

7 PM COMPILATION

8th - 14th June, 2020

Features of 7 PM compilation

- ❖ Comprehensive coverage of a given current topic
- ❖ Provide you all the information you need to frame a good answer
- ❖ Critical analysis, comparative analysis, legal/constitutional provisions, current issues and challenges and best practices around the world
- ❖ Written in lucid language and point format
- ❖ Wide use of charts, diagrams and info graphics
- ❖ Best-in class coverage, critically acclaimed by aspirants
- ❖ Out of the box thinking for value edition
- ❖ Best cost-benefit ratio according to successful aspirants

Potential Harms and Limitations of using Digital Technology to Combat a Pandemic

Topics: Awareness in the field of IT

Subtopics: Issues related to Digital Technology

Avenues of Resource Mobilization for Local Bodies to Combat COVID 19

Topics: Indian Polity

Subtopics: devolution of powers and finances up to local levels and challenges therein

Diversification of Food Basket Through Pulses

Topics: Indian Agriculture

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Limitations of G7 and Possible Alternatives to it

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Providing Right Stimulus in Times of COVID 19

Topics: Indian Economy

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Critique of Indian Fiscal Federalism during COVID 19

Topics: Indian Polity

Subtopics: Issues in Indian Federalism

New Normal for Globalization in Times of COVID

Topics: Globalization

Subtopics: Effects of Globalization

Potential Harms and Limitations of using Digital Technology to Combat a Pandemic

Source: EPW

Context:

COVID 19 pandemic has brought an unprecedented public health crisis in India and the world. To tackle the same, digital tools like Aarogya Setu are being deployed to perform tasks like contact tracing, hotspot recognition.

While good intentions of using digital technology are laudable, there are pitfalls in its use. These tools involve surveillance which raises questions of civil liberties – Privacy, right to movement, right of association. In addition there are limitations to use of such technologies. Only by understanding these dangers can we build a coherent and acceptable response to all.

Digital tools as response and civil liberties:

Data at individual level is needed for tracking disease outbreaks. This involves personal data like where a person has stayed and travelled, with whom he/she has interacted. This is sensitive data which impacts civil liberties of privacy, right to movement, right of association. Hence it needs to be protected appropriately. There is a need for a legal framework to provide data security and also to ensure trust of people in the process. Digital tools used as response to outbreaks must also be subject to such legal frameworks to protect civil liberties. This brings checks and balances, accountability to government functioning.

This legal framework must address following:

1. Responsibilities of different levels of government in implementing pandemic and epidemic response
2. Proportionality of restrictions on civil liberties
3. Grievance redressal where individuals can challenge the actions of government if it impinges on their civil liberties. Challenging quarantine and isolation orders is an example.
4. Data – proportionality, security, safeguards:
 - a. Which data need to be collected and what are the objectives of collecting data?
 - b. Proportionality of data i.e. only data which is needed to achieve the objective must be collected and nothing more
 - c. Consent of individuals while collecting of data
 - d. Deletion of data when objective is met
 - e. Preventing access to such data. Defining who can access which data and need for the same. At local level granular data is needed whereas at state and national level anonymized data is needed.

India and outbreak response:

In India, NCDC -National Centre for Disease Control is responsible for disease surveillance and containment measures. WHO's 2015 report on compliance with International Health Regulations(binding on India) concluded that India lacks effective legislation for effective outbreak response. It notes lack of Standard operating Procedures to involve legal procedures and for coordination between states and centre during outbreaks.

In absence of comprehensive legislation, Epidemic Diseases Act(EDA), 1886 and Disaster Management Act(DMA), 2005 are being used for combating COVID 19 pandemic in India. Former gives states powers to undertake response measures like quarantine, collection of data. But there are no safeguards to prevent misuse of data and infringement on civil liberties. DMA, 2005 is being used by the centre to formulate a National response plan and

issue binding guidelines to states to implement it. This top down approach is not effective for tackling the pandemic.

Digital tools being used as part of response are also prone to misuse without legal and procedural safeguards. Aarogya setu and patient tracking tools which collect personal sensitive data can be used for behaviour profiling. Drones being used for surveillance collect images which can be used for targeting communities. Concerns of surveillance state arise when access to data is not limited. In addition there are no provision of consent, deletion of data, restriction on access to data.

