2021-2022

Beyond Margins

Department of Economics
Sophia College (Autonomous), Mumbai

Issue 1

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Founders' Note

Dear Reader,

We started Beyond Margins with the purpose of inculcating an interest in academic research and giving a platform to students where they can push the boundaries of this discipline. Sophia's first academic editorial venture, Beyond Margins, is bifurcated into two, a website and an annual academic journal. The former publishes articles written by the Beyond Margins team along with contributions, and the latter, which publishes peer reviewed research papers and articles written by undergraduate students from Indian colleges.

The journal's first issue tackles a range of topics. The research paper by Nirav Shegde brilliantly discusses the protectionist ideology in developing and underdeveloped economies of the world. Vrinda Mehta and Tanvi Chugh's comparative study on Odisha and Kerala provides an excellent overview of the development in the Indian health sector. With this issue, we are also publishing six articles covering relevant and diverse topics from the pandemic, to green investing to Burkina Faso's political instability. We have also included a section titled "From the Team" which contains our summary of the Inequality Report 2022 and the Best of Beyond Textbooks, which are penned by the team of Editors and PR executives. The cover page, along with the rest of the journal has been beautifully and tastefully designed by our team of Designers.

We'd like to thank our Faculty-in-Charge and Head of Department of Economics, Dr Sangeeta Dubey, along with faculty members Dr Sunita Jadhav and Ms Nisha Yadav who formed our Review Board and gave us immense support and guidance.

We have so much gratitude and admiration for our Lead Designers, Urja Shah and Shivika Ranawat who made Beyond Margins stand out with their creativity in design. Working through the pandemic, in the founding year, with team members who weren't just located in different cities, but countries, initially seemed like a difficult task. It was made easier, thanks to the energy our team brought to the table. We are so grateful to each and every team member, for their dedication in bringing our vision to life. Our dreams would have remained incomplete if it weren't for their support, we couldn't have done this without them.

And with this we present to you the inaugural issue of Beyond Margins! We sincerely hope that reading this issue is an enriching and enjoyable experience for you.
Thank You!

Tanishq Tiwari and Mayuri Anegondi

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Research Papers

Trade Openness and Outward-Orientation in the era of Protectionism : A focus on Developing and Underdeveloped Economies.

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D.G. Ruparel College (University of Mumbai).

Abstract

This paper examines the strategy of trade openness and its importance in developing and underdeveloped economies, especially as the world rebounds from the Covid-19 pandemic. History suggests that countries turned inward after the great depression of the 1930s, and this is synonymous with the current crisis as well. Evidence shows that many countries in the current environment of uncertainty are adopting protectionist measures to save the domestic industries. This paper analyses why this will not work, and why countries need to adopt an outward oriented strategy to generate growth and prosperity. The data does not simply conclude the fact that countries are adopting new rationales of protectionism simply due to the pandemic, but it also shows how the trend of trade openness has been decelerating since 2014. The paper finally lays out the case studies of successful developing economies that have achieved economic success by opening their borders to trade.

Keywords – International trade, protectionism, production, growth, trade policy, liberalisation.

1.0 Introduction

For over decades the argument of free trade and prosperity has been debated. Especially for developing countries, its importance has significantly risen over time. In the current times tackling poverty and wide income inequalities are not merely about macroeconomic policies, but also about exports which play an integral role. Importantly, in the post Covid-19 pandemic world, the role of international trade will significantly elevate especially for the Least Developed Countries (LDCs) and Developing Countries (DCs). The slow rate of vaccinations has compromised economic factors, mainly consumption, and investment and could even affect domestic production and manufacturing. Even the government expenditure of many countries is circumscribed given that the pandemic has already induced governments to churn out fiscal support, which has led to a higher fiscal deficit. Thus, now the only thing that may propel stronger demand, to revive the economy, is foreign demand.

Estimates state that global poverty is expected to increase for the first time in 2020 in over 20 years due to the Covid-19 pandemic. It is estimated to push 88 to 115 million people into poverty by the end of 2021 (World Bank). If this is true, consumption will be an impediment going forward as the marginal propensity to consume is typically higher at lower-income households, who have particularly been hit harder due to the Covid-19 pandemic.

This dire situation calls for new strategies for LDCs and developing economies, mainly through more openness, and an outward-oriented growth strategy. This is apart from government spending, and unconventional monetary policy tools such as quantitative easing and asset purchasing. In the current globalizing world, many developing countries can catch up with the industrialized economies through increased manufacturing, diversification, expansion of jobs and standards of living, ultimately contributing to economic growth.

Moreover, evidence states that protectionism is back (Davar). The measures of government subsidies to encourage domestic industries in the environment of protectionism could simply lower the productivity of firms and make them uncompetitive. If these measures are continued this would discourage new entrants from entering the markets and would also make it challenging for the infant industries to expand.

The main motivation of this paper is the decelerating trend of trade openness and growing remarks of global protectionism in international trade. Trade openness as data suggests has been slowing since the past few years as non-tariff barriers are increasing and that too mainly in Asia as Pragyan Deb suggests in an International Monetary Fund (IMF) blog.

Along with non-tariff barriers, evidence also suggests a change in tariff rates in many developed economies and other restrictions on capital flows and foreign direct investment. Restrictions on imports have also significantly increased due to exogenous shocks in the developed and developing economies. Rising protectionism by the developed and developing countries could slow down the global economy, as it refrains consumer consumption and affects global supply chains, ultimately having a negative impact on exports. Another motivation behind this paper is the pandemic scarring. Outward orientation could play a huge role in reviving the world economy with export-led growth accompanied by low tariff and non-tariff barriers. These are the two aspects that are predominantly focused on throughout the paper.

2.0 Why Openness? Seen and the Unseen effects

The discussions on trade openness have been debated for several decades. While it is not to say that the inward-oriented growth strategy doesn't work. The indigenous economic strategy does help in encouraging development of domestic industries, and job creation by putting barriers on imports through embargos, import-substitution, tariffs, and quotas. However, abandoning exports to focus on the domestic industries could lead to losing the valuable asset, and perhaps the most valuable asset, i.e., the long-term opportunity for economic growth.

In an increasingly globalising world, the strategy of inward-oriented focus doesn't yield higher growth rates and requires an outward approach towards combating poverty and achieving economic growth. Casual observations have shown that the outward-oriented economies with fewer barriers to international transactions have witnessed better economic performance than the inward-oriented economies focused on high tariffs and strict measures on capital flows (Gundlach 4). Regarding non-tariff barriers, research from the aforementioned IMF blog by Deb shows that a reduction in non-tariff barriers can boost GDP growth by 1.6%, which has the potential to heal a quarter of the expected pandemic scarring.

In the post-pandemic world, the domestic demand and investment will not be strong enough, either in the short-term or medium-term, to propel growth as the impact of the fall in income and consumer buying power will impede growth. Not to mention, the post-pandemic recovery for the LDCs and DCs is expected to be much slower compared to developed economies. In this case, the impetus for the economy should come through the external sector, i.e., by opening up the economy. As Semancikova has stated, exports stimulate an increase in domestic production and can create conditions for lower production costs due to economies of scale, essentially by expanding the export market, i.e., through a more open economy.

Mercantilists during the period of the 16th and 18th centuries emphasized significant importance to export stimulation and trade surplus, but believed in minimising imports through the restrictions on international transactions. Later mercantilism was replaced by the theory of Adam Smith. Smith was in favour of free trade and free international competition that he believed was advantageous to a nation (Semančíková 408). In his well-known book 'The Wealth of Nations' he also argued that tariffs tend to make a country poorer. As he writes, 'If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of produce of our own industry employed in a way in which we have some advantage'

As Smith explains through an example, good grapes could be grown in Scotland in hothouses but would require additional outlays of heating, which would make the Scottish wine 30 times more expensive than French wines. But due to the presence of several sheep farms, wool is an icon of Scottish heritage and fashion and could be traded in return for French wine. In simple words, since France has a competitive advantage in producing wine, the tariffs imposed by Scotland to protect domestic industries could seemingly go waste as this would cost public money (Hayes).

Historical evidence shows that trade openness brings higher economic growth through enormous development. It mainly brings capital inflows, breeds competition which leads to innovation, job creation and alleviation of poverty. Additionally, the integration of macroeconomic policies along with outward orientation can result in even higher growth prospects. A report by the Brookings states that, in contemporary times no country has developed without harnessing economic openness, i.e., to international trade, and investment.

Tariffs tend to have both, i.e., seen as well as the unseen impact. The seen impact is that they encourage exports, by restricting imports. But the unseen impact that leaves behind is the hike in domestic prices. When tariffs are raised they cause the imports to become expensive, and firms therefore find it costly to fund the same. Hence the raw materials that the firms import to produce output becomes expensive. Further, to compensate for this expense, even the firms raise the cost of their outputs, causing domestic prices to rise. This is often the unseen impact that is materialised on the domestic economy. Thus, it is nowhere to estimate that by raising tariffs one country would probably be better off. Consider a hypothetical example of steel and car manufacturing that would relate to the above argument. Suppose a firm in country A doesn't have a comparative advantage in producing steel, is required to export cars, will import steel from country B (which has a comparative advantage in producing steel). However, if country A raises its tariffs on imports (coming from country B) that would cause the price of steel coming from country B to rise, eventually prompting the cost of production of exporting a car to rise.

3.0 Analysis of Trade Openness in LDCs and DCs. A return to Protectionism?

The trade openness in LDCs and DCs has been slowing down since 2014 and has only witnessed marginal growth in the year 2018.

As figure 1 illustrates, the trade openness has been slowing since 2014, and especially the trend of LDCs is deteriorating persistently, with the index falling from 59% in 2014 to 48% in 2016, it has only increased marginally in 2018, with the growth not reaching the pre-2015 trend. If we compare the data of LDCs, DCs, and developed economies, the trend has decelerated after the year 2008 by nearly 10%, which is most nearly associated with the financial crisis of 2008. However, the trend did accelerate to some extent before it again started slowing, particularly after 2014.

The slowing trend of trade openness is now accompanied by rising protectionism in many parts of the world. The argument of protectionism is slowly taking place as countries are increasingly turning inward. The trend of trade openness which has been tumbling since 2014, is now likely to decelerate even further as governments around the world have taken the measures to restrict foreign capital and goods coming from outside. It is proposed to protect the infant industries, and other domestic industries from the rivals (imports) as the pandemic induced lockdown has stressed the balance sheet of these firms, given the supply and demand shock.

The real risk of every crisis is that it prompts countries to turn inward to protect their domestic industries, which unambiguously indicates that protectionism is coming back. There are several implications to support as to why protectionism might not be successful

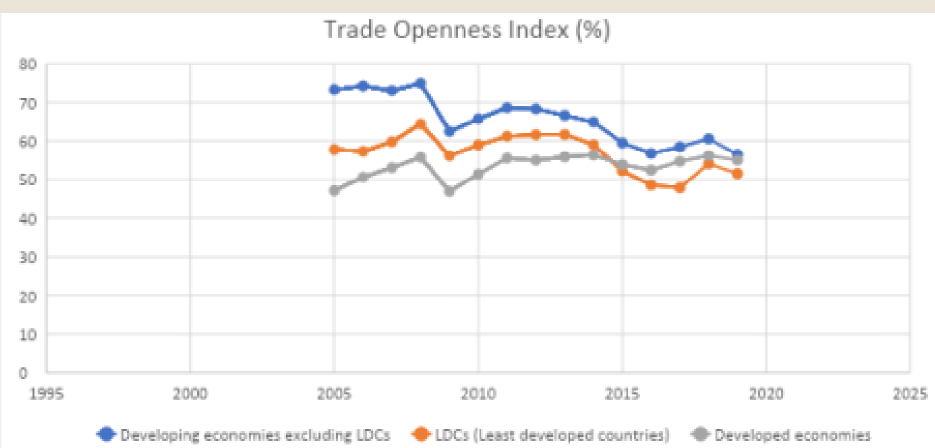

Figure 1. Trade Openness trends in LDCs, DCs, and Developed economies, 2021.

given how the world is recovering from one of the greatest challenges of all times. Restrictions on imports is explicitly a restriction on exports as it makes the goods less competitive in the global market. The hypothetical example of car and steel illustrated in the seen and unseen impact of tariffs would very much relate to the argument.

Among the forefront of protectionism policies, India has taken some steps as it battles one of its utmost difficulties since independence. One is *atmanirbharta*, also known as 'self-reliance', which is the new paradigm in the Indian economic regime, and can be described as a kind of protectionism. The second is on the foreign direct investment in Indian companies which will require prior approval from the government (Davar).

Whereas in the United States, the Foreign Investment Risk Review Modernization Act (FIRRMA) has come into action. It empowers the Committee on Foreign Investment in the US (CFIUS) to counter the national security concerns regarding foreign exploitation of certain investment structures. It has adopted the measures wherein the entities involved in the purchase or lease of real estate will have to be notified to the CFIUS. Further, individuals are also asked to inform CFIUS in cases where they are involving a foreign person to take control over an entity. Other than that, acquisition in sectors like oil and gas, telecom power, defence and finance have to be notified as well. The scope of transactions being subjected to the CFISU essentially means that transactions can be blocked if the committee finds any concerns regarding national security procuring due to these transactions (Davar).

In the European Union, if the investment is likely to affect security and public order, the member states should keep an eye on whether the investment is having any impact on critical infrastructure, critical technologies, and confidential data. The European Union also advises restricting any investment which is being made by an investor who was already involved in activities affecting public order in other states (Davar).

Furthermore, various other steps of protectionism have also been adopted in the United Kingdom (UK). The National Security and Investment (NSI) Bill has come into force in the UK parliament. This bill entitles the secretary to investigate if certain kinds of acquisitions are a threat to national security. This bill consists of assessing not only the acquisition of entities, but also certain acquisition of intellectual property, and minority shareholdings. Finally, the acquisitions that are yet to be prescribed must be notified to the secretary of state as per the guidelines of the bill. (Davar).

Based on the evidence aforementioned, one could argue that protectionism is making a comeback after years of free trade. Having mentioned the instances and indications of protectionism, predominantly in advanced economies and major emerging markets, this paper argues that protectionism could doom the LDCs and the DCs regardless of whether they adopt an outward orientation policy. To make the first point behind the argument, global aggregate demand could significantly plummet if major economies of the world turn inward. Lower external aggregate demand especially from advanced and emerging economies to the LDCs, and DCs erodes the benefits of outward orientation, and in that case, outward orientation could turn out to be redundant. Secondly, in regards to advanced economies, it could even raise their cost of production for labour-intensive goods, keeping in mind the fact that academic literature favours capital intensive techniques in advanced economies.

In short, if advanced economies turn inward, instead of protecting their economies it could easily eventuate the opposite and settle them to mediocrity. Similarly, if LDCs and DCs continue to stay inward it could further exacerbate their economies, especially in the post-Covid era.

To prove the argument behind a more open economy, this paper focuses on some of the successful trade openness case studies, especially of China and India who have witnessed massive growth rates by opening their economies. The case studies are a mere act of evidence that supports how trade openness can be beneficial in other developing and emerging markets around the world.

4.0 China's case study of Trade Liberalization and Openness –

Over the years, one of the most successful cases in trade openness have been China. Today, China is one of the largest developing countries in the world, with the second largest economy. Nearly 40 years ago China decided to change its inward-oriented regime and decided to open up its economy. Before the economic reform of 1978, the Chinese economic policies were considered to be stagnant, vastly inefficient, and centralized by the central government (Morrison 25). The closed economy of China was only involved minimally in exporting the surplus of raw materials to other countries. This inward-oriented growth strategy propelled the development of domestic industries, but due to lack of access to international competition, the domestic industries were not able to enjoy the benefits of international trade, such as technological advancement, competition effects, and efficiency.

China opened up its economy in 1978 which included trade policy reforms, decentralisation of administrative power, and overall trade liberalisation. China's reforms enabled them to compete with the world, which helped them raise their levels of exports. After nearly 40 years, it is a no brainer to acknowledge the fact that China is one of the most successful economies and the largest exporter of the world. All thanks to the trade liberalisation of 1978 that contributed to

Table 1
Tariff Rates of China (1992-2019) [1]

Year	Applied, Weighted Mean, All Products (%)	Annual Change
2019	2.53%	-0.86%
2018	3.39%	-0.44%
2017	3.83%	0.29%
2016	3.54%	-0.98%
2015	4.52%	-0.22%
2014	4.74%	-1.25%
2011	5.99%	1.34%
2010	4.65%	0.71%
2009	3.94%	-0.53%
2008	4.47%	-0.60%
2007	5.07%	0.82%
2006	4.25%	-0.62%
2005	4.87%	-1.09%
2004	5.96%	-0.52%
2003	6.48%	-1.24%
2002	7.72%	-6.39%
2001	14.11%	-0.56%
2000	14.67%	0.21%
1999	14.46%	-1.04%
1998	15.50%	-0.32%
1997	15.82%	-3.94%
1996	19.76%	-8.17%
1994	27.93%	-2.36%
1993	30.29%	-1.88%
1992	32.17%	-1.88%

Source: "China Tariff Rates 1992-2022." *MacroTrends*, https://www.macrotrends.net/countries/CHN/china/tariff-rates.

[1] *The tariff rates of China illustrated in table 1 have been retrieved solely through macrotrends. Their tariff calculations are based on weighted mean applied tariff. The weighted mean applied tariff is the average of effectively applied rates weighted by the product import shares corresponding to each partner country is the weighted mean applied tariff. At the six- or eight-digit level, data is categorized using the Harmonized System of Trade. To determine commodity categories and import weights, tariff line data was matched to Standard International Trade Classification (SITC) revision 3 codes. Specific rates have been converted to their ad valorem equivalent rates and incorporated in the calculation of weighted mean tariffs to the extent possible. The Commodity Trade (Comtrade) database of the United Nations Statistics Division was used to compute import weights. For each commodity group, effective applicable tariff rates at the six- and eight-digit product level are averaged. When the rate that is actually being used is unavailable, the most favoured nation rate has been used.*

the success of this development.

Now on the import side, China implemented tariff cuts for better involvement of market mechanisms in achieving effective resource allocation, with minimal government intervention. The Chinese government cancelled its import substitution regime in the 1980s and liberalised its economy with less government intervention. In 1982, China's tariff was set around 56% which was reduced to 15% in 2001, and 9.8% in 2008 (Sun and Heshmati 6). Even the non-tariff barriers such as quotas and embargo were phased out by January 2005.

Since 1992, the average tariffs on all the products have fallen substantially year-on-year. As the data from Table 1 shows, tariff figures from 2017 to 2018 fell from 3.83% to 3.39% causing a decline of 0.44%. Similarly, from 2018 to 2019 tariffs fell by 0.86% and came down to 2.53% in 2019.

