

EPHEMERIS

Monthly Newsletter of the Department
of Economics
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From the Editor's Desk

Dear Readers,

As the second month of 2013 reaches its end, *Ephemeris* brings out its third edition.

Over past few weeks, we have been hearing and reading about the speculations over diesel price deregulation. In response to this, the cover story "**Can Diesel handle the invisible hand?**" comments upon the fate of diesel in India.

For those who have been equating economics to works of fiction, there is a lesson to be learnt in "**A deal to remember**".

Besides regular articles and features, "**Quote a Caption**" Page has been introduced to encourage participation of readers. The best entry wins a prize worth Rs. 300!

Starting from this edition of *Ephemeris*, we will be updating our readers about the latest academic conferences happening within and outside India. So keep a check on the **Upcoming Conference Section**.

The editorial board is thankful to all the students who contributed to this edition of *Ephemeris*.

All the thinkers, writers, cartoonists can connect with us at ephemeris709@gmail.com. We are equally open to comments, criticism and suggestions.

CAN DIESEL HANDLE THE INVISIBLE HAND?

To the city dwellers, Rains mean good weather, hot teas and bajjiyas, traffic jams, power cuts, flooded roads and bad signals on satellite TVs! And lack of it means sultry weather and erratic power cuts.

2012 was predicted to be a doomed year. For farmers, the prophecy is turning out to be true. Countries around the world including Russia and Australia lost a lot of their crop to drought this year.



**Photo Source: Basheer, The Hindu
July 18'2012**

With the downpours of monsoon rains down by 12% in India, many farmers and their villages are struggling for survival. More than half of the arable land in India is rain-fed. A successful monsoon doesn't only mean more food to eat, but also more money to spend on everything from motorcycles to refrigerators. Under normal circumstances, the month of June starts with the arrival of monsoon at the coast of southern Kerala. Its progress triggers planting of summer crops. After hitting the south coast, it takes about a week to cover the coffee, tea and rubber growing areas of south India. It spreads to the rice areas of eastern parts within the first ten days. After covering half of the country in the first fortnight, monsoon enters the oilseed-producing areas of central India. By first week of July cotton producing regions of west get drenched, and subsequently, the monsoon showers over the entire country by mid-July. Half of India's farm output comes from crops planted during the first half of the June-September season.

However, this year alarm bells are ringing all over India. Even the prime minister's office has overtly articulated its concern over the deficient monsoon. As per the official reports the overall rainfall in the country has so far fallen by around 22% in August, and the scenario is especially bad in Haryana, Punjab, Rajasthan, Karnataka and the Saurashtra region of Gujarat.

Though the drought scenario is still not as bleak as in 2009, which registered one of the worst droughts in recent times, the sowing pattern so far shows a shortfall of around 8 million hectares. The worst hit crops are rice, pulses, cotton and coarse cereals like bajra and jowar. The paddy shortfall could be made up if the monsoon picks up in coming weeks, but shortfall in most other crops is likely to remain.

Statistics we see above represent an average. While most of the parts of the country we are seeing drought like conditions, we also see that parts like Assam experienced flash floods. The month of August brought heavy rains in parts of Punjab, Haryana, Delhi, and Rajasthan affecting thousands of households. The farmers who earlier feared drought were perplexed by heavy rains flooding their croplands. What is more disturbing is the fact that extreme weather conditions are getting harder to predict. The latest development is the incidence of flash floods in North Eastern India, leaving our metrological department perplexed!



Source: Assam Floods, India Today
September 23'2012

There is a lot the Indian Meteorological Department struggles to predict—when the rains will arrive throughout the country, where exactly they will fall, which parts will receive the most and how long they will last. One may recall how in 2009 IMD had *predicted* near-normal rainfall, but in contrast to the bright and sunny forecast the country faced a drought. Keeping the tradition alive, meteorology Department's long-range summer monsoon predictions last year also turned out to be inaccurate. Short-range forecasts give more precision but offer only a five- to seven-day window into the future, which farmers say is too short. Thus it is imperative to strengthen our weather forecasting institutions.

So what needs to be done? To minimize the impact of deficient rains the central and state governments must quickly roll out contingency plans. They must ensure that farmers get adequate supply of drought-resistant and short-cycle seeds to plant another round of crops wherever possible, as well as enough fodder for their

cattle. In my opinion, Mahatma Gandhi National Rural Employment Guarantee Schemes must be kept going to relieve rural distress and enough power provided to keep groundwater pumps running, with adequate Central funds flowing to states. Excess grains in the PDS system must be released to the open market to keep food prices in check. To ease the pressure on the fiscal front that drought-related spending would entail, long-term economic reforms that remove policy constraints and push up agricultural productivity just became even more imperative than before.