Hence India needs comprehensive public health legislation to deal with concerns of civil liberties arising out of outbreak response. Such legislation must balance Privacy and genuine need for public health in line with the Supreme Court judgment on Right to privacy (Puttaswamy judgment). WHO guidelines on 'Ethical Issues in Public Health Surveillance' can be used for the same which provide for consent, restricted access etc. International experiences of Canada and South Korea can be studied.

Canada: Quarantine Act, 2005 provides for balance of individual liberties with need for disease surveillance. Act provides for powers during an outbreak and limits these powers. Limits include right to challenge a quarantine order, the obligation to seek consent or a warrant to inspect a dwelling place, and to give notice to an individual whose personal information is shared by the government in order to prevent the spread of the infection

South Korea: Infectious Diseases Control and Prevention Act, 2009 provides for obligation to notify individuals on data collection and deletion of data when objective is met

Limitations of digital tools as outbreak response:

Aarogya setu achieves digital contact tracing. But it requires self-reporting by individuals to be successful. Due to low testing in India this self-reporting is also low. In addition, only smartphone users can be traced with it. Bluetooth which is used for tracking does not take into consideration the presence of walls.

Using cell phone site location, global positioning systems, and data from call records for tracking also has limitations. People not owning cell phones and multiple people owning the same cell phone and remote areas without signal coverage are not accounted for. Response to the Ebola outbreak of 2014 in Sierra Leone has shown such limitations.

Hence even with such digital tools, there is a need for ground level efforts by governments to do contact tracing and verify digital data. Governments cannot rely completely on digital tools.

Conclusion:

Exceptional times like COVID 19 pandemic, need prioritizing of public health. Such priority may impinge on certain individual liberties. But there is a need for accountability from the government for its actions. All digital tools must comply with public health legislation which protects civil liberties. In addition to digital tools, traditional methods of ground level response is needed during outbreaks.

Mains Question:

Q.1) Digital tools are not panacea to pandemic response. Critically analyse?

[15 marks, 250 words]

Avenues of Resource Mobilization for Local Bodies to Combat COVID 19

Source – www.The hindu.com

Context:

COVID 19 pandemic has brought unprecedented health and economic crisis to all. It posed challenges in terms of public health management, economic growth, livelihoods, resource mobilization for governments. Tackling these challenges need response from all tiers of government – Centre, states and local bodies. Outbreak response needs activities of contact tracing, quarantine, monitoring, creating health infrastructure, data collection at ground level. These activities are best performed by local governments. In order to perform these tasks, local government's need fiscal resources.

Sources of fiscal resources at local level include:

1. Local finances generated by the local government itself. This includes bonds issued by these governments
2. Devolution from Finance commissions of Center and state
3. Other sources – Funds of schemes like MPLADS which are meant for local area development

To effectively tackle COVID 19, local governments need to be empowered fiscally. Let us see how we can mobilize funds from various sources to tackle COVID crisis.

Local finances:

This includes taxes, fines, fees etc levied and collected directly by local governments. Water charges are an example. Economic Survey 2017-18 points out local taxation increases accountability of local governments. This is needed in times of COVID.

As per Economic survey 2017-18, only 5% of total revenue is from local sources for Rural Local Bodies (RLB's). Whereas this is 44% for Urban Local Bodies (ULB's). This shows that local resources are not mobilized to full potential. In UP, Bihar and Jharkhand local taxes for RLB's is nearly zero. Hence there is a need to increase resource mobilization at local level.

Steps to boost local finances:

1. Property tax is a major source of local finance across the world. In India, revenue from property tax as % of GDP has been reducing since 2002-03. In 2017-18, property tax is only 0.14% of GDP. This is low when compared to OECD countries with 2.1%. 14th Finance commission recommended removal of exemptions from property tax to increase mobilization under this. Also, technologies like satellite mapping technology (Bhuvan of ISRO) to assess properties and taxes paid can be used. This is being done in Telangana.
2. Land monetization and betterment levy needs to be collected
3. Bonds by local bodies for COVID containment with lower coupon rates than market rates need to be issued. Demand for these bonds with lower yields need to be generated by appealing to sentiments of brotherhood and patriotism

Fifteenth Finance Commission (FFC):

In its interim award for 2020-21, FFC has provided for Rs. 90000 crore for Local bodies. In addition, tied funds to the basic funds ratio has been fixed at 50:50. This is an increase from the devolution of the 14th Finance commission. But it is not sufficient.