Historically, from the period of 1992 to 2019, there has been a tariff cut of 1.26% on average. The tariffs have been declining since 1992, and have hardly risen marginally between 1999 -2000, 2006-2007, 2009-2010, 2010-2011, 2016-2017.

On 11th December 2001, China formally became a member of the World Trade Organization (WTO), which was during the era of globalization. As Sun and Heshmati have written,
"China's accession to the WTO will help to strengthen and improve the multilateral trading system, promote world economic and trade development, and establish a new, open and just international economic order."

In the post-economic reform, China's GDP has witnessed a 10% growth rate on
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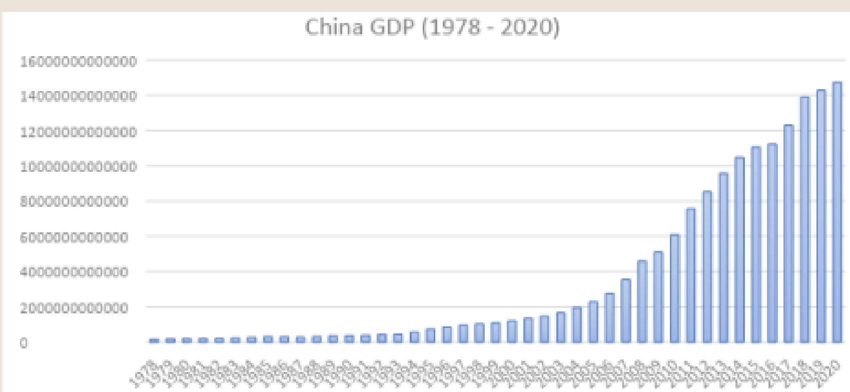

Figure 2. China's GDP (Current USD), 2020.[2]

[2] *Figure 2 denotes a notation 'E' that stands for 'Exponents', and the term could be calculated scientifically using the following method. For instance, the GDP for the year 2018 is 1.38948E+13, this could be calculated as, 1.38948*1011= 138,948,000,000. This gives the actual GDP value (known in trillions).*

average, and about 800 million people have been lifted out of poverty. China's total trade was about USD 20 billion in 1977, which surprisingly sprung up to USD 475 billion by the end of the 20th century.

As figure 2 outlines, China's GDP has been growing exponentially ever since it opened up its economy. From USD 149.541 billion in 1978 to USD 14.723 trillion as of 2020. The growth has significantly increased, thanks to China's reforms which included substantial changes in terms of financial systems, legal systems, and governance. Some of the reasons behind this growth as many economists have believed is due to large scale capital investment, and rapid productivity growth. Also, there is clear evidence of improvement in Total Factor Productivity (TFP) since the market-oriented reforms were initiated in 1979, estimating about 40% contribution to GDP (Yusuf 77).

Moreover, in the period of post decentralisation of power, there has been substantial productivity improvement and growth in gross domestic savings.
Data from the World Bank shows that in 1978 China's gross domestic savings were around 39% of its GDP which rose to about 51% of its GDP by 2010. As far as productivity is concerned, the industries that were stringently controlled by the Chinese central government, such as trade, agriculture, and services later (post-reform) were involved in the reallocation of resources to improve its efficiency (Morrison 7).

With the economic reforms of 1978, the most successful sector has been China's exports, or rather international trade. Its exports nearly doubled between 2009 and 2014 and by 2019 China accounted for about 13.2% of global merchandise exports. Today, China is considered one of the leading exporters of the world, and its exports contribute immensely to the GDP of the nation.

Figure 3 highlights evident data on how Chinese merchandise exports have invariably surpassed its imports, right from 1979. From USD 13.7 billion in 1979 to USD 2491.4 billion by the end of 2018. The growth in merchandise exports have been growing year on year, and today China is considered as the leading exporter of merchandise exports. The credit to this growth and development goes entirely to the economic reforms of 1978 when trade liberalization and openness were initiated.

China's economy has also by far been the most resilient economy in the current times. Owing to the Covid-19 outbreak since March 2020, when the global economy witnessed a contraction of 4.9% according to the IMF, amid this the only economy to experience positive growth in 2020 was China with 2.3% real GDP growth.

On one hand, China has experienced enormous growth in domestic industries, in terms of employment, productivity, and advancement of technology, while on the other it has contributed to bringing enormous capital inflows, hard currency inflows, which ultimately contributed to sustained economic growth.

To summarise, whether or not economic prosperity is celebrated based on GDP rates, macroeconomic stability, or trade performance, it is evident that China is the epitome of how the nation has grown through trade openness and the adoption of an outward-oriented growth strategy. This sets a clear example as to why trade openness should be adopted by poorer countries and developing economies, especially in the post-pandemic world given the challenge to tackle enormous amounts of debts and fiscal pressures.

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Figure 3. China's Merchandise Trade data (in USD).

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To summarise, whether or not economic prosperity is celebrated based on GDP rates, macroeconomic stability, or trade performance, it is evident that China is the epitome of how the nation has grown through trade openness and the adoption of an outward-oriented growth strategy. This sets a clear example as to why trade openness should be adopted by poorer countries and developing economies, especially in the post-pandemic world given the challenge to tackle enormous amounts of debts and fiscal pressures.

5.0 India's case study on Trade Liberalization and Openness–

Apart from China, India has also been successful in trade liberalisation and openness. Nearly three decades ago India opened its economy to the world, and right now it competes as the fifth largest economy in the world. The balance of payment crisis had put India into a severe economic crisis, with insufficient foreign exchange reserves to finance the imports. The country's foreign exchange reserves fell sharply during 1990-91 and the nation could barely finance imports for about two weeks. The crisis was mainly prompted due to the Gulf war which led to a sharp rise in oil prices and also due to a decline in short-term credit on the capital account.

Later, in 1991 when India opened up its economy, it had an enormous positive impact on various sectors of the Indian economy. In particular, the growth in the service sector has been stellar ever since. The measures of reducing tariffs, eliminating restrictions on foreign investments and letting the private sector compete globally resulted in massive growth in GDP and foreign direct investments. India's foreign investment grew from USD 100 million in 1990-91 to USD 46.6 billion in 2011-12 (Panagariya 255). Many sectors in the Indian economy have benefited due to the liberalization measures, which mainly involved cutting tariffs, allowing foreign direct investment and free flow of capital.

As India started opening its economy, it immediately witnessed rapid economic growth. India's trade-to-GDP ratio increased from 13% in 1988 to 43% in 2010, consequently, it also witnessed a decline in extreme poverty from 53% to 32%, with the highest decline during 2005–10 (Mitra 4).

As table 2 illustrates, the goods and services exports in India, from the period of 1990 to 2000 have nearly doubled from 7.3% to 14% in a decade. While the growth in imports has still been less dramatic compared to the growth in exports, 9.9% to 16.6%. The total trade in goods & services has also risen significantly from the period of 1990 to

Table 2
Indicators of Trade Openness for India (1980, 1990 and 2000)

Indicators of Trade openness for India (% of GDP)			
Indicators	**1980**	**1990**	**2000**
Merchandise exports	4.6	5.8	9.8
Merchandise imports	8.7	8.8	13.0
Goods & Services exports	6.2	7.3	14.0
Goods & Services imports	9.7	9.9	16.6
Total trade in Goods & Services	15.9	17.2	30.6

Source: Panagariya, Arvind. “India's Trade Reform.” *Brookings*, 2004, https://www.brookings.edu/wp-content/uploads/2016/07/2004_panagariya.pdf.

2000, from 17.2% to 30.6% as a proportion of GDP. This data clearly expresses India’s progress given its measures of trade openness. Trade openness has significantly contributed not just in terms of boosting India’s external sector but has also contributed in the reduction of poverty, and hunger rates.

For the past 25 years up until 2017, India was growing at about 6.5% to 7% on average as table 3 below indicates. Much of the credit goes to the trade openness or rather the economic reforms of 1991.

As the data from table 3 illustrates, the Indian economy has grown rapidly since it opened its economy to the world. The higher GDP growth rate also resulted in commensurate growth in investment, huge capital inflows and also a decline in poverty and hunger. Although in recent times poverty in India has risen due to the economic reforms of demonetization, and the exogenous shock of Covid-19 which further added fuel to the fire.

The post-liberalisation period has largely made good progress in the private sector, rather than on the government side. Service sector in India has witnessed higher growth rates than before. In addition, India’s information and technology, banking and finance operations have experienced double-digit growth rates, ever since the liberalisation. Some of the big corporate giants like Infosys, Wipro and TCS have made their marks on the global platform, and are now competing with other global corporations.

Table 3
Annual GDP growth in India (%)

Year	Growth Rate (%)
1992	5.48
1993	4.75
1994	6.66
1995	7.57
1996	7.55
1997	4.05
1998	6.18
1999	8.85
2000	3.84
2001	4.82
2002	3.80
2003	7.86
2004	7.92
2005	7.92
2006	8.06
2007	7.66
2008	3.09
2009	7.86
2010	8.50
2011	5.24
2012	5.46
2013	6.39
2014	7.41
2015	8.00
2016	8.26
2017	6.80
2018	6.53
Average	**6.54**

Source: "GDP Growth (Annual %) - India." *The World Bank*, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2020&locations=IN&start=1992.

According to the Global Hunger Index (GHI), India's hunger index has also fallen since the year 2000. During this year, India's hunger index accounted for a score of 38.9, considered as alarming according to the GHI severity index. This index fell to 27.2 in the year 2020 as figure 4 illustrates.

These statistics are solid proof of a drop in hunger rates in India. After opening up, the nation has witnessed a massive spread of elevation in many sectors of the country, and progress in many areas, such as a decline in the hunger index, poverty rates and an increase in job creation.

To summarise, India's progress has been fascinating, excluding the recent years, i.e., 2018 to 2021 (demonetisation causing an unintended slowdown, change in tariff rates, and the Covid-19 pandemic) given the progress in GDP growth rate, total exports and ultimately its implications on various Indian sectors. India again sets a clear example similar to China, as to how the nation has grown through the adoption of more open and focused outward-oriented growth strategies .

While India's recent consensus of atmanirbharta or self-reliance has led many experts to argue that India is moving inward. As Chatterjee and Subramanian have stated, India is moving inward, i.e., it is favouring domestic demand over exports, while trade restrictions are rising. This would curtail the Indian economy and condemn it to mediocrity. Right now, the external sector of the Indian economy could play a significant role in recovering from the impact that was materialized due to the pandemic.

6.0 Lessons from India and China -

The main intention behind illustrating the case studies of how China and India have grown through more trade openness is simply to convey how LDCs and DCs can replicate the models of China and India. Both the nations have grown rapidly as the evidence shows in the post-reform period. LDCs and DCs can and should focus more on opening the economy, rather than focusing

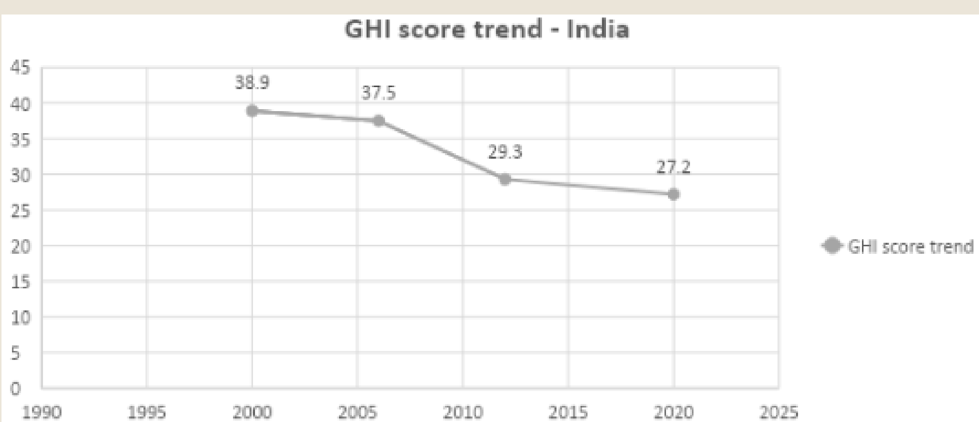

Figure 4. Global Hunger Index score trend for India, 2020.

on inward orientation to boost domestic demand as a macroeconomic growth strategy. There are important lessons that LDCs and DCs can learn from China and India. Firstly, China's targeted economic reforms of 1978 resulted not only in a rapid increase in GDP growth rates, but also increased productivity (Hu and Khan 2). These reforms elevated the Chinese economy overall, which is now the second largest in the world.

Secondly, India's economic reforms of 1991 resulted in a substantial drop in poverty as the evidence from the study of Datt, Ravallion, and Murgai show. There was also an expansion in the aviation industry, such as air travel, and many other sectors such as services and manufacturing which witnessed double-digit growth rates.

Thus, China and India clearly set a strong evidence for other developing economies and least developing economies as to how they can capitalise on their domestic market and produce for the world.

7.0 South Korea: Growth under the regime of Protectionism and Openness –

South Korea stands a solid explanation behind growth under import substitution and outward orientation. Here the paper shows the growth trends of South Korea from 1954 to 2008. Beginning in 1954 to 1962, was the period broadly involved in import substitution. From 1963 to 1973 has been described as a period with an outward-oriented growth regime. The third period, i.e., 1974 to 1982 was also followed by an outward-oriented strategy. Later, the period 1983 to 1995 was characterized by import liberalisation, and finally, the last period 1996 to 2008, began with the East Asian currency crisis, which ended with the global financial crisis of 2008 (Panagariya 211).

The important factors to look at from table 4 are GDP growth rates (column 3), and per capita income (column 4). During phase 1, the GDP growth rate was 4.2%, which significantly grew to 9.1% as an outward-oriented strategy was adopted. Following that, the GDP growth rate fell to 6.9% in phase 3 due to macroeconomic problems faced by the nation. Later, the policy of import liberalisation stimulated growth and the GDP grew by 8.7% during 1983-1995. Thereafter the growth rate fell significantly due to the Asian financial crisis, the economy grew at 4.4%.

In short, even though the economy grew moderately under the realm of import substitution, it grew rapidly under an outward-oriented period, i.e., as the data shows the growth rates accounted for 4.2% in the former, and 9.1% in the latter.

Table 4
Average annual growth rates in Korea (%)

Phase	Period	GDP	Per capita GDP	Exports of constant-price goods and services	Imports of Constant-price goods and services.
Phase 1	1954-62	4.2	1.3	13.9	5.2
Phase 2	1963-73	9.1	8.5	32.1	21.4
Phase 3	1974-82	6.9	5.1	14.0	12.2
Phase 4	1983-95	8.7	7.6	12.6	13.5
Phase 5	1996-2008	4.4	3.8	12.4	8.5

Source: Panagariya, Arvind. “South Korea - Overview of the Economy: 1954-2008.” *Free Trade and Prosperity: How Openness Helps Developing Countries Grow Richer and Combat Poverty*, Oxford University Press, Oxford, 2019, pp. 211–212.

8.0 Economic growth under Trade Openness –

So far, the evidence does illustrate that trade openness has a substantial positive impact on the economic performance of a country. International trade has the potential to increase per capita income directly and can lead to development in other channels such as efficient allocation, technological advancement, distribution of resources, and achieving economies of scale through importing cheaper inputs from other countries. A theory that supports how trade can help us achieve efficiency, allocation of resources, and economies of scale are given by the Heckscher-Ohlin theory of international trade. The theory differentiates comparative advantage in terms of factor endowments (factors of production). Before that let’s analyse the most common economic riddle which relates to the Heckscher-Ohlin theory. ‘Why is water so inexpensive, while diamonds so expensive?’ The answer to this is, humans need water to survive and unlike diamonds, they are a necessity in one’s life. Moreover, the supply of water is plentiful, while the opposite is true for diamonds. Hence, the price of water is cheap, while that of a diamond is high. Or, as the basic economic understanding states, when the supply of a commodity is abundant, the price of that commodity is typically on a lower side, and when the supply of a commodity is scarce, the prices tend to stay on a higher side. Similarly, when a factor of production (labour) is abundant, it will tend to have a lower price and when the factor of production (land) is in limited supply, it will tend to have a higher price.

Consider 'K' as capital, 'L' as labour, 'PK' as the price of the capital and 'PL' as the price of labour (Mukherjee). Given this, take two countries as an example, Vietnam (V) & Japan(J). In Vietnam capital is abundant, while labour is scarce, and in Japan, capital is scarce, while labour is abundant. Thus, we have –

$$\left(\frac{K}{L}\right) V \quad > \quad \left(\frac{K}{L}\right) J \qquad (1)$$

$$\left(\frac{PK}{PL}\right) V \quad < \quad \left(\frac{PK}{PL}\right) J \qquad (2)$$

As we can understand from the above equation, due to capital being abundant in Vietnam the price of capital is cheaper than the price of capital in Japan. In Japan, because capital is scarce, the price of capital is on the higher side, unlike Vietnam.

Similarly, let's take another hypothetical example, suppose Norway has two factors of production, i.e., land and labour. The factors of production required are such that, manufacturing shoes requires more labour while manufacturing a leather jacket requires more land, all else being equal. This means that the manufacturing of shoes is more labour intensive and the manufacturing of leather jackets is more land-intensive. Moreover, Norway also has abundant labour relative to land. So, in this case, given that Norway is labour abundant, it would have a comparative advantage in terms of producing goods that are labour intensive such as shoes in this case. Given this case, and as equation (2) above states, the price of the shoes would be relatively cheaper in Norway than in any other country, all else being equal. Further, given the comparative advantage, Norway could benefit by specialising in the production of shoes, by exporting the labour intensive goods, and importing the land-intensive goods like the leather jacket. This is exactly the idea behind Heckscher-Ohlin's theory of international trade: a country would benefit by exporting the abundant factor (say, labour, land, or capital) and importing the scarce factor (Panagariya 23). The idea is clear that the LDCs and the DCs should try to capitalise on the resources in which it has a comparative advantage, such as shoes in the above example and try to export more in which it has an absolute advantage. Therefore, it is inevitable that the LDCs and the DCs import the goods in which they don't have a comparative advantage.

Strong evidence by Vasiliki Pigka-Balanika has proposed that macro-econometric evidence shows open economies experience faster economic growth rates and micro-econometric evidence shows that the firms who have entered into the export market have experienced faster growth rates as well. Moreover, trade also facilitates a variety of inputs that would enhance productivity in final goods production and would also cut down the cost of production which would ultimately help in achieving economies of scale.

