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ECOLLECTUAL

DEPARTMENT OF ECONOMICS, LSR

LOOKING TO THE FUTURE

To conserving
the environment,
reducing all
inequalities
and increased
preparedness

Letters from the Team Heads

- NEWSLETTER AND WEB & DESIGN TEAM

It has been a roller-coaster of a year, with so many notable events that are definitely going to be put in history books soon. Thanks to *Ecollectual*, we were able to trace them with you.

I have worked for this newsletter for all three years of my college life, and I loved writing, reading and (now) editing the articles that that we received, and finally releasing these every month.

Therefore I would like to take this moment to sincerely thank you all, for sticking with us! Without the efforts of our team, we wouldn't be able to create these, and without your readership, our work would mean nothing.

- **Avantika Bunga**

I feel so grateful to have been given the opportunity to work for *Ecollectual*. It was a

It's been a pleasure to be a team head for *Ecollectual* this year, and I'm very lucky to have gotten to read so many insightful pieces on a myriad of subjects. So I'd like to say thank you to our wonderful team, always on point with their analyses and deadlines.

I'm also incredibly grateful to the mega-talented Web & Design team for bringing so much vibrance and style to the newsletter.

Lastly, thank you, readers, for taking the time out of your day to look through our newsletter and our Instagram. More content will be coming your way soon.

- **Maitreyee Guha**

Having been a part of the team in my first year, and leading it as a head in my second, I feel more than blessed to be a part

wonderful experience that taught me cooperation, teamwork and leadership.

It was a pleasure connecting with the newsletter team. I have learnt so much and truly appreciate the new skills that I learnt from my co-head. Together we could find solutions to all the problems.

For our readers, Thank you for taking the time and reading *Ecollectual*. Thank you for your appreciation and feedback that we were able to make it better and better with every month's edition.

-Ishika Yadav

of this beautiful journey. It's been such an incredible learning experience working with my amazing co-heads, a brilliant team of writers, and the super-creative Web & Design Team. I would like to thank each one of you in making *Ecollectual* bigger and better with every issue.

Lastly, I would like to thank our lovely readers, for taking the pain of going through a million messages and finding time to read our newsletter. Your feedbacks have always been important and we couldn't have done it without your love and support!

- Rashi Anand

It's hard to believe that this is the last issue of *Ecollectual* for this academic year. Every moment spent working on the newsletter has been a joy, and I'd like to thank the Newsletter Team for bringing us the most brilliantly written pieces every month.

I would also like to thank the lovely Web & Design volunteers for always doing their best no matter how short of a deadline they were running on, and last but not the least, you, our readers. Thank you!

-Shravya Singh

Thank you for staying with us throughout 2019-20, and we hope that you will continue to read our issues in the future too!

Caste Based Prostitution and the Resulting Economic Inequality

- NEETIKA KANOJIYA, PAVANI GANDHI

There exists an intimate relationship between caste, culture and prostitution that reinforces the structured and hierarchic power-relations which are reflections of the caste system in India. This article attempts to bring to the forefront how caste forms the bedrock of prostitution.

Caste and forced prostitution:

Caste as a principle determinant of forced prostitution is most visible in case of Nat community, **Bedia and Bacchara tribes** of North and Central India. It is also seen in the **Devdasi and Jogini traditions** of Southern India.

There are a host of reasons for the emergence of caste based Prostitution. In the Devdasi system, getting married to a Hindu Deity and then being sexually exploited by the upper caste males, is considered the only way for the lower caste women to enter temples and praying to their God,

a right which was denied to them earlier. In other cultures, women and young girls are forced into prostitution not only due to their caste, but also poverty, which again stems from their being born in a low and backward caste. Brahmins and upper caste lords see this as an opportunity to strengthen their hold on the lower caste communities.

*This is a hell
This is a swirling vortex
This is an ugly agony
This is pain wearing a
dancer's anklets.*

- by Namdeo Dhasal

The Bacchara community of Madhya Pradesh is one of India's poorest and most ostracised caste, whose women have been the targets of

sexual exploitation for economic gains. This is interlinked to the fact that the male members of the community do not work, instead sending their daughters and sisters as young as 12 to earn money through prostitution.

“Not all poor communities send their daughters into this. It is because they are dalits that are ‘meant’ to do ‘unclean’ work,” argues Sarika Sinha, who has been working to prevent caste-based sexual exploitation and trafficking in Madhya Pradesh.