Flexibility is needed to tackle emerging situations due to COVID 19. Hence 50% of tied funds prevents effective response from local bodies. Hence there must be 100% of grant as basic grant. In addition, the centre must directly devolve these funds to local bodies instead

of routing through states. This ensures predictability by preventing state governments diverting funds meant for local governments.

FFC report also provides for mitigation and adaptation funds to tackle disasters. But these funds are not possible in the short term. Disaster Management Act, 2005 needs to be amended to include pandemics as a disaster. By doing so, Disaster response funds under this act can be mobilized and appropriate actions can be taken to tackle COVID.

Other sources- MPLADS:

The MPLADS scheme was suspended for 2 years by the central government. These funds of about 4000 crore per annum need to be made available to local bodies to invest in health infrastructure and containment of COVID.

Going ahead:

COVID has shown the importance of local governments in disaster response. They must be empowered fiscally to ensure relevant actions are taken to combat COVID. In addition to ensuring adequate fiscal resources, governance reforms also need to be taken up such as reduction of parallel parastatal bodies, devolution of 3F's – funds, functionaries and functions.

By empowering local governments fiscally and functionally, we can achieve effective response to COVID

Mains Question:

Q.1) Local body finances need to be bolstered to effectively tackle COVID 19 pandemic. Explain role of local bodies in COVID 19 response? Suggest some measures to bolster local body finances? [15 marks, 250 words]

Diversification of Food Basket Through PulsesSource – <https://www.financialexpress.com>**Context:**

COVID 19 pandemic has brought focus on Nutrition. Outbreak has disrupted food supply chains and hence availability of nutritious food grains. UN chief has warned that every 1% fall in global GDP leads to an additional 7 lakh stunted children. This disruption is seen even in countries with abundant food stocks like India due to travel restrictions.

Yet this crisis also presents an opportunity to reorient the food basket of India towards a more nutritious diet and also ecologically sustainable one. Currently there is predominance of cereals (rice and wheat) in Indian food basket. Pulses can be promoted to diversify this food basket to achieve nutritional and ecological goals.

Pulses in India:

Red gram (also tur) and Bengal gram are predominantly produced.

Red gram: A Kharif crop produced in deccan plateau. In some areas of South India it is also grown as a Rabi crop. Maharashtra accounts for 33% of total production. Uttar Pradesh, Karnataka, Gujarat are other prominent producers.

Bengal gram: A leguminous crop grown in Rabi period. Bundelkhand region and central highlands of Madhya Pradesh and Uttar Pradesh are prominent production areas.

Importance of pulses:

1. They are an essential part of Indian diet. Increasing disposable incomes and enhanced awareness of nutrition is increasing demand for pulses. Hence food security of India also depends on adequate production.
2. They are a source of protein for vegetarian diet
3. Less water intensive and hence suitable for dryland agriculture in India. One-hectare millimetre of water can produce 12.5 kg of Bengal gram while it can produce only 7 kg of wheat and 2.5 kg of paddy. This is important from an ecological perspective to reduce water stress of agriculture.
4. They are leguminous i.e. they fix nitrogen into soil and thereby improve fertility of soil.

Pulses production and productivity:

In 2015, total demand for pulses was 22 Million tonnes (mt) and 5 million tonnes (mt) was imported. It is expected to increase to 30 mt by 2030. Production and yields in India are very low and hence are not enough to meet future demand. Studies point out low yields are due to pests (Pod borer is pest which causes 50% yield losses) and diseases, weather related incidents and improper application of fertilizers. These have to be addressed. India has to increase yields by 30% to address future demands without relying on imports.

Steps needed to boost production and yields:

1. Investment in research: High yield varieties, pest resistance (borer resistance), increased protein content, fast maturing varieties need to be developed by ICRISAT and other institutions. BT technology can be used for developing pest resistant varieties.
2. Micro irrigation technologies like Hose Reel technology can be deployed for achieving More Crop Per Drop. In addition, drought resistant varieties can be developed by studying the genome and using GM tools for water use efficiency.
3. Mixed cropping can be encouraged to plant pulses along with sugarcane and rice fallow.

4. Fallow lands can be brought into cultivation through pulses

Pulses marketing and farmers incomes:

Farmers face a market of uncertain prices in case of pulses. Below is an example of 2015 and 2016

Price fluctuation in 2015-16 Tur dal prices soared due to high demand in 2015. Government has relaxed import restrictions to reduce retail prices. This has led to increase in imports and hence reduction in prices
In 2016, production of pulses increased due to high prices in 2015. This led to supply glut due to high production in India combined with high imports. Sharp reduction in prices led to reduced incomes to farmers

MSP prices have increased continuously. But considering high imports and supply glut, market prices remained low. Coupled with low procurement by the government, this has led to low incomes for farmers.