While it is not to merely argue that trade openness will guarantee economic growth or economic development since achieving growth and development requires a set of comprehensive tools, such as spending on infrastructure, and right policy measures. However, the openness of trade can essentially provide nations with a boost, such as external demand, cheaper input or raw materials and an opportunity for firms to make their mark on the global platform. There is however a caveat to implementing trade liberalisation policies. If a country plans to remove trade restrictions within a short period it will certainly have to face some macroeconomic shocks, especially if a country adheres to fixed exchange rates (Panagariya 31). Specifically, the government will have to cut its expenditure and shift the demand towards foreign-sourced goods, otherwise liberalization will cause unemployment and a larger trade deficit.

Additionally, LDCs and DCs should also capitalise on their resources, mainly in labour-intensive goods which can be a comparative advantage for them. Poorer countries and developing economies, in general, are labour intensive. Labour intensive frameworks can immediately contribute to employment and strengthening output in underdeveloped economies and developing economies that are usually not capital intensive. Labour intensive techniques could contribute to the acquisition of a comparative advantage for underdeveloped economies, in producing goods that are labour abundant such as agriculture, mining, healthcare, etc. These labour-intensive techniques and induced comparative advantage can entail the underdeveloped and developing countries to gain a significant share in the international market, making them competitive in labour-intensive exports. To support the hypothesis, evidence from Taiwan states that their total exports of non-primary products grew from 7.8% in 1957 to 39% in 1963, and further merchandise exports grew from 9.5% (of GDP) in 1957 to 31.5% in 1971 (Panagariya 204). As Panagariya states, the miracle behind these growth rates is mainly because Taiwan specialized in labour-intensive products. As a result, today Taiwan is one of the industrial economies in the world.

In recent times, trade openness has received a lot of attention in terms of how it can contribute to economic growth and help in solving development economic issues. Although as argued earlier, trade openness is not the only source that can contribute to economic growth, since many critics have questioned the role of trade openness, but as Nobel laureate, Arthur Lewis has argued, economic growth is also the result of an increase in output per head of the population. In short, that will determine the significance of trade openness.

9.0 Conclusion –

This paper has tried to show how removing trade barriers can bring enormous development opportunities to LDCs and DCs. Based on the evidence it is true that countries are turning inward since trade restrictions are increasing. While this comes at a time when the world economy is trying to find a way to deal with multiple endogenous and exogenous shocks such as inflation prompted due to fiscal spending and several Covid-19 epidemic mutants which are affecting global demand. Having said that, the decelerating trend of trade openness is certainly a threat to the world economy since a closed or highly protectionist economy is unlikely to generate higher growth rates and would not reinvigorate the pandemic scarring. A return to protectionism by the advanced economies is not only a poor indication of their respective economies but also other economies around the globe.

Free trade or very low trade barriers are known as strategies that can bring enormous growth opportunities and prosperity to even poorer nations. The LDCs and DCs as argued should rely on producing labour-intensive goods as this would strengthen their production and manufacturing and give them a competitive advantage in front of the advanced economies with labour abundant goods.

The case studies of China and India are unambiguously solid evidence as to how a poor country can witness a structural change when their trade expands, by opening the economy. Both the countries-initiated liberalisation by cutting tariff rates and adopting an export-led growth strategy to boost exports. Even the case study of South Korea is fascinating evidence as to how a country grows under the regime of protectionism, and how it expands in the era of free trade.

To sum up, free trade does certainly involve some macroeconomic shocks in the beginning, but the benefits that are witnessed in the medium term and long term are immensely greater. The exogenous shock of Covid-19 compromised several economic variables such as consumption, investment, and international trade. Though it affected world trade, historical data and strong evidence support the fact that the world needs to adopt an outward orientation going forward, not only for battling and revitalising the pandemic scarring but also for sustainable growth.

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Assessing Health Indicators: A comparative study between Odisha and Kerala

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Abstract

The health of any nation is what determines the progress it records, economically or socially. This paper seeks to explore the development in the health sector of India, using a comparative analysis of the states of Odisha and Kerala. The authors have discussed the progress that these states have recorded in the past three decades along with the relevant schemes and policies that have facilitated growth in the health-care sectors. Further, the study examines and establishes the role of parameters like infant mortality rate, life expectancy at birth and maternal mortality rate in gauging the health of the citizens in a particular state, aided by a descriptive analysis of the data sourced from Reserve Bank of India and World Bank. Conclusively, the paper presents a list of recommendations to improve the state of health in these two states along with the rest of the nation.

Keywords: Health, Infant Mortality Rate, Life Expectancy at Birth, Maternal Mortality Ratio

1.0 Introduction

The World Health Organisation (WHO) defines health as a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity. It is an output produced from a set of inputs like genetic factors, diet, water, sound sleep, immunisation, income, education, housing, working conditions, environment, livelihood strategies, and health-care facilities. Good health is an asset that enables people to participate in work and socio-economic development. Ill health causes misery and impoverishment.

According to the World Bank, improved health contributes to economic growth in four ways: (a) it reduces production losses caused by worker illness; (b) it permits the use of natural resources that had been completely or nearly inaccessible because of disease; (c) it increases the enrollment of children in school and enables them to learn; and (d) it frees from different uses of resources that would otherwise have to be spent. The economic gains are relatively greater for poor people who are typically handicapped by maladies (Rout and Hota 2).

Being a population of 1.3 billion people and one of the world's fastest-growing economies, India experiences both challenges and opportunities in the context of public health. A few of the numerous challenges that the country currently faces are child undernutrition high rates of neonatal and maternal mortality and growth in noncommunicable diseases. Additionally, there are barriers to equitable access to health care arising from income disparities and state-wise health-care infrastructure. In India, health care follows a decentralised approach in which each state is responsible for implementing and executing health facilities, with considerable oversight from the central government. The onus of health-care financing and policymaking is on the central government, whereas implementing the policy is the responsibility of the state government. The National Health Policy established in 1983 was one of the fundamental steps towards implementing a structured health-care system and introducing various national health programmes in the country. Records indicate that because of the decentralisation and health care being a state's responsibility, a considerable disparity can be noted in the health-care delivery standards across various states; some states are still struggling, whereas others display immense improvement (Muraleedharan and Chandak 4).

Through this paper, the authors have aimed at analysing some of the challenges to health care in the country using a comparative analysis between Odisha and Kerala. While Kerala ranks at number 1 in the NITI Aayog Health Index, Odisha ranks at number 19. Kerala has been a consistent performer in human development since independence and Odisha has shown remarkable improvements through its plummeting Infant Mortality Rate (IMR).

2.0 Research Methodology

The authors have extensively examined secondary sources of data like Indian and international journals, reports by organisations like the Reserve Bank of India, World Health Organisation and the World Bank. Several surveys by the Government of India have also been referred to for the purpose of this paper. In order to perform a comparative analysis, the following parameters have been chosen.

Parameters & Their Significance

1.Infant Mortality Rate - Infant mortality rate reflects the social, economic and environmental conditions in which children (and others in society) live, including their health care. Since morbidity data, i.e. data on the incidence and prevalence of diseases is frequently unavailable, mortality rates are often used to identify vulnerable populations. According to WHO records, the Infant Mortality Rate is an MDG (Millennium Development Goals) indicator.

2.Life Expectancy at Birth - It reflects the overall mortality level of a population. It encapsulates the mortality pattern that prevails across all age groups, including children and adolescents, adults and the elderly. (WHO)

3.Maternal Mortality Ratio - It indicates the risk of maternal death vis-a-vis the number of live births and essentially captures the risk of death in a single pregnancy or a single live birth. The annual number of female deaths from any cause related to or aggravated by pregnancy or its management, excluding accidental or incidental causes, during pregnancy and childbirth. (WHO)

3.0 Literature Review

There is plenty of literature discussing the health sector and making comparisons. The authors have delved deeper into literature where development parameters were discussed as well as the history of economic development of the two states.

Prusty et al. found that the poor economic condition of women was one of the most significant predictors for low utilisation of maternal health-care services in Odisha. It was also observed that utilisation of maternal health-care services is higher among rich or affluent women. Women from low income households are less likely to have safe delivery than women from affluent families. The unequal utilisation of maternal health-care services among women from varied economic milieus further necessitates the recognition of the probable factors behind the same.

A study by Kutty revealed that in Kerala, social sectors, mainly comprising education and health, accounted for a large share of the government development expenditure. The active role of the state government has essentially resulted in the expansion of health-care facilities.The high level of education, especially female education, ensured that people were easily aware of the new developments in treatment.

The research “Health System in Odisha” by ACCESS Health International analysed how geographic inaccessibility of health services, ethnic barriers restricting the demand for health care, lack of awareness about health practises, poor service quality, and heavy dependence on informal health providers are few of the deficiencies of the health ecosystem in Odisha.

Gupta noted that despite attempts by successive political leadership, fairness in resource distribution has been elusive for the disadvantaged groups. The incapacity of marginalised groups to assert their own rights to effective healthcare has impeded the situation's progress.

According to Kartha, the recent Covid-19 pandemic has provided Kerala the new opportunity to assess its strengths and weaknesses. Moreover, determine how to exploit advances in public health science and medical technologies to design a superior, sustainable and replicable Kerala model in the health sector.

The authors have added to the existing literature by reviewing the progress of schemes and policies pertaining to the health systems of Kerala and Odisha while also visualising the data in order to make an effective comparison using the parameters mentioned above.

4.0 Health-care Policies and Schemes

4.1 Odisha

I. The Odisha Health Vision 2010 was developed during 2003-04 by the Department of Health and Family Welfare and approved by the state cabinet. The mission aimed “To facilitate improvement in the health status of the people of Odisha with their participation, and to make available health care in a socially equitable, accessible and affordable manner within a reasonable timeframe, creating partnerships between the public, voluntary and private health sector and across other developmental sectors.” The Odisha Health Sector Plan (OHSP) translated the vision into a plan of action and is aligned with the National Rural Health Mission (NRHM). Both were developed by 2005, marking the beginning of a change from input-based approaches in public health to a focus on health outcomes. There was a particular emphasis on achieving equity of access and outcomes. Factors affecting undernutrition were addressed through a dedicated Nutrition Operational Plan led by the Department of Women and Children. This was combined with statewide system strengthening, with focus on activities in half of the districts which are highly vulnerable to poor health status and malnutrition (15 high burden districts).

II. The Matrujyoti scheme (2020) enables pregnant women to avail four ultrasound scans and regular monitoring of vital parameters like blood pressure, blood sugar, haemoglobin, HIV and other necessary tests. Sundargarh is the only district of Odisha where the scheme was launched with funding from the District Mineral Foundation (DMF). Besides the tests, under the scheme as many as 18 maternity waiting homes have been helping ensure safe institutional delivery of women from inaccessible and remote pockets of the tribal-dominated district. A year after Matrujyoti was launched in the Sundargarh district, the MMR and IMR have improved. From 19 cases reported between April and October 2020, the district registered only 9 cases from September 9, 2020, when the scheme was launched, till April 2021.

III. Currently, there are four social protection programmes to shelter the population of Odisha from health shocks. The largest is the Rashtriya Swasthya Bima Yojana (RSBY). This programme has successfully covered 72% of its eligible below poverty line population. The RSBY provides benefit packages of up to INR 30,000 per year. The Biju Krushak Kalyan Yojana targets farmer families and provides an additional INR 70,00 per year for maternal and child care. Both of these programmes provide health insurance through the insurance companies. A mix of public and private empaneled hospitals are responsible for providing health care under both of these programmes. A similar programme provides medical benefits of up to INR 15,000 per year to handloom weavers and artisans through a service delivery network recommended by the specified insurance company. Finally, a state-specific programme, the Odisha State Treatment Fund (OSTF), uses income qualifying criteria to target beneficiaries. The OSTF will provide cashless financial health assistance for treatment of poor patients suffering from life disorders. The fund provides coverage for below poverty line cardholders earning less than INR 40,000 in rural areas and less than INR 60,000 in urban areas. (ACCESS Health International)

IV. With an aim to provide health services to the very last person in society under its ‘Health for All’ endeavour, the Naveen Patnaik Government has allocated INR 9,164 crore in the budget 2021-22 to the sector, marking a 19% rise from the previous year. The health budget in 2020-21 was INR 7,699.84 crore. The government’s flagship schemes like the Biju Swasthya Kalyan Yojana (BSKY) and the Mukhyamantri Swasthya Seva Mission (MSSM) have received special attention for building health infrastructure and services. As per budget estimates, INR 1,353 crore has been allocated to the BSKY and INR 1,572 crore to the MSSM. Considering that National Health Mission (NHM) is an efficacious tool for universal health facilitation, an allocation of INR 1,755 crore has been made for the programme. According to an article from The New Indian Express, an outlay of INR 117 crore has been made to improve healthcare facilities with better equipment at major health institutions and District Headquarter Hospitals (DHH) and INR 63 crore under the public health response fund for the management of the Coronavirus disease and emergency health–care facilities.

4.2 Kerala

I. The Aardram Mission is one of the four missions under the 'Nava Kerala Mission' initiated by the government of Kerala, which aims at the same deliverables at the grass root level. It was launched with the objective to completely transform the public health sector in the backdrop of the Sustainable Development Goals (SDGs) 2030 of the United Nations (UN). The Aardram Mission's primary focus is on SDG 3, 'Good Health and Well-being'. With the health status of Kerala being different from the rest of the country, there was a need to redefine the SDGs in the context of the state as a part of which Mission Aardram was launched in February 2017. Kerala has set short-term goals to be achieved by 2020 and long-term goals to be achieved by 2030. This was formulated by various expert committees who worked on health issues prevailing in Kerala. The main objectives of Mission Aardram are:

1. People-friendly Outpatient Services
2. Re-engineering Primary Health Centres (PHCs) into Family Health Centres (FHCs)
3. Access to comprehensive health services for the marginalised/vulnerable population
4. Standardisation of services from primary care settings to tertiary settings

II. The state cabinet approved Kerala's new health policy on 24th January, 2019. The new health policy focuses on strengthening primary care services and equipping the public health system to deliver quality and affordable care so that one of the major issues in the state's health sector — impoverishing, catastrophic health-care expenditure — can be reduced. The policy lays emphasis on restructuring and revamping public sector health institutions. It recognises increasing human resources in health and better investment in public health as crucial to achieving the universal health care goals set by the state. The focus will be on comprehensive primary care services at the grass roots, with an accent on prevention, early detection, and management of noncommunicable diseases on hand, while at the same time improving secondary and tertiary care services in public hospitals so that the burden of disease prevalence and morbidities can also be tackled. The government will thus aim at raising its current expenditure on health from the current 0.6% of GSDP to at least 5% and strive to increase it by 1% every year.

5.0 Challenges

5.1 Odisha

The availability of health-care providers and skilled professionals in tribal and hilly areas is constrained due to poor accessibility and scattered habitations. The mandatory posting of health workers in these districts has addressed the vacancy problem to some extent but there has not been any examination of the quality of health care provided by these units. Many unidentified migrants live in urban slum areas. These migrants often have unaccounted for health issues and rely on unorganised and uncertified private clinics that have poor accountability. Acute staff shortages, disparity in salaries, low morale, and high absenteeism are major obstacles to progress in addressing health care needs in Odisha. The state Human Resource Management (HRM) unit was established to facilitate career restructuring for doctors and capacity building of health staff. The unit also ensures the equitable supply of skilled health professionals in underserved and remote areas of the state by providing promotional avenues and better earning opportunities.

Out-of-pocket spending on all health care is a cause of great concern in Odisha. According to the Ministry of Health and Family Welfare, out-of-pocket spending represents nearly 80% of total health spending. The burden of out-of-pocket expenditure for medical care, specifically on drugs and medications, was far higher on users of higher tier facilities, like district hospitals, than on lower tier and more local facilities, even when treating the same types of ailments. The prescribing of exorbitant drugs coupled with a higher load of complicated procedures result in conspicuously high out-of-pocket expenditures on medications at higher tier facilities. (ACCESS Health International)

5.2 Kerala

Kerala is a relatively smaller state compared with other territories in India. The living standards and socio-economic inequalities were found to be higher in the urban areas compared to rural areas. Sometimes, this variation was observed in the same rural or urban territory, and regions occupied by people from lower financial classes seemed to utilise medical facilities at a lower rate. Another notable observation has been the disparity between the north and south regions of the state, which was more evident in the past and is gradually narrowing down. The southern part of the state is considered better in many areas of development, including living status and health-care consumption.For instance, the Malabar region was far behind in the mortality reduction programmes in the early stage, whereas higher morbidity was observed in the developed regions. This disproportinality is highlighted remarkably in the comparison of health-care infrastructure distribution across various districts. For specialty treatment, a large geographical area in northern Kerala is still reliant on a small number of tertiary care public medical centres, with no operational tertiary care institutions in two important districts, Kasargod and Wayanad. Contrarily, a small geographical area in southern Kerala possesses a comparatively higher number of medical institutions. Trivandrum is the southernmost district and is flooded with several national and state-level specialty centres. The northernmost districts of Kasargod and Wayanad have low density of specialty medical facilities, and the bed ratio[1] was low at 6.3 and 8.69 respectively. On the other hand, Trivandrum had a bed of 18.48, with multiple specialty centres. Apart from this, all major private health-care players were concentrated in cities with a high population density. Quality of care and ease of access made private health facilities a primary choice in Kerala. Public health-care facilities in Kerala are still struggling with financial and infrastructure crises. Although this was a nationwide observation, Kerala has also not made any differences (Muraleedharan and Chandak 4).

6.0 Analysis

6.1 Infant Mortality Rate

6.1.1 Odisha

The IMR in Odisha which was 96 per 1000 births in 2000 has been

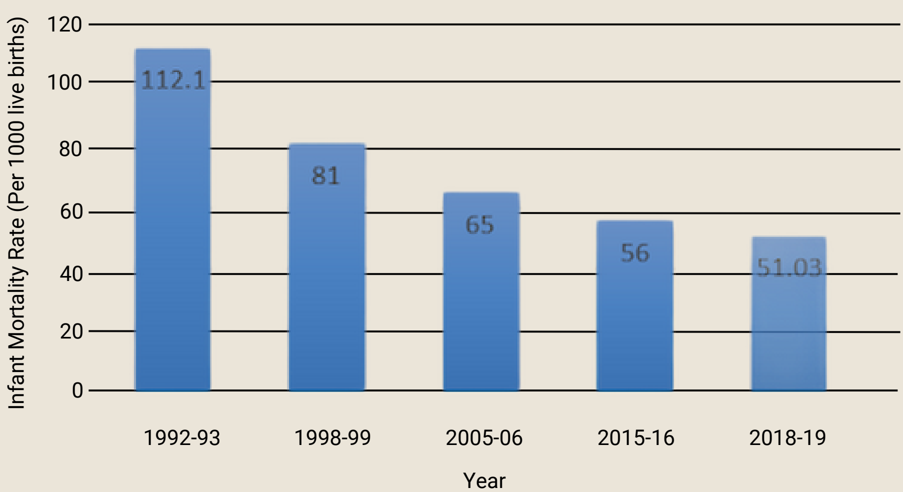

Figure 1. Infant Mortality Rate in Odisha, 2015-2016.

