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EPHEMERIS

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GLOBAL PANORAMA

EDITORS' NOTE

The world today is closer than it was a few decades ago. This has produced closer links, overlapping ideas and events in one country affecting those of another- giving rise to varied events across the world. This edition of the 'Ephemeris', tries to capture the essence of this global phenomenon characterised by financial events, macroeconomic issues and international movements. The theme for this edition, 'Global Panorama' reflects on this interdependence. With the recent exit of Britain from the Europe Union and with various other developments in different parts of the globe, it is permissible to say that change is the only constant in our world of development and transition.

Ephemeris is an initiative by the Department of Economics and we aim for this newsletter to serve as a channel to facilitate an exchange of ideas and perspectives on the current socio-economic and political issues across the world. This newsletter serves as a platform for students to share their views on the pressing economic situations that we see today.

We are grateful to all the writers who contributed with their articles to make this publication possible and also Tushar Anand for his help on the design. We are thankful to the faculty members of the Department of Economics for their support and encouragement. We hope to uphold the spirit of writing with every edition and aim to take our learning to new levels.

FROM THE HOD's DESK

The Department of Economics aims at taking forward all the endeavours for the rest of the academic year through the Economics Association, AMARTYA. The various flagship programmes for undergraduate and masters' students have been organized with an objective of overall development of the best in each student. The Department ensures that the representation of students of



economics at Christ University, in national and international level programmes, is quite effective in creating a positive impact across the world. In this context, the very objective of the upcoming Economics Fest, 'ALTIUS', scheduled for the 16th and 17th of September, 2016 is to trumpet student-learning and thinking in all possible aspects of the global economic scenario. Hence, the theme of *ALTIUS*- 'India since the New Economic Policy'- becomes increasingly relevant in the backdrop of assessing the pros and cons of economic reforms in India, initiated two and a half decades back in order to elevate the levels of economic progress in the country.

This edition of Ephemericis, through its specific theme, 'Global Panorama', aims at inculcating a sense of realistic understanding of changes in the economic paradigms across the world. It is the need of the hour to create awareness among the students regarding the importance of being connected to the global scenario. The theme has been centred on social and political events that have created an impact on the global economy. In this context, the current edition of Ephemericis visualizes a platform for

students to express their ideas and insights on the way they perceive economic policies and events in order to affect the world they live in.

It is the time to appreciate the commendable work of the entire editorial team, including Prof. Sheetal Bharat, Prof. Aswathy Rachel, Ms. Gayatri, Ms. Lakshmi, Ms. Ekta and Ms. Zainab for their meticulous work in releasing the current edition of Ephemericis. I would also like to appreciate the efforts of Prof. Greeshma Manoj, the faculty coordinator and all the office bearers of Economics Association, AMARTYA. Alongside, a special note of thanks to Prof. Adaina and Prof. Divya Pradeep, faculty coordinators of ALTIUS 2016 and to other members of team. I wish each one in the economics fraternity at Christ University, an enjoyable and productive experience connected to ALTIUS 2016.

Regards,
Joshy K J
Head
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Economic Globalization: Impact on the Third World

Sweetlin Brahmachary, III EPS

INTRODUCTION

Globalization is the free movement of goods, services and people across countries. "The history of globalization goes back to the second half of the twentieth century, the development of transport and communication technology led to situations where national borders appeared to be too limiting for economic activity." Economically, globalization is the process by which national economies integrate to create international division of labour. The current focus of economic globalization is the elimination of national borders. In economically advanced countries, such structures being precisely reined in market capitalism, has made the phenomenon palatable and acceptable. Globalization has turned out to be a controversial issue in the third world countries however- having both pros and cons. Globalization has created new opportunities for developing countries such as transfer of technology, greater opportunities to access markets of developed countries, growth and improved productivity and increase in the standard of living. However, it is not true that all effects of this phenomenon are positive. Globalization has also brought in new challenges such as environmental deteriorations, instability in commercial and financial markets and increased inequity across and within nations.

Economic globalization:

The Keynesian principle of deficit financing to maintain full employment (central feature of post-war economy) stood invalid after globalization. This prepared the ground for the rejection of the fixed exchange rate regime in the early 1970s. The rejection of state-assisted capitalism initially in the 1970s and rigorously in the 1980s gradually paved the way for rapid process of globalization. It caused structural changes in production and employment according to those of Multi-National Companies (MNCs), a set of enterprises that established productive activities in nations other than the nation of

