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ECOLLECTUAL

- ECONOMICS DEPARTMENT, LSR -

COVER STORY

THE GOLDEN SEASON FOR E-COMMERCE

Inside: Durga Puja and Diwali
through an economics lens;

Gita Gopinath, Jayati Ghosh &

Bitcoins

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PHOTO)



Flying Out! The Great Diwali Airline Rush

- AVANTIKA BUNGA

To most of us, the festival of lights means heading home, and celebrating with family; and to some, the long break means heading out to travel! However, due to this, Diwali carries other big headaches along with it, and for the purpose of this article I pick one- the booking of tickets!

When most hear Diwali and tickets in one sentence, they go “Oh! That’s going to be extremely expensive!”, and they have been right until last year, but 2018 is baffling. Airfare has not gone up by a great extent. Why is this so?

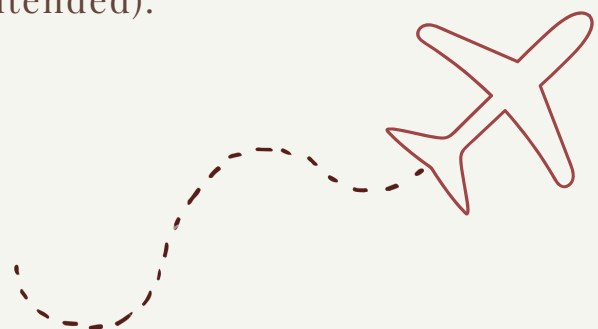
Essentially, there are more seats chasing fewer passengers, and fares have dropped almost 40-50%.

According to reports, there has been excessive capacity addition on most routes i.e new flights routes have been started, but they are not profitable enough, as there is rising domestic competition. Furthermore, the economy seems to be slowing and there is less willingness to spend more. This is leading to weak demand, even in the festival season!

Online travel agent Make My Trip now also displays tags next to these fares saying the flight ticket is cheaper than a Rajdhani train fare!

Dear reader, to you, this must be great news! But it isn’t so for the airline companies. The government has decided to impose a 5% import duty on aviation turbine fuel (ATF). This increases their costs even more. What’s worse is that with the depreciating rupee, import costs are going to rise even more. Therefore, even if they do increase fares, they would still find it difficult to recover costs.

With winners, there will also be losers. The easy way- to pass on all costs to consumers- is not possible anymore. We can only hope that all these companies do manage to keep themselves above the water (pun intended).



E-Commerce During Festive Seasons: A Monopoly in Sheep's Clothing?

- SHEFAALI DESHPANDE & AKSHITA ANAND

The festive season is nothing less than a Golden Season for the E-commerce markets. With the cash registers ringing by the second, this year is all set to witness new extents of Great Indian Festival and Big-Billion Day. The first face-off between Walmart acquired Flipkart and Amazon is set to happen, and big retailers like Jabong and Myntra are likely to focus on providing affordable options and offering low/no cost EMI's.

However, one of the worrisome issues during festive season is the problem of Predatory Pricing, problematic for both the producers as well as the consumers.

What is predatory pricing?