[1] The number of hospital beds available per every 1,000 inhabitants in a population, at a given year, for a given country, territory, or geographic area.

reduced to 40 in 2015-16, according to the 4th round of the National Family Health Survey (NFHS-4). During the same period, the national average of IMR has decreased by 27 points as it has come down to 41 from 68.

In Figure 1, it can be observed that the IMR has drastically reduced in Odisha over a period of 27 years, i.e., from 1992 to 2019. In the first round of the National Family Health Survey (NFHS-1) conducted by the Ministry of Health and Family Welfare (MoHFW) for the years 1992-93, it was observed that Odisha reported an appalling rate of 112.1 infant deaths per 1000 live births.

Gradually, this figure reduced to 81 and 65 in the years 1998-99 and 2005-06 respectively. As of 2018-19, Odisha recorded 51.03 infant deaths per 1000 live births.

6.1.2 Kerala

In a significant achievement, Kerala has brought its IMR, down from 10 to the single digit of 7 and now to 5 (per 1000 live births), according to the latest Sample Registration System (SRS) bulletin. This means that Keralahas achieved the UN's Sustainable Development Goals (SDG) target for IMR reduction, set at 8 for the year 2020. Rural areas have an IMR of 9 while urban areas have an IMR of 5. Kerala is also the only state to have achieved the single digit IMR of 7 amongst bigger states, the closest being Delhi with an IMR of 13, which is a good sign for the state to be on the path of development. Senior health officials said that Kerala's achievement was specifically due to the major initiatives and investments it had made in the area of neonatal health. Kerala has a low IMR because it mainly concentrates on human resource development. It has also made many provisions on developing the quality of

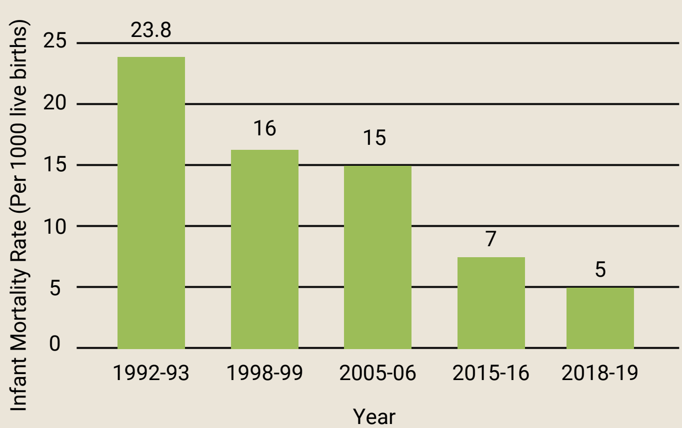

Figure 2. Infant Mortality Rate in Kerala, 2015-2016

education and medical facilities. Other reasons can be that it has a very high literacy rate and literate people take care of their children better as compared to illiterate and with this, people also have a higher earning capacity so they can afford basic necessities for their children (Maya).

In Figure 2, it can be noted that Kerala's IMR has been constantly low over a period of 27 years, i.e., from 1992 to 2019. In the first round of the National Family Health Survey (NFHS-1) conducted by the Ministry of Health and Family Welfare for the years 1992-93, it was observed that Kerala reported a rate of 23.8 infant deaths per 1000 live births, almost a fifth of Odisha's rate of 112.1. Gradually, this figure reduced to 16 and 15 in the years 1998-99 and 2005-06 respectively. As of 2018-19, Kerala recorded 5 infant deaths per 1000 live births, the lowest in the country.

Figure 3 indicates a comparison between Odisha and Kerala on the basis of their IMR from the years 2004 to 2018. Odisha has recorded a downward trend while Kerala has recorded a relatively constant trend. This is attributed to improving health-care services in Odisha with an increasein government spending. On the other hand, Kerala has continued to excel in health care since the 1990s due to its commendable efforts to invest in human development.

6.2 Maternal Mortality Ratio

According to UNICEF, maternal mortality is considered a key health indicator.The direct causes of maternal deaths are well known and largely preventable and treatable. The major complications that account for nearly two-thirds of all maternal deaths are severe bleeding (mostly bleeding after childbirth), infections (usually after childbirth), high blood pressure during pregnancy (pre-eclampsia and eclampsia), complications from delivery and unsafe abortions. The MMR of India for the period 2016-18, as per the latest report of the national Sample Registration system (SRS) is 113/100,000 live births, declining by 17 points, from

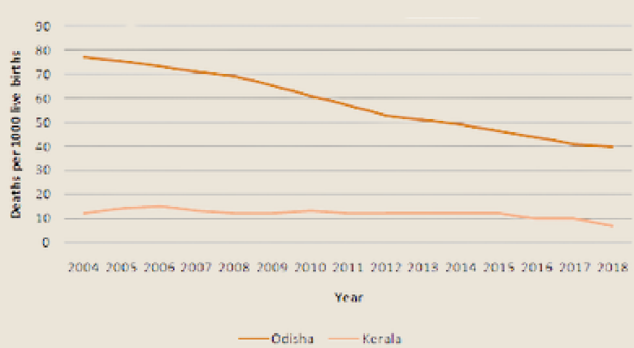

Figure 3. Comparison in the IMR of Kerala and Odisha, 2020.

130/100,000 live births in 2014-16. The Government of India has been focusing on initiatives to improve maternal health indicators. Much progress has been made in ending preventable maternal deaths in the past two decades. Globally the number of women and girls who die each year due to issues related to pregnancy and childbirth has dropped considerably, from 451,000 in 2000 to 295,000 in 2017, a 38% decrease. However, coverage of life-saving health interventions and practices remains low due to gaps in knowledge, policies and availability of resources. In a few areas there is a gap between the rich and the poor and an urban and rural divide. Access to health services is often dependent on a families' or mother's economic status and where they reside.

The Pradhan Mantri Surakshit Matritva Abhiyan (PMSMA) launched by the MoHFW, provides a fixed day for assured, comprehensive and quality antenatal care free of cost to pregnant women on the 9th of every month. This programme strengthens antenatal care detection and follow up of high risk pregnancies, contributes towards reduction of maternal deaths and reduces the MMR of India.

The Janani Shishu Suraksha Karyakram (JSSK) scheme encompasses free maternity services for women and children, a nationwide scale-up of emergency referral systems and maternal death audits, and improvements in the governance and management of health services at all levels.

6.2.1 Odisha

A study by Prusty et al. found that the utilisation of maternal health-care services is considerably low in Odisha along with wide variation by region, economic standard, and literacy level. The disparity is substantial when compared with other developed states like Kerala and Tamil Nadu in India, where utilisation of maternal health-care services are nearly universal. The variations are primarily due to the divergent socioeconomic and demographic characteristics of women. The study revealed 'region' as an important covariate affecting the utilisation of maternal health services in the state. This region also lacks good health infrastructure and skilled health personnel. Irregular terrain, long distance to maternal health centres, and absence of good transportation in the region are the other factors that prevent women from seeking medical assistance in delivery. Poor economic condition of women was found as another significant predictor for low utilisation of maternal health-care services. The inequality is more for safe delivery. The probable causes for this could be manifold and they may include organisational and individual level issues. At the organisational level, there is ample evidence that most government hospitals, especially in rural areas, lack good infrastructure and skilled personnel, so they are not considered safe for delivering a child. With this backdrop, private hospitals are the only place to opt for safe delivery.

6.2.2 Kerala

Kerala has maintained its position at the top as far as maternal and reproductive health is concerned by yet again having the lowest MMR of 42 in the country, according to the latest Sample Registration System (SRS) special bulletin on maternal mortality in India (2015-17), brought out by the Office of the Registrar General of India. This is a small yet significant drop by four points from the previous SRS bulletin (2014-16) when the MMR of the state stood at 46. Kerala is certainly on track to achieve the SDG target it had set for itself: an MMR of 30 by 2020. According to a senior health official, the health department's assessment of Kerala's MMR (as on September 30, 2019) is 31. All this is because the state has started focussing on some of the most common causes of maternal deaths, namely postpartum haemorrhage (PPH), hypertension, sepsis, and amniotic fluid embolism. Quality standards have been implemented that have significantly changed the practices in delivery points. "While the numbers have reduced, PPH, hypertension, and sepsis continue to be the leading causes of maternal death. However, over the past two years, we seem to have lost a significant number of pregnant women to suicide, which is indeed a very disturbing trend. It falls outside the direct realm of the health department but we seriously need to draw up some concrete programme for social intervention to check this trend," said V. P. Paily, senior obstetrician and the master trainer in safe obstetric practices for the Kerala Federation of Obstetrics and Gynaecologists. (Maya).

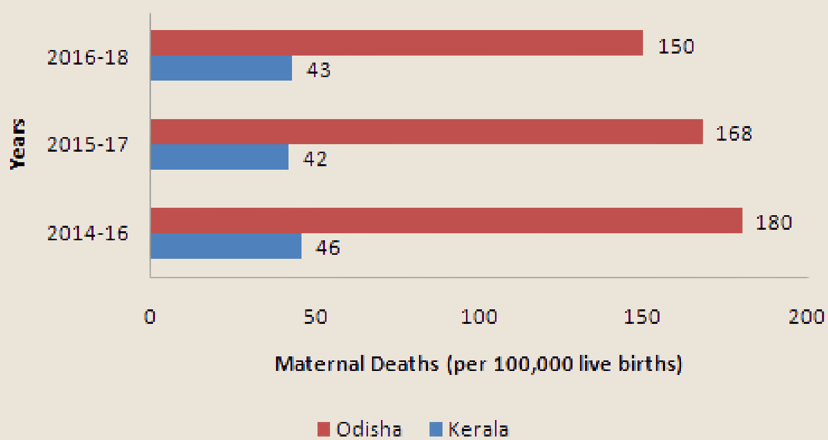

Figure 4. Comparison in the MMR of Kerala and Odisha, 2021.

Figure 4 indicates the number of maternal deaths per 1,00,000 births in Odisha and Kerala between the years 2014 and 2018. Kerala has maintained a low MMR of 43 as of 2016-18. Although the MMR is high in Odisha it has improved tremendously with a decreasing MMR of 150 as of 2016 from 180 in 2014.

6.3 Life Expectancy at Birth

Life expectancy in India has more than doubled in the last 65 years. It has increased from around 30 years at the time of independence to over 63.5 years in 2002–06. This is due to the decrease in death rate and improvement in the quality of health services. However, there are wide variances in performance across states due to low literacy, differential income levels, and socio-economic conditions and beliefs. While in Kerala, a person at the time of birth is expected to live for 74 years, the expectancy of life at birth in states like Assam, Bihar, Madhya Pradesh, Odisha, Rajasthan, and Uttar Pradesh is in the range of 58–62 years, a level Kerala achieved during the period 1970–75. India's life expectancy is lower than the global average of 67.5 years.

6.3.1 Odisha

Life expectancy at birth in Odisha during the period 2010-13 was 65, lower than the national average which was 68. Apart from Madhya Pradesh (including Chhattisgarh) and Uttar Pradesh, all other Empowered Action Group (EAG) states have a higher life expectancy than Odisha. However, the life expectancy in Odisha has increased from as low as 46 years during 1970-75 to 65 years during 2010-13, registering a rise of 19 years in the expectancy during the last four and a half decades. Life expectancy has increased both in rural and urban Odisha. Rural-urban gap in life expectancy was 10 years during 1970-75 and has decreased to 3 years during 2010-13 (Das 5).

6.3.2 Kerala

According to Kerala's Economic Review 2019, the state is ageing quicker than the rest of India in terms of demographic shift. From across developing countries, there is evidence of the productivity, creativity, vitality and participation of older adults in workplaces, communities, households, and families and hence it becomes relevant to discuss the state's ageing population. The state has the highest life expectancy at birth of 72.5 years and 77.8 years for males and females respectively as per the SRS Report 2013-17. In 1961, Kerala's 60 plus population was 5.1%, which was just below the national level of 5.6%. Since 1980, Kerala has been trailing the rest of the country and in 2001 the proportion of the old age population increased up to 10.5% as against the all India average of 7.5%. According to the SRS Statistical Report 2015, as of 2011, 12.6% of Kerala's population was above 60 years, vis-a-vis the all India average which was

8.6%. By 2015, population data showed that it increased to 13.1% in Kerala against the all India average of 8.3%. Currently, 48 lakh people (projected figures of the population in 2018) of Kerala are 60 years and above; 15% of them are over 80 years, the fastest-growing group among the old as stated in the Economic Review. The main factor for the high old-age population as the Economic Review has pointed out is the life expectancy among women being higher than men at the all India level also, however, it is much higher in Kerala. Overall improvement in healthcare facilities is one of the essential reasons for the continuing increase in the proportion of the population of senior citizens.

7.0 Conclusion

The paper was aimed at showing how two states with opposite approaches, i.e. one focusing on human development and the other on factors from the manufacturing side towards economic development, have progressed in indicators pertaining to health. Although there has been significant improvement in the health-care sector of the country, a lot of systemic changes are still needed in accordance with the growing burden of diseases on the health-care sector. Following are some of the recommendations to combat the same.

a.Increase in the health care expenditure - As of 2018, India spent

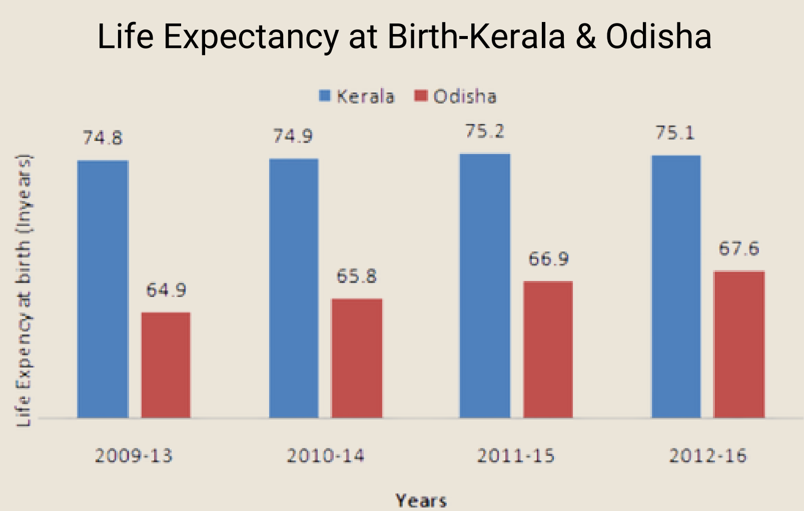

Figure 5. Comparison in Life Expectancy rates in Kerala and Odisha, 2020

The above figure shows a comparison of Odisha and Kerala on the basis of life expectancy at birth. Odisha has observed a marginal increase from 64.9 in 2009-13 to 67.6 in 2012-16 (an increase of 4.16%) while Kerala has maintained a high life expectancy throughout.

3.54 % of its GDP as the Current Health Expenditure as per the World Bank. For an economy that is the second most populous in the world, this figure falls short. Hence, there is an urgent need for states and the centre to increase their spending on health.

b. Equitable Access to health care- In Odisha, the doctor-to-patient ratio is 1 doctor for 1943 patients which is much higher than the WHO recommended ratio of 1:1000; whereas in Kerala, this ratio is 1:400. This indicates the inequity and the health care gap that has been created in the country. To combat this, there must be steps towards improved quality of medical education in the country, especially in states like Odisha that fall short of the required human resources to treat its patients. Similarly, in terms of infrastructure, Odisha had 0.38 ICU beds per thousand people, as per the Raghuram Rajan Commission in 2020. This displays a sorry state of affairs as inadequate medical infrastructure leads to the loss of many lives. The government must invest in medical infrastructure to improve the state of health in poor states like Odisha.

c.Awareness and sensitisation- Around 22.8% of the Scheduled Caste (SC) population and 9.2% of the Scheduled Tribe (ST) population lives in Odisha. Due to prevailing illiteracy, they seldom have access to health-care services and awareness to avail benefits of the schemes by central and state governments. Hence, there is a dire need to spread awareness regarding government health schemes and policies, nutrition and sanitation.

Through this study, we intend to advocate that investment in the health-care sector is one of the most crucial steps that India needs to take inorder to safeguard the human resources of the country and create valuable assets in the form of healthy citizens.

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Articles

ESG - The Harbinger of Green Investing

- Krisha Gandhi & Ann Mary David

With the looming threat of climate change, ESG investing urges companies to take ethical considerations into account and reconsider business practices to improve not just profitability, but also environmental conditions.

The increasingly fast-paced deterioration of the planet has been a matter of concern for decades. Bad corporate practices have contributed immensely towards the current pitiable state of the environment, with a mere 100 companies being responsible for 70% of global emissions. Sustainability has become an important criterion for many investors. Environmental, Social, and Governance, or ESG is a set of factors that provide socially responsible investors with a metric for funding more sustainable and socially beneficial corporations outside of the scope of traditional financial analysis.

The term traces its roots back to the 2004 report named "Who Cares Wins", a product of the initiative led by former UN Secretary-General Kofi Anan and backed by International Finance Corporation (IFC) and the Swiss Government which aimed to incorporate ESG into capital markets. The report along with The United Nations Environment Programme Finance Initiative's "Freshfield Report" which highlighted the need for ESGs in financial valuations, formed the basis for the creation of Principles for Responsible Investment (PRI) at the New York Stock Exchange in 2006 and the Sustainable Stock Exchange Initiative (SSEI) in 2007. PRI aims to assimilate ESG into investment decision-making and

The popularity of ESG investing seemed to take off during 2013 and 2014 when studies started to show that good corporate sustainability performance and good financial results are interlinked.

currently has over 2,700 members with over USD 100 trillion assets worldwide.