Incidents of discrimination like these are prevalent in contemporary society and they keep alive the fact that

A woman’s current economic condition is a reflection of her community’s past and how deeply rooted her caste is in her economic as well as social conditions.



Through these examples, it can be articulated that caste is a major factor in determining whether a woman is forced into prostitution.

Although, the Feminist Movement criticises the Dalit Movement on the grounds of prostitution being a way for women to attain their sexual and economic liberty; but it is to be kept in mind that the Feminist Movement depicts this profession as freedom of choice rather than **a forced upon tradition** merely due to a woman’s caste.

Analysing Environmental Action: Game Theory Style

- ANANYA KALRA

One of the most common neo-classical assumptions is *homo economicus*, i.e. humans just care about themselves. This assumption is also applied to other games like the **dictator game**.

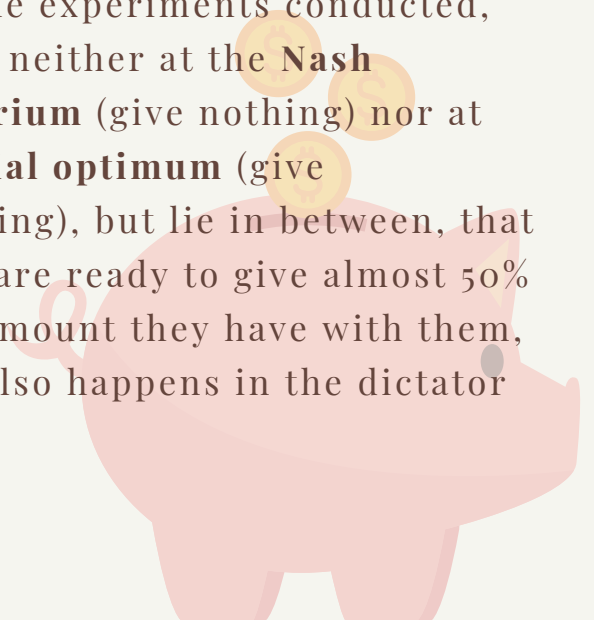
In this game, the 1st player, 'the dictator', decides how to split an endowment (say, \$500) between himself and the 2nd player. Therefore, the 2nd player has no influence over the outcome of the game.

According to this **Self-Regarding Preference Model**, one's utility depends only on the amount of money one holds and it is assumed to be a constant function of someone else's money. But with the

evolution of experimental and behavioural economics, we observe that humans behave a little differently. The experimental economists came up with the **Social Preference Model**, which states that one's utility (U_i), depends on one's money (M_i) and money of others as well (M_j).

Therefore, in many such variants of such games, we observe **Unconditional Altruism** which means that we care about others decisions while taking our own decisions. If the classical approach was truly right, self-interested proposers would allocate nothing to the other recipients.

In all the experiments conducted, they lie neither at the **Nash equilibrium** (give nothing) nor at the **social optimum** (give everything), but lie in between, that is they are ready to give almost 50% of the amount they have with them, which also happens in the dictator game.



Application in environmental economics: When it comes to solving environmental problems, most individuals majorly think about their selfish economic interests. Everyone ends up thinking that other people would contribute (and so they don't need to), and thus no one ends up contributing (also known as the **public goods problem**).

Thus, it is important to understand the issue. If everyone gives all they have to the group fund (such as for the environment), everyone would end up with more than what they

had earlier, as the total fund in the economy increases manifold which is beneficial for the society overall.

This brings in the concept of **Trust and Reciprocity** which refers to actions of contributing to the society in the expectation that others will also contribute (trust) and hence the advantage received will be manifold.

If all of us think this way in matters related to the environment, then we can achieve environmental sustainability along with economic growth and development.

Green Economy and its Importance

- ANUPREETA DATEY, NAMYA MANCHANDA



A **green economy** implies expanding prosperity, while at the same time reducing ecological damage. It includes the appropriate pricing of negative environmental externalities, approving the “polluters pay” principle, investing in renewable resources, and transforming production-consumption patterns.

Its aggregate character is based on the **three pillars of growth** – economic, social and environmental, and aims at decarbonisation, resource utilisation and social integration. These pillars are to be maintained using available resources in such a way that the opportunities of future generations are not limited.