origin. Relations between multinational corporations and poor countries have long been strained. In his book on the subject, “Empires of Profit”, Daniel Litvin, a former correspondent for The Economist, recounts many episodes of exploitation and expropriation. However, multinationals are less likely today than in the 1970s to be branded agents of imperialism. Their assets are also at a lower risk of outright confiscation. Nonetheless, skirmishes between them and their host governments are still common. Today's “empires of profit” fly some ‘uncustomary flags’. In 2000, Tata, an Indian company bought a British tea firm, Tetley. In recent months, MG Rover, an ailing British carmaker courted a Chinese company for a lifesaving infusion of cash. The company was the Shanghai Automotive Industry Corporation. Furthermore, Britain is not the only first world country wooing these “Third world multinationals” as Louis Wells- professor at Harvard Business School, has called them. Denmark and Sweden have also set up offices in China in pursuit of Chinese investment capital. Most governments of poor countries are now keen to attract FDI. Like firms in rich countries, third world multinationals invest abroad largely because they think they can put their money to better use there and some may simply be escaping inconvenient taxes. There are two types of FDIs- horizontal and vertical. Horizontal FDI allows firms to leap over the trade barriers that still divide many poor countries from each other. Such foreign entrants can displace local rivals. Vertical FDI allows firms to locate different stages of production wherever they are best suited: marketing where consumers are close at hand, research and development where workers are smart and assembly where they are cheap. Just as low wage workers in China attract innumerable multinationals from the rich world, multinationals in China are keen to take advantage of cheaper labor elsewhere. As reported by the UNCTAD, some of their investments have been extended to bicycle production in Ghana and video players in South East Asia. As a result, globalization diminishes the role of the state, increases cross border economic interdependence, integrates financial market, expedites the movement of information technology, dominates the choice of national policy and derives a common culture.

Consequences of globalization policies:

From an economic perspective, the introduction of the core workers' right (rights that accord special concessions and privileges to labor) is necessary for ensuring economic growth through increased welfare and equality in nations. The core workers' rights consist of the ban on forced labor, child labor and discrimination, the freedom to form associations and the right to collective bargaining. The economic loss of sovereignty and the adverse impact of globalization must be overcome. However, it would require the creation of new instruments of regulation. Globalization has undoubtedly brought people and countries closer, increasing their mutual interdependence with higher trade volumes, information technology and productivity-driven investments that have created vast opportunities for human progress. However, such progress has been unbalanced, unequal and unmanaged due to the lack of shared values, shared benefits and shared concerns towards the ones who are marginalized. There is an argument about whether the concept of globalization is primarily a political, technological, cultural, economic or a multi-causal phenomenon; whether it 'pulls upwards' or 'pushes down'; whether it dismantles political autonomy or creates new forums for local autonomy; whether it diminishes the public sphere or facilitates its enlargement; or whether it enhances or wipes out our capacities to understand the world we live in.

In the developing world, large disparities and persisting poverty can be attributed to differences in the role of the government on account of globalization. The government is associated with the goal of greater equality if income and wealth are subject to redistributive tax and welfare policies. However, the most successful East Asian nations have placed an emphasis on poverty eradication than on the reduction of inequality. Economic theory suggests that greater openness to world trade in developing countries will increase inequality in the wages laborers earn. Trade liberalization raises the relative demand for unskilled workers and therefore reduces the wage gap between the skilled and the unskilled. The evidence for East Asia during the 1960s and 1970s supports this theory but the Latin American experience in the mid-1980s and 1990s challenges this wisdom. Hence, the

governments of the third world place their trust in the macroeconomic management of largely private economies, combined with measures of redistribution, regional policy, labor market initiatives, provision of educational opportunities, free health care and social service entitlements.

CONCLUSION

The economic globalization represents the triumph of classical economists like Adam Smith and David Ricardo. However, it does not seem to be an effective measure in the third world to address fundamental economic challenges of mass poverty, unemployment, multidimensional human deprivations, starvation, inequality and environmental degradations. Hence, it cannot be denied that globalization in third world countries has several adverse effects attached to it. However, it is evident that globalization has also eliminated the boundaries that divide nations of the third world with the rest of the globe. It is up to the governments of such nations to work together to mitigate its ill effects and shift focus to aspects otherwise ignored by pro-growth policy makers.

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India's Trade Prospects: Pre and Post Brexit

Annette Sherry Joseph and Rai Pramanik, II EPS

India and EU before Brexit:

India and the European Union have had a long standing trade relationship dating back to the early 1960s. The EU is the second largest trading bloc of India contributing to about 20% of its trade whereas India was the European Union's' 9th largest trading partner in the fiscal year 2014-2015. In 2004, India became one of the EU's 'Strategic Partners' which is basically an agreement between two or more parties to pursue a set of agreed upon objectives while remaining independent organisations. Although the relationship has been broad-based, it has focused scrupulously on trade, so much so that the partnership has, in recent years, inadvertently been pegged to the outcome of the free-trade talks - under negotiation since 2007.

EU-India trade in goods grew from €28.6 billion in 2003 to €72.7 billion in 2013. Annual trade in commercial services tripled from €5.2 billion in 2002 to €17.9 billion in 2010. EU's investment stock in India was €34.7 billion in 2013 and trade in commercial services quadrupled in the past decade, increasing from €5.2 billion in 2002 to €23.7 billion in 2013.