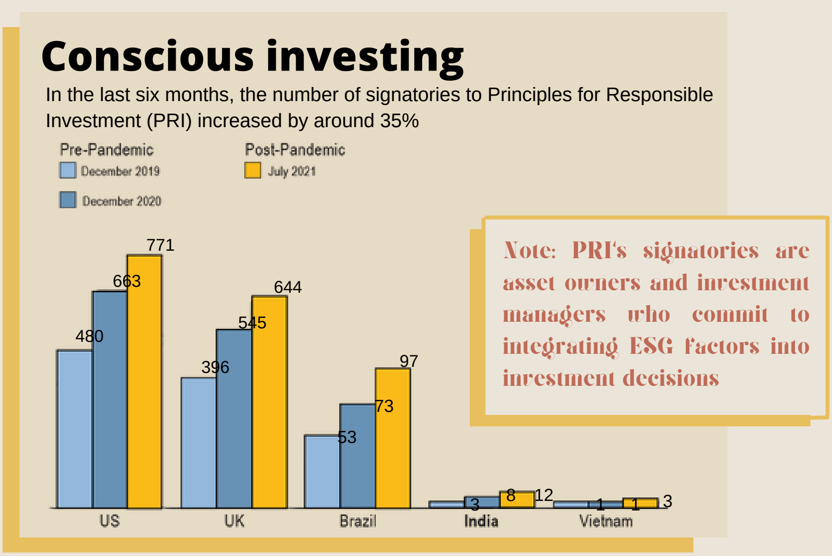
In recent times, many investors have been stepping back from the famous ideology of Milton Friedman that the social responsibility of corporations is simply to increase their profits and that indulging socially beneficial expenditures is a waste of corporate funds. The popularity of ESG investing seemed to take off during 2013 and 2014 when studies started to show that good corporate sustainability performance and good financial results are interlinked.

In 2021, ESG accounted for 10% of worldwide fund assets. Through ESG reporting, the company's goals and targets for a sustainable future as well as their efforts and strategies to achieve said goals are made clear to the public. Such reporting provides transparency on the company's actions to the stakeholders.

With the increasing interest in socially responsible businesses, companies depend on ESG reporting to provide stakeholders and the public thorough data on their management approaches across environmental and social concerns. It creates a positive perception of compliant businesses, aiding their market positioning and brand image, thus giving them an edge over their competitors. The transparency ESG reporting provides also means that any negative practices could potentially be detrimental to the company's public perception.

International sentiment on ESG investing has never been more positive. A report published by Ernst and Young postulated that more than 90% of investors are blatantly demanding a move to methodical nonfinancial assessments of companies of interest. On their part, many companies, like the tech behemoth Microsoft, Accenture, Oracle, and more, have responded to such sentiments. A case in point is Microsoft, currently the poster boy for ESG investors, whose greatest risk pertaining to the ESG criteria is that of data privacy and theft risk. Addressing this, Microsoft implemented a Data Loss Prevention policy (DLP) in 2017 which used deep content analysis and machine learning tools to ensure that no content is arbitrarily accessed. The difference is between "going green" and "greenwashing", something Microsoft has immense clarity on.

Not unlike their international counterparts, Indian firms too have jumped onto the bandwagon which promises a greener tomorrow. Bluntly put, there is absolutely no dearth of studies that establish a stable and positive relation between ESG compliance and corporate financial performance. The latest in a long list of examples is the fact that since the onset of the pandemic, top 50 ESG companies in India such as HCL, Adani Emissions, Tata Power, Ambuja Cements, and so on, have yielded 131% returns compared to the 117% realised on Nifty 50.



Be it rookie start-ups going for an IPO like Zomato or seasoned entities like Reliance and UltraTech, it is full force ahead for many companies in India. The Indian investor is, at last, trying to go green Cognizant of this, the Union Budget, 2022 proposes the issuance of Sovereign Green Bonds. The idea of a 'Green Bond' is in no way novel, with Axis Bank and Yes Bank already issuing them for almost 6 years. But it is the announcement by itself that is crucial. It signals to the global investor that the country is en route to more sustainable practises and what's more, it is an intentional grab at the ESG-specific capital flows. The green finance market in India, Many in the climate change and they are almost correct effort, the company managed to gain back some traction, although for many ESG investors any company which is inherently a "tobacco company" remains untouchable. Another potential issue is that large firms might find it easier to work on ESG compliance than the smaller ones implying that given the ESG trend, the large might get larger while the small get smaller. With such a burgeoning rise in ESG investing, a new problem arises. While frameworks such as Global Reporting Initiative (GRI) and Sustainability. Accounting Standards Board (SASB)

Large firms might find it easier to work on ESG compliance than the smaller ones implying that given the ESG trend, the large might get larger while the small get smaller.

are popularly used, there remains a stark absence of any accepted globally approach to ESG reporting. This, in turn, has caused an information overload for investors who may find it too cumbersome to find any comparable data for decision making. Should these gaps be patched, there is little doubt left that ESG might just be what turns the tide in our losing battle to climate change.

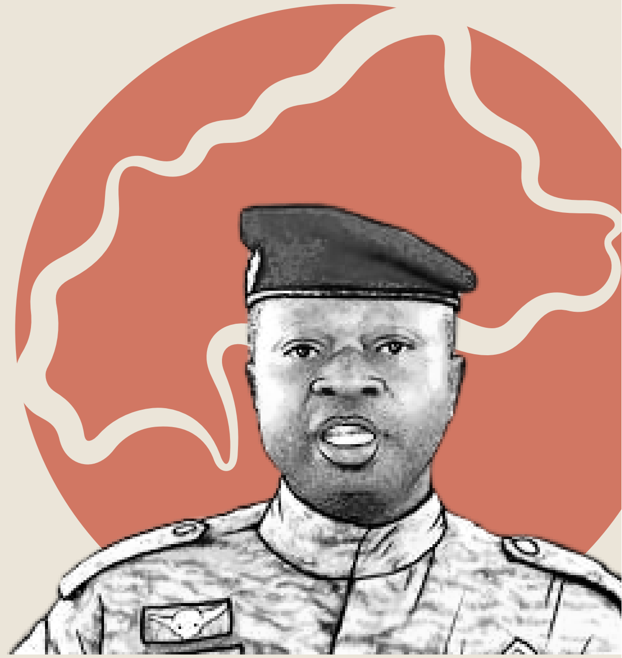
Economic Aspect Of Burkina Faso's Political Instability

- Aishani Mathur

Burkina Faso's recent military coups highlight how government failures and foreign interventions have driven the country's economy to shambles creating great political and economic instability.

Flipping through the pages of history, one can easily gather that the continent of Africa is marked with numerous military coups and coup attempts. Political instability has been a constant in this continent, especially in the unadorned nation of Burkina Faso, for reasons that I shall delve into. At the very onset, what I would like to point out to the readers is that the political volatility of Burkina Faso is sandwiched between a steep decline in the economy, or, to put it simply, economic slackening is both the cause and the result of the military coups. Burkina Faso is thus being tossed around in a circle that sees no imminent end, but to what extent are the economic factors the cause of the declining state of the country? What would be an effective way to dismantle these encasing factors?

Huddled in Western Africa, Burkina Faso is a breeding ground for political instability. Recently, a military coup headed by Damiba took place. The reason behind the coup? Inaction of the government amidst growing concerns with regards to Islamic violence in the state. The jihadist influence in the state thrives due to the security vacuum on the extended borders, especially those near the Sahel region. This vacuum is caused due to a lack of funding. The military expenditure was USD 382 million in 2020, which seems huge but in fact is a petty amount to finance a huge military force, especially for a country battling terrorist elements. This amount is fuelled by a weak economy.



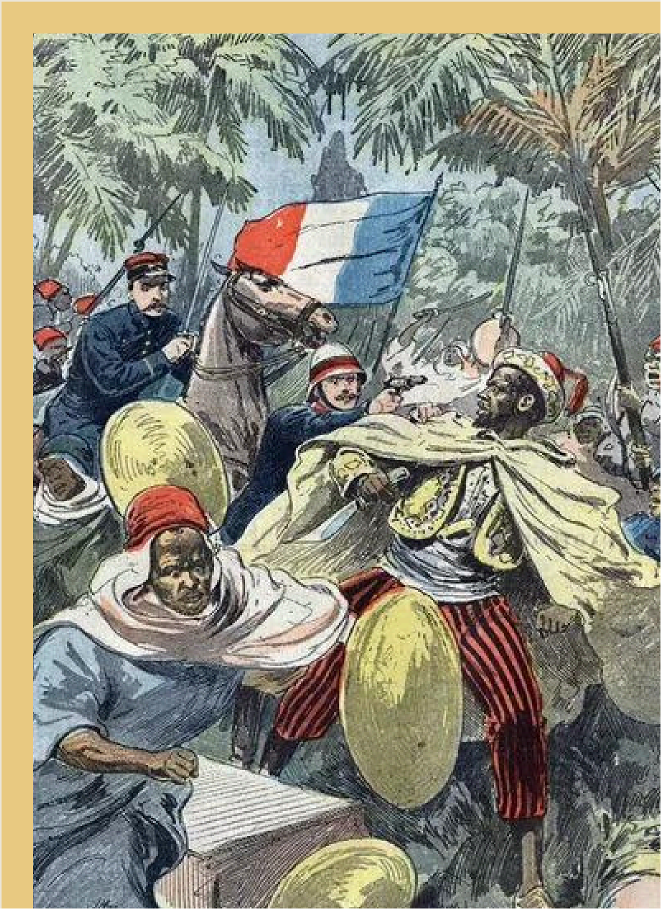
The GDP of Burkina Faso was USD 17 billion in 2020, merely 0.02 % of the global GDP. Quite apparently, the economy of Burkina Faso is beyond pitiable. This economic ‘dysfunction’, as stated by the previous president, Kabaore, seeps down to the military as well. The obvious reflection of this phenomenon is seen when the troops have to go without water and food for days, and when their distress calls go unanswered. Compelled by starvation, they had to feed on animals they trapped. They were not properly equipped either or trained in advanced combat. This visibly disadvantaged army in Inata was than attacked by terrorists and not so surprisingly, they could not deal with this sudden threat.

Another worthy mention would be that of French troops' involvement in the region. Previously a French colony, Burkina Faso receives aid from France to date. About 4000 French troops are deployed in the Sahel region, but last year France announced its plan to pull them, due to which the situation is currently very unclear. Meanwhile, the people of Burkina Faso have become disillusioned with the French government. Last year, a French military convoy was repeatedly obstructed by demonstrators in Burkina Faso. This added to the military problem. While the relentless diplomatic blunders on the part of the French presidents maintained a fair share in this disillusionment, there is an economic perspective to this as well.

The currency of Burkina Faso is CFA Franc, a colonial relic provided by France. The people of West Africa want their own currency to be developed, but no action has been taken so far. It was pegged against the euro in 1999, with France entering the European Union. While the proponents of the usage of the colonial currency argue that it ensures financial stability in terms of inflation, arguments presented against the currency are manifold. The strongest argument is that, in exchange for the guarantee of legal tender provided by the French, they have taken away more from the African countries than they provided in aid. In this arrangement, the French treasury holds half of the foreign exchange reserves of Burkina Faso, in exchange for a provision of guarantee for legal tender.

Moreover, France still retains the right to appoint French officials to boards of The Central Bank of West African States (BCEAO).This is viewed by the people of Burkina Faso as an attempt by France to govern, and to a certain degree, control the economy of Burkina Faso. Adding to this the easy convertibility of the CFA franc to Euro has necessitated capital flight, sparking outrage in 13 African countries. A transition in the attitudes towards France is marked with increasing warmth towards Russia. In fact, after the military coup earlier this year, the people of Burkina Faso were rather clear with this message; 'We want a partnership with Russia.'

Undeniably, the Central African Republic glows with the aid of Russia, who provide their president with protection, mines their diamonds and has successfully fought off the presence of jihadists in the state. However, this is for the mere purpose of fulfilling the vested interests of Russia, the keyword having already been mentioned. Diamonds, lustrous and glossy diamonds. Russia extended help in politically unstable African countries, driven with the singular purpose of exploiting their natural wealth. While the



countries themselves don't have the funds or the infrastructure to mine their resources. The considerate offer of help has reached the gold-rich state of Burkina Faso, but it remains to be seen whether Damiba will fall prey to the actions of Russia as well.

There are various reasons Burkina Faso remains drenched in poverty. Primarily, the landlocked country of Burkina Faso is not rich in mineral wealth but is blessed with untapped gold mines. Other than that, it is an agriculture-based economy but having seen no technological developments the agriculture sector remains basic and stagnant.

These tremors are felt when coupled with stagnancy in agriculture and a boom in the population. The rest is a chain reaction, proven right, time and again. A snowball effect, where rise in prices of food grains, lower purchasing power of citizens, and greater poverty have led to high unemployment rates. The unemployed youth thereby seek recruitment in jihadist groups as a way of sustaining themselves and their families.

Moreover, the usage of the CFA franc brings to the forefront the issue of the French intervention and a fixed parity of the currency that has limited the amount of credit that can be created by Burkina Faso. This puts both the African establishments and the individuals at a disadvantage.

France's focus on monetary stability has restricted growth and industrialization in the state. These reasons shape a limp state, perpetually dependent on bailouts from foreign countries.

In response to the terrorism in Burkina Faso, around 1.5 million have been internally displaced. 20,000 people have fled the country in search of a secure nest. The displaced people find it an uphill task to continue with their habitual work, interrupting their regular source of income. With schools being closed in Burkina Faso for the past two years, the lack of educational facilities have adversely impacted the economy and lowered the rates of growth and development.

The state can only shape an unskilled or semi-skilled workforce. Such poorly equipped individuals cannot combat developmental concerns, that is if they don't jump into the fray, entrapped by jihadist recruits before.

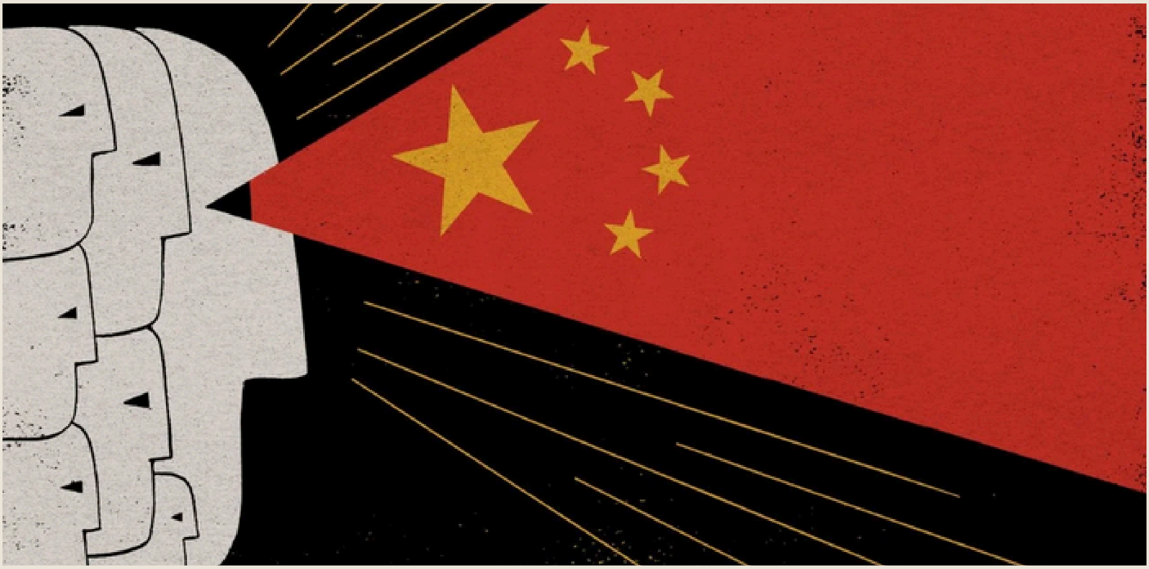
The Economic Community of West African States (ECOWAS) is deliberating over imposing economic sanctions on Burkina Faso in an attempt to contain the trends of military coups. Should this occur, the dying economy of Burkina Faso will be pushed into a grave, cold and unblinking.

From an amateur's point of view, the only escape I see for Burkina Faso is establishing a stable democracy. The task is as difficult as locating a radiant bloom on a deserted land. But the economy cannot recover unless it is done and the humanitarian concerns are addressed. Finally, Burkina Faso should consider an introduction of its own currency to rid itself of the maligning effects of its colonial heirloom.

Is China's Inward turn an opportunity for India?

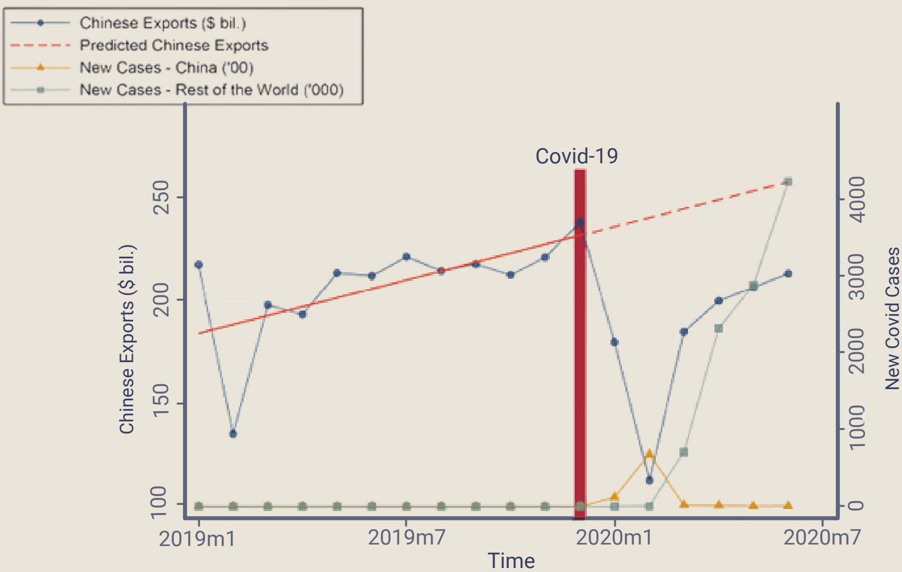
- Nirav Shedge

As China turns inwards with high levels of inflation and debt amid the Covid-19 outbreak, does it give India an opportunity to seize the market?



The Covid-19 pandemic has created immense havoc around the world, and now with multiple variants, the invisible enemy does not seem to be leaving anytime soon. One of the things that have happened amid the covid-19 breakout is the supply chain disruption due to lockdowns, and demand shocks – overall reduced industrial activity. In this scenario comes China- a nation known as the world's largest exporter since 2009, with data exhibiting that its exports amounted to USD 24.779 trillion (World Bank). However, with the pandemic, the global economy was disrupted severely. The IMF data shows that the global growth accounted for a negative 4.3% in 2020 (IMF), in which the Chinese economy witnessed a rapid rise in Covid-19 infections and a slump in its exports, as China depends extensively on the demand

Figure 1 – Chinese exports and expected exports.



from the rest of the world.

Before the pandemic, Chinese exports were doing pretty well, and as the regression line in figure 1 estimates, they were expected to total somewhat more than USD 250 billion by mid-2020. However, it began to fall precipitously in January and February 2020, when the Covid-19 toll in China and the rest of the world started rising.