The idea of a green economy has gained importance because it stipulates a response to numerous hardships that the world has been experiencing, such as **climate shocks, starvation, financial crisis & power scarcity**.

Many green models have been adopted worldwide, such as solar energy in Tunisia, organic agriculture in Uganda, forest management in Nepal, and

renewable energy usage in China.

The Chinese government aims at producing 16% of the country’s primary energy from renewable energy sources and reducing per unit GDP energy consumption by 20%.

India has also taken up the path of Green Economy. The Indian government has merged the **NREGA scheme** with the idea of a green economy by proving employment to marginalized sections and promoting inclusive growth, while maintaining the rural ecological infrastructure.

However, the idea is challenged on grounds like the need for cutting edge technologies for the **all-round greening of sectors** like agriculture, infrastructure etc. The question of financing also arises. Green taxes and sustainable trade agreements will require education campaigns to explain the necessity of adopting a Green Economy.

Though there exist green funds, these are further plagued by problems like **poor coordination, duplication of funds, distribution issues** etc.

Venezuela and Greece: A Comparison of Economic Strife

- MANSI CHAUDHRY

Venezuela, a Latin American country, witnessed socioeconomic and political crisis, which began during the last days of Hugo Chavez's presidency and continued into the presidency of Nicolas Maduro.

In the late 90's, the country managed to earn high income thanks to its large oil reserves. As a result, Chavez committed the oil income to various projects called **Misiones** (welfare programmes) which aimed to tackle poverty and inequality. However, when the **oil prices crashed in the early 2000s**, the government continued to spend the reduced income on the Misiones rather than infusing it in the infrastructure of the economy, which had an adverse impact.

Under Maduro, the situation worsened as the country fell prey to an inflationary spiral. Rising

Greece, a European country, faced a debt crisis as it owed an exorbitant amount of sovereign debt to the European Union between 2008 and 2018.

One of the major reasons for this was the investment in the development and maintenance of the infrastructure built for the **Olympic Games 2004**. This crisis became prominent in the global financial markets when in October 2009, Greece announced that it had been **understating its deficit figures** and even said that it might default on its debt, thereby threatening the viability of the Eurozone itself and raising alarms about its financial soundness. By the spring of 2010, Greece was **veering towards bankruptcy**.

To avert calamity, various international authorities and private investors loaned nearly 320 billion euros. It was the

prices in Venezuela **undermined confidence** in the economy and currency, which led to further increases in inflation, ultimately resulting in **hyperinflation**. It is also believed that **political instability, price controls and other interventions** prevailing in the country were major contributors to its condition.

Thus, Venezuela suffered due to **poor political reform and economic planning**, i.e. a **lack of investment into infrastructure**. However, it did not have a large impact on the world economy.

biggest financial rescue of a bankrupt country in history. But, the bailouts came with stringent conditions. Lenders **imposed harsh austerity terms, requiring deep budget cuts and steep tax increases** to strengthen the Greek financial structures.

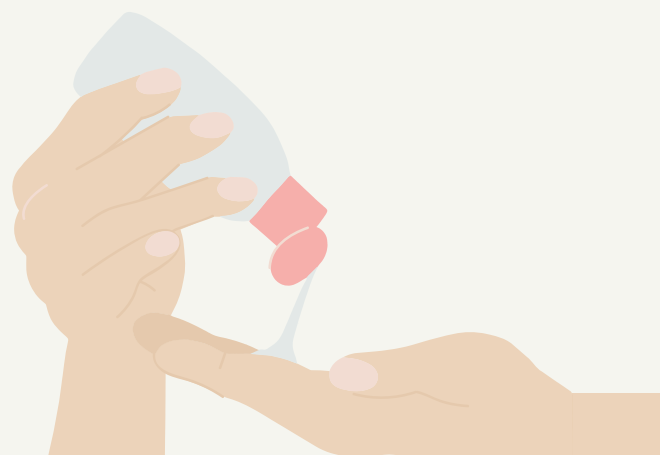
In contrast, Greece, a nation which is primarily based on the service sector, witnessed a debt crisis due to **excess emphasis on infrastructural development and its maintenance** rather than focusing on its economy at large.

Though the two nations faced severe slump in their financial systems, the cause of their crisis is different from each other. However, this comparative analysis gives a common interpretation. If a country focuses only on one aspect of its economy and does not develop better alternatives for generating income, then it can lead its way to a deep economic and financial downfall.



