The Hindu News Analysis – 19th January 2020 – Shankar IAS Academy

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Is the Indian economy staring at stagflation?

**Why is the scenario of rising prices and slowing growth a cause for worry?** Can the government or the Reserve Bank of India do anything?

**Market forces**

- **Stagflation**
  - Combination of High Inflation and Low Growth – Higher Unemployment
  - GDP growth
  - Reasons for economic slowdown
  - Lack of consumer demand for goods and services
  - RBI → cut repo rates

**Real Scenario**

- Rise in prices of goods
- Fall in growth rate

**Phillips Curve**

- Inverse relationship between inflation and unemployment

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**Retail Inflation → 7.35%**

- December 2019
- Attributed to rise in prices of vegetables
- Above RBI’s target range (2-6%)

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Part A—Preliminary Examination

- Current events of national and international importance.
- Economic and Social Development—Sustainable Development, Poverty, Inclusion, Demographics, Social Sector Initiatives, etc.

Part B—Main Examination

General Studies—I: Governance, Constitution, Polity, Social Justice and International relations.

- Government policies and interventions for development in various sectors and issues arising out of their design and implementation.
- Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.
**Confirmation of hypothesis** → Inflation helps the economy to function at its full potential

⇒ In short term – by boosting nominal wages – inflation can trick workers in an economy to accept lower real wages

⇒ Inflation beyond certain level → no employment or growth benefits

**Author’s view** → high inflation + low growth → challenges hypothesis

**Why Stagflation is a problem?**

⇒ RBI & Govt unable to take countercyclical steps – greater spending
  ● Otherwise, it will further lead to rise in prices

⇒ Slowdown → affects income of people

⇒ Higher inflation → reduction in people’s standard of living

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**Way Forward**

⇒ Further easing of policy by RBI – Govt. spending more on infrastructure & other sectors

⇒ Supply-side reforms
Previous Year Question – Prelims 2013

Q. A rise in general level of prices may be caused by
1. An increase in the money supply
2. A decrease in the aggregate level of output
3. An increase in the effective demand
Select the correct answer using the codes given below:
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

Previous Year Question – Prelims 2015

Q. With reference to inflation in India, which of the following statements is correct?
a) Controlling the inflation in India is the responsibility of the Government of India only.
b) The Reserve Bank of India has no role in controlling the inflation.
c) Decreased money circulation helps in controlling the inflation.
d) Increased money circulation helps in controlling the inflation.

Practice Question – Prelims

Q. Which among the following statements is correct with reference to ‘Phillips Curve’?
   a) It is the proportional relationship between inflation and employment.
   b) It is the inverse relationship between inflation and employment.
   c) It is the proportional relationship between inflation and unemployment.
   d) It is the inverse relationship between inflation and unemployment.

Previous Year Question

Mains 2019
GS – III

Q. Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments. (150 words, 10 marks)
Coronavirus alert
What is the source of the new SARS-like disease? Are there any precautionary measures?

K. PRASAD

The first story as such: On December 31, 2019, China informed the World Health Organization (WHO) of a cluster of cases of pneumonia of an unknown cause in Wuhan City in Hubei Province. A few patients in Wuhan had been suffering from respiratory illnesses such as pneumonia since early December. Besides providing care, Chinese public health officials began carrying out environmental assessments at the wholesale market and trying to identify the microbes causing the outbreak.

How was the virus identified as a coronavirus? On January 9, 2020, WHO issued a statement saying Chinese researchers had made “preliminary determination” of the virus as a novel coronavirus in a

China reports four new cases caused by coronavirus strain

REUTERS

China reported four more cases of pneumonia believed to be caused by a new coronavirus strain, causing rising concern globally that a disease health officials do not yet fully understand could spread during a key holiday period.

The new virus, which was discovered in the central

Coronavirus

Large family of viruses that are known to cause illness ranging from common cold to more severe diseases like Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS)

Novel Coronavirus → New strain of coronavirus not previously identified in humans

Zoonotic viruses

Screening for coronavirus being conducted at airports

No need to panic, says Health Minister Vijayabaskar

S. JANNAK

The state government has initiated surveillance against coronavirus in the wake of reports of an outbreak in China, Health Minister C.V. Pyarebaskar said here on Saturday. "Passengers arriving from China with symptoms such as fever, cough and cold are being runned for panlix. Mr. Vijayabaskar said while speaking to reporters. He was responding to a query on the steps taken by the state government in view of the spread of the virus that led to the Union Health Ministry following reports of confirmed cases of infection and one death due to the virus in China.

