  - Learning-by-doing ensures demand-driven learning
  - High regulatory hurdles creates an adverse selection among entrepreneurs running educational institutions- this needs to be changed.

#### 4. Mission 'Lal Lakir'

- 'Lal Lakir' refers to land that is part of the village 'abaadi' (habitation) and is used for non-agriculture purposes only.
- aimed at facilitating villagers to monetize property rights and availing benefits provided by government departments, institutions and banks in all villages.
- As no record of rights is available for such properties within the 'Lal Lakir', the same cannot currently be monetized as per the real value of the property and no mortgages can be created on such properties.
- There are households within the 'Lal Lakir', which do not own property other than the areas within the 'Lal Lakir', and are thus at a disadvantage.
- **An extension to SVAMITVA**
  - The right of record of properties within 'Lal Lakir' in the villages of the state will be prepared with the cooperation of the government of India under the SVAMITVA scheme.
  - SVAMITVA stands for Survey of Villages and Mapping with Improved Technology in Village Areas.
  - enable mapping the land, households, habitation and all other areas falling within 'Lal Lakir'.

#### 5. Big tech regulation and problems

##### How Big Tech Firms Establish a Monopoly?

- **Network effect: Due to strong network effects, it is not possible to ban or curtail these services.**

- Even if other options are available (such as Signal and Telegram for messaging), the network effects bind customers to their often used platform (WhatsApp), even if it is not their favorite.
- **Brand Loyalty:** The major players have harnessed technologies that permit synchronicity between devices and people in a manner that is often superficially described as “brand loyalty.”

## Issues to consider

- **Conflict of interest-**
- **Monopoly power-**
- Unfair competition
- Privacy concerns
- Slow regulation
- Mixed implications for distribution of wealth- distributive implications were more mixed- they empowered new players, but they also seem to destroy lots of businesses.
- Lack of accountability and standards in regulating free speech
- Effects of big tech on democracy and democratisation
- **Big tech in Indian context**
  - One of the largest bases of internet and data users in the world- this should be leveraged to create iconic Indian companies
  - India can create competition and be more self-reliant in this space.
- **The real challenge**
  - Important to distinguish between regulations that are solving some real problems created due to Big tech
  - Easier to address those issues if the government showed a principled commitment to liberty, commitment to root out crony capitalism, an investment in science and technology commensurate.
  - India’s challenges- a general regulatory independence and credibility.
- **How governments are responding**
  - Both the left and right are demanding that digital behemoths like Amazon, Google, Facebook and Twitter are brought under greater control if not broken up.
  - The European Commission proposed new rules to promote competition and fairness in digital markets.
  - Australia has decreed that Google must work out an arrangement with Australian newspapers.
- **Way forward**

- Laying down a clear set of obligations and responsibilities for the digital giants.
- Building digital sovereignty
- The world's democracies must get together to discuss global digital governance.
- **Prioritizing Personal Data Regulation:**
- **Monetizing Information:**

## 6. Ramani Judgement

- Recently, the Delhi High court in MJ Akbar vs Priya Ramani case gave an empowering judgment that can act as a landmark in India's #MeToo movement and women's rights.
- The court acquitted journalist Priya Ramani in a criminal defamation case brought against her by former Union minister and editor M J Akbar.
- **Why the Ramani judgement matters**
  - The verdict urged society to "understand that sometimes a victim may for years not speak up due to mental trauma," and underlined that a woman has a right to speak up about the abuse, even after decades.
  - It pointed out that since sexual harassment typically takes place in private, women's testimonies cannot be dismissed as untrue or defamatory simply because they are unable to provide other witnesses to back their allegations.
  - Institutional mechanisms have systematically failed to protect women or provide justice, the verdict reasoned.
  - Therefore, survivors are justified in sharing their testimonies on media or social media platforms as a form of self-defence.
- **Problem of institution**
  - employers deploy sexual harassment as a means to discipline and control women workers.
  - In India and Bangladesh, at least 60 per cent of garment factory workers experience harassment at work.
  - For factory workers, domestic workers, street vendors, sanitation and waste workers, construction workers, sex workers, labour laws or laws against sexual harassment exist only on paper.
- **Right to dignity**
  - Sexual abuse violates the constitutionally recognised rights to dignity (Article 21) and equality (Articles 14 and 15), and that (a man's) right to reputation cannot be protected at the cost of right to dignity.
  - The Ramani verdict is a huge moral vindication of the #MeToo movement
  - will serve to deter powerful men from using the defamation law to silence survivors.