The government can't afford to delay such reforms anymore. Even if the country has more than adequate stocks of rice and wheat, a shortfall in food production is likely to destabilize our already sinking economy. Shrinkage in agriculture production hits employment in rural areas and depresses demand for industrial products and services. And it is especially bad for the dairy sector, which depends on agriculture for fodder. The cost of drought relief will push up the fiscal deficit further and add to overall inflation. Adding to the woes of consumers, the food prices will once again escalate in response to food shocks, and food inflation will break its own past records.



Source: Tota-Myna cartoon, Word press
August 14'2009

I hope that the Manmohan Singh led UPA Government will not take the vow of 'silent' on this issue!

-Divya Reddy
I MA Economics

A DEAL TO REMEMBER

It was like any other day. I was late for college. Managing my wet hair and open shoelaces, I was struggling to make my way through the crowd. Just when I was about to cross the road, a fair and handsome man waved at me! I looked back to confirm if he was looking at me. I paused. He smiled. There was an eerie silence and just after a fraction of second he asked me if I was interested in buying an I-phone!

I raised my eyebrows, and glared at him- involuntarily nodding my head in agreement. He smirked; he smiled in excitement, saying to himself "I found my prey!" A glib talker, he took me to one corner and told me that he and his team were offering a special discount by selling I-phone for Rs. 18000. He almost convinced me that it was the best bargain for students like me, and only a fool would let go of this rare offer. The proposal did not appeal to me much and I turned down the offer.

The sales man made his last and final move when he put his hand in his brown side bag to give me a glimpse of the brand new I-phone. I was sweating with temptation. Now I was in no mood to pass this offer. But 18000 was too big an amount. I was running out of time and my attendance was on stake! The guy waited for my response anxiously. I checked my wallet, and told the man that luckily (or unluckily) I had only 6100Rs with me. "6100 only?" he exclaimed "There's an ATM nearby. Why don't you withdraw some cash?" I out rightly refused to do so! After making some quick mental calculations and said, "Well because you are a student of Christ University, I will sell it to you at that rate but don't expect a bill!" "Who cares about the bill", I said to myself! By the time I took out six crisp thousand notes, the man had neatly wrapped my new I-phone. He almost snatched the money from my hands, and handed over the box to me. "This is the best deal of your life, my friend... Now rush... Ain't you getting late for college?" Those were his last words.

I was ecstatic. I did not care I was late by ten minutes. As I entered the college gate I met my classmate Valentino. I narrated my miracle story to him and he immediately demanded to see my Brand new I-phone! Such was the excitement that we chose to climb nine floors by stairs. With pride and exhilaration I opened the well-wrapped box and with utmost care, pulled out the pouch only to find a RIN BAR resting in peace!



Image Courtesy: Kim Newmai
II MA Applied Economics, Christ University

I was taken aback! My legs paralyzed, I tripped. There was silence all around, and I lost my senses for a while... I thought I was dreaming. The next thing I remember was my friend Valentino sprinkling water at my face, laughing at me!

PS: Take your economics lessons seriously. There is no free lunch in this world!

-Kim Newmai
II MA Applied Economics

ENTREPRENEURIAL SPIRIT

There is a wonderful economic phenomenon happening in West Bengal. I belong to the district Cooch Behar in the state of West Bengal; a small town where agriculture and cultivation coexist with some handlooms, crafts and micro and small enterprises.

The people there don't enjoy the standard of living as we do in Bangalore. Our lifestyle is beyond their wildest imagination. The penetration of safe drinking water, electricity and health facility is very much limited to major parts of the state. Interestingly in spite of the country being cursed with stagflation, this part of the state has not seen a surge in prices and in fact added 45,000 jobs in micro small and medium enterprises in recent months.

This phenomenon takes me back to the neo classical theory discussed by Prof. Joshi in our last Macro Economics class where he spoke about the inverse relationship between wages and employment. While the theory suggests that low wages lead to unemployment and vice versa, the analysis attracts criticism on the ground that it is based only on the supply side realities. In reality there may be many other important factors, besides low wages responsible for this phenomenon.