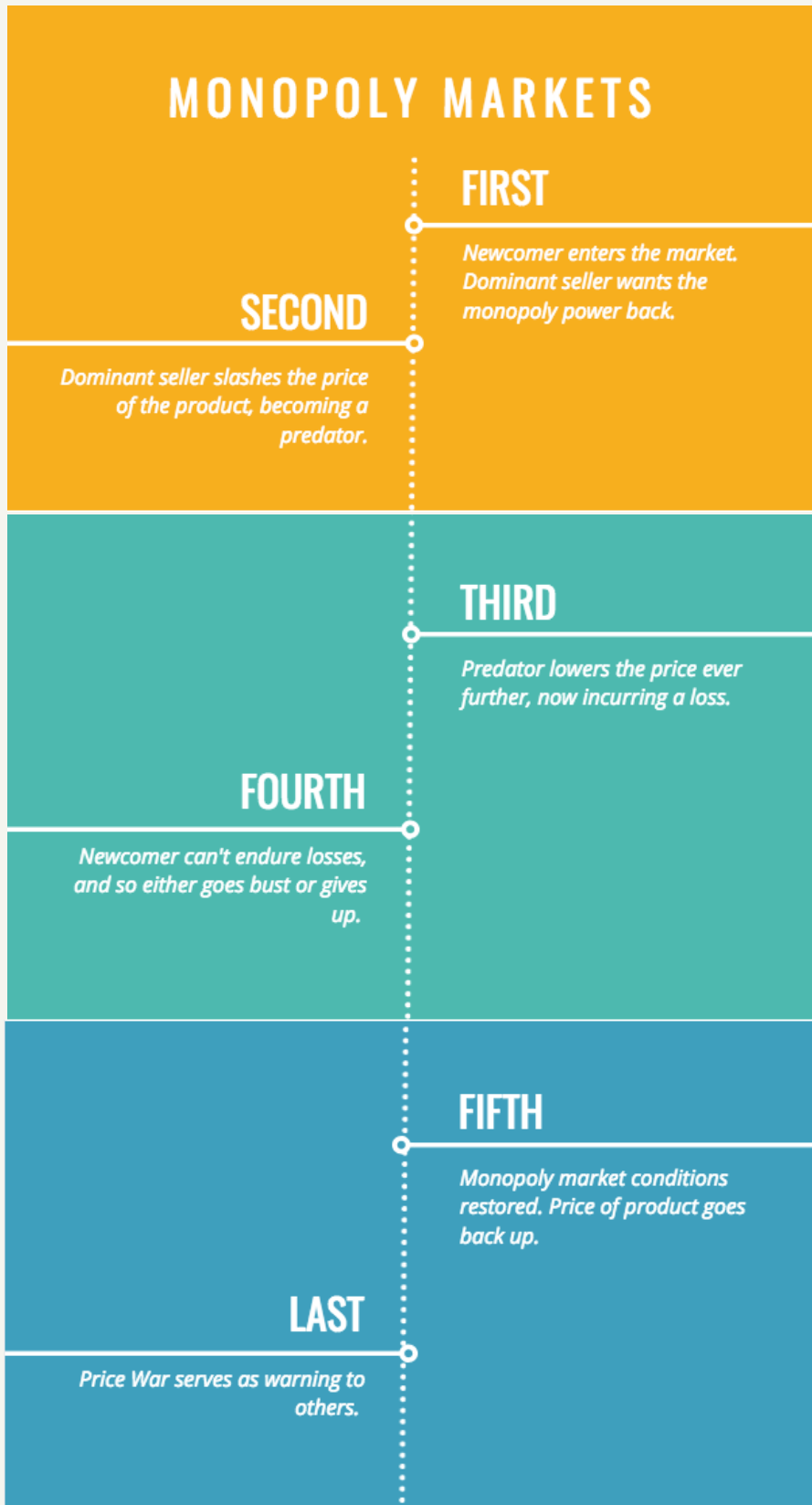
A larger e-commerce company can afford to bring down the price by saving on rentals and inventory cost, able to sell cheap simply because they received large investments from private equity or venture capital funds, enabling them to sustain deep discounting, which other players in the market may find difficult to (like brick-and-mortar companies), making consumers more vulnerable as they deal with a monopoly/near-monopoly situation.

While lower prices may be beneficial for the consumers in the short run, it'll be detrimental in the long run as many companies are forced to retreat from the market due to monopoly of select companies, which start raising prices to recover losses and leave consumers with little choice.

So, should the predators continue to prey?

India needs a comprehensive set of economic policies as price distortions have wide ramifications for the industry and the economy.

For instance, America’s policies in e-commerce has let it harbour some of the world’s most powerful technology companies GAFAAM (Google, Apple, Facebook, Amazon, Alibaba and Microsoft). China’s resulted in emergence of Baidu, Tencent and Alibaba (China’s Google, WhatsApp, Amazon and eBay) that scaled up domestically and now compete with any global giant.



India’s E-commerce FDI policy needs to challenge the threat of global corporate oligarchies and capital dumping to protect domestic businesses (brick-and-mortar companies) as global tech giants like Google, Facebook, Amazon, Airbnb, Uber, Alibaba and Walmart dominate India’s e-commerce and internet industry. (here we talk about ‘protection’ and not ‘protectionism’).

The government needs to take a balanced approach towards e-commerce, which is helping flourish start-ups and providing a platform to SMEs, all the while being wary of monopoly powers.