# Polity

## 1. Andhra-Odisha Boundary Dispute

- Prior to April 1, 1936, villages under Kotia panchayat were part of Jeypore Estate.
- In the Constitution of Orissa Order, 1936, published in the Gazette of India on March 19 that year, the GoI demarcated Odisha from the erstwhile Madras Presidency.
- In 1942, the Madras government contested the boundary and ordered re-demarcation of the two states.

- **What is the judicial reaction?**
  - Odisha filed a case in the Supreme Court demanding right and possession of jurisdiction over the 21 villages.
  - In 2006 the court ruled that disputes belonging to the state boundaries are not within the jurisdiction of the Supreme Court.
  - The matter can only be resolved by Parliament and passed a permanent injunction on the disputed area.

## 2. What is a Money Bill?

- A money bill is defined by Article 110 of the Constitution, as a draft law that contains only provisions that deal with all or any of the matters listed therein.
- These comprise a set of seven features:
  - Imposition, abolition, remission, alteration or regulation of any tax
  - Regulation of the borrowing of money by the GOI
  - Custody of the Consolidated Fund of India (CFI) or the Contingency Fund of India, the payment of money into or the withdrawal of money from any such fund
  - Appropriation of money out of the CFI
  - Declaration of any expenditure charged on the CFI or increasing the amount of any such expenditure
  - Receipt of money on account of the CFI or the public account of India or the custody or issue of such money, or the audit of the accounts of the Union or of a state
  - Any matter incidental to any of the matters specified above.
- **Who controls such bills?**
  - Article 110 further clarifies that in cases where a dispute arises over whether a bill is a money bill or not, the Lok Sabha Speaker's decision on the issue shall be considered final.
- **What surrounds the 'Money Bill' controversy?**
  - While all Money Bills are Financial Bills, all Financial Bills are not Money Bills.
  - A Bill that contains some provisions related to taxation or expenditure, but also covers other matters would be considered a Financial Bill.
  - The procedure for the passage of the two bills varies significantly.
    - The Rajya Sabha (where the ruling party might not have the majority) has no power to reject or amend a Money Bill.
    - However, a Financial Bill must be passed by both Houses of Parliament.
  - The Constitution states that parliamentary proceedings, as well as officers responsible for the conduct of business (such as the Speaker), may not be questioned by any Court.

## 3. No role in State's quota decisions: Centre tells SC

- **Issue over 69%**
  - petition challenging the constitutionality of the Tamil Nadu Backward Classes, SCs and STs Act of 1993, which provides 69% reservation in the State.

- TN has acted “outside its competence” by identifying and classifying socially and educationally backward classes (SEBCs).
- **Indira Sawhney Case**
  - Though the Court has rejected the additional reservation of 10% for poorer sections of higher castes, it upheld the constitutional validity of a 27% reservation for the OBCs with certain conditions.
  - advanced sections among the OBCs (the creamy layer) should be excluded from the list of beneficiaries of reservation.
  - No reservation in promotions; reservation should be confined to initial appointments only.
  - The total reserved quota should not exceed 50% except in some extraordinary situations.
  - The ‘carry forward rule’ in case of unfilled (backlog) vacancies is valid. But it should not violate the 50% rule.
- **What did the Centre say in the TN case?**
  - The inclusion or exclusion of any caste/community in the State List of SEBCs is the subject matter of the State government, and the Government of India has no role in the matter.
  - It referred to the Constitution (102nd Amendment) Act of 2018, which details the difference in the procedure for inclusion or exclusion of castes and communities in the State List for SEBCs and the Central List.
- **Identifying SEBC**
  - The power to identify and specify SEBCs lies with Parliament only with reference to the Central List.
  - The State governments may have separate State Lists of SEBCs for providing reservation for recruitment to State services or admissions in State government educational institutions.

## International Relations

### 1. New York Convention

- The Convention on the Recognition and Enforcement of Foreign Arbitral Awards is commonly known as the New York Convention.
- It was adopted by a UN diplomatic conference on 10 June 1958 and entered into force on 7 June 1959.
- It requires courts of contracting states to give effect to private agreements to arbitrate and to recognize and enforce arbitration awards made in other contracting states.