



## 7 PM COMPILATION

6<sup>th</sup> - 12<sup>th</sup> January, 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

Incentivizing High Value Agri produce for Self-Reliance in Agriculture

**Topics:** Storage, Transport and Marketing of Agricultural Produce and Issues and Related Constraints

**Subtopics:** High Value Agricultural Produce

Ensuring Labour Rights Without Constraining Capital

**Topics:** Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation

**Subtopics:** Labour Reforms

Impact of Recent Policies and Judgments on Reservation

**Topics:** Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation

**Subtopics:** Issue of Reservation

Providing Universal Social Security

**Topics:** Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment

**Subtopics:** Social Security

Threat of Majoritarianism to Indian and US Democracies

**Topics:** Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation.

**Subtopics:** Majoritarianism

Does India Need a Fiscal Council?

**Topics:** Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment

**Subtopics:** Fiscal Council

## Incentivizing High Value Agri produce for Self-Reliance in Agriculture

Source: <https://indianexpress.com>

### Introduction:

Atmanirbhar Bharat Abhiyan is announced by Indian government to promote self-reliance in Indian economy. This was in context of COVID 19 induced disruption in global supply chains and economic downturn. Agricultural policy reforms were part of this scheme. Reforms in marketing, stock limits, contract farming were announced to promote self-reliance in agriculture

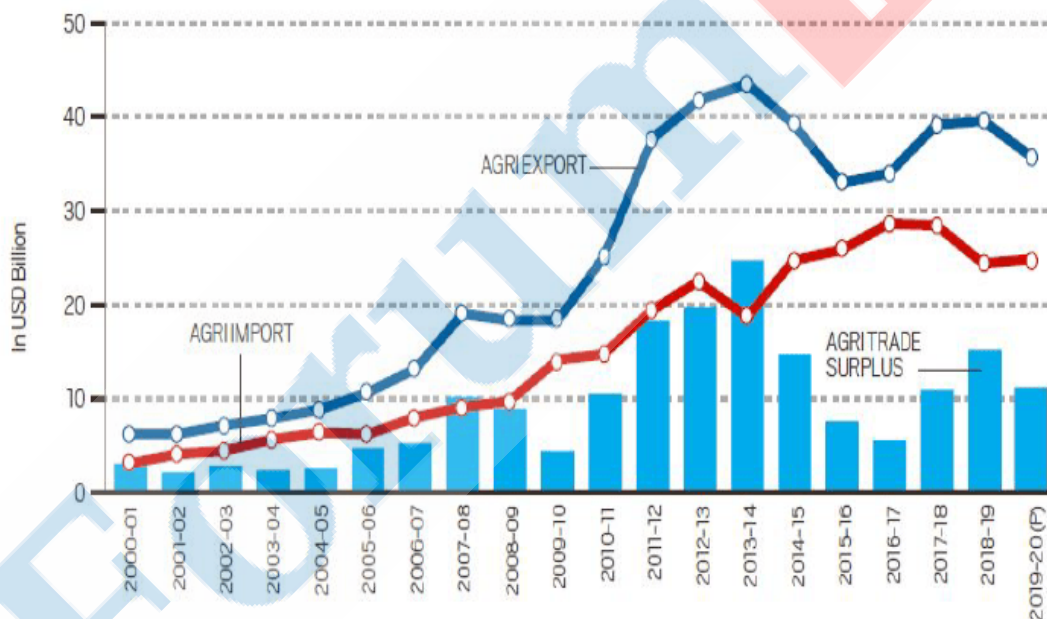
In agriculture, India has achieved significant progress in self-reliance compared to the 1960's when there was dependence on food aid. Currently India is self-reliant in food crops like rice and wheat.

Indian foreign exchange reserves too have increased from about \$1.1 billion in 1991 to more than \$500 billion currently. Thus India has good forex cover to fund any emergency agricultural purchases.

Let us examine India's agricultural trade to identify areas where import dependency can be reduced and where exports can be boosted.