France, Germany and UK collectively represent the majority of trade between EU and India. The two partners are committed to further increase their trade flows in goods and services as well as bilateral investment and access to public procurement through the Free Trade Agreement (FTA) negotiations that were launched in 2007. India and the EU first started negotiations in 2007 on an FTA to cover trade in goods, services and intellectual property. Foreign investment to access each other's markets and public procurement contracts were part of the deal. However, 16 rounds of negotiations have still not yielded a treaty to regulate trade and investment between the two sides. The major conditions required for a successful consensus on the FTA that came with the 13th India-EU summit was that:

- There is a need to bring down tariff rates to the Most Favoured Nation (MFN) rate. EU demands that India should lower its tariff rates on European automobiles, wines and spirits. However, this would mean more imports than exports for India. EU's tariff rates are already low and thus India's export to this region will not increase significantly. Apart from this, certain non-tariff barriers such as sanitary, phytosanitary (the basic rules for food safety and animal and plant health standards) and technical barriers (which can take the form of product standards, testing requirements, and other technical requirement) also work against India's exports. Stringent labelling requirements and trademark norms dent its exports as well.
- India would benefit from the FTA when it comes to trade in services, however it would require strong binding promises on liberalising trade and services especially with respect to a legal commitment by the EU to increase outsourcing activities and also allowing more preferential access for Indian professionals to the European Labour market.
- There is major disagreement in the area of Intellectual property, this is regarding IP protection standards. EU is keen that India should adopt stringent IP protection standards even if that means going beyond the WTO specified standards. India however will not and should not agree to additional protection measures as this could compromise public health and raise other compelling concerns.
- Revision of the bilateral investment treaty (BIT), which is a defensive model is also needed. The increasing number of foreign investors suing India under various BITs was what had provoked India to change its hitherto 2003 investor friendly BIT.

India and EU at Brexit:

On the 23rd of June, Britain took a big step and conducted a referendum to decide whether or not it would continue being a part of the EU. The 'Leave Campaign' won with a majority of 52.4%. There has been a lot of controversy regarding the Brexit and its implications.

The Commerce Secretary Rita Teotia said that Britain's exit from the European Union will not have any instantaneous impact on India's trade and investment with the UK and the EU, but the proposed India-EU Free Trade Agreement (FTA) will see some "modifications and moderations". A fortnight after Britain voted to exit the EU, UK business secretary Sajid Javid held talks with the Commerce and Industry Minister Nirmala Sitharaman on the possibility of inking a separate UK-India FTA. The Development Bank of Singapore also quoted, "This, might provide an alternative union in comparison to the tough and the drawn out negotiations on the EU FTA, in turn providing a fillip to a slowing India-UK trade".

On the 25th of June, the benchmark 30- share Sensex fell 2.24% to 26,397.71 as turmoil gripped global markets on Britain's exit from the EU. In the morning, trading the Sensex lost more than 1000 points to fall below the 26000 mark at 25911.33. However, Nifty of the NSE ended the day at 8088.60, down 181.85 points or 2.20%. Oil prices immediately fell by 5%, though the experts believe it is short lived. The currency of India is expected to remain in the range of rupees 67.5 to 70 Rupees per US dollar over the course of the financial year 2017.

Speculation of trade between EU and India due to Brexit:

Factors such as subdued global demand, low rural incomes, high food inflation and high leverage for some large corporates are likely to have a more immediate impact on the Indian economy. If Britain gets the same treatment in terms of Free Tariff and Free Movement of labour, not much will change for India. The reason being that Britain won't have anything to lose, thus there will be no need for Britain to incentivise India to invest in them. However, if it receives treatment like that of a non- member of the EU, it may lead to a positive impact on India's exports to the EU as well as to Britain. As then, Britain would lose its easy access to the European market and thus would need to look to other countries (like India) to build new alliances and trade pacts. It has been speculated that there will be some impact on trade in the short run due to the currency volatility. As we know, the UK was one of the major contributors of EU-India trade but with Brexit, Britain may cease to become an attractive destination for

Indian FDI, as it will no longer act as a getaway to the European Free Market system. Thus India may try to build trade negotiations with other EU countries like Netherlands, France and Germany. The Netherlands is India's top FDI destination as of now. With or without Brexit, it is in the EU's interest to develop India as a strong trade and strategic partner as it needs to counterbalance the United States and China geopolitically and would also need a hedge against a slowing China for its economic interest.

Thus like Motilal Oswal, the CMD of Motilal Oswal Financial Services said Brexit is a once in a lifetime event and its consequences can't be fathomed just yet. However, we have sufficient reasons to hope for the acceleration of FTA discussion between UK and the EU and also for the creation of strong bonds among India, UK and EU as we still continue to be an attractive destination for investment.