Hence there is a need for market reforms and predictable import and export policy. These have to balance farmers incomes and consumer interests (no high retail prices).

Steps that can be taken:

1. e-NAM is a good initiative in achieving one nation one market. Efforts must be made to connect all states and APMC's into it.
2. Village level processing centres can provide markets for farmers. They need to be established by providing policy support to FPO's and entrepreneurs.
3. Predictable policy environment for import and export of pulses is needed. Sudden decisions to import can land the farmers in distress.
4. Pulses need to be included in PDS and in the mid-day meals to improve nutrition standards and to provide a market for farmers.

Conclusion:

Pulses are important for food security, nutrition and ecological balance. Their production and consumption need to be promoted. This can achieve the vision of 'Doubling farmers' incomes by 2022' as well as Sustainable Development Goals (2-No hunger; 12 -responsible consumption).

Mains question:

Q.1) Describe cropping patterns of pulses in India? Explain the importance of pulses and steps needed to increase their production in India? [15 marks, 250 words]

Limitations of G7 and Possible Alternatives to it

Source: <https://www.thehindu.com>

What has happened:

US has postponed the G7 meeting which is supposed to be held in June. It has also proposed including other countries in G7 to make it more representative and more impactful. G10 or G11 are proposed which includes India, South Korea, Australia and possibly Russia(if G11). Intention is to make such alternatives more effective than G7. Such alternatives must be able to respond to global crises like COVID.

Let us understand history and current ineffectiveness of G7 as well as alternatives to the same.

G7 – History and members:

G7 currently consists of US, UK, Germany, Japan, Italy, France and Canada. From 1998 to 2014, it was G8 which included Russia. Due to Crimean crisis G8 has become G7 due to expulsion of Russia. In addition European Union is an invitee.

G7 was initially established to tackle the oil crisis of 1973 due to Arab-Israel war and recession of the time. It was established as a grouping of restricted club of rich democracies.

The major purpose of the G-7 currently is to discuss and sometimes act to help resolve global problems, with a special focus on economic issues. The group has discussed financial crises, monetary systems, and major world crises such as oil shortages.

Ineffectiveness of G7:

G7 is not representative in current times. When it was established it accounted for 2/3rd of global GDP. But now it accounts only for 1/3rd on PPP basis and less than 50% on nominal basis (market prices). Emerging 7(E7) economies of India, China, Indonesia, Brazil, Mexico, Russia, Turkey are not part of it. This makes the group ineffective in tackling global economic crisis as was seen in the 2007-08 global crisis. G20 is more representative than G7 in this respect.

G7 failed in tackling global issues and challenges of Climate change, terrorism (ISIS etc), West Asian crisis, COVID 19 pandemic. Its failures include:

1. G7 accounts for 59% of historical CO2 emissions and pledged phase out fossil fuels. Yet there is no visible progress of the same and they currently account for twice the CO2 emission than African continent.
2. In terms of terrorism, ISIS has thousands of fighters from G7 countries.
3. West Asian crisis in Syria, Yemen, Iraq has led to a migrant exodus to European nations. G7 nations failed in addressing this migrant crisis leading to deaths and inhumane statelessness for millions.
4. Weakening of rules based of trade regime through WTO and trade wars has active role of G7 countries

Alternatives and objectives to pursue:

In the context of COVID 19, multilateralism which promotes mechanisms which address global problems is needed.

These mechanisms need to be representative and must include current and emerging economies. “The World of 2050” report by PWC predicts top economies by 2050 include China, India, US, Indonesia, Brazil and Russia. Along with these, Mexico, Turkey, UK, France, Germany, South Korea and Australia need to be included in the new mechanism.

Global issues that needs to addressed in order of priority are:

1. Tackling COVID 19 crisis

2. Reviving international trade and growth in a sustainable method to reduce environmental impact and inequalities
3. Tackling Climate change
4. Counter terrorism and preventing state sponsorship of terror
5. Counter proliferation of nuclear and Biological weapons. In context of COVID 19, extra care must be taken to implement Biological weapons convention to prevent future pandemics
6. Regional issues need to be taken up
 - a. Preventing nuclear proliferation with respect to Iran
 - b. Peace in West Asia, Afghanistan, Gulf
 - c. Reduction of tensions in Korean peninsula and South China Sea

Conclusion:

Only a representative institution which can resolve global issues can become a viable alternative to G7. Only such mechanism can generate confidence during global crisis like COVID 19. India must pursue such representative mechanisms irrespective of objections from China, to achieve Indian interests.