The relevant question here is; if employment is not low-wage driven, then what is leading to job creation? I accrue this job growth to Entrepreneurial Spirit (E-spirit). The E-spirit is a sub-set of the Animal spirits Keynes spoke about in his General theory. I opine that these spirits can help to organize the unorganized sector and ensure regular and timely source of income.

To explain this phenomenon, I will draw a reference from my personal experience.

Two years back, I happened to meet one such Entrepreneur '*Bhaskar Dey*'. A well-established and successful Entrepreneur, he employs twenty wage workers, specializing in manufacturing plastic products.

The incident is a depiction of the said economic phenomenon West Bengal is witnessing. As childhood friends we grew up studying together till his circumstances compelled him to drop out of the English medium school and move to a local government Bengali medium school. As we grew I shifted to Bangalore for my higher education with no clue of his whereabouts, until our accidental reunion during Durga Puja in the summer of 2010.

As the conversation picked up, he told me about his small plastic goods manufacturing unit. When I asked him if he enjoyed his work he said half heartedly, "I enjoy my work but I am not able to meet up the demand. Funds are stuck in the middle but I am sure something will work out..."

He has always been a go getter. More than his BCA Degree, it was his unbridled enthusiasm and passion which encouraged him to stretch himself and take the road not taken. Stakes were high and returns were low. A man of courage, he chose to set up his own manufacturing unit in 2008. With a second hand machine and some raw materials he started manufacturing in a small rented room. The decision was tough, as he lacked industrial exposure and training. His knowledge was limited to an industrial visit and some manuals in hand to refer. His portfolio consisted of limited knowledge and immense hope. He chose to manufacture plastic bats and balls. He analyzed the scope of his merchandise by studying the market, and getting in touch with the right people at the right time. He marketed his product by word of mouth

publicity. His strength was that there were not many plastic units manufacturing such goods with the given time and cost of operation.

He mastered the art of producing plastic goods. His was a three-employee unit; two workers besides he himself. He would not only employ the workers as wage earners, but also give them free skill training. There were no economies of scale that worked wonders for him. It was the “low price and high quality” combination that won him orders from not only from West Bengal but also from the parts of nearby state and districts like Assam, Sikkim etc.

Tables turned in his favour around mid-2009, when his father and brother extended their financial support to expand the business. Two new machines were installed and three more employees were now on roll!

After building his internal strengths, he leveraged by making the most of government schemes for Micro, small and medium enterprises. He publicized his idea to the government officials. After registering as a small enterprise, his unit had a quick and fast access to subsidized funds.



Image Source: NSC Blog, Nathan S Collier

He allocated a substantial amount for innovation of low cost manufacturing and packaging, gradually started product differentiation. Soon after, products like hair clips, pet bottles were added to the list of popular items. Today he is a successful businessman employing 25 people. His initiative had a positive multiplier effect by employment creation in his area.

The idea behind quoting Bhaskar Dey is to suggest that even small ideas can make big changes. Dey is just an epitome of millions of small scale entrepreneurs who innovate and create ideas, products and jobs. By channelizing funds towards the small scale unorganized sectors the pace of innovation and growth of the unorganized units can be accelerated and the Entrepreneurial spirit can be encouraged! It is thus evident that employment is not necessarily controlled by well-defined macro factors like wages but also by hidden micro forces like entrepreneurial spirits.

-Rahul Thakur
II MA Applied Economics

WORTH A READ



Authors: Nandram, Sharda S., Samsom, Karel J.

The 392 page book explores essence of Entrepreneurship through Personal Stories. What inspires people to leave behind certainty to pursue their vision through creativity and entrepreneurship?

Sharda S. Nandram and Karel J. Samsom, Entrepreneurial researchers at Nyenrode Business University explore entrepreneurship through the lens of human behaviour.

ECONOMISTS AT WORK

“Ah!! It was summer vacation time...and this summer I had decided to work with an NGO. After incurring some search and inspection cost, I found *Mamidpudi Venkatarangaiya Foundation (MVF)*. A Secunderabad based NGO; MVF has been working in the area of child labor for over 25 years.

My almost one and a half month internship with MVF involved an understanding of NGO's role in eradicating child labour in different districts of Hyderabad. This gave me an opportunity to put my accumulated knowledge of economics to use. My work involved field visits to different districts.