Nearly 40 years later, and after years of export-led growth China is set to turn inward. A country that exported on a large scale, is set to change its historic regime mainly due to covid-19 macroeconomic shocks, trade war, technological decoupling and possibly due to revamping of global supply chains (Gore). Moreover, in response to growing concerns about China's slowing economy, President Xi Jinping announced a '*dual circulation*' policy that prioritises domestic consumption

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while remaining open to foreign trade and investment (Wihtol). Nevertheless, although the country is open to international trade and investment, the '*dual circulation*' policy debunks the fact that the policy is unambiguously an indication of self-reliance over promoting its exports.

Apart from it, we are also seeing China going after big fintech companies, especially after what happened between the Chinese government and business magnate Jack Ma. Evidence by Wihtol, Gore, and Sharma indicate that China is turning inward, and this is particularly due to the signs of high levels of debt, government meddling, trade wars, and the pandemic that have been the drivers of this move.

What's for India?

In light of this pandemic, the question that may come to one's mind is, what does it leave for India? Or rather where does India stand? No doubt the pandemic has also been quite destructive in India like some other nations, yet one of the factors that distinguish India is its manufacturing sector coupled with the low cost of labour due to its large population. On similar grounds, although China may have a substantially larger population, China's strategy of being competitive in labour-intensive goods seems to be fading off. Moreover, since the past few years, and also due to Covid induced damage, China seems to be turning inward, and as the data suggest the nation has given up around USD 150 billion of global market share in labour-intensive goods (Chakraborty). As the former chief economic advisor to the Government of India, Arvind Subramanian said in a report by the

Ashoka Centre for Economic Policy, India needs to step up and seize the opportunity as China vacates labour-intensive activities.

Furthermore, as China is developing, Chinese wages have also been on the rise because as it climbs the development ladder, the economy is shifting from

> **As the former chief economic advisor to the Government of India, Arvind Subramanian said in a report by the Ashoka Centre for Economic Policy, India needs to step up and seize the opportunity as China vacates labour intensive activities.**

producing labour-intensive commodities to producing technological or capital-intensive goods (Chakraborty). As a result of this rise in wages, China will eventually become uncompetitive in exporting labour-intensive commodities. Capitalists, investors, and other firms are likely to leave China in search of new investment opportunities to relocate their operations.

In this scenario, India is potentially a good destination. An emerging economy with a reasonably good labour force participation and low-skilled workers that can easily leverage China's loss. If firms rethink to relocate their destinations to India this will be immensely beneficial for the Indian economy as it will have a multiplier effect and will predominantly create jobs and improve standards of living. However, it may not be as easy as it sounds. The reason being, firstly, the Indian Government has consciously decided to stay out of the regional trade agreement called the Regional Comprehensive Economic Partnership (RCEP). Second, its industrial policy of Production Linked Incentives (PLIs) has been promoted. And third, it has erected its trade barriers (Subramanian & Chatterjee 4). On these factors, one could argue that similar to China, even India is turning inward, as the older regime of protectionism is gradually coming back.

If these restrictions are maintained for a prolonged time, India will not only miss out on high growth opportunities but will also become uncompetitive in the global market. Missing out in the comprehensive regional trade agreement is akin to killing the goose that lays the golden eggs, as existing firms may not find it easy to export in the dynamic markets.

Besides that, India may find it challenging to capitalise from China's loss as key inputs will become expensive to acquire, ultimately affecting the price of exports. New enterprises considering relocation from China may be at a disadvantage because they will be unable to capture other regions due to higher tariffs.

This might make it difficult to acquire low-cost and better inputs from other countries. As a result, this will limit their ability to export to other countries from India.

All in all, it is clear that there is a possibility for India to capitalise on labour-intensive goods, and open up opportunities for new firms to set up businesses in India. Given the country's large population, emerging market, a plethora of young fellows, as well as a large pool of unskilled workers , there is no reason why India cannot be competitive in the global market in the near term, at least in labour-intensive goods. To end, however, it does come with a caveat, i.e., India needs an outward - oriented rather than an inward looking economy.

Metaverse and Cryptocurrency

- Arushi Bhatt

The start of a new beginning or the beginning of the end?

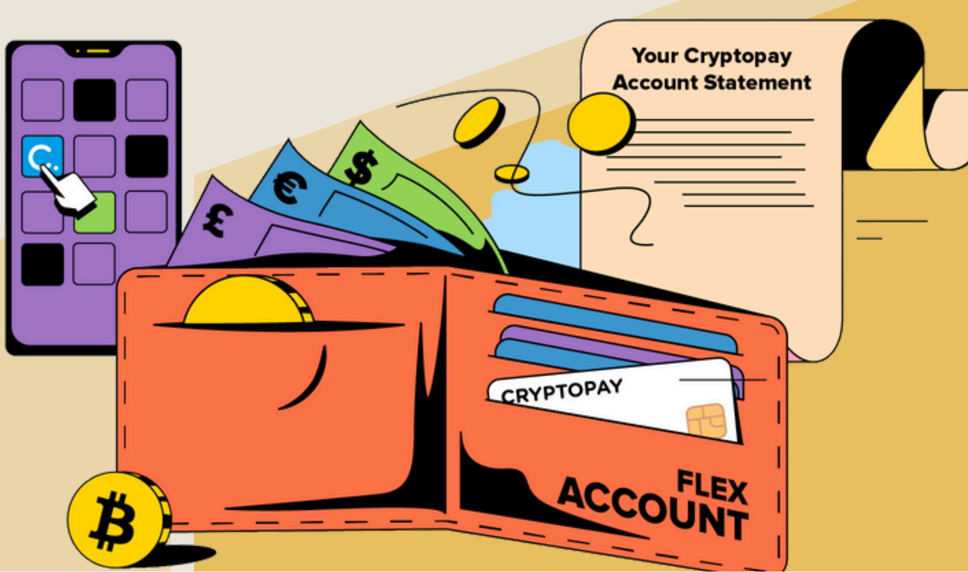
One word that would aptly describe our human race is evolution. From apes, to able humans, to robots, the timeline of our growth has been profound not only in terms of our physical modifications but also in terms of our tangible inventions. With each passing day, it almost seems that we are standing at the zenith of innovation but every new sunrise proves us wrong with something newer, fresher and more innovative. The same has been the case with two very important aspects of our lives - money and the internet. No one could have imagined a better way of conducting transactions than fiat money or a more efficient means of communicating and living virtually than using Web 2.0 but as per Matthew Ball, CEO of venture capital company Epyllion, there could be another virtual boom with Metaverse taking over and transforming itself into a USD 30 trillion economy. This is very true for cryptocurrency as well. Infact, both cryptocurrency and Metaverse complement each other and might turn into a highly profitable domain in the years to come.

There could be another virtual boom with Metaverse taking over and transforming itself into a USD 30 trillion economy

For a more proficient read, here is a brief explanation of the two terms - Metaverse is about introducing a 3D internet. With augmented reality being used to make ‘Avatars’, Metaverse strives to provide real life like experiences to users wherein they can go shopping or on vacations with their friends and family via the internet. The aim is to create a parallel world which would also include real world features like trade of assets and commodities using Non-Fungible Tokens (NFTs) where cryptocurrency acts as the means of exchange. This is where cryptocurrency overlaps with the Metaverse. It is a digital means of exchange that works on the basis of a computer network. There is no central body regulating the transactions and it serves as a digital wallet for users across the globe. Hence, if Metaverse is the vehicle, cryptocurrency is the fuel.

Metaverse holds the possibility of creating massive opportunities in almost all sectors. When it comes to markets and the economy, Metaverse gives impetus to the cryptocurrency hype. It can create a virtual marketplace wherein people can transact by means of cryptos and keep their belongings in the form of NFTs. This has motivated brands to augment their visibility on not just the internet but also in the Metaverse. This has also given way to virtual tourism. Tourism in our real world is a matter of geographical location and physical mobility, but in the Metaverse, we can spend our cryptos and explore lands far and wide.

It is fostering a completely new economy which is based on blockchain ledger and NFTs, thereby bringing in more traceability and transparency to transactions. These two combined are creating a more inclusive and tech



friendly world with simulation games that not just serve recreational purposes but also involve trading online. Decentraland, a web based destination for buying and selling virtual assets, recorded an all time high of 400 percent after Facebook switched its name to 'Meta' on 31st October , 2021. One of the major cryptocurrencies catering to the Metaverse is called 'MANA' and is the native token of Decentraland. This vividly portrays the impact that this virtual world can have on the economy of the real world. The best performing cryptos with respect to metaverse have both been built on Ethereum Blockchain. These are 'Axie Infinity' and 'The Sandbox'. Both these have become the top choices for people seeking the Metaverse. These allow users to engage themselves in an online simulation game wherein they are given the liberty to buy, sell, store and monetise their owned cryptocurrencies.

Even though Metaverse appeals to many facets of and aligns with the future goals of not just the techies but also of the general masses who hope to have a more fun-filled virtual experience, there is a darker side behind this glitter. This entire process might lead to juxtaposition of the real world with the digital world leaving little or no difference at all between us and our devices. Privacy will lose its meaning and

The onset of a digital currency system in a virtual world might aid the ones who can afford such devices but it will further go on to widen the rift between the higher and lower stratas of the world.

addiction might become the next biggest health challenge. The onset of a digital currency system in a virtual world might aid the ones who can afford such devices but it will further go on to widen the rift between the higher and lower stratas of the world. This might also go on to increase the gap between developed and developing countries for technology is not everyone's privilege. Metaverse and cryptocurrency might make us more disconnected in reality and completely take over our generation.

The Government's Role in the Economy during the COVID-19 Pandemic

- Apekshya Basnet

In times of a crisis, governments must respond promptly and decisively. Thus, the measures and policies implemented to tackle the economic repercussions of the long drawn COVID-19 pandemic become crucial.

The COVID-19 pandemic has led to vast economic disruptions globally, triggering a health and fiscal response unprecedented in terms of speed and magnitude. It has further revealed significant shortcomings in the structure of public health governance globally. According to a 2020 IMF article, over the past two years, this global health crisis has strikingly illustrated the intersection of politics, economics, and other considerations.

In the contemporary world, Kourela et al. argue that "by virtue of this unique mode of authority, the "sine qua non" of state power (Rose 249), governments have the capacity, within their jurisdictions, to impose legally binding constraints and sanctions over non-governmental actors, whether in politics, society, or markets." Thus, Prof. Mike Mofatt writes that the government's role in the economy

Over the past two years, this global health crisis has strikingly illustrated the intersection of politics, economics, and other considerations.

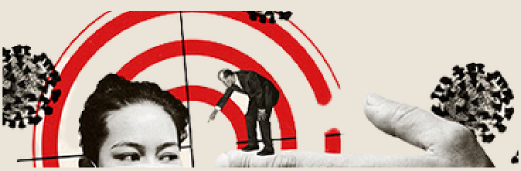
includes assisting in correcting market failures or situations in which private markets cannot maximize the value that they can create for society. Internalizing externalities, i.e. The repercussions of economic activities on unrelated third parties and enforcing competition are examples of such situations.

While consumers and producers may take the majority of decisions that shape the economy, government actions may nevertheless have a significant impact. Economists have identified six primary functions of governments in market economies: (a) providing the legal and social framework, (b) maintaining competition, (c) providing public goods and services, (d) facilitating income redistribution, (e) correcting externalities, (f) stabilizing the economy, and (g) taking steps to assist the country's economy in achieving growth, full employment, and price stability.

Notably, the government may also influence economic activity through two channels: monetary policy and fiscal policy. Central bank operations directed towards influencing the amount of money and credit in an economy are referred to as monetary policy. In contrast, fiscal policy refers to the government's decisions on taxation and spending. These two sets of policies affect the economy via distinct mechanisms.

However, the primary objective of both monetary and fiscal policy is usually to create an economic climate that encourages stable and positive growth with low inflation. In addition, the interplay between fiscal and monetary policy is a complicated affair, as each authority's position has a varied impact on the economy. As a result, the type of partnership developed by the government is critical in determining how their policies will impact inflation, debt, and economic growth levels (Afonso et al. 132)

In recent times, most research has focused on either the role of monetary policy or fiscal policy alone, with little attention paid to the possible combinations between the two. However, findings from Tan et al. suggest that including monetary and fiscal policies in a single model is critical since their interaction has a significant impact on economic growth; consequently, both approaches should be examined in tandem rather than separately.



> **Furthermore, the finance minister used the escape clause to diverge from the fiscal deficit target of 3.3 % for 2019-20 while proposing the budget for 2020-21.**

According to Deb & Zu, the economic impact of COVID-19 on India has been significant, with a notable variation across states and union territories. Several countries have further amended their fiscal policies to allow for additional public spending in order to help their economy recover from the pandemic's effects. Numerous fiscal policy measures have been implemented worldwide to minimize the detrimental effects of the COVID-19 pandemic on livelihoods and economies.

Similarly, India has introduced two sets of fiscal measures: (i) The provision of INR 1.7 trillion (USD 23 billion) to households and businesses, and (ii) enhanced measures focusing on businesses (nearly 2.7 % of GDP) and the support for poor households, particularly migrants and farmers (about 1.5 % of GDP). Furthermore, the finance minister used the escape clause to diverge from the fiscal deficit target of 3.3 % for 2019-20 while proposing the budget for 2020-21. The escape clause was also employed to deviate from the target for the following fiscal year, 2020-21. Thus, the fiscal deficit was reduced to 3.8 % for the fiscal year ending 31st March 2020, and to 3.5 % for the fiscal year ending 31st March 2021. Additionally, the deadline for meeting the 3% fiscal deficit target has been pushed back to 31st March 2023.

In contrast, the Monetary Policy Committee of the Reserve Bank of India announced a 115-basis point cut in the policy repo rate and an easy monetary policy stance.

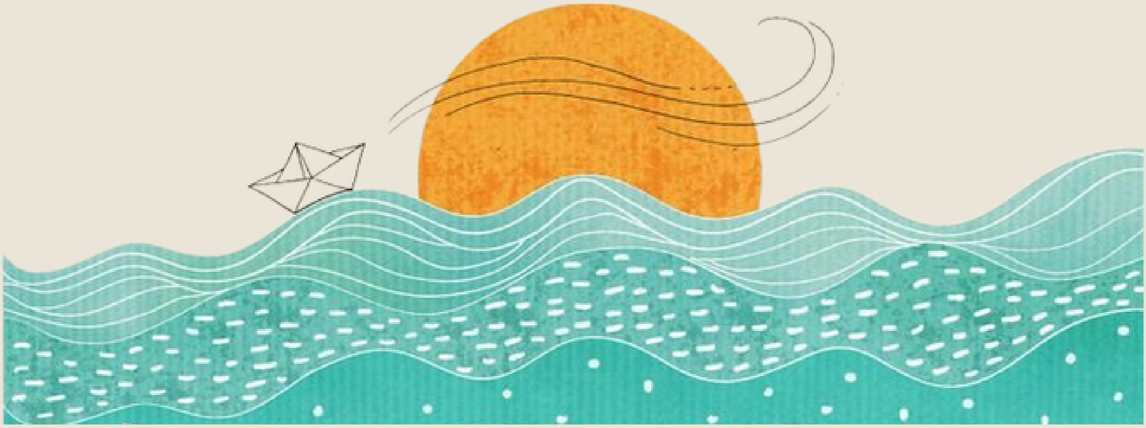
To combat the adverse effects of COVID-19, the central bank declared several liquidity measures, including (i) long-term repo operations aimed at lowering banks' cost of funds up to INR 1 trillion; (ii) simultaneous purchase and sale of securities under open market operations; and (iii) the reduction in cash reserve ratio requirements and exemption from cash reserve ratio (CRR) requirements to encourage lending to specific sectors.

However, as India began its economic recovery, on 26th November 2021, WHO recognized the variant B.1.1.529 (named Omicron) as a variant of concern. India's economic concerns have since grown ten-fold. As the research branch of the ABN AMRO bank states, globally, the mixed picture suggests that the Omicron variant is stifling near-term growth and rising inflation risks. Further, there have been significant economic disruptions in several nations worldwide; including India, due to the fresh restrictions imposed to prevent Omicron's spread. As a result, uncertainties around the variant may exacerbate restrictions and negatively impact the nascent recovery visible in the contact-intensive industries. Thus, in such challenging times, accommodative fiscal and monetary measures are essential to safeguard the economy and ensure economic recovery in the long term.

India's Strategic Importance In Indian Ocean

- Lakshmi Kusuma Kotha

The economic viability of the maritime industry is intricately related to the general health of the oceans. Parallelly, the Indian Ocean holds a lot of potential for various geo-economic spheres for the county.



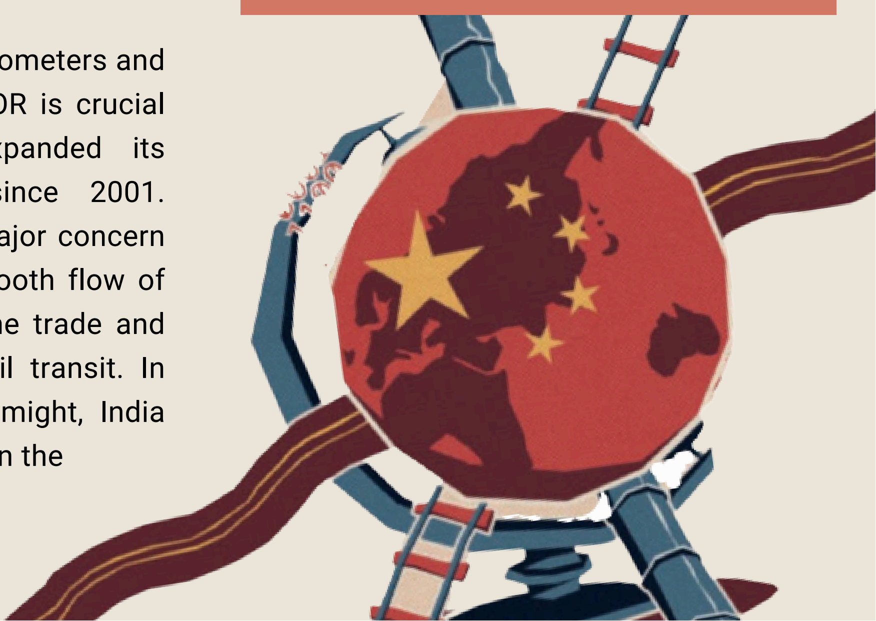
The Alfred Thayer Mahan quote ‘Whoever rules the waves rules the world’ says it all. More than a century old vision of Alfred continues to have relevance in the modern times. According to him, geographical location, territorial scope, government and national attributes, ocean commerce and industry as well as the size of the population play a prominent role in controlling the sea power of a country. The political, economic, military and technological dynamics have changed unimaginably over the last few centuries but many countries still challenge the hegemony over the third largest ocean in the world.