Mains Question:

Q.1) G7 has failed to generate confidence in addressing global issues. Discuss?
[15 marks, 250 words]

Providing Right Stimulus in Times of COVID 19

Source – www.business-standard.com

Context:

To tackle the economic fallout of COVID 19, governments across the world have announced monetary and fiscal incentives accounting to about 10% of global GDP. India too announced 'Atmanirbhar Abhiyan' to revive the economy.

But UN Department of Economic and Social Affairs assessed that these measures may not boost consumption and investment as estimated. These measures instead are leading LIQUIDITY TRAP which is hoarding money as capital buffers in anticipation of low future economic activity.

Nature of fiscal measures announced and limitations with them:

Current fiscal and monetary measures aim to boost liquidity. Such monetary measures include reduced repo rates, Open market operations. Fiscal measures include credit availability to MSME's, credit guarantees, welfare transfers to individuals (Garib Kalyan Yojana) etc. Both try to increase money in the hands of consumers and investors to boost consumption and investment. This is needed in the short term considering the liquidity crisis of companies. Without it bankruptcies, erosion of capital with companies would happen which prevents economic recovery.

Yet this is leading to a liquidity trap where people are hoarding money. Experts predict COVID 19 will last for longer term with estimates upto 2 years. Considering this uncertainty, individuals and companies are preferring to hold cash as precaution rather than spending. Much of the money that households and businesses receive in the form of stimulus will probably sit idle in their bank accounts, owing to anxieties about the future and a broader reduction in spending opportunities. This prevents economic recovery.

At the same time, banks will not lend much due to lack of creditworthy borrowers. This leads to banks having excess reserves (capital beyond reserve requirements). This is already seen in US where excess reserves doubled from february to april. Hence we see low multiplier effect due to current stimulus [Money multiplier = $M3/M0$ = stock of money supply/ stock of high powered money]

In addition, excess liquidity may lead to banks investing in financial speculation. This can result in volatile stock markets and erosion of wealth. This will further increase precautionary behaviour by reducing consumption and investment.

Hence current measures will lead to increase in supply of money but limited use by individuals and businesses. Till the time COVID 19 is under control such liquidity trap will continue unless right stimulus is provided.

Providing 'Right stimulus' to kickstart economy:

Role of government becomes important in such a situation to break this vicious cycle. Government must insure against risks for individuals and businesses through compensation. This can nudge consumption and investment and thereby revive economic growth.

Measures which can boost consumption and investment:

1. Arrow-Debreu securities: These securities are payable if certain conditions are met. Example is suspending monthly car payments for new cars, if COVID outbreak is not controlled to certain extent in certain time.
2. Income contingent loans and mortgages to boost consumption of consumer durables and real estate.

3. Issuing spending vouchers with limited validity to households. Limited validity prevents hoarding. China is issuing digital vouchers to buy various goods and services.
4. Based on the condition of retention of workers, government can subsidize wage payments and other costs, in proportion to reduced revenue. US is mulling such measures.

Conclusion:

Poorly designed stimulus will be ineffective and potentially dangerous. At the same time, right stimulus will save businesses and livelihoods by boosting consumption and demand. Hence careful design of stimulus keeping in mind long term prospects is needed to revive the economy.

Mains Question:

Q.1) Increasing liquidity through fiscal and monetary measures can revive the economy post COVID pandemic. Critically discuss? [15 marks, 250 words]

ForumIAS

Critique of Indian Fiscal Federalism during COVID 19

Revision – <https://blog.forumias.com/7-pm-editorial-cooperative-federalism-during-covid-26th-may-2020/>

Context:

COVID 19 and its impact on the economy has put strain on finances of both states and central government. To tackle the same, the central government has relaxed borrowing limits of states from 3% to 5%. But this is based on conditionalities. Critics say such conditionalities amount to centralization without checks and balances and expose the fragility of Indian federal system. It amounts to centre using the states distress situation to force them to adopt its economic and institutional agenda

Constitution provides for 'public order' and 'public health' in the State List (Entries 1 and 6) and 'prevention of the extension from one State to another of infectious or contagious diseases or pests affecting men, animals or plants' as a joint responsibility in the Concurrent List (Entry 29). Hence it is the joint responsibility of both levels to tackle pandemic and need a spirit of cooperative federalism.