My familiarity with Development economics and labour economics helped me to evaluate the effectiveness of eradication measures being taken, and also to offer my own suggestions. The suggestions were not merely unaccounted discussions. If any suggestion was approved by majority vote of volunteers, it would be framed and formulated to the government as a petition.

Last but not the least this NGO has also given me an opportunity to work and interact with interns of different nationalities such as a German student from TISS Mumbai, student volunteers from the US etc . . .

Interestingly MVF offers both flexible volunteering and well-structured internships. This NGO has given me an experience to cherish forever.”



-Meghna Jose

II MA Applied Economics

Intern- MV Foundation, Secunderabad, Andhra Pradesh

“Summer of 2012 turned out to be exceptionally interesting for me as I got a chance to do my internship with the Institute for Social and Economic Change (ISEC), amidst rich flora and fauna. I was placed under Dr K Gayithri on a Performance Budgeting project. My work involved extensive reading and understanding of the project. I learned a lot about intricacies involved in conducting social science research. The faculty at ISEC and my fellow interns were a source of constant support.



The applications open in the month of March, and the details are furnished on ISEC's website. Besides the rich experience of one month, a stipend of 5000 INR is also paid to the interns.

I would highly recommend the internship to those interested in pursuing Research.”



Savita Nagraj

-II MA Applied Economics

Summer intern- Institute of social and economic change, Bangalore

IDOL-O-NOMICS

Every time I visit a temple, I find the idols secretly talking to me, whispering in my ears "Look! The fools are back, trying tirelessly to appease me by greasing my palms. Coins, currency, flowers, fruits... name it and I have it! I really doubt this country is poor! (Smirks) poor in logic, I guess..."

During my uncountable visits to the temple since my childhood till now, I could never get myself to appreciate all the hands-folding that goes into pleasing the idol sitting there, probably enjoying all the attention.

Putting my limited sense of economics, I could somehow figure out how the multiplier effect works here. What goes behind a devotee's mind when he puts his hand in his pocket or searches his wallet to make an offering to the idol? No matter how saintly one may claim to be, the idea behind the offering is backed by expectation of getting back a multiple of the initial investment, in cash or in kind. Assuming that the idol is very kind, generous and probably owns something like the R.B.I. back there one might expect 1000's in exchange of 10Rs note offered. (Ceteris paribus)

How about the risk return trade off? The risk is indeed quite high, given the paucity of financial analysts and experts who could do the arithmetic. Trying to delve deep into the psychology of an argumentative and demanding Indian, the most exploitable asset is their "blind faith." So there goes the most promising business plan.

Look for an old, isolated, deserted hill, preferably surrounded by deep forests. At any random site, construct an "old-looking" temple, black and white in architecture, seemingly an antique monument lost in the mists of time over years. So the fixed or sunk cost here would be the minor expenses on bricks and cement, and the architectural design to give the structure a deliberate look of an ancient temple!

Employ a simple looking man in mid 30's to look after the temple and a priest well-versed in Sanskrit verses and Vedas, and spread the rumour (the only marketing strategy that could work at almost zero cost) through the word of mouth about the discovery of an "old temple... up on the hill... amid dark forests" dating back to the Vedic ages... Looking at the velocity of rumours, expect the people to start flocking in, initially in small numbers and gradually in masses, on particular days and occasions (depending on which God symbolizes the temple)

The offerings made by devotees (new customers) take care of the variable costs; wages and salaries of the care takers and priests. However it's important to take precaution: at least in the circumference of 5-8kms there should be no other temple. Hedge against all such risks and ensure your monopoly! Make sure the popularity comes slowly and steadily with least possible controversies.

Keep a cow or two, once you have a positive bank balance and maintain the consistency in your performance. The defection rate of devotees should be checked, and kept within limits. Observe the social composition- class, caste etc of your devotees to decide the nature of "Prasad", and pattern of daily dealing. Maintain close yet professionally sound relations with them- having an astrologer could help to retain customers for long term (repeat purchases) and you could thus ensure brand loyalty to some extent.

Perhaps this is how most of the temples work. And the best part, the income goes Tax free!

(No offense. I am not an atheist!)

-Divya Malhotra
II MA Applied Economics

QUOTE-A-CAPTION



This is a Ranan Lurie Award winning Editorial cartoon

Join the fun and suggest a caption for this cartoon. The winning entry stands a chance to win a prize worth Rs. 300.

Note: All the entries should be mailed at ephemeris.709@gmail.com with your full name, class, section and contact details latest by March 10th' 2013.

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