### Agricultural trade of India:

#### 'AATMANIRBHARKHETI'-INDIA'S EXPORTS AND IMPORTS OF AGRICULTURAL PRODUCE



### Trends seen are:

1. India maintained trade surplus in agriculture since liberalization of 1991
2. Downturn in agricultural exports in the past 5 years. This impedes vision of doubling agricultural exports by 2022.
3. Agri-export basket in decreasing order of exported value in 2019-20:
  - Marine products
  - Rice – Basmati and common
  - Spices
  - Buffalo meat
  - Sugar
  - Tea and coffee
  - Fresh fruits and vegetables

- Cotton
- 4. Edible oil imports account for nearly 50% of total agricultural imports. Malaysia and Indonesia are major suppliers who supply cheap palm oil. This is making Indian oil seed producers uncompetitive.

**Achieving self reliance through comparative advantage:**

Comparative advantage principle means exporting where there is a competitive edge and importing where competitiveness is lacking. Competitiveness in agri produce can be improved by increasing productivity.

Currently rice and sugar cultivation is given incentives in form of power subsidies, fertilizer subsidies and price support(MSP and FRP – Fair and Remunerative Price).

- India has low productivity in these crops compared to competitors. Hence there is need to improve productivity in these crops.
- These crops are water intensive. This is leading to depletion of groundwater and India becoming a net virtual exporter of water. Overuse of fertilizers is causing land degradation through leaching of nitrogen in urea into groundwater and air pollution due to evaporation into the atmosphere.

Incentives must be given to other crops to promote diversification. This will ensure self-reliance by increasing exports and reducing imports. High value agri produce like fruits and vegetables, spices, tea and coffee must be incentivized to achieve competitiveness in these crops.

Edible oils in particular is an area of focus for self-reliance. India imported more than 15 million tonnes(mt) in 2019-20. This can be cut down by incentivizing domestic production.

- Comparative advantage must be created by increasing productivity and recovery ratio of oil from oilseeds
- Oil seeds cultivation needs a gestation period of 4-5 years. Government must support farmers in this period.
- Oil palm has the maximum potential to increase domestic edible oil output. Domestic oil palm production can replace nearly 50% of edible oil imports. Hence this must be incentivized in states of Andhra Pradesh, Karnataka and Tamil Nadu where it is suitable for cultivation.
- Processing capacities must be enhanced to create economies of scale. Currently there is lack of vertically integrated plants with all 3 stages – Crushing and expelling; solvent extraction; oil refining

**Conclusion:**

By improving competitiveness of Indian agriculture, self-reliance can be achieved. Oil palm in particular needs emphasis through long term vision and strategy.

**Mains Question:**

Q.1) Edible oil imports make up the majority of Indian agricultural imports. What are issues for domestic production of edible oil and what steps can India take to address them to become self-reliant in edible oils?

[15 marks, 250 words]

## Ensuring Labour Rights Without Constraining Capital

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

### What has happened:

Covid 19 pandemic has brought the global economy to a standstill. Due to this, migrant labour suffered immensely due to loss of livelihoods. Faced with dwindling savings and no income, a migrant exodus was seen from urban centres. This exodus has exposed the fragility of Indian labour market due to its informal nature with lack of social security. Meanwhile, some state governments have mooted, deregulation of labour laws to attract investments. This deregulation included doing away rules mandating basic amenities like providing toilets. Such hasty policy measures will compromise the legitimate labour rights. Any labour reform must consider basic principles of labour rights, informality of Indian labour markets, state capacities of regulation and emerging economic realities. Only then can India enact meaningful labour reforms.

### Fragile labour market:

Indian labour market is highly informal.