Increasing centralising tendencies:

Disaster Management act, 2005 empowers the central government to issue binding guidelines to states but only after consultations. But the Centre's binding guidelines and orders as part of COVID response without consultations with states is leading to centralization tendencies.

Actions which are taken in such manner include imposition of lockdown, classification of areas into red, green, orange zones and prohibiting states to change them and conditionalities on states to raise extra debt to tackle COVID 19 crisis

Lack of coordination between centre and states is leading to avoidable hardship and misery to millions of vulnerable people. Migrant exodus is an example

Strained fiscal position of states:

Being the first responder, states need adequate fiscal resources to deal with COVID 19. But their fiscal position is strained.

Lockdown has restricted economic activities and reduced revenues of states. Even if GDP remains same as 2019-20, states are estimated to be 2.5 lakh crore short of budgeted revenues in 2020-21. In case of contraction, this loss of revenue will be higher.

In addition, pending transfers of tax devolution and GST compensation have reduced funds available to combat COVID 19. Coupled with reduced autonomy in taxation due to GST, this reduces fiscal space available with states.

In times of low international crude prices, increasing VAT on high speed diesel and motor spirit is an important avenue of revenue for states. But due to central excise levy, space to increase the tax by states has reduced. In addition, revenue through central excise levy is not shareable with states.

Faced with such fiscal constraints, states have resorted to deferment of payments to public employees and contractors. This further reduces capital investment and demand in the economy and hence growth.

States have asked for COVID 19 grants and raised borrowing limits to ensure adequate availability of funds to tackle COVID 19.

Raised borrowing limits with conditionalities:

Article 293 provides states must take consent of the centre for borrowing, when there is outstanding debt of state with centre. In addition, the centre can impose conditionalities for

such increased borrowing limits. 15th finance commission is looking into what conditionalities can centre impose on states as part of its Terms of Reference.

In line with article 293, the centre has allowed increased borrowing limits from 3% to 5% of State GDP but with conditionalities. These conditionalities include:

1. Introduction of the 'One nation, one ration card' scheme for all, with linking of Aadhaar with ration cards and installing point of sale (PoS) machines in all fair price shops
2. Improvement in ease of doing business:
 - a. District level assessment of ease of doing business,
 - b. Automatic renewal of state industrial and commercial licences to businesses
 - c. Making randomised inspections with prior notice and full transparency
3. Implementation of power sector reforms:
 - a. Reducing aggregate technical and commercial losses
 - b. Direct benefit transfers (DBT) to farmers instead of charging them lower power tariffs
 - c. Reducing the gap between average cost and average revenues
4. Urban local body reforms requiring the states to notify property tax floor rates according to circle property values and to notify water and sewage charges

State can raise upto 3.5% debt without any conditionalities. But beyond that, for every 0.25% extra borrowing, one of the above conditions must be fulfilled. In addition, if 3 out of 4 conditions are fulfilled, additional 0.5% borrowing can be done.

Critique on these conditionalities on borrowing:

1. Thrusting such conditionalities in times of distress is against spirit of cooperative federalism
2. It sets a precedence of centre dictating to states and reducing the latter into agents of former. It leads to asymmetry of power between states and centre. Centre can then impose conditionalities irrespective of merits.
3. States have varied circumstances and one size fits all approach will not work. Example is power sector reforms proposed. Some states like Gujarat and West Bengal are better placed than others like Andhra Pradesh, Punjab, Tamil nadu
4. States may not opt for conditionalities which are politically difficult. DBT to farmers for power subsidy is an example. In such cases, states will forego additional borrowing. This will lead to reduced funds availability and cut of expenditure. This dampens demand and hence economic revival.
5. Competitive federalism provides better incentives than imposition. Ease of doing business is a case of the same.
6. Some reforms proposed are not permanent and can be reversed. Property taxes, power tariffs are examples which can be reverted back in future.

While there is a need for reforms proposed as conditionalities, effectiveness of imposition of the same is questioned. Instead, these reforms need to have been discussed with states and implemented by individual states as per their circumstances.