Part A—Preliminary Examination

Paper 1—(200 marks)

• Current events of national and international importance.
• General Science.

Part B—Main Examination

General Studies-II: Governance, Constitution, Polity, Social Justice and International relations.

• Issues relating to development and management of Social Sector/Services relating to Health, Education, Human Resources.

Civilspedia Team - Powered by Shankar IAS Academy
- Human-to-Human transmission of some coronaviruses is possible

**Novel Coronavirus**

- 'Limited human-to-human transmission of virus is possible' - WHO

- **Treatment**
  - No specific treatment
  - Symptoms can be treated based on the patient’s clinical condition

- Vaccines for ‘novel coronavirus’ not available.

- **Prevention → Best strategy**

  - **WHO Recommendations:**
    - Regular hand washing
    - Covering mouth and nose
    - Thoroughly cooking meat & eggs
    - Avoiding close contact with anyone showing symptoms of respiratory illness

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**Global Initiative on Sharing All Influenza Data (GISAID)**

- Publicly accessible database to improve the sharing of influenza data

- Helps researchers understand how the viruses evolve, spread and potentially become pandemics

- Helps countries to quickly identify the virus, provide care and develop specific diagnostic kits, drugs, etc.

- **Official Host → Germany**
Practice Question – Prelims

Q. Which one of the following statements is not correct?

a) Coronaviruses are zoonotic viruses
b) Severe Acute Respiratory Syndrome is a disease caused by Coronavirus
c) Human to human transmission of some coronaviruses is possible
d) Vaccines are available for all types of coronaviruses
Green nod for oil, gas exploration waived

Environmentalists aver that this can mean lax oversight. Developing an offshore or onshore drilling site as a hydrocarbon block will, however, continue to merit a “category A” treatment, the Ministry notification, made public on Saturday, clarified.

Last year, ONGC and the Vedanta group were granted permission to conduct exploratory oil surveys in Tamil Nadu and Puducherry.

Destruction of fields
This led to protests spearheaded by the DMK and the Congress, that argued that the exploratory drilling would lead to destruction of agricultural fields in the Cauvery delta.

Chennai-based environment activist Nityanand Jayaraman has argued that offshore drilling operations can possibly affect fish, lead to a build-up of heavy water contaminants, disorient whales and sea life that rely on sonar for navigation and exacerbate the risk of oil spills.

“This is part of a continuing trend by the larger lack of oversight by the Environment Ministry,” said Debi Goenka, of the Conservation Action Trust, who deals with coastal ecology issues.

Environment Impact Assessment Notification, 2006

- Two categories of developmental projects
  ➔ Category A, Category B

- Section 2 - Requirements of Prior Environmental Clearance (PEC)

 ➔ all Category A projects require PEC from MoEF&CC; Expert Appraisal Committee set up to appraise and recommend PEC

- Category B projects - require PEC from State EIA Authority (SEIIAA), which shall base its decision on the recommendations of State or UT level Expert Appraisal Committee

- PEC process - decentralized process in India

- Prior Environmental Clearance - PEC before any construction work or preparation of land
Process of obtaining prior Environmental Clearance for New Projects

Applicant submits application for PEC with pre-feasibility project Report

**Screening** (only for Category-B projects)

- B1 → require EIA report
- B2 → do not require EIA report

**Scoping** (Category B2 projects - exempted)

{Appraisal Committee - determines ToRs to address all relevant environmental concerns - EIA report}

**Public Consultation** (Category B2 projects - exempted)

Concerns put forward must be addressed in EIA report & Envnt Mgmt Plan

**Appraisal**

{EAC considers Environmental aspects; EAC recommends to concerned Regulatory Authority}

PEC granted by appropriate Regulatory Authority w.r.t Project Category

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**News:**

for item 1(b) and the entries relating thereto, the following items and entries shall be substituted, namely:-

<table>
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<tr>
<th>1(b)</th>
<th>Offshore and onshore oil and gas exploration, development and production</th>
<th>All projects in respect of offshore and onshore oil and gas development and production except exploration</th>
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Note 1: Seismic surveys which are part of Exploration Surveys are exempted provided the concession areas have got previous clearance for physical survey

Note 2: All project in respect of offshore and onshore oil and gas exploration are categorized as 'B2' projects

- Offshore and Onshore oil and gas exploration moved from Category A to Category B2 considered as dilution of regulatory oversight
- Onshore oil & gas exploration affects agricultural fields in river delta areas
- Offshore oil and gas exploration affects fish population, whales, sea life that depend on sonar for navigation, increases risks of oil spills
Q. Consider the following statements.