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The South China Sea Dispute: Perspectives

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If one tries to dig out the causes of the greatest wars fought in the history of time, one of the most fundamental of them can be traced back to the control over resources or commodities. Be it the Iraq-Kuwait war of 1990 or the American Revolution, wars have been driven more by resource-control than by ideology. The ongoing cold war in the South China Sea is no exception. To cut short the entire story into just two lines, it is nothing more than a group of neighbouring countries living in a water-scarce area fighting for access and control over a productive piece of land which has a perennial lake in it. The fight has gone to such an extent that even other nations having no direct connection to the land have also started intervening to stake their claim. Speaking in strictly economic terms, third parties have started realising the externalities associated with the disputed land.

Now, to give this a real world perspective, the explanation goes something like this. The South China Sea and the disputed islands in it are said to possess massive reserves of oil and natural gas. The abundant fishing opportunities available in the region is another motivation for the countries. Apart from this, the region is also strategically significant as it is a critical shipping channel, and also more than half of the world's merchandise trade volume passes through this route. The dominant nation in this case is China, claiming control over the region on a historical basis. It has already acquired some of the disputed islands by extending its naval boundary. Other claimant countries scrambling over territorial rights include Malaysia, Taiwan, Philippines, Vietnam, Cambodia, Brunei and Indonesia. The dispute took its latest twist on July 12th 2016 when The Hague Tribunal in the Netherlands clearly rejected China's legacy claim on the disputed islands, hence weakening its tactic of playing the historical basis card. The verdict has thus given more leverage to the other claimant countries in the game. However, it has failed to break the Chinese spirit. Other countries who till this point have played the role of a spectator have also begun to strategize their move to safeguard their

economic interests. US and Japan are doing so by making allies with the disputing nations through the provision of military assistance to Philippines and Vietnam.

To view this scenario from the Indian prism and through the perspective of diplomats and officials, India, though not a direct party, has high stakes in the matter of the South China Sea from economic, political and strategic viewpoints. Though the political and strategic realm is vast, here we examine the impact primarily from the economic realm. Approximately 55% of India's total merchandise trade transits from the controversial waters of the South China Sea. This fact compels India to take a diplomatic stand in the issue. Moreover, India's trade with several ASEAN countries directly involved in the matter could be adversely affected if it does not assuage the concerns of the countries involved regarding their claim. Another issue is with respect to energy interests, which has been one of Modi's major agendas and the factor behind his globetrotting mission. In 2011, the overseas wing of the ONGC signed an agreement with *PetroVietnam* for cooperation and joint exploration of oil and natural gas reserves in the waters controlled by Vietnam but also claimed by China. The ongoing dispute is likely to pose problems for India's energy interest pursuit. Apart from this, there are also security issues that escalate India's stake in the dispute.

In a nutshell, it can be said that, the prosperity of several nations including India flows through the waters of the South China Sea, to a large extent. Considering the pace of globalisation and the growing interdependency of nations, it can be said that the ongoing storm in the South China Sea will soon be widespread across the globe. The only way to prevent this will be for governments to recognise the importance of mutually beneficial agreements through cooperative reconciliations. It would make imperative for ASEAN nations in the region dependent on China for trade prospects to develop internally. Once economic dependence on the hegemon is reduced, a peaceful solution to the conflict would be reachable.

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Inflation in the Democratic Republic of Congo

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INTRODUCTION

Demography:

The Democratic Republic of Congo or DR Congo formerly known as Zaire is an official Francophone country situated in Central Africa. DR Congo is the second largest country in Africa by area and the fourth most populated country in the continent. As per 2014 data, DR Congo has a population of 69.3 million. There are over 250 identified ethnic groups, of which the Bantu speaking people are the majority accounting for 80% of the population.

MAP OF THE DEMOCRATIC REPUBLIC OF CONGO



Source: Lonely Planet

Economy:

The World Bank had identified DR Congo as a Low Income Country with a poverty headcount of 63.6% of the total population. The real GDP stood at \$32.9 billion with an 8% annual growth rate as per 2015 figures. The GDP by sector showed that 44.2% was agriculture, 22.6% industries and 33.1% services. Owing to its rich resource base the main industries in the country are Mining of resources like copper, cobalt, gold, diamonds, zinc etc., out of which resources like gold, diamond, copper, crude oil are heavily exported. However due to its lack of infrastructure, the country heavily imports goods like machinery, transport equipment, fuel and food. The majority of the exports of the country are to China, accounting about 53% and it imports mainly from South Africa, China, Belgium, Zambia, Kenya and France.

Political Scenario:

DR Congo's past has been ravaged by civil wars and corruption – both political and economic. The country's vast mineral wealth and political instability have been the root causes of its wars. Despite the peace treaty in 2003 (signed with Uganda that ended the Second War of Congo) and further efforts by the United Nations in 2013 to secure a regional agreement to end the rebellion, the country remains very volatile. The Second War of Congo was a civil war fought primarily between regions of Rwanda, Uganda and Congo over resource use and power sharing.