- More than 90% of India's workforce is informally employed
- About 75% of workforce is either self-employed or casual labourers, with no income and employment security or benefits
- Organised sector is characterised by stagnant wages, and a decrease in the proportion of employees with social security benefits
- Complex legal regime for labour regulation with labour-capital relations governed by 463 Acts, 32542 compliances and 3048 filings.
- Economic survey 2015-16 mentions "Regulatory cholesterol" is one the main constraints in creating formal jobs and Ease of Doing Business.

In such a labour market, deregulation will only increase informality. Any labour reform must rebalance the labour – capital relations to safeguard bargaining power of labour.

### Rebalancing labour – capital relations:

Labour policy reform must consider following ground realities:

- **Weak state capacity to regulate:** Regulatory agencies lack technology, manpower and finances to implement labour laws. This leads to arbitrary implementation of laws, corruption and abuse of regulatory powers. Lack of grievance redressal and dispute resolution further weakens the regulatory regime.
- **Labour surplus:** Labour surplus and resulting competition for jobs weakens the bargaining power of labour. In such a scenario, labour laws will be ineffective and informal employment will be dominant. Laws for child labour and construction labour are examples where these are hardly implemented. Considering this, there is a need for universal social security in the form of PDS, MGNREGA, healthcare etc.
- **Structural changes in global economy:**
  - Increasing protectionism across the world will hinder export oriented global value chain based growth. Hence Chinese or East Asian model of growth based on attracting foreign investments is not completely replicable.
  - Technology induced changes through digitalization and automation. This is changing labour – capital relations. Platform based firms like Uber, ola are examples where drivers are not considered employees and hence not provided social security benefits. This gig economy must be factored in labour reforms.
  - Increasing automation and use of robots too can displace labour. These must be addressed through steps like robot taxes and Universal basic incomes.

- Contractualisation of Indian labour market: After 1991 liberalisation, temporary or contract workers have increased. This changes labour – capital relations into labour – contractor – capital relations. Contractors are not adequately regulated.

Only by considering these economic realities can a progressive labour regulation regime be evolved which balances labour and investor rights.

In addition, other factor markets of land, capital have their own problems. These have to be addressed in tandem to achieve the objective of attracting investments

**Conclusion:**

Reforming labour laws is the need of the hour. But such reform must balance labour rights and rights of investors by considering ground realities. Labour rights must be viewed as moral and constitutional(directive principles) imperatives to protect dignity of labour. By protecting labour rights, productivity of labour can be increased which boosts growth and attracts investments.

**Mains question:**

Q.1) Labour reform must balance labour rights and investor interests while considering changing labour – capital relations. Discuss? [15 marks, 250 words]



**Impact of Recent Policies and Judgments on Reservation**Source: <https://indianexpress.com>**Introduction:**

Reservation as a positive discrimination policy is intended to redress historic injustices. By providing reservations in education ([Article 15](#)), public employment ([Article 16](#)) and legislatures ([Article 334](#)), representation of backward communities has risen in politics, administration and the middle class.

Scheduled castes (SC's) socio-economic advancement is a testament to relative success of affirmative action. Their literacy has increased from 21.38 per cent in 1981 to 66.1 per cent in 2011. SC's make up 16% of Indian population. Their proportion in CPSE (Central Public Sector Enterprises) is 18.1% (2014), in class A administrative services is 13.3% (2015).

We can see the same in case of OBC's (52% of Indian population) who were provided with reservation post [Mandal commission report](#).

This tool of empowerment for backward communities is losing its edge due to some recent public policies.

**Privatization and shrinking public sector:**

As part of Atma Nirbhar Bharat Abhiyan, New Public sector enterprises policy (PSEP) was announced where the private sector is encouraged. PSEP has provided that a list of strategic sectors will be notified where there will be no more than four public sector enterprises and the rest would be merged or privatised.

Considering no reservations in the private sector, access to employment will shrink for backward communities in absence of policy measures in education and skilling.

In administration, new posts are declining over the years. Civil Services examination saw 40% reduction in total posts from 2014 to 2018. Same is the case of total vacancies under central services and CPSE's. This has resulted in shrinking public sector employment and access to backward classes.