The Economics of COVID-19

- TANVI MAHANT, SHREYA KHURANA



In the midst of the spread of **COVID-19 virus**, financial markets have seen serious unpredictability. In a period where the global economy was slowing down, central banks world-over have found a way to guarantee liquidity.

The Federal Reserve was the first to slice its rates to approach zero (0.25%), guaranteeing that such a position would be kept up till an uplifting viewpoint is normal.

Australia has declared \$3.6 billion as extra liquidity to be siphoned into the business sectors. In an extraordinary case, Japan has developed its negative loan costs and is eager to do so further in the coming months.

RBI's PLAN OF ACTION: Reserve Bank on Monday asked all banks

and financial institutions to assess the impact on their balance sheet, asset quality, liquidity, among others. It declared that the country directly needs a coordinated strategy to protect the resilience of the Indian financial system. Assessing COVID-19's possible disruption to our economy is what RBI wants the supervised entities to assess.

RBI also stressed on devising a monitoring mechanism concerning the spread of the disease within the organisation: quarantine arrangements as well as stopping the spread of panic among employees.



HOW BAD COULD THIS GET?:

Breaks in supply chains, factory closings and public places being cordoned off have **disrupted supplies**. Strict restrictions on hospitality and travel, and **fears regarding contagion** have increased exponentially. The crippling of retail and consumer businesses could quickly escalate into **bankruptcies**, the downgrading of corporate debt and impairment of banks' balance sheets.

Banks, supported by governments, should **provide discounted loans** and **increase their tolerance of late repayments** by businesses that risk bankruptcy because of the absence of supplies or customers, or because of late payments by creditors. Policies such as tax cuts for the lowest-income earners, would restore confidence and help working people and the businesses that could be devastated.

A COORDINATED ECONOMIC

RESPONSE: Swamping the markets with liquidity, as was done in 2008, is not going to resolve the problem this time. What is needed now is leadership that focuses on the domestic challenges and seeks to build international cooperation – rather than scapegoating other countries.

Vulnerable governments require financial support to prevent the global health crisis from also becoming a financial crisis. Italy is already in urgent need of fiscal support, and many developing countries will soon be, too. Well-coordinated set of actions are required to prevent the global collapse of economies, with the International Monetary Fund and other agencies taking the lead.

While we were already on the verge of an **impending Global Recession**, the outbreak of the virus and the halt it has put on human activity, social, political and economic, is adding fuel to fire; the future seems a little gloomy and bleak.



Trade and Investment in this Era of De-Globalisation

- SHRADDHA TALWAR, SHREYA MAHAJAN



Gone are the days when policies focused just on integrating people, governments and countries. Welcome to the **era of trade wars and protectionism**; where we are ignoring what Ricardo and Smith taught us. This is the decade of tariffs to substitute imports.

Economies, these days, care too much about the widening trade deficits. Just like a game of *Jenga*, a few trade blocs led to the **collapse of the global economy**. The main ones being the USA's tiff with China followed by its classification of India as a 'developed nation', so as

to withdraw the *Generalised System of Preferences*. South Korea and Japan were also on loggerheads for a brief period.

Just as the trade wars came to a halt, the global supply chain, due to its heavy reliance on China, got a big shock owing to the **Corona outbreak in Wuhan**. Industries all over the world were affected, being down to just a few days' worth of materials imported from China.

Coronavirus is now a pandemic, with cases in most countries. It has spread like a wildfire, because in

the globalised world, we share everything.

It makes sense if the world is rethinking such a large scale integration of its economies. Such dependence renders the whole world on a standstill, When the global manufacturing hub is quarantined or it's fighting with the world's superpower.

The mass spread localisation of ideas, projects and ideologies stems from the fact that conformity is destabilising and dysfunctional.

Globalisation has indeed decreased poverty and reduced inflation and labour costs but, on the flip side there is a widening income and wealth inequality in the whole world.

There is a profound realisation that the only true and sustainable prosperity is **shared prosperity**. Some remedies to facilitate the negative effects of globalisation are:

- Production for the domestic market must be the priority of the economy rather than production for export markets.
- Subsidies and tax benefits should be given to the domestic industries to revive them.
- De-emphasising growth, emphasising upgrading the quality of life, and maximising equity will reduce environmental disequilibrium.



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