Miles to go, LSR!

- RASHI ANAND



Gita Gopinath, an alumna of our very own Lady Shri Ram College has been appointed the Chief Economist of the International Monetary Fund (IMF). She is the second Indian to hold the position after Raghuram Rajan.

Ms Gopinath has incredible academic credentials and experience. She is currently the John Zwaanstra Professor of International Studies and Economics at Harvard University. She is the third woman in the history of Harvard to be a tenured professor at its esteemed economics department and the first Indian since the Nobel laureate Amartya Sen to hold that position. In addition to this, she is also the co-editor of the American Economic Review and co-director of the International Finance and Macroeconomics Program at the National Bureau of Economic Research (NBER).

In 2014, she was named one of the top 25 economists under 45 by the IMF and was chosen as a Young Global Leader by the World Economic Forum in 2011. Gopinath's journey from a middle-class Indian girl to the world-class economist is a tale of infinite passion, hard work and consistency. Not to forget, she received the President's Gold Medal during her graduation, from the then Vice President of India, Shri K R Narayanan for standing first in the University of Delhi (Yay Yay LSR!).

The Economics Department, will, and strives to live up to the legacy she has left behind.

durga puja: behind the scenes

- MAITREYEE GUHA

We know that Dussehra is about celebrating life, family, friends, and, perhaps most importantly, eating till we burst. However, have you ever wondered who's behind all those pandals, statues and



effigies, that are put up across the country? They have a story to tell. As an example, we can talk about the Durga Puja of Bengal, one of the most well-known incarnations of the ten-day festivity. Estimates vary, but the amount spent every year in West Bengal for the festival ranges from

Rs. 600 to Rs. 900 crores.

The Puja is remarkable in that it provides nearly a year's worth of employment to craftsmen and construction workers.

The scale of the pandals is so large that hiring and contracting begins in February and March, even if the actual work begins in August. Painters, masons, carpenters, sculptors and electricians are all recruited from across the state, from both rural and urban backgrounds. In fact, many jute craftsmen are in fact farmers of jute as well, who work while their fields lie fallow.

Each village in West Bengal has families that have been engaged in the art of pandal making for generations, often without formal training. As is the case for many rural families in India, this trade is all they have, and the Puja is, therefore, necessary for sustaining their livelihoods.

The income that craftsmen earn during this time outstrips their ordinary stipend. In a series of interviews conducted by Village Square, craftsmen claimed that their monthly earnings grew from Rs. 15000-20000 to Rs. 30,000-40,000 during the mela season. Many craftsmen can live off their work easily, especially with pandals becoming popular for marriages and other occasions.

So celebrate! It's not just you that's grateful for the holidays.

The Rupee Depreciation: A Conspiracy Theory

- AKSHITA ANAND

The 18th decade of the 21st-century marks the Rupee as the worst performing currency in the world, facilitated by the bloodletting in the global market due to the worries over the Turkish economic crisis. I would love to dredge up the most monotonous explanation of the depreciating rupee, but who doesn't love a spicy conspiracy theory? Here it goes.

The major reasons behind the depreciation of Rupee is a rearing inflation, government deficit, rising oil prices and trade deficit which increases even further after depreciation. After the Kargil war of 1999, the rupee settled comfortably till 2000. However, for those who have been closely noting the trend of depreciating rupee through decades, state that this trend is not as innocent as it seems.

Someone once said, "those who cannot remember the past are condemned to repeat it."

Since 1989, it has been noticed that the Lok Sabha Elections have 8/9 times been preceded by a falling value of the Rupee. Our currency has depreciated against the Dollar 12 months prior to the General Elections 6/7 times, with a double digit fall of 5 times.