INFLATION

Historically, the inflation rate in DR Congo was averaged at 27.47 from 1995 to 2015. Congo has experienced a series of episodes of hyperinflation, with a record high of 511.21% in 2000. One of the main causes of such high and variable inflation was the Central Bank of the Congo's (BCC) financing the central government's fiscal deficit. Due to political unrest and poor economic conditions after 1995, the government of Congo in its efforts to fund the activities of the country had increased its loan intake from various countries and international financial institutions. The government's increased fiscal deficit led to increased monetary inflow from abroad in the form of loans and as Milton Friedman puts it "Inflation is always a monetary phenomenon". Mismanagement of public finance hence was the primary cause of rising inflation.

After more than a decade of such a plight however, in recent years the BCC through change in fiscal and monetary policies successfully brought down the inflation level to single digits in 2012, credited to better management of public finance, decrease in financing by the central bank to the central government and fiscal consolidation. In May 2015, the inflation rate of DR Congo was recorded at 1.45%. Although the exchange rate had dramatically fallen in the last few years, the World Bank still states that inflation in Congo is volatile. Another primary variable that is still influencing the level of inflation in DR

Congo is the exchange rate variation. Being a low income country with a resource curse, DR Congo's major import commodities are food and fuel. These two items together have a heavy weight on the Consumer Price Index of the country and hence the increase in import prices of these commodities had solely been the driving force of inflation in the country.

The current fiscal policy of DR Congo plans to increase public spending by 20% as part of the previous year's budget and also expects an increase in intake of funds from external sources. The current policy also anticipates further planned fiscal discipline in order to tackle deficits.

Monetary policy on the other hand, according to various scholars and researchers is seen to be a challenge for Congo due to the high dollarization of its banking system and vulnerability of its other institutions. According to an IMF Working paper by Fischer, Lundgren and Jahjah, their study revealed that even though the BCC had made rapid policy responses to inflation shocks, the options that are accessible for effective monetary policy are still very limited and that the best way to stabilize the economy was to tighten and strengthen their monetary policy.

CONCLUSION

After years and years of armed conflict, civil wars and mismanagement of the economy, the Democratic Republic of Congo in the recent years has experienced unprecedented growth and relative macroeconomic stability. Their restrictive monetary policy and fiscal consolidation seems to be paying off although due to the civil unrest in the eastern part of the country, DR Congo still faces vulnerable inflation rates.

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The Brazilian Economy: An Unpredictable Future

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No citizen of Brazil ever thought of such an enigma – an enigma that has engulfed the economy as well the government into a state of absolute turmoil. Brazil seems to have walked over the threshold, and now measures characterized by uncertainty reflect miniscule hope of economic resurrection – costing it a tremendous fortune. Selfish desires of people in power have resulted in an ordeal that has the country in their grip, hurting social as well as economic stability. Even if the government seeks borrowing to initiate monetary flow in the economy, internal challenges would come in the way of any positive impact. Investment is at an all-time low, trust in the government has wavered, the economy is stagnated and there is no strong algorithm that can direct the country towards appropriate functionality. In short, the Brazilian economy has sunk into deep recession, gradually sliding towards long term depression.

Brazil portrays a grey picture on the forefront: a sluggish and ominous polity accompanied by a withering economy. With the removal of Ms. Dilma Rousseff, one of the nation's former Presidents, there seems a faint hope that the country might see a new dawn again. Some politicians (and parties) like Joao Vaccari Neto (former treasurer of the Working Party), the coalition parties, the Partido do Movimento Democratico Brasileiro or the Brazilian Democratic Movement Party (PMDB) and the Progressive Party (PP), and the Brazilian Social Democracy Party (PSDB) even conformed to actions that threw the economy into turmoil; their actions being related to the Petrobras scandal. Ms. Rousseff was an active participant in it as well. However, in order to comprehend why the Brazilian economy, hit rock bottom, one needs to know what the Petrobras scandal is.

Set up in 1953, Petroleo Brasileiro or Petrobras – one of Latin America's largest oil companies – is a major player in the Brazilian economy. After being privatized in the 1990s, it gained momentum in acquiring state control as Luiz Inacio Lula, former President of Brazil

took control during his eight-year rule. Petrobras became a platform for incessant corruption when it discovered pre-salt oilfields (oil lying under a two-kilometre-thick salt layer at the sea bed) and resorted to gain monopoly power over the same. This invited illegal leadership in Petrobras. In other words, the leftist Workers' Party (PT) government (lead by Luiz Inacio Lula) along with its coalition partners appointed their own candidates to Petrobras' top-level executive positions. It would be correct to think that at this point the political system was at the edge of a pitfall as a high amount of illegal investments had begun flowing into the company.