1. As per the Environment Impact Assessment notification, 2006, all projects and activities are broadly categorized in to two categories.

2. The process established by the above-mentioned notification for obtaining prior Environmental Clearance is a centralized process.

3. Recently, all projects in respect of off-shore and onshore oil and gas exploration and production are categorized as ‘B2’ projects” by the Union Ministry of Environment, Forests and Climate Change.

Select the correct statements using the codes given below.

a) 1 and 2 only
b) 2 and 3 only
c) 1 only
d) 1, 2 and 3
News:

- **India - EU Summit → March, 2020**

- Developments w.r.t BTIA expected

- **1st India - EU Summit → Lisbon - 2000**

- India & EU - ‘Strategic Partners’ in 2004 at 5th India - EU Summit in The Hague

- **EU - India’s largest regional trading partner in 2018; India - EU’s 9th largest trading partner in 2018**

- **April 2000 to June 2018 - EU - largest source of FDI for India (24.38% of total FDI)**

- **2017 - Investment Facilitation mechanism established for close co-ordination**
**Broad-Based Trade & Investment Agreement (BTIA)**

- Commitment made at 7th India-EU Summit in 2006
- Negotiations launched in 2007
  - Trade in G&TS; Investment, SPS measures, Rule of Origin, IPR etc.
- Not yet signed (as on 19th Jan 2020)
- Few Implications
  - Investment to India from EU will increase and associated benefits
  - India can increase exports of its agri products and industrial products to EU at reduced tariffs
  - EU countries - to outsource IT business to India; recruit skilled Indian Professionals
Practice Question – Prelims

Q1. Which one of the following statements is **not** correct?
   a) Coronaviruses are zoonotic viruses
   b) Severe Acute Respiratory Syndrome is a disease caused by Coronavirus
   c) Human to human transmission of some coronaviruses is possible
   d) Vaccines are available for all types of coronaviruses

Previous Year Question – Prelims 2013

Q2. A rise in general level of prices may be caused by
   1. An increase in the money supply
   2. A decrease in the aggregate level of output
   3. An increase in the effective demand

Select the correct answer using the codes given below:
   (a) 1 only
   (b) 1 and 2 only
   (c) 2 and 3 only
   (d) 1, 2 and 3
Previous Year Question – Prelims 2015

Q3. With reference to inflation in India, which of the following statements is correct?

a) Controlling the inflation in India is the responsibility of the Government of India only.

b) The Reserve Bank of India has no role in controlling the inflation.

c) Decreased money circulation helps in controlling the inflation.

d) Increased money circulation helps in controlling the inflation.

Practice Question – Prelims

Q4. Which among the following statements is correct with reference to ‘Phillips Curve’?

a) It is the proportional relationship between inflation and employment.

b) It is the inverse relationship between inflation and employment.

c) It is the proportional relationship between inflation and unemployment.

d) It is the inverse relationship between inflation and unemployment.
Practice Question – Prelims

Q5. Consider the following statements.

1. As per the Environment Impact Assessment notification, 2006, all projects and activities are broadly categorized into two categories.

2. The process established by the above-mentioned notification for obtaining prior Environmental Clearance is a centralized process.

3. Recently, all projects in respect of off-shore and onshore oil and gas exploration and production are categorized as ‘B2’ projects” by the Union Ministry of Environment, Forests and Climate Change.

Select the correct statements using the codes given below.

a) 1 and 2 only
b) 2 and 3 only
c) 1 only
d) 1, 2 and 3

Previous Year Question

Mains 2019

GS – III

Q. Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments.

(150 words, 10 marks)
Practice Question – Prelims

Answers

Q1. Option ‘d’ – Vaccines are available for all types of coronaviruses

Q2. Option ‘d’ – 1, 2 and 3

Q3. Option ‘c’ – Decreased money circulation helps in controlling the inflation.

Q4. Option ‘d’ – It is the inverse relationship between inflation and unemployment.

Q5. Option ‘c’ – 1 only