Need for an Institution for Bargaining and Conflict Resolution:

COVID 19 has shown the need for institutional mechanisms to enable intergovernmental bargaining, foster intergovernmental cooperation, conflict resolution, and promote non-predatory competition. Only by such cooperation, emergencies like COVID 19 can be tackled effectively.

But currently, NDC – National Development Council is no longer effective and the Inter-State Council, having been made a part of union home ministry, is not an independent institution. Hence states don't have platforms for voicing concerns and availing remedies.

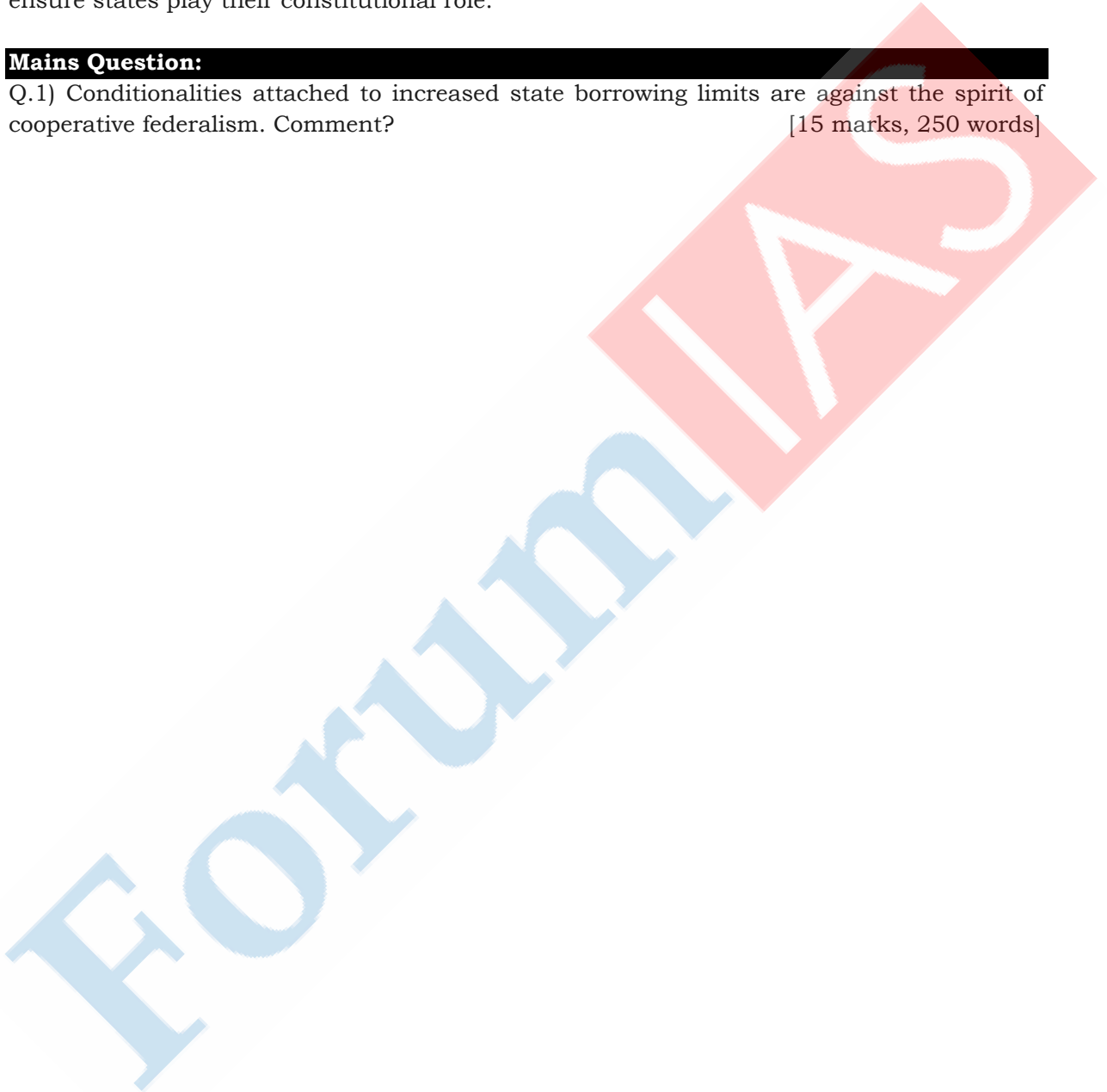
Hence there is a need for institutions like GST Council which promote cooperative federalism.

