

13 July 2021: UPSC Exam Comprehensive News Analysis

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Category: ECONOMY

1. High fiscal borrowings won't crowd out private sector: CEA

Context:

- Chief Economic Advisor Krishnamurthy Subramanian's statement on the **impact of the high fiscal borrowing from the government.**

Background:

- The government has lately **raised around ₹14-15 lakh crore through government bonds.**

Government Bond:

- A government bond or sovereign bond is an instrument of indebtedness issued by a national government to support government spending to either finance projects or day-to-day operations.
- It generally includes a commitment to pay periodic interest, called coupon payments, and to repay the face value on the maturity date. Some government bonds do not pay coupons and are sold at a discount instead.
- It can be issued by both the Central and the State governments of India. The government bond could be **government securities (G-Secs)** issued by the central government, or **state development loans** issued by the state government.
- Government bonds are considered **low-risk investments** since the government backs them. Because of their relative low risk, government bonds typically pay low interest rates.
- Government Bonds are primarily long term investment tools issued for periods ranging from 5 to 40 years.

Concerns over crowding out effect:

- A SEBI whole-time member while emphasizing the important role of bond markets in supporting the economy's revival at a time when banks were overburdened from the overhang of non-performing assets, had raised concerns over the **government borrowing crowding out the corporate bond market.**

Crowding out effect:

- The crowding out effect is an economic theory arguing that **rising public sector spending drives down or even eliminates private sector spending.**
 - The government borrowing **absorbs a part of the economy's lending capacity** and the private sector is left with a smaller share.

- Large government borrowing **can lead to substantial rises in the real interest rate and discourage businesses from making capital investments.** Companies that often fund projects in part or entirely through financing are discouraged from doing so because the opportunity cost of borrowing money has risen, making traditionally profitable projects funded through loans cost-prohibitive.

Details:

- Chief Economic Advisor Krishnamurthy Subramanian has argued that the concerns about high government borrowings crowding out the private sector's fund-raising efforts were misplaced and not based on evidence.
- On the contrary, the CEA contended that the **government's increased capital spending would impart a 'crowding-in effect' spurring more investment.**

Crowding-in effect:

- Crowding in occurs when **higher government spending leads to an increase in private sector investment.**
 - The crowding in effect occurs because higher government spending leads to an **increase in economic growth** and therefore encourages firms to invest because there are now more profitable investment opportunities.
 - Government borrowing can actually **increase demand by generating employment**, thereby stimulating private spending as well.
- **Government expenditure especially government-led, capital spending on infrastructure** will have both **short and long term positive impacts on the economy.**
 - In the short term, public expenditure will help increase money in the hands of the people and **create much-needed demand in the economy.**
 - In the long term, it will help in the **creation of economic infrastructure** which is inevitable for **long term sustainable economic growth** as well as a satisfactory standard of life for its citizens.

2. 'Upturn V-shaped but small firms, urban poor hit harder'

Context:

- **Economic revival in India** in the post-pandemic period.

Details:

- While **India's overall economic revival remains V-shaped at the macro level, some sectors of the economy may be witnessing a K-shaped recovery.**
- While certain sectors and individuals have recovered quickly—or even thrived—during the pandemic, others either haven't recovered at all or are recovering far more slowly.
 - While **large and listed firms have done well, smaller firms have been hit harder** by the pandemic.