Paulo Roberto Costa, the former director of Petrobras, discreetly directed about 3 percent of all contracts to the PT, aggregating up to billions of dollars. Some of the directors of Petrobras diverted most of its funds to their Swiss bank accounts, which in a way serves the very purpose of money laundering, later used as a power motive during times of election. The corrupted directors of Petrobras were given a hand by black market money dealers, led by Alberto Youssef, a convicted criminal who was responsible for money laundering. The investigators of this scandal claim that it was exclusively designed for illegal funding of the election campaigns in the upcoming elections. Yet again the allegations were denied by the accused.

How is the economy being affected? Major causes for the economic turbulence are structural inefficiencies, a bloating fiscal deficit and falling oil prices due to extravagant illegitimate investment funding.

The story of the fiscal deficit gripping the Brazilian economy winds around Rousseff's loans from government-owned banks. The loans were paid off as soon as the revenue kept filling up the treasury (in the short-run), but the officials couldn't cope with the repayments in the long term as huge amounts piled up. The actual amount of these loans rounds off to an astounding figure of \$58 billion. In such a situation, the obvious happened – inflation shot up to 10% (as of 2014) due to a high level of money flow in the economy. The objective, as William Summerhill, Professor of History at the University of California, Los Angeles explains, was the provision of subsidies to big businesses in the market economy which eventually triggered inflation.

The fiscal crisis has led to two major consequential bearings –

1. Collapse of real investment in the wake of the elevating inflation leading entrepreneurs to abandon any kind of economic activity in Brazil
2. Loss of confidence in fiscal policy of the government.

As most of the political class had been implicated, the internal structure of the economy and government was left shaken. Most of the economic woes created were a result of inefficient structures—something that could carry an impact on the rest of the economy. Degraded disposable incomes resulting from most of the country's currency being spent on repayment of loans could in turn imply the collapse of the Brazilian market.

World Bank Indicators for Brazil

According to the report by the International Monetary Fund (IMF) and the Central Bank of Brazil, the Gross Domestic Product (GDP) fell from 3.5% in the pre-2008-time period to 2.2% in the post-2008-time period; the 2008-time period being the period of the Financial Crisis. This is low compared to figures in Indonesia and Mexico where the GDP rose in the post-Financial Crisis period from 1.8% to 2.5% and 5.4% to 5.9% (The Economist, April 18th 2016), respectively.

The following were the measures announced by Rousseff's administration to alleviate the situation:

1. A pumping of a total of 83 billion reais into the economy to generate credit for farmers, home buyers, exporters and to help finance capital and consumer goods.
2. A loosening of fiscal policy
3. Implementation of economic freedom

Despite these measures, inflation continues to rise and the unemployment rate doesn't seem to waver. The rate of inflation remains at a constant of 10% and the budget gap closes to 10% of GDP.

Despite the turmoil in Brazil, it is evident that hope still remains with its citizens. To bring an economy out of recession, it is pertinent to revive the confidence of the people who constitute a nation in prospects of greater financial stability and investment opportunities. Brazil being a developing economy, still has the potential to harness the power of its people in reviving its economic growth. Whether in the area of services or industry, human capital will always add value to a nation striving to sustain itself on the economic front. The choice is now left to its government to harness that potential.

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Fragility of the Global Economy

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Andy Haldane, Chief Economist of the Bank of England has aptly pointed out the “trilogy of the debt crisis” that has held sway over the past few years. The Anglo-Saxon crisis, the Euro crisis and doldrums in South Asia have challenged the modicum of stability of the global economy. For instance, the recent exit of England from the European Union was stupefaction for some economies. High fluctuations in the global financial market, trade union disruptions and the expected burst of inflation in England are some of the consequences of Brexit. Integration of the global economy has definitely received a setback, and it is needless to mention that Europe is on the brink of low ebbs and flows.

Yes, the global economy is drifting apart. For a world that is so tightly integrated, the complexities of consolidation cannot be done away with. On the one hand, the so-called “fragile states” are reeling under the pangs of poverty, unemployment, food security and economic stagnation; on the other hand, the well-off economies are experiencing macroeconomic issues, too. Developed Economies act as donors to the fragile states and are given the task of uplifting other ‘fragile’ economies. Also, as countries like Brazil face their own recessionary issues, its ill-effects are spread worldwide.

With declining growth, worsening instabilities and recession dynamics, the world economy needs urgent recovery mechanisms. The problems of zero lower bound and lower interest rate fixations have given rise to waves of financial crisis, hence, interest rate targets have to be carefully monitored. Also, revising monetary policy mandates becomes equally essential. A global panoramic view would suggest that fragile states are in urgent need for a big push in terms of investments to boost economic growth. The ailing economies of Zambia and the Democratic Republic of Congo that depend on foreign exchange to meet their domestic needs should be aided by the donor community by providing capital for more economic production and setting up

infrastructural facilities. Thus, reduction of global imbalances becomes highly significant.