**Lateral entry and other policies:**

Lateral entry into administrative services was started in 2019 for joint secretary level appointments in 10 departments. This was done to promote efficient work culture and bring expertise into civil services. But such lateral entry appointments have no quota applicable. This reduces access to public employment for backward classes.

The National Commission for Backward Classes has issued a notice to the health ministry that the post-Mandal 27 per cent quota was not implemented systematically for OBC's. In NEET, it resulted in the OBC category losing 10000 seats in 3 years.

[Funds for dalit education](#) under special component plan has seen a reduction. This impacts education due to reduced scholarships and undermines reservation as selected reserved candidates who cannot afford may drop out.

**Judgments impacting reservations:**

Allahabad High court (HC) and later Supreme court upheld UGC circular permitting reservations in universities on department basis rather than whole university basis. Due to this, in departments with low vacancies, reservations are not provided. This will reduce vacancies under reservation in the college as a whole. This was reversed by ordinance and parliamentary legislation, whose impact needs to be seen.

Recently ([Mukesh Kumar case, 2020](#)) the supreme court has [declared that reservation in job promotions is not a fundamental right](#). Further it said, any such reservation in job promotions must be based on quantifiable data and only to backward classes. This can

have an undermining effect on provisions of article 16(4A) which provides for reservation in promotions for SC's and ST's.

**Conclusion:**

Socio – economic empowerment of backward classes is crucial to realize EQUALITY, a constitutional value. Pressure groups of backward sections must lobby to ensure positive discrimination measures are implemented effectively.

**Mains Question:**

Q.1) Reservations in India have led to empowerment of backward classes. Discuss on how they can be made more effective in pursuing a vision of socio economic equality?

[15 marks, 250 words]



### Providing Universal Social Security

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

#### Introduction:

COVID 19 has brought economic hardship to billions of working class. It is more conspicuous in case of migrant labour in India. Faced with declining savings and lack of incomes, they faced hunger and homelessness. In absence of social security and weak state support, they were forced to migrate back to their native places.

Such is the situation of nearly 90% of Indian labour force who are in the informal sector(casual labour, agricultural labour, self-employed). They face uncertain incomes, lack job security and lack social security. Only 10% of the labour force in organized sector have social security in form of insurance, EPF(provident fund), pensions.

Considering this there is a need for provision of universal social security as provided in Article 41 of directive principles. Article says that within the limits of its economic capacity, the State would provide “public assistance in cases of unemployment, old age, sickness, disablement, and in other cases of undeserved want.”

Social security code introduced in parliament is a right step. Such legislation must enable a progressive social security within financial and administrative capacities.

#### Designing universal social security for labour force:

Features that must be present are:

- Employment guarantee: MGNREGA is currently acting as a tool of providing relief to distressed rural workers. Demand for work under it has doubled in many states. It shows how it is an effective social security tool which works based on self selection. Such employment guarantee schemes will provide incomes and reduce vulnerability to uncertain jobs in the informal sector.
- Hence it must be extended to urban areas. Works such as sanitation, minor repairs, could productively use labour under such employment schemes. This is a win win situation as urban areas can create requisite infrastructure which is currently lacking.
- Linking skill training to employment guarantee schemes: “Learning while earning” principle should be employed to build up human capital of India. Schemes like MGNREGA must be linked to skill development training. This can address skilled labour shortages in MSME’s and agriculture. This has been a successful approach of governments and employers in Germany and Japan where useful skills are learnt on the job, supplemented with off-line modules.
- Universal free health care: Limitations of private health care in serving the poor is discernible in the ongoing pandemic. Hence there is a need for quality universal free public health care.
  - Universal insurance coverage must be provided. Currently less than 20% have insurance
  - Physical infrastructure – beds,ICU’s, etc – in public hospitals must be built up
  - Availability of Doctors, nurses, experts(surgeon etc) must be improved
  - Rural – urban divide in healthcare must be bridged
  - Digital technologies, telemedicine, pharmacy chains of generic drugs and greater use of trained nurses and paramedics can improve health care and lower costs dramatically
  - Promotion of healthier lifestyles to emphasize prevention of diseases.
- Addressing technology induced job disruptions: COVID 19 will result in increased adoption of technology over physical labour. This has to be factored in designing universal social security

- Automation and robots will displace low skilled jobs. Wealth generated by doing so need to be redistributed through universal basic incomes financed by new taxes like robot tax
- Gig economy has no employee-employer relationship. Considering this social security for such employees must be provided through labour laws.