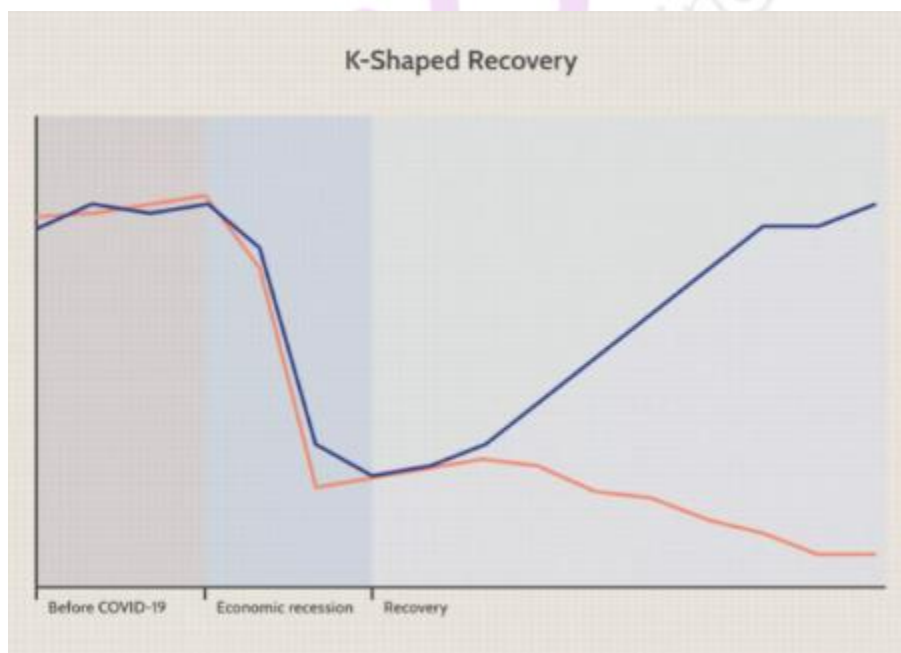
- While the **sectors like retail, technology and software services** are nearly back to **business** as usual, some sectors like **travel, entertainment, hospitality, and food services** **haven't recovered** or will take much more time and will need governmental support.
- While households at the top of the pyramid are likely to have seen their incomes largely protected, households at the bottom are likely to have witnessed permanent hits to jobs and incomes. **People at the bottom of the pyramid, especially the urban poor have been impacted most by the pandemic.**

V-shaped recovery:

- A V-shaped recovery is the quickest and one of the **most ideal**. In this type of recovery, the economy falls quickly but also recovers quickly—it doesn't remain stagnant for very long.

K-shaped recovery:

- A K-shaped recovery is when **different segments of the economy recover from a recession or an economic shock at starkly different rates or magnitudes**.
- The term refers to the shape this type of recovery makes when plotted on a line graph. The portion of the population that recovers quickly is represented by the upper part of the K, while the lower part represents those groups that recover more slowly.



Concerns:

Deepen existing inequalities:

- What's particularly concerning about a K-shaped recovery is the way it splinters the economy, continually widening the gap between those who are doing well and those who are not. A K-shaped recovery essentially splits an economy in two, with the divisions occurring along class, racial, geographic, or industry lines.

- A K-shaped recovery **exposes pre-existing economic inequalities, divisions and disparities in wealth, and can exacerbate them.**

Drastic change in structure of economy:

- A K-shaped recovery leads to changes in the structure of the economy or the broader society as economic outcomes and relations are fundamentally changed before and after the recession.
- This could have an **adverse impact on the associated workers.**

Impact on demand in the economy:

- Given that some sections of the society would have experienced a permanent loss of income in the forms of jobs and wage cuts, this will have an impact on the demand in the economy.
- The K shaped recovery **results in an effective income transfer from the poor to the rich. This will be demand-impeding because the poor have a higher marginal propensity to consume.**
 - The poor tend to spend (instead of saving) a much higher proportion of their income.
- This will invariably **impinge on trend growth in developing economies like India.**

3. LS passes 2 Bills without debate

Context:

- Amid continuous Opposition protests, the [Lok Sabha](#) passed the Airports Economic Regulatory Authority of India (AERA) Amendment Bill, 2021, and the Inland Vessels Bill, 2021, before it was adjourned for the day.

Background:

Airports Economic Regulatory Authority of India:

- With the advent of private players in the airport sector in 2006, there was a risk of monopoly by them. To counter this, the **Airports Economic Regulatory Authority of India was established in 2008 under the AERA Act.**
- **AERA is charged with regulating tariffs** and other charges for aeronautical services in airports and also **monitor the performance standards of airports.**
- Before AERA came into existence, the [Airports Authority of India](#) — functioning under the civil aviation ministry — was in charge of monitoring services at airports.

Details:

The Airports Economic Regulatory Authority of India (AERA) Amendment Bill, 2021:

Provisions:

- The bill proposes to **amend the definition of “major airport”** under the Airports Economic Regulatory Authority (AERA) Act, 2008. The amendment proposes to **replace the phrase “any other airports” with “group of airports”.**

- At present, a “major airport” refers to one that has an annual passenger traffic of more than 35 lakh or any other airport specified by the central government.
- There is also an enabling provision for AERA to determine tariffs for a group of airports. The amendment will allow AERA to regulate tariff and other charges for aeronautical services for not just major airports with annual passenger traffic of more than 3.5 million, but also a group of airports together.