In an era of high interdependence, certain trends can be delineated. The fragility of the global economy depends on the stronger nations this can be attributed to the progress in technology and the better utilisation of resources by the developed nations and the convergence effect. Also, the lower rung of the global economy, dwindling in its issues, contributes less in the upgradation of the global economy. However, massive outburst of recessionary movements, internal conflicts and civil wars in such nations are causing a global threat of terrorism. Perhaps, circumstances prevailing in such countries have been a driving factor for such sudden outbursts. Therefore, the entirety of the notion of 'global equality' is inapt and needs much attention.

All these points out to a certain revelation that runs through as one sits and delves in the past. From being barter economies to moving ahead with bitcoins, the global economy has indeed, progressed, thrived and survived the harsh realities of time. However, with the nations jousting for supremacy, independence and upliftment, would the global economy still remain integrated? The question is indeed thought provoking, and it brings to light an important element that one would not necessarily think about; the element of emotional connectivity. With schism ideologies, multiplicity of cultures and attitudes, it's not only important to maintain financial stability, but also stability and balance of cultures and individualities. Thus, protecting the fragile global economy has become the need of the hour.

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‘Towards the Golden Fleece’: Ideas on the Greek Debt Crisis

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The first thing that comes to anyone’s mind when one thinks of Greece is their enduring mythology. It was in the not so distant past that Greece was all prepared to go not far off of a fizzled economy. But what led to this instability is a question most people ask. As soon as Greece got accepted into the Euro zone, the country’s economy boomed. However, despite public sector wages rising more than private sector wages, pension spending increasing and retirement age being pushed to 58, the then global financial crisis hit the country and everyone woke up to a Greek tragedy.

However, the pertinent question here is how different is their mythology from the economic crisis that they are facing? Will this Greek tragedy lead to a mythological tragedy just like the story of Jason, the Golden Fleece and the Argonauts? The Greek with their stereotypical carefree ways have somewhat replayed this mythological story and led themselves into a Pandora’s Box of economic doom.

This mythological story starts off with Pilus over throwing his step brother from the throne and becoming the ruler of the land of ‘lolcos’. Jason the rightful king’s son is the hero who is destined to take back what is rightfully his. King Pilus is ready to give him his throne if Jason brings him the Golden Fleece, which is held in the faraway land of Colchis. Jason agrees to the quest and sets out on the ship Argo and the crew Argonauts, who were the most powerful men of Greece. Jason and the Argonauts go on adventures and face hurdles on the way to Colchis and on finally reaching there, are faced with yet another challenge. The Golden Fleece is guarded by two fire breathing, bronze-hoofed bulls, and a dragon, to prevent anyone from stealing it. King Aeetes, the ruler of Colchis, gives Jason three impossible tasks to complete before taking the Golden Fleece. Jason manages to complete the tasks with the help of Medea, the daughter of Aeetes, and sails back to Greece.

This however is not the end. Jason marries Medea, the sorceress and takes over his throne, only to have to leave Iolcos, because the residents didn't want Medea as their queen. Jason lives to be an unhappy man and this story ends up to be a tragedy.

Greece, under the economic crisis seemed like another mythological story with magical creatures and unthinkable adventures. The "Greek Story" is not very different from that of Jason's. Much like young Pilus, Greece dug her own grave when it entered the Eurozone. The Greek crisis also like other stories has a hero and a villain and a cause worth fighting for.

Seeing Greece in trouble, the Prime Minister stepped in to save the day. He wasn't left alone to fight this war with the economy. Joined by the mighty Syriza, and an expert in the form of Yanis Varoufakis, the former finance minister, they were ready for their adventures to save the day. In this aspect the "Golden Fleece" was economic stability and they tried every measure to obtain it. Their artillery for this war was in the form of public sector layoffs, pension cuts and tax hikes, all aimed towards bringing down their debt. However, no story is complete without interference from the bad guys. Greece's "enemies" are none other than the savage International Monetary Fund, The European Central Bank and other euro member countries. In the end, they did come to Greece's help as they issued the first two bailouts. Their victory seemed so close but was yet so far, as these bailouts came with a set of conditions. Lenders imposed brutal austerity terms, requiring deep budget cuts and steep tax increases. Likewise, they obliged Greece to overhaul its economy by streamlining the government, ending tax evasion and making Greece an easier place to do business.

The present Finance minister Euclid Tsakalotos also soon joined this war and seems to be helping in the best way possible. Jason started his journey home, Greece also started going back to ways that would remedy its action. Greece accepted the IMF to take part in the bailout programs, under which Athens received billions of Euros in loans in exchange for economic reforms. Getting the IMF on board was no less than another adventure for our Jason. The adventure was filled with

choices to make regarding deep and thorough pension reforms, a solid budget and fiscal consolidations.