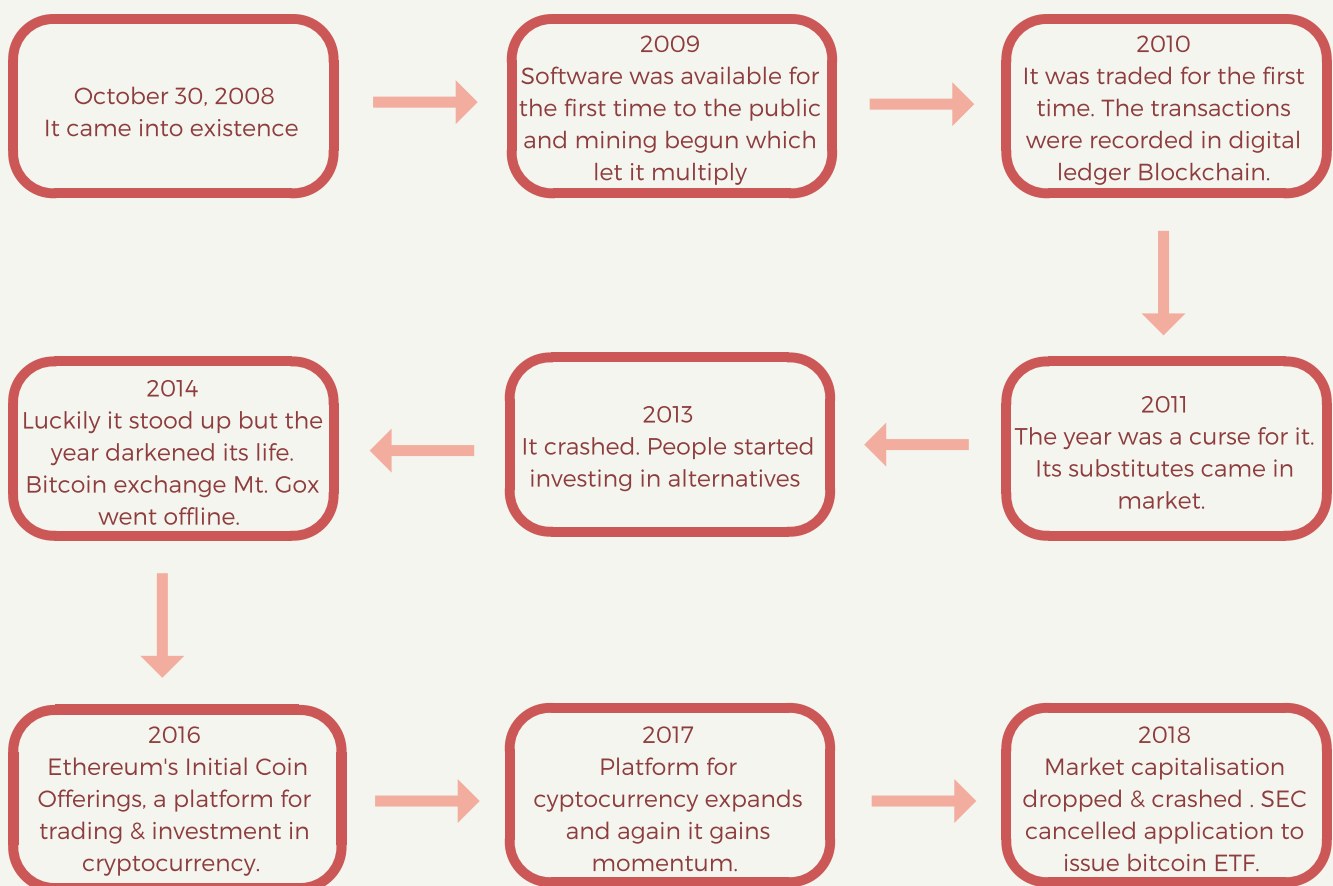
Some Economists also argue that this is possible because after 1991, the currency partly became convertible after the adoption of liberal economic policies which allowed the government to influence the exchange rates beyond a point.

Some believe that the depreciation might be a deliberate move by the government to influence the electoral campaign. Fighting elections requires money and therefore it benefits anyone who brings in money into the economy from overseas, even more advantageous due to the depreciated currency. For we all know how the last few months in the tenure of the government is crucial to laying the foundation bricks for building an empire that could last for half a decade or half a century.

Development in Bitcoins

- LATIKA

Its saga began on October 31, 2008 as “Bitcoin: A Peer-to-peer Electronic Cash System”. It is the brainchild of Satoshi Nakamoto whose objective was to eliminate financial institutions in sending payments and it seems that he has been quite successful in realizing his dream. The bitcoin emerged as a triumphant mode of transaction during a time when the financial institutions were riddled with severe problems, thanks to Hal Finney who did its first transaction. Till date its journey of ten years has been like a rollercoaster ride- where it crashed to many all time lows, nevertheless it has succeeded in making it to the shore.