Significance:

- The purpose of this amendment is to pair the smaller non-profitable airports with profitable airports as a combination/package to bidders to make it a viable combination for investment under PPP (public-private partnership) mode. The government will be able to club profitable and non-profitable airports as a package for privatisation as envisaged in this year’s Budget. Thus it will provide a **fillip to the government’s airport privatisation plan**.
- The move to club smaller loss-making Airport Authority of India (AAI)-run airports with larger ones is being undertaken following **criticism of the existing policy which had left the AAI saddled with only small loss-making airports**.
- The airports would be paired in such a way that it **brings operational and financial synergies**.
- An extension of the definition will expand the scope of determining tariffs for smaller airports, thereby encouraging further investment in them. **It would help encourage the development of smaller airports**. The move will provide an impetus to the development of not only the high traffic volume profitable airports, but also the low traffic volume non-profitable airports.
- This move is also likely to help in **expanding the air connectivity to relatively remote areas** and as a result, expediting the UDAN regional connectivity scheme.

Inland Vessels Bill, 2021:

- The Inland Vessels Bill seeks to introduce a uniform regulatory framework for inland waterways navigation across the country and specify safety standards.

For detailed information on this topic refer to the following article:

[Inland Vessels Bill, 2021](#)

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: INTERNATIONAL RELATIONS

1. Shared values

Context:

- U.S. Secretary of State Antony Blinken’s visit to New Delhi.

Details:

- The visit marks the third such visit by a senior U.S. official of the Biden administration to India.
- Focus areas of the talks included **Quad cooperation in the Indo-Pacific and the evolving situation in Afghanistan.**

Convergence of views:

- With respect to the Quad cooperation, there seems to be full convergence of views between the two countries. While **India's participation in the Quad will allow it to balance the increasing assertiveness of China along its northern borders**, the U.S.'s participation will give it an opportunity to counter China's increasing challenge to its global dominance.
- Even on the Afghanistan question, there seem to be more convergences than divergences on the common positions of the two countries. **Both India and the U.S. have maintained that there can be no military solution to the ongoing conflict in Afghanistan** and have called for a negotiated political settlement. Both countries have reiterated that neither would recognise a Taliban regime that takes Kabul by force.

Divergence of views:

- There are a few differences between India and the U.S. when it comes to the Afghan question:
 - The U.S. withdrawal from Afghanistan will mean a less secure region for India to contend with.
 - **India has always supported an Afghan-led, Afghan-owned and Afghan controlled solution to the crisis in Afghanistan** and has stood in support of the elected government in Afghanistan and has been averse to engaging the Taliban. On the contrary, the **U.S. continues to engage the Taliban** in talks for a power-sharing arrangement, despite the continuing violence.
 - Perhaps the greatest worry for India is the **U.S.'s refusal to hold Pakistan to account for having given shelter to the Taliban.**
- While both countries have maintained that democratic freedoms were "shared values", the differing perception of the issue can grow to become a major irritant in the bilateral relations. Mr. Blinken's "civil society roundtable" wherein internal Indian issues such as minority rights, religious freedoms and curbs on the media and dissent were discussed has not gone down well with the Indian administration. India has rebutted the U.S. perception on the issue.

Conclusion:

- There is a list of substantive meetings scheduled between the two countries later in the year including the **U.S.-India "2+2" of Foreign and Defence Ministers**, the Quad summit of its leaders, and a bilateral meeting between the Indian Prime Minister and U.S. President.
- While India and the U.S. have a lot in common, it is the differences that need attention.
- The addressing of these differences will only further help strengthen the **"Comprehensive Global Strategic Partnership" between the world's oldest and most populous democracies.**

For more information on the India-US bilateral relations refer to the following article:

[India-U.S. Ties Amid New Realities: RSTV- Big Picture](#)

2. Are the Taliban returning to Kabul?

- In the light of the rapid territorial gains being made by the Taliban in Afghanistan and the **increasing likelihood of Taliban takeover of power**, the article discusses the potential challenges for India and evaluates India's options.

This issue has been covered previously in the following articles:

[UPSC Comprehensive News Analysis 27th July 2021](#)

Category: POLITY AND GOVERNANCE

1. In the interest of the public

Context:

- Meghalaya High Court ruling in the Registrar General v. State of Meghalaya case.