**Conclusion:**

Income support, skilling and health care for all those who need it must be an essential part of universal social security. Apart from the labour force, vulnerable sections like disabled, the elderly, and expectant mothers must be provided social security assistance. Only through that can India realize the welfare state as envisaged in the constitution.

**Mains Question:**

Q.1) Social security is an essential part of a welfare state. In the context of COVID 19 pandemic, what should such social security entail? What step has India taken to provide social security to its citizens? [15 marks, 250 words]

**Threat of Majoritarianism to Indian and US Democracies**Source: [Indianexpress.com](https://www.indianexpress.com)**What has happened:**

USA has seen massive protests in response to inhumane killing of George Floyd by police. This Black Lives Matter(BLM) movement has seen multi-racial participation across cities against racial injustice towards blacks.

Comparisons have been made between anti CAA(Citizenship Amendment Act) protests in India and BLM movement. Anti CAA protests were against perceived demotion of muslims into secondary citizenship in India.

Blacks and muslims are the largest minorities in the US and India respectively. Let us compare their socio-economic, political and historical context.

**Comparison of blacks in US and muslims in India:**

Blacks are racial minorities in the US with the same religion as whites (racial majority in US). Whereas Muslims are religious minorities in India with the same race as hindus(religious majority in India).

In terms of demography blacks and muslims are similar. Blacks constitute 12% of the US population and muslims constitute 14% of Indian population. Political parties with divisionary ideology do not need their votes for winning elections and hence they may indulge in polarization politics. This political polarisation on the basis of race or religion results in alienation. This alienation ranges from non-representation of their interests to deliberate targeting through planned segregation, violence. It results in stereotyping and systemic discrimination as seen in death of George Floyd.

Historically blacks and muslims are different in their respective countries.

- Blacks were slaves from the early 17th century to the end of American civil war in 1864. They had no rights and were seen as commodities. Even after abolishment of slavery, political equality was not provided till mid 1960's. After the 1960's, equality was provided with voting and human rights due to the civil rights movement. But systemic discrimination has remained as seen in police killings.
- Muslims initially arrived in India as traders and later since 12th century CE Islamic dynasties(Sultanate and Mughals) had established themselves in India. They ruled parts of India till the advent of British. Islamic rulers like Akbar promoted harmony between religions. Yet some rulers like Babur, Aurangzeb had pursued islamic supremacy.

This difference in historical context resulted in different narratives used by extreme majoritarianism. White supremacists view blacks as inferior and hence undeserving of equality and respect.

Hindu nationalists view muslims as outsiders with no loyalty to India which is a Hindu nation. Partition is shown as proof of this disloyalty. Further actions of rulers like Aurangzeb is shown as proof of Hindu repression by muslims. Such a narrative results in religious polarization.

This narrative is flawed as this does not consider rulers like Akbar who encouraged harmony. More importantly, muslims of today have no role in any injustices of history and their implication is nothing more than a tool of political polarization.

Further muslim masses and muslim rulers are not differentiated in this extreme majoritarian narrative. Muslim masses were poor even in times of islamic rulers. In current times, Sachar committee report in 2005 says that, along with Dalits and Adivasis, muslims are the poorest community of India. This economic backwardness is another common point of both blacks and muslims.