The Securities Exchange Commission (SEC) can prove to be an archangel for this cryptocurrency provided it gives it a green signal for having its own Exchange Traded Fund (ETF). Since August last year the Bitcoin development community has been working on MAST technology which will allow smart contracts to be split into their individual parts. MAST will provide more privacy and will shorten the transaction size. Schnorr signatures will allow aggregation of multiplication transaction signatures into single signature. All these developments will provide a golden chance to shine once again.

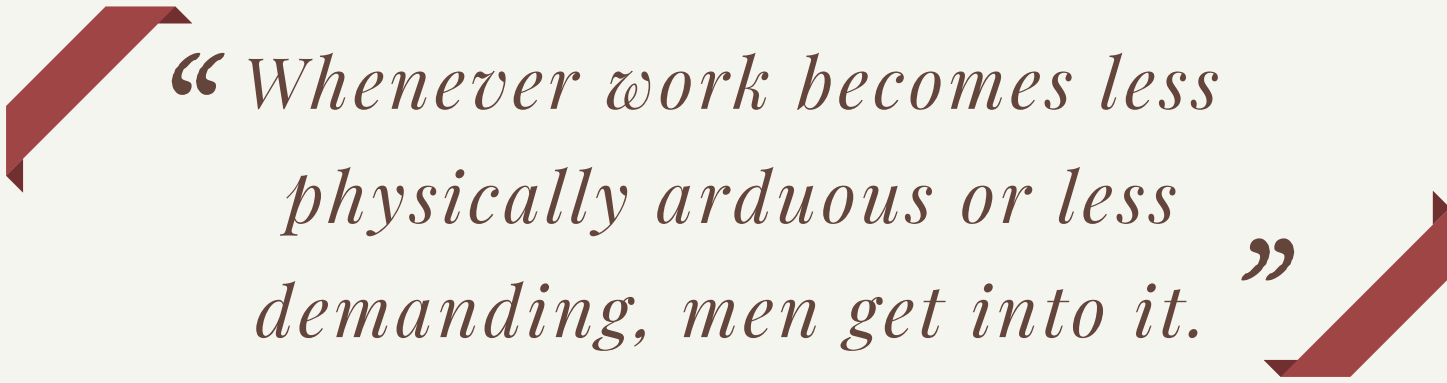
Why should young women be interested in Economics?

- AVANTIKA BUNGA & RASHI ANAND

The Economics Department proudly hosted its second guest lecture by Dr. Jayati Ghosh, the esteemed Development Economist and Professor of Economics at the Centre for Economics studies and Planning, School of Social Sciences at the JNU.

Dr. Ghosh enlightened us by her views on the topic- "Why should young women be interested in Economics?" She had a rather different take on the discussion transforming it into, "Why Economics needs young women?"

She supported her argument about our "Patriarchal dependent economy" with three astonishing yet incredibly relevant examples.



“ Whenever work becomes less physically arduous or less demanding, men get into it. ”

FALLING WORKFORCE PARTICIPATION OF WOMEN IN INDIA

Dr. Ghosh believes this trend has much to do with a particular aspect of women work which gets completely unrecognized in India. She attributed the two possible reasons for the same:

- i) Increase in wage rate
- ii) Lack of employment opportunities

She further revealed about the significant 90s codes that were 93, 93 and 97 which are not accounted while evaluating the labor force.

Had these codes not existed, about 88% of women would have actually worked!

IMPLICATIONS OF WOMEN DOING UNPAID WORK

1. Very low wage reservation
2. Trend of taking women and their work for granted

MACRO ECONOMISTS CAN ALSO FALTER WHEN THEY DO NOT LOOK AT GENDER

After the global financial crisis, it was noticed that remittances to Philippines, Sri Lanka, and parts of India didn't fall! Everyone was perplexed, as it was truly unusual.

Hadn't firms laid off workers, stopped construction? It was only found out later that the remittances were coming from the care sector, wherein women who had migrated to developed countries to work as house help and nannies. These women regularly send their earnings back home to their own families, and this would not have been discovered had there not been a gender analysis.

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