Background:

- Meghalaya State government had ordered shopkeepers, local taxi drivers and others to get the COVID-19 vaccines before they resume economic activities

Details:

- The Meghalaya High Court has held the above government order as being **violative of the right to privacy, life, personal liberty, and livelihood enshrined in Article 21 of the Indian Constitution**.
 - Article 21 states that "No person shall be deprived of his life or personal liberty except according to a procedure established by law."

Court's reasoning:

- The Court held that the government's order is not maintainable in law as there is no legal mandate for mandatory vaccination.
- The Court held that the government's order mandating compulsory vaccination **deprives the individual of their bodily autonomy and bodily integrity**.

Concerns:

- As against the Court's observation, the **article argues that Compulsory vaccination is legal and that it does not violate anyone's fundamental rights** based on the following.

Legal provisions:

- Several State laws empower local authorities to enforce compulsory vaccination schemes.
- State governments have the authority to mandate vaccines under **the Epidemic Diseases Act, 1897, which allows them to prescribe regulations to prevent the spread of an epidemic disease**.

Precedents:

- Previously compulsory vaccination has been mandated in India and abroad. Example during the smallpox pandemic, vaccination among children was mandated in 1880.

Judicial review:

- Compulsory vaccination has passed the muster of judicial review in several national and international constitutional courts abroad. These **courts have validated compulsory vaccination as being consistent with the right to privacy and religion** and ruled that it has an overriding public interest.

Reasonable restrictions:

- It is a well-established principle that **no right is absolute** including the right to life and privacy which is being claimed as being violated through mandatory vaccinations. **All rights are subject to reasonable restrictions.**
- Making vaccination mandatory would help government **overcome widespread vaccine hesitancy and bring the pandemic to an end.** Thus mandating of vaccination would be in **public interest.**

Justice Puttaswamy v. Union of India case insights:

- According to the Supreme Court's guidelines set in the Justice Puttaswamy v. Union of India case, a **restriction on privacy can be justified** if it passes the following three-prong test.
 - The restriction must be provided in the law.
 - The restriction must have a legitimate aim.
 - The restriction must be proportional to the object pursued.

For more information on the landmark Justice Puttaswamy v. Union of India case refer to the following article:

Puttaswamy Case

- Given the existing laws like the Epidemic Diseases Act, 1897 which provides for powers to the state governments to take any measures to prevent the spread of an epidemic disease, the usefulness of vaccination is controlling the spread of the pandemic and the threat of a looming third wave, mandating vaccination will easily pass the test set in the Justice Puttaswamy v. Union of India case.

Category: VULNERABLE SECTIONS

1. The long road to winning the battle against trafficking

Context:

- **July 30 is United Nations World Day against Trafficking in Persons.**

Increased vulnerability to human trafficking:

- There has been an **increase in human trafficking during the pandemic.**
- The pandemic has resulted in the **loss of income and economic crisis**, causing families to have a reduced capacity to care for children in the long term. In some instances the pandemic has also led

to a loss of parental care due to death, illness or separation, thereby resulting in increased vulnerability of children to trafficking and subsequent violence, neglect or exploitation.

- The **prolonged lockdowns** have eroded some of the checks against child labour and child marriage provided by law, as well as the scrutiny of schools and society.

For more information on the issue of human trafficking and associated concerns and India's proposed Anti-trafficking bill refer to the following articles:

[UPSC Comprehensive News Analysis 19th July 2021](#)

Category: INTERNAL SECURITY

1. The wings of Pegasus, the epoch of cyberweapons

- In the light of the recent Pegasus spyware scandal, the article warns of the **threat posed by new-age cyber weapons** and the increasing relevance of **cyber as the fifth dimension of warfare** — in addition to land, sea, air and space.

For information on recent cyberattacks, challenges associated with such attacks and the measures needed to counter them refer to the following article:

[UPSC Comprehensive News Analysis 14th June 2021](#)

F. Prelims Facts

1. 391 complaints of sexual harassment, says Centre

She-Box portal:

- She-Box is an initiative of the Government of India to provide a **single window access** to every woman, to facilitate the registration of **complaints related to sexual harassment at the workplace**.
- It would enable effective implementation of the **Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**.
- It was launched in 2017.
- The portal could be used by any woman irrespective of her work status, whether