**Conclusion:**

After the mid-20th century, a democracy is not a proper democracy unless it safeguards minorities. And if the minorities are also poor, the protection becomes even more necessary. A poor minority deserves empathy and justice, not hatred and repression. It is a morally diminished and normatively impoverished society, which adopts the latter path.

**Mains Question:**

Q.1) Identity based polarisation is inimical to democratic values and progress of nations but has become a part of politics. Explain. How can such political polarisation be addressed?

[15 marks, 250 words]

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**Does India Need a Fiscal Council?**Source: <https://www.thehindu.com>**What has happened:**

COVID 19 pandemic has resulted in weakening of fiscal situation of centre and states. Tax revenues have reduced due to subdued economic activities. Whereas, expenditure has risen due to spending on healthcare, social security and economic revival, to tackle the fallout of the pandemic. As a result, the fiscal deficit of the centre is estimated to double from budgeted 3.5% of GDP to around 7%[IMF].

This steep rise in fiscal deficit will impact medium term growth prospects due to interest burden. In addition, ratings agencies consider fiscal deficit as a parameter in ratings which impact capital flows into the country. These concerns impose restrictions on expansionary fiscal policy strategy to tackle pandemic.

In such a situation, many economists have pointed out that fiscal deficit limits should not constrain spending to stimulate the economy. They suggest expansionary fiscal policy during pandemic combined with fiscal consolidation plan post pandemic will help retain market confidence. Yet such a strategy may still lead to ratings downgrade and resultant capital outflows.

To increase the confidence in fiscal consolidation, a fiscal council which enforces fiscal discipline is suggested. This can signal intent to maintain discipline in medium to long term which can reassure markets and credit agencies.

**Fiscal council and its mandate:**

Fiscal council is a body intended to provide independent analysis of fiscal situation and prospects while considering macroeconomic parameters. 13th Finance commission(FC) had first proposed such a body. This was later endorsed by 14th FC and N.K.Singh committee to review FRBM (Fiscal Responsibility and Budget Management) act. 50 countries in the world have such bodies.

**Intended functions:**

- Acting as watchdog to prevent fiscal irresponsibility by providing independent analysis to public
- Macroeconomic analysis of stability of growth, inflation, forex reserves etc
- Analysing current fiscal situation vis a vis limits under FRBM. Recommending changes to fiscal strategy to ensure consistency
- Analysing deviations from fiscal limits and providing advice to the government. N.K.Singh panel proposed mandatory consultations for deviations from fiscal limits.
- Providing multi year fiscal forecasts
- Improving fiscal data

**Critique of such an institution:**

- Ineffective without parliament holding the government accountable: FRBM mandated fiscal policy strategy statement to build credibility to government's fiscal stance. Yet this report is seldom discussed in parliament. In such a situation of lack of accountability, the fiscal council may not be able to hold the government accountable for deviations from fiscal discipline.
- Leads to duplication:
  - RBI, CSO and other agencies(ratings agencies, IMF, world bank etc) provide macroeconomic analysis. Macroeconomic and fiscal estimates by the fiscal council will have the same credibility as estimates by agencies like RBI, CSO etc. Hence there is no need for new institution for providing estimates

- CAG keeps check on any creative accounting of government. Hence a new watchdog is not needed to do so.
- Dilution of accountability of the finance ministry: Any failures in estimating fiscal prospects may be blamed on the institution. Finance ministry must be held accountable for estimates used in the budget.

**Alternative to fiscal council:**

CAG can constitute a 3 member committee during the budget period. This committee will scrutinize the budget and provide independent analysis of fiscal situation as well as budget data.

CAG will provide secretarial and logistical support. RBI, finance ministry, NITI Aayog and CSO can depute officers to aid the committee. Once the committee submits its report, it will be disbanded and its mandate ends.

This serves as a credible alternative to fiscal council by overcoming its limitations.

**Mains question:**

Q.1) A fiscal council which acts as a watchdog on government's fiscal discipline is the need of the day in India. Critically analyse? [15 marks, 250 words]