It looked like Greece would come out victorious at the end and would not end up like the tragic Jason. But how far has Greece come today?

Let's take the most recent example of our hero's travel back to economic prosperity (or at least stability) through the Greek start-ups. They have weathered violent riots, political turmoil, a withering economy and brinkmanship that nearly drove the country out of the euro zone. However, today a new challenge faces these Greek start-ups. A new round of tax increases may be the last straw for fledgling companies with dreams of making it big.

Start-ups have turned into a key factor in restoring Greece's economy, which has contracted by more than a quarter following 2008 and where just about 25 percent of the workforce is unemployed. The quantity of such firms has almost doubled every year since 2010. With numerous start-ups still attempting to finance themselves, these start-ups see the taxes and charges consented between Prime Minister Alexis Tsipras' government and European creditors as adding yet another wrinkle to their already troubled environment.

Albeit slow, it is a hopeful recovery for Greece. The nation has come a long way from where it started in the crisis. There is after all, a better chance for Greece that she will not end like the unhappy Jason.

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Views on Participative Democracy and International Mission Statements

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"The Universal Declaration of Human Rights reflects the values of modern man but the implementation of these rights in full demands a society which has yet to emerge" (23, Thapar 2006). The constitutions of various countries and vision and mission statements of organisations share this characteristic: these are prepared as an ideal to work towards. Their very presence, though acknowledged more in the breach, provides a certain strength and security to the persons they represent. But in the ever changing world it may be that the ideals held in the plan/document fail to provide the promised strength or the security. This may be for two reasons: something in society has changed and the document is no longer relevant; or the change is only perceived and the original planners in reality deserve credit for putting down ideals with exceptional forethought and lasting relevance. In the event of a schism, one is put in mind of the serenity prayer - wisdom to know the difference. If it is the former, the document must be updated to reflect the new society, and if the latter, the people must be convinced of the validity of the ideals. Both these routes require the population at large to discuss, debate and argue either to provide inputs in the democratic process of preparing a fresh set of ideals, or to appreciate the continued relevance of old ideals.

Political and social decision-making are famously complex, especially in the democratic context. Simplifications often become necessary, though we must guard against gross simplifications which may be insulting to average intelligence. Examples readily come to mind: Britain - in or out. With the infinite political and economic complexities that tie together countries that collectively house a tenth of the world's population, the referendum was simplified to three among the shortest words in the English language. Another example of gross simplifications in the public sphere is the following statements: "I'm going to build a wall", "I'm in the habit of winning", and "Everyone says so". Five points to anyone who guesses correctly who the author of these simplified insults is.

The last of these is by far the most dangerous for the havoc it can wreak on critical thinking abilities and the poisonous impact it can have on the process of creation of norms, culture, common knowledge and policy. It should not under any circumstance form the basis for opinions. Public discussion, debate and arguments have no substitutes. If, after a thorough review of facts and evaluation of costs and benefits associated with two simplified options A and B, several people have shifted their opinion from A to B, but very few have gone the other way, then the consensus should be clear. The general value set that the population holds supports B. Employing the services of modern technology to facilitate discussion, would truly achieve a functioning participative democracy, rather than one that is simply representative.

Finally, to answer the question – why bother? Why can't we leave the decision-making to the elected representatives? In a country with low levels of literacy, this is an attractive option, and to an extent seems unavoidable. But even in western democracies, elected representatives are famously out of touch with popular voice, and even the popular voice is famously ignorant and parochial. This piece started with the idea that we have idealised plans and documents, visions and missions, to serve as beacons. We need to find ways to best live those ideals and keep petty considerations at bay. As an excellent example of a broad minded view of individual identities, since several discussions in today's world circle around international migration, is seen in the following extract, worth quoting in full:

“A solitarist approach is, in fact, an excellent way of misunderstanding nearly everyone in the world. In our normal lives, we see ourselves as members of a variety of groups – we belong to all of them. The same person can be, without any contradiction, a South African citizen, of Asian origin, with Indian ancestry, a Christian, a socialist, a woman, a vegetarian, a jazz musician, a doctor, a feminist, a heterosexual, a believer in gay and lesbian rights, a jazz enthusiast, and one who believes that the most important problem that the world faces today is how to defeat Australia in world cricket. Each of these identities can be of significance to the person, depending on the problem at hand and the context of choice, and the priorities between them could be influenced by her own values as well as by social pressures. There is

no reason to think that whatever civilizational identity a person has – religious, communal, regional, national, or global – must invariably dominate over every other relation or affiliation he or she may have.” (158, Sen 2015)

If persons can be encouraged and trusted to hold this kind of broad view of humanity, consensus building in international relations would become infinitely easier, not to mention a reduction in several varieties of conflicts.

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