The Indian Ocean is the locus point of the world’s sea lanes as it forms a nexus from the east to the west. It contains a third of the world’s population, 1/5th of world’s goods, 1/9th of global seaports and more than 80% of seaborne oil trade passes through the Indian Ocean. Its mineral deposits, exquisite aquaculture and oil reserves make it preeminent from other oceans in the world. India is a privileged country in the whole Indian Ocean Region (IOR) and is largely dependent on the sea for trade, security and economy.

The IOR plays a quintessential role in India's economy. Sea power depends on the blue economy which includes maritime trade, security, construction, and maritime diplomacy. The shipping lanes i.e. Sea Lanes Of Communication (SLOCs) are trade routes for exports and imports where India's 95% of trade in terms of volume and 83% of India's crude oil pass. In regards to aquaculture, there has been an increase in the aggregate trend from 2007-2016 of the inland fish catch. India accounts for 21% alone in the global catch. During the pandemic, India exported 67.99% of its production. It is also expected the share in fish production will increase by 26% for India by 2030.

With a coastline of 7,500 kilometers and in a central location, the IOR is crucial for India. India has expanded its presence in the IOR since 2001. Securing the SLOCs is a major concern as these lanes allow a smooth flow of 75% of the world's maritime trade and more than 50% of daily oil transit. In terms of military and naval might, India has a balanced presence in the Indian Ocean as the nation wishes for peacetime and diplomatic relations. The investments in naval capabilities and merchant marine are low compared to the cargo needs. For instance, India only has 1,179 merchant ships while China has a merchant fleet of 6,459 ships. Needless to say, both the nations are widely dependent on sea borne trade for exports and imports in Asia. China maneuvered the cargo and increased the investments. In 1980, Indian ships carried 40% of the cargo and in 2018-19 it plummeted to 7.9%.

Sea power depends on the blue economy which includes maritime trade, security, construction, and maritime diplomacy.



Although India's maritime exports grew exponentially, uneven progress hindered the economic outlook. The share of navy has also dropped from 18.2% in 2012-13 to 13.11% in 2018-19 which directly affects IOR security.

In addition, there are major challenges in regards to the geo-economics situation for India in the IOR. China's Belt Road Initiative (BRI) includes six corridors that serve as a catalyst for trade and investments all over Asia and the Indian Ocean. However, sovereignty issues and China's overstep in Pakistan-occupied Kashmir increased concerns towards the policy for India.Furthermore, the Maritime Silk Road exacerbated implications as these investments mainlyinvolve littoral states of the Indo-Pacific Region. So, it raises questions whether China's financial support and infrastructural developments in countries like Pakistan, Maldives, Myanmar, Sri-Lanka and Thailand are economic or strategic to their military as these

regions surround the bottlenecks of the IOR.

> India anticipates a growth of over 3 to 3.5 fold in the port traffic, 10 million new jobs, reduction in the time to export by 5 days and amplify the exports by USD 110 billion dollars.

To address the rising dominance of China, India embarked on a few projects. Firstly, the Sagarmala Project launched in 2016 aims to modernize the port connectivity, port infrastructure, creation of coastal economic zones and skill development of coastal communities. It emphasizes on elimination of logistic voids, and connects the industrial zones and coastal regions seamlessly. Thus, India anticipates a growth of over 3 to 3.5 fold in the port traffic, 10 million new jobs, reduction in the time to export by 5 days and amplify the exports by USD 110 billion dollars. Secondly, the 'Double Fish Hook Network' strategy is countered by China, as India establishes relations with the QUAD countries who have a common interest in the IOR. In this, the Andaman and Nicobar Islands play an imperative role as its physical proximity is the choke point (Strait of Malacca). Several plans were envisaged by the Government of India. For instance, the Great Nicobar Development Plan includes development of Nicobar Islands and Niti Aayog launched sustainable development of little Andaman. Additionally, improved connectivity through a submarine cable, education, employment, tourism, transshipment port in Great Nicobar and 100% renewable energy resources for its needs, were also planned. Thirdly, under the Security and Growth for All in the Region (SAGAR) policy, the target is to maintain maritime cooperation towards the east. Naval air stations such as INS Baaz and INS Kohanassa are also present to monitor and enhance logistics Lastly, India has established several logistic agreements with Australia, France, Singapore, South Korea and Japan in order to strengthen and explore the military prospects or development assistance programs in the IOR.

The Indian Ocean and its economy seem to be a new growth pole in the next few years. India is the sixth largest economy in the world with a GDP of $2.66 trillion in 2020. It still seems to face multiple challenges in terms of marine development, investments, trade, security and connectivity. Port developments and infrastructure is at a nascent stage and is slow. This could undermine India's prosperity and economic progress.

Investments in merchant ships and navy have significantly decreased which could impact India's presence in the Indian Ocean. Looking ahead, tackling the above mentioned challenges requires holistic national and regional policies in maritime trade, security and technology.

From The Team

Inequality Report 2022

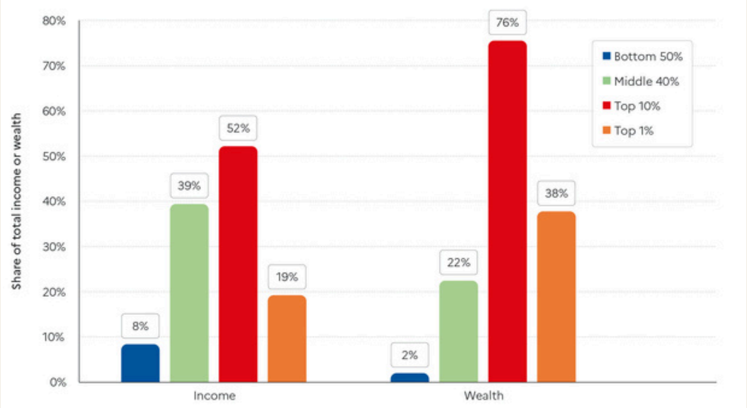
Income Inequality
Redistribution of Wealth
Taxing Multinationals or Taxing Wealthy Individuals?
Tax Justice
Emancipation, Redistribution and Sustainability

Introduction

The World Inequality Lab is a research centre dedicated to the study of global inequality. An integral part of their database is the World Inequality Report. The first edition of this report was released in 2018 at the Paris School of Economics. The aim of this year's edition was to present an updated data series from the World Wealth and Income Database (WID.world) to highlight various new conclusions about global inequality and its evolution. Therefore, along with policies that can be implemented to reduce inequality, WIR2022 covers information under four domains: inequality data over long time periods, evidence on wealth worldwide, gender inequality in terms of labour share, inequality in carbon emissions. The following are the highlights from the WIR2022.

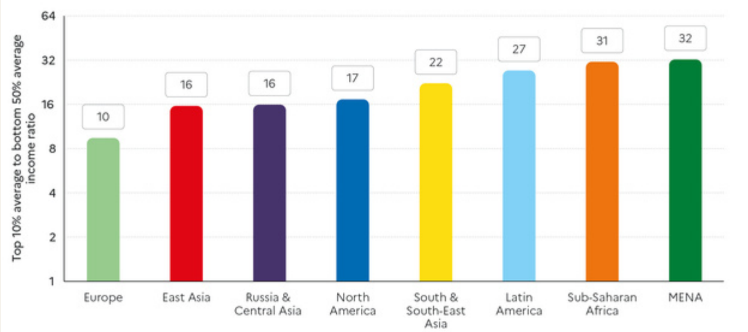
Income/Wealth Inequality

Wealth disparities are considerably more evident than income disparities over the world. The lowest half of the world's population has very little wealth, accounting for about 2% of the total. The richest 10% of the world population, on the other hand, hold 76% of all wealth.



Interpretation: *The global 50% captures 8% of total income measured at Purchasing Power Parity (PPP). The global bottom 50% owns 2% of wealth (at Purchasing Power Parity). The global top 10% owns 76% of total Household wealth and captures 52% of total income in 2021. Note that top wealth holders are not necessarily top income holders. Income is measured after the operation of pension and unemployment systems and before taxes and transfers.* ***Sources and series:*** *wir2022.wid.world/methodology*

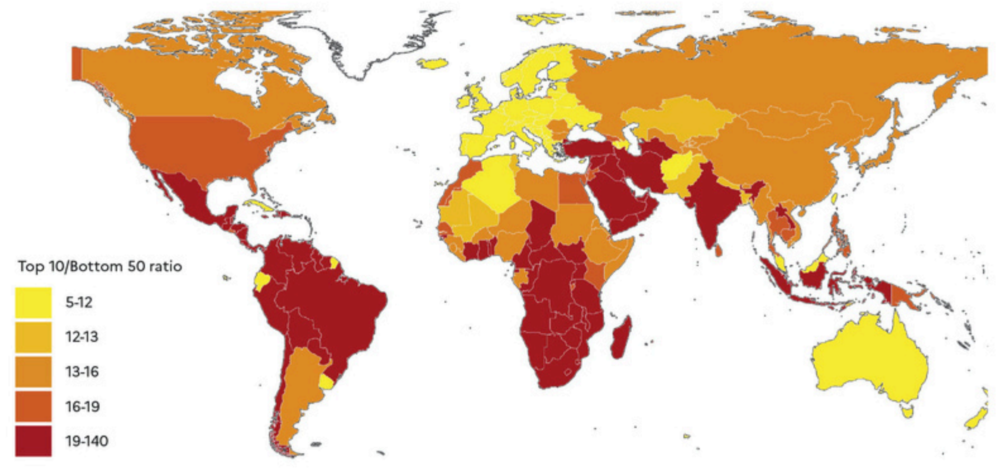
Contrary to what one might think, average living standards are an inaccurate indicator of global inequality levels. There is no barter between increased income and increased inequality. Higher average income levels, on the other hand, do not always suggest less inequality. The degree of inequality in a society is mostly controlled by political decisions: how a community decides to manage its economy.



Interpretation: *In Latin America, the bottom 50% earns 27 times less than the top 10%. The value is 9 in Europe. Income is measured after pension and unemployment benefits are received by individuals, but before other taxes they pay and transfers they receive.* ***Sources and series:*** *wir2022.wid.world/methodology*

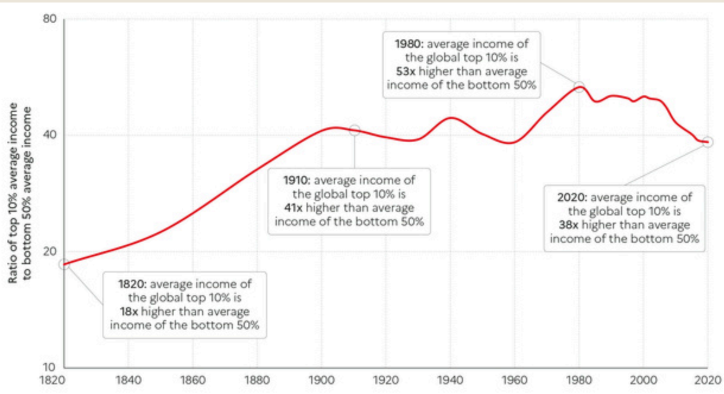
The T10/B50 income gap[1] would be exactly equal to 25, i.e. the rich would earn 25 times as much as the poorest half of the population, if the top 10% income share were equal to 50% and the bottom 50% income share was equal to 10%. In other words, the T10/B50 difference is more than 25 when the top 10% earn more than 50% of the total and the lowest 50% earn less than 10%, and smaller than 25 when the reverse is true.

[1] Top 10/Bottom 50 (T10/B50) income gap summarises in a single metric how societies distribute incomes at both ends of the social ladder. Its interpretation is straightforward as it answers a relatively basic question: “How many times more do the rich earn than the poorest half?”



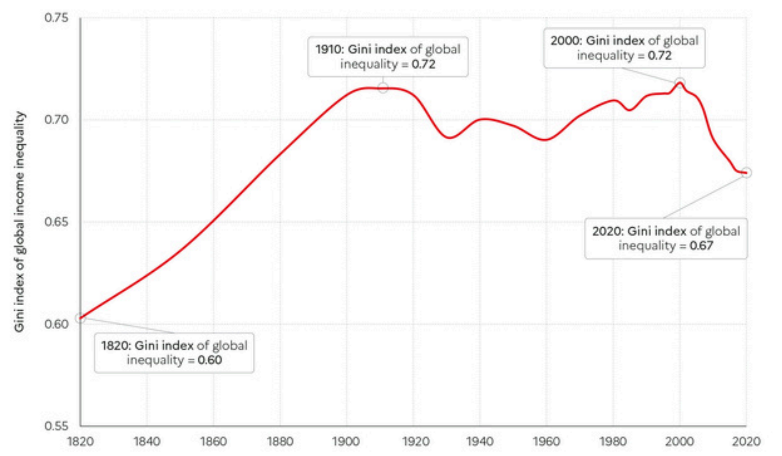
Interpretation: *In Brazil, the bottom 50% earns 29 times less than the top 10%. The value is 7 in France. Income is measured after pension and unemployment benefits are received by individuals, but before other taxes they pay and transfers they receive.* **Sources and series:** *wir2022.wid.world/methodology.*

Global wealth disparity has always been pronounced. Between 1820 and 2020, the worldwide top 10% income share fluctuated between 50-60% of total income, while the bottom 50% income share stayed stable at roughly 5-15%. This roughly correlates to the amount of inequality now observed in the world's most unequal countries.



Interpretation: *Global inequality, as measured by the ratio T10/B50 between the average income of the top 10% and the average income of the bottom 50%, more than doubled between between 1820 and 1910, from less than 20 to about 40, and stabilized around 40 between 1910 and 2020. It is too early to say whether the decline in global inequality observed since 2008 will continue. Income is measured per capita after pension and unemployement insurance transfers and before income and wealth taxes.* **Sources and series:** *wir2022.wid.world/lmethodology and Chancel and Piketty (2021).*

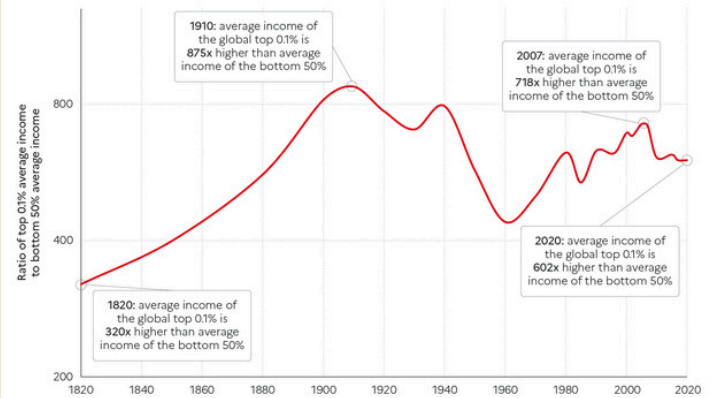
Global inequality indicators such as the T10/B50 income gap gives the same conclusion. The global T10/B50 income gap more than doubled between 1820 and 1910, from 18 in 1820 to 41 in 1910.



Interpretation: Global inequality, as measured by the global Gini coefficient, rose from about 0.6 in 1820 to about 0.7 in 1910, and then stabilized around 0.7 between 1910 and 2020. It is too early to say whether the decline in the global Gini coefficient observed since 2000 will continue. Income is measured per capita after pension and unemployement insurance transfers and before income and wealth taxes. **Sources and series:** wir2022.wid.world/methodology and Chancel and Piketty (2021).

The global Gini coefficient shows similar results too. The worldwide Gini coefficient climbed from 0.60 in 1820 to 0.72 in 1910, 0.72 again in 2000, and 0.67 in 2020.

Other inequality measures including the T10/B50 ratio, the Gini coefficient, and the T1/B50 ratio hit their historical maximum around 1980-2010, while the T0.1/B50 ratio reached its historical top in 1910. This demonstrates that top-end inequality never fully recovered from its peak in the Belle Époque of 1910, particularly in[2] Europe, which controlled the international economy and the top of the distribution at the time.

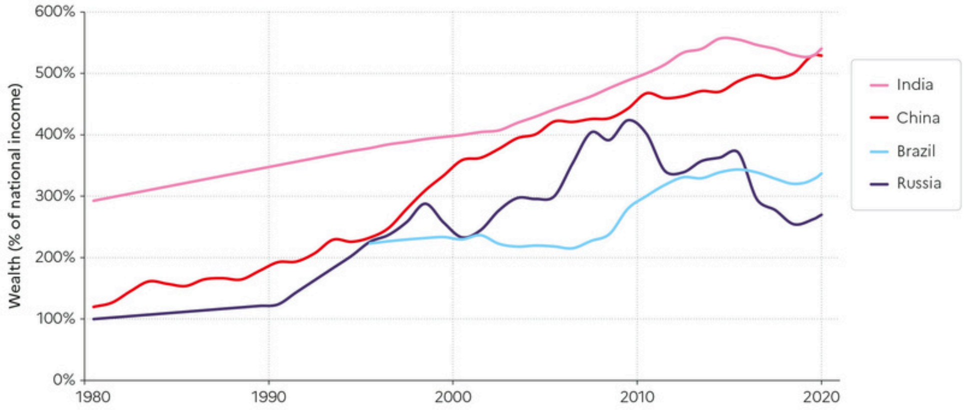


Interpretation: Global inequality, as measured by the ratio T0.1/B50 between the average income of the top 0.1% and the average income of the bottom 50%, almost tripled between between 1820 and 1910, from about 300 to about 900, and stabilized around 500-700 between 1950 and 2020. It is too early to say whether the decline in global inequality observed since 2008 will continue. Income is measured per capita after pension and unemployement insurance transfers and before income and wealth taxes. **Sources and series:** wir2022.wid.world/methodology and Chancel and Piketty (2021).

In recent decades, China has seen the greatest rise in individual wealth. Private wealth in China was little over 120% of national revenue when the ‘opening-up’ policies began in 1978; by 2020, it had risen to 530%. India's growth in individual wealth throughout this period is equally noteworthy (up from 290% in 1980 to 560% in 2020). While India's

[2] Belle Époque literally means ‘Beautiful Age’ and is a name given in France to the period from roughly the end of the Franco-Prussian War (1871) to the start of World War I (1914). This is picked out because the standards of living and security for the upper and middle classes increased, leading to it retrospectively being labelled as a golden age by them. The lower classes did not benefit in the same way, or to anywhere near the same extent.

economy was heavily regulated in the 1980s, and a powerful public sector controlled substantial portions of the economy, the private sector was far larger than in communist China.