Conclusion:

Despite good intentions in initiating reforms, imposition of conditions by centre will be counterproductive. It will lead to disharmony and divisions along political lines. There is a need for independent institution which promote bargaining and conflict resolution to ensure states play their constitutional role.

Mains Question:

Q.1) Conditionalities attached to increased state borrowing limits are against the spirit of cooperative federalism. Comment? [15 marks, 250 words]



New Normal for Globalization in Times of COVIDSource: [The Hindubusinessline](#)**Context:**

COVID 19 pandemic has disrupted global supply chains and flows of capital. Countries across the world have announced measures focusing on domestic industry for self-reliance. India too announced Atmanirbhar Bharat Abhiyan to achieve self-reliance. CRPF's decision to serve only domestic products in their canteens is an example. This is being termed as the death knell for globalization.

Globalization is in retreat since the global financial crisis(GFC) of 2008 due to anaemic growth inequality and unemployment. The 2008 crisis led to loss of confidence in the founding ideologies of globalization i.e democracy and capitalism. COVID has hastened this decline.

Let us understand the rise and fall of globalization as well as the new normal of globalization post COVID.

Rise of globalization:

USA's victory of the cold war post disintegration of USSR had led to ideological victory of capitalism and democracy. This led to Washington consensus which propounded that liberal democracies with free markets is the right way to achieve economic growth and prosperity. Free trade along with free movement of goods and capital were established as values to pursue. This led to interconnection of nations economically which had socio-cultural and political impact, which is called globalization.

This interconnection is based on 3 plancks.

1. Offshoring of manufacturing and low-end services jobs to developing countries
2. Developed countries running large trade deficits by acting as the market for the increased output of developing countries
3. Developing countries financing the trade deficit of the developed countries by accumulating large foreign exchange reserves

Till the GFC of 2008, globalization was seen as irreversible and inevitable phenomena. It withstood the 1997 Asian financial crisis, the 1998 Russian debt default, the dotcom burst and 9/11. But this had changed post GFC crisis.

GFC and decline of globalization:

GFC had resulted in high unemployment, slow growth and huge inequalities. In addition, Chinese economic growth despite being an authoritarian regime has shown evidence that liberal democracy is not necessary for prosperity. This led to populist tendencies of nationalism replacing liberal values of Washington consensus. This manifested as protectionism in advanced economies through tariff barriers, restrictions on movement of people.

Free trade and free markets were the prime reasons for the emergence and wide spread of the GFC crisis. This had shaken the confidence in these values of globalization. Global trade growth fell from 10% before the GFC crisis to 1-2% post crisis. WTO – World Trade Organization has become ineffective post 2008 with sharp divisions along nationalistic lines. Trade wars emerged disrupting free trade

Hence globalization had been in retreat since 2008 GFC. Current COVID pandemic has further hastened this retreat.

COVID pandemic and new normal of globalization:

COVID 19 pandemic has exposed following limitations of globalization:

1. Unreliability of Global supply chains and dependency for essentials like Medicines, PPE's, masks, gloves etc. Overdependence on China has alarmed the nations.
2. Weaponization of supply chains and resultant security threat to nations. Chinese stopping beef imports from Australia in retaliation for investigation into the origin of COVID is an example.
3. Profit centricity rather than human centricity resulting in inaccessibility of public goods. High prices of medicines and treatment seen in private hospitals is an example.

Due to such limitations, future economic engagements will change and a new normal will be established. World will be mindful of overdependence on China. They will start disengaging to develop self-reliance. This will greatly change the existing global value chains.

There are estimates of a 32% dip of world trade due to COVID and global GDP is estimated to decline. In such a scenario, WTO will become irrelevant as nations will seek flexibility to deal with domestic economic crises. Import substitution and restriction on movement of people across nations will be pursued to build up economies. WTO rules on subsidies, tariffs will not be adhered to. This will lead to a free-for-all situation with no rules and law of the jungle. Bilateral and multilateral trade pacts will come under strain. European Union is already facing sharp divisions and NAFTA is under stress.

Conclusion:

COVID 19 has led to great churning in economic relations of nations and hence globalization. If pandemic is not controlled, global rules of trade and economic engagement will change. A new normal will be seen with interconnection due to globalization becoming obsolete.

Mains Question:

Q.1) Discuss the impact of COVID 19 on globalization?

[15 marks, 250 words]