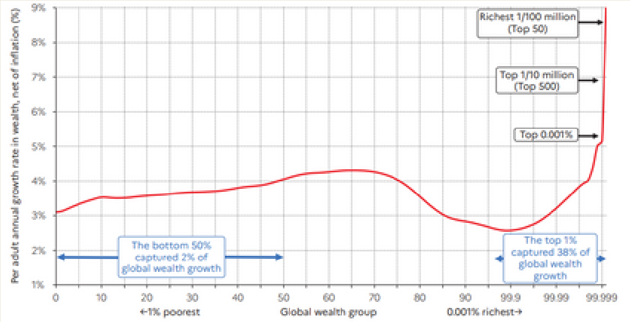
Interpretation: Private wealth grew in India from 290% of national income in 1980 to 555% in 2020. Private wealth is the sum of all financial and non-financial assets, net of debts, held by the private sector. **Sources and series:** wir2022.wid.world/methodology, Bauluz et al. (2021) and updates.

Global Wealth Inequality

According to studies conducted by magazines such as Forbes and Bloomberg, the wealth of the world's top wealth holders has increased at a far higher rate in recent decades - significantly faster than the size of the global economy. East Asians, North Americans, and Europeans make up the majority of the top 10%. The bottom 50% of the population owns only 1% of global wealth. Since the 1980s, the economic policies established in Europe and the United States have supported wealth concentration.

The rise of Russia's top 1% wealth share has been both rapid and dramatic. In India and China, the top 1% 's wealth share climbed dramatically, yet it is hardly more than 30% today. These countries had socialist or heavily regulated economies until the early 1980s or 1990s, until liberalisation and privatisation policies were implemented. However, Russia was an outlier in terms of liberalisation, whereas China was far more restrained.

The growth of private wealth in large emerging economies has been faster as compared to rich countries primarily due to a trend driven by high economic growth and large scale privatisation in transition economies, reducing global inequality between countries while increasing intra-country inequality. This trend is exacerbated by rising economic disparity and low rates of return on savings. Financial deregulation and innovation increased the disparity in rates of return for different sizes of financial portfolios, which is a contributing reason to rising wealth inequality at the top.



Interpretation: *Growth rates among the poorest half of the population were between 3% and 4% per year, between 1995 and 2021. Since this group started from very low wealth levels, its absolute levels of growth remained very low. The poorest half of the world population has captured only 2.3% of overall wealth growth since 1995. The top 1% benefited from high growth rates (3% to 9% per year). This group captured 38% of total wealth growth between 1995 and 2021. Net household wealth is equal to the sum of financial assets (e.g. equity or bonds) and non-financial assets (e.g. housing or land) owned by individuals, net of their debts* **Sources and series:** *wir2022.wid.world/methodology, Bauluz et al. (2021) and updates.*

Female Labour Income Share[3]

Former Eastern Bloc countries have a shared history of communist regimes that encouraged women's labour-force participation. As a result, these countries have the largest female labour income shares, with average female share close to 41%. The two most populous countries (China and India) account for 33% and 18% of the total share respectively. Several factors explain the decline in China's female labour income share since 1990, including the shrinking of state-owned enterprises (SOEs) resulting in a steeper decline in labour force participation among urban women and the relaxation of the One-Child Policy at the end of 2013.

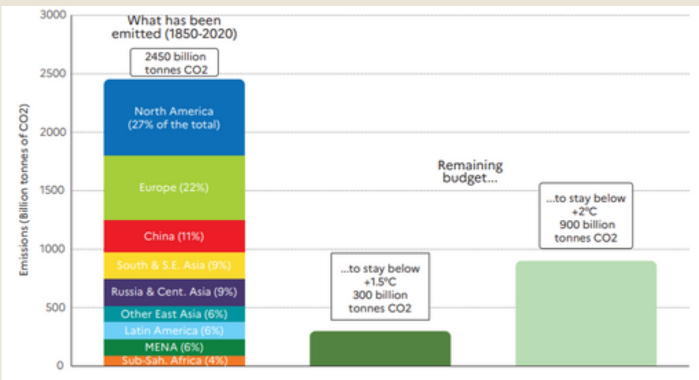
According to time-use surveys, women devote significantly more time to unpaid care work than males. This increased burden of unpaid work likely impedes women from engaging in the job market and, if they do work, from achieving high-paying employment. Women's contribution to work grows significantly when paid and unpaid work are combined, making the female labour income share appear even more unjust.

Women's participation in the top 1% is significantly lower than in the top 10% in all nations, indicating a strong "glass-ceiling" effect in which the wage gap widens towards the top of the wage distribution, with the major driver being women's under-

[3] Female share of total labour income is the national aggregate labour income earned by women relative to the total aggregate of labour income within a country.

representation in top-paying occupations. Surprisingly, women now outnumber men in the top 1% in Spain and Brazil, but not in the United States. More research is needed to determine if the difference is from progressive policies or from the different structure and temporal inflexibility of occupations at the top of the income distribution.

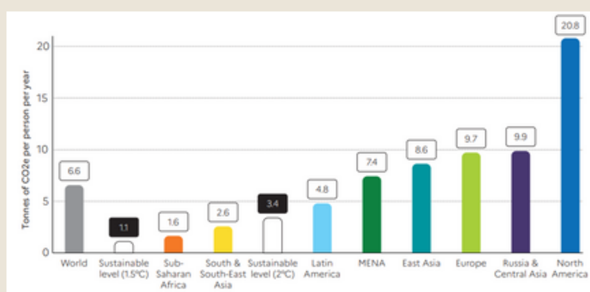
Global Carbon Inequality[4]



Interpretation: *The graph shows historical emissions by region (left bar) and the remaining global carbon budget (center and right bars) to have 83% chances to stay under 1.5°C and 2°C, according to IPCC AR6 (2021). Regional emissions are net of carbon embedded in imports of goods and services from other regions.* ***Sources and series:*** *wir2022.wid.world/methodology and Chancel (2021). Historical data from the PRIMAP-hist dataset.*

Humans produced over 50 billion tonnes of CO2 into the atmosphere in 2021, undoing the majority of the drop seen during the Covid pandemic in 2020.

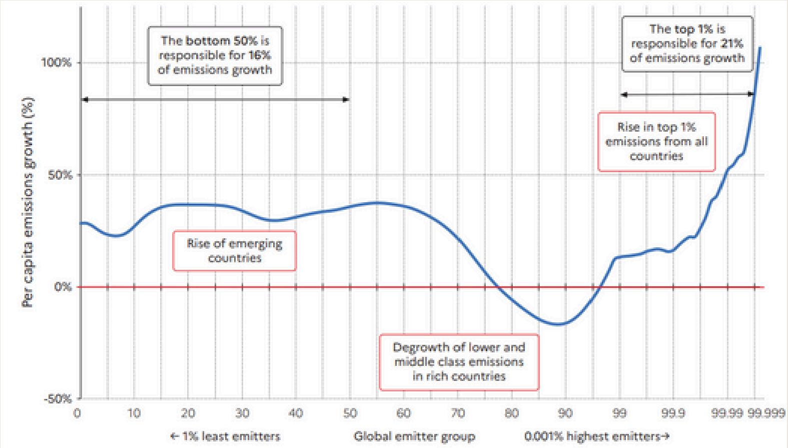
The Paris Climate Agreement aims to keep global warming far below 2°C. Carbon emissions in East Asia are 8% lower than in the rest of the world. Except for North America, all other European middle classes emit much more than their counterparts in East Asia and all other regions. Only the poorest half of the population in Sub-Saharan Africa, South and South-East Asia fall below the 1.5°C per capita target. This demonstrates that climate mitigation is primarily a distributional issue, both within and among countries.



Interpretation: *Values include emissions from domestic consumption, public and private investments as well as imports and exports of carbon embedded in goods and services traded with the rest of the world. Sustainable level correspond to an egalitarian distribution of the remaining carbon budget until 2050.* ***Sources and series:*** *wir2022.wid.world/methodology and Chancel (2021).*

4 Global ecological inequality takes many forms, including inequality of access to natural resources, inequality of exposure to pollution and to the catastrophes induced by unsustainable use of these resources, and inequality of contribution to environmental degradation.

Since 1990, per capita emissions have increased significantly among the world's top 1% while the top 0.1% 's emissions increased by more than 110%, but have declined for lower groups in rich countries. One of the most notable outcomes is the reduction in emissions of approximately 15-20% of the global population, which generally corresponds to the lower and moderate income groups of the rich countries.



Interpretation: *Emissions of the global bottom 50% rose by around 20-40% between 1990 and 2019. Emissions notably declined among groups above the bottom 80% and below the top 5% of the global distribution, these groups mainly correspond to lower and middle income groups in rich countries. Emissions of the global top 1% and richer groups rose substantially. Personal carbon footprints include emissions from domestic consumption, public and private investments as well as imports and exports of carbon embedded in goods and services traded with the rest of the world. Modeled estimates based on the systematic combination of tax data, household surveys and input-output tables. Emissions split equally within households.*
Sources and series: *wir2022.wid.world/methodology and Chancel (2021).*

The first step in addressing carbon inequality is to accurately track individual emissions within countries. Governments also fail to track and disclose estimates of carbon footprint inequality, implying that they are unable to appropriately estimate the distributional consequences of their climate policies.

Redistribution of Wealth

Between the late 1930s to the ‘80s, progressive taxes are what led to modern day wealth development. However, there has been a major decline in progressive taxes since then in richer countries. In current times, individual wealth taxes, which would include property and inheritance, make up 2-3% of national income in rich countries, 1% in middle income countries and 0.5% in lower-income countries. This is an outdated, un-democratic practice that is ignorant of today’s realities and is still being upheld by economic and political forces.

The report suggests three scenarios of progressive wealth taxation and how these tax rates would affect the total global revenue earned.

				Tax scenario 1		Tax scenario 2		Tax scenario 3	
Wealth group ($)	Number of adults	Total wealth ($ bn)	Average wealth ($ m)	Effective wealth tax rate (%)	Total revenues (% global income)	Effective wealth tax rate (%)	Revenues (% global income)	Effective wealth tax rate (%)	Revenues from group (% global income)
All above 1m	62,165,160	174,200	2.8	1.0	1.6	1.2	2.1	3.2	5.3
1m - 10m	60,319,510	111,100	1.8	0.6	0.6	0.6	0.6	0.6	0.6
10m - 100m	1,769,200	33,600	19	1.3	0.4	1.1	0.4	1.3	0.4
100m - 1b	73,710	16,500	220	1.5	0.2	2.4	0.4	5.2	0.8
1b - 10b	2,582	7,580	2,940	2.3	0.2	4.5	0.3	12.9	0.9
10b - 100b	159	4,170	26,210	2.8	0.1	6.4	0.3	40.1	1.6
Over 100b	9	1,320	146,780	3.2	0.04	8.3	0.1	66.6	0.9

Interpretation: *In 2021, 62.2 million people in the world owned more than $1 million (at MER). Their average wealth was $ 2.8 million, representing a total of $174 trillion. In our Tax scenario 2, a global progressive wealth tax would yield 2.1% of global income, taking into account capital depreciation and evasion.* **Note:** *Numbers of millionaires are rounded to the nearest ten.* **Sources and series:** *wir2022.wid.world/methodology.*

In 2021, over 62 million people, i.e., 1.2% of the global adult population owned over USD 1 million; this represents almost USD 174 trillion. All three scenarios start at a rate of 1% and progressively increase to a greater extent with the second and third scenarios. Each of the scenarios, earn 1.6%, 2.1% and 5.3% of global income respectively. All the while, this impacts only a tiny fraction of the global population while contributing millions of dollars to the global income.

Taxing Multinationals or Taxing Wealthy Individuals?

Corporate profits are always concentrated on the upper end of income distribution. Thus, when it comes to having a progressive tax system, it is crucial to consider corporate taxation as well. Due to widespread public trading, the general middle-class owns portions of the largest businesses while smaller businesses are usually privately owned by a few wealthy founders or venture capitalists. This is one of the reasons behind why corporate taxes are levied at a flat rate.

Personal income tax and corporate tax need to be considered together as they are supplementary to each other. Profits from businesses can be excluded from corporate tax by allocating it to individual shareholders, which would mean that it would be taxed under the personal income tax rate. Similarly, personal income can be reported as business profits earned by their firms which will mask it as corporate rather than personal income.

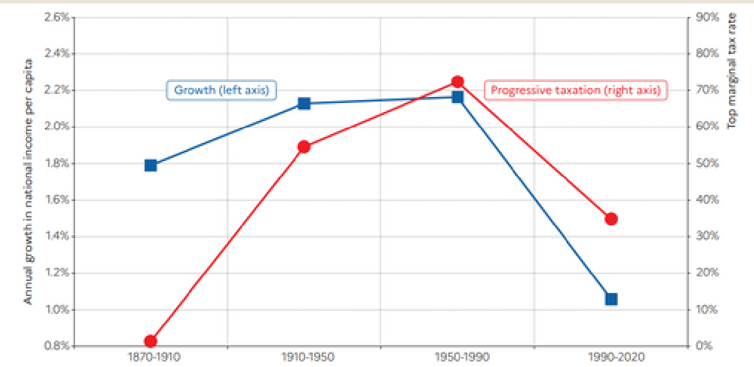
Global vs. Unilateral Perspectives on Tax Justice

Unilateral measures can help kick start the process of taking global action toward more responsible taxation practices. The US implemented the Foreign Account Tax Compliance Act (FATCA) in 2010 under which there is an automatic exchange of banking information between foreign banks and the US tax authority. Institutions that failed to comply would come under the economic sanctions of having to pay a heavy 30% tax on all dividends and interest income.

This also inspired the formation of the Directive of Administrative Co-operation (DAC) of the EU and more importantly, the Common Reporting Standards (CRS) in 2014. They too followed the automatic sharing of information standard set by the US. Over 100 countries including major tax havens[5] co-operated. Unfortunately, these measures did not spell the end of tax evasion. There are loopholes through which countries can evade tax such as investing in non-participant countries or in countries that lack the resources to effectively enforce CRS guidelines.

Emancipation, Redistribution and Sustainability

While the major arguments against taxation have been that they interfere in the market and hamper growth, the steep progressive taxes of the West between 1920 and 1980 tell us otherwise. Major tax cuts in the '80s have been followed by a drop in the rate of growth thus showing that trickle-



Interpretation: *In the US, growth in national income per capita went from 2.2% per annum)from 1950 to 1990, to 1.1% per annum between 1990 and 2020, while the top marginal income tax rate was reduced from 72% to 35% in the same period. The boost in growth that was promised at the time of the cuts to the top marginal tax rate did not occur.* **Sources and series:** *wir2022.wid.world/methodology and Piketty (2021).*

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[5] Tax havens are offshore regions or countries that charge very little or no tax at all. As a result, a large portion of global wealth escapes taxation as it is shifted to such locations. Some of the most notorious ones are Switzerland, Singapore, Luxembourg and the Cayman Islands.

down economics[6] has not managed to live up to its expectations.

The report identifies specific global and regional trends responsible for the various inequalities it sees and also offers practical suggestions on how these can be dealt with. It discusses how fairness of the systems we currently have in place is just assumed, but the truth differs. The pandemic has only more clearly revealed these truths. It has stripped back a lot of distractions and has made the failings of our institutions evident. To quote Abhijit Banerjee and Esther Duflo, “Policy kept inequality in check, and policy changes let it run amok.” Thus, moving forward too, it must be policy and better governance that tackles the issues.

[6] Trickle-down economics refers to the idea that the impact of tax benefits and cuts for the wealthy would trickle down to eventually bring about growth in the economy.

Best of
Beyond Textbooks

We've listed the top picks from our themed monthly recommendations in a variety of mediums for those who need **more than just classroom learning.**

Find the complete curation on themes from the Evolution of the Indian Economy to Design Thinking on our Instagram page **@beyondmarginssophia**.

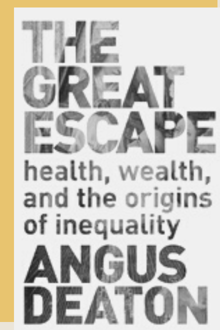
> "Development is about transforming the lives of people, not just transforming economies"
>
> *-Joseph E Stiglitz*

1

Great escape – Health, Wealth, and the Origins of Inequality

by Angus Deaton

This throws light on the historical aspects of the origin of economic progress and its implications on wealth, health and equality. It also addresses the most primary economic problem which is *poverty*.

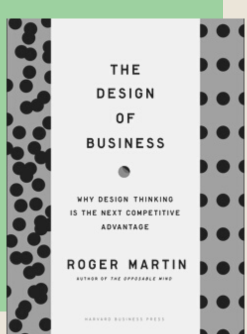


2

The Design of Business: Why Design Thinking is the Next Competitive Advantage

by Roger Martin

Martin explains why most companies who try to come up with innovations fail miserably. According to him, the answer is simple: we rely far too exclusively on analytical thinking, which merely refines current knowledge, producing small improvements to the status quo.



3

PODCAST: Montek Singh Ahluwalia & Martin Wolf Discuss India's Growth Journey –

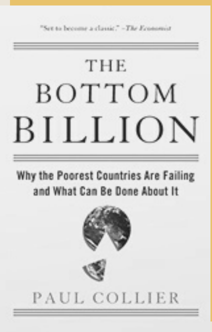
All You Need To Know from BloombergQuint

Join in the conversation between Montek Ahluwalia, India's former finance secretary and Martin Wolf, Chief Economics Commentator at the Financial Times shedding light upon the stagnation of the Indian economy and the reforms that shaped India.

4

The Bottom Billion

by Paul Collier



This award-winning book is a thorough analysis of the top fifty poorest African countries that constitute the world's bottom poorest people. It peeks into major social, economic and political factors responsible for the poverty trap in those countries.

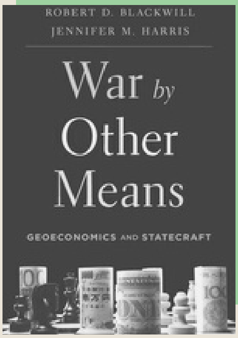
> "The economist has been trying, with some frustration, to paint stripes on India since 1991. It doesn't realize that India will never be a tiger. It is an elephant that has begun to lumber and move ahead"
>
> *-Gurucharan Das*

5

War by Other Means: Geoeconomics and Statecraft

by Jennifer M. Harris and Robert Blackwill

A thought-provoking book on foreign policy, which builds a persuasive case for why the U.S. should make vigorous use of its economic and financial muscle to advance its geopolitical interests. It also defines the extensive topic and opens readers' eyes to its prevalence throughout history.



6

PODCAST: Productive Capacities for the New Decades –

LDCs report 2020, UNCTAD unpacks with Rolf Traeger

This podcast is a question and answer session which touches upon the aspect of development in LDCs and graduation from it, especially given the impact of the COVID-19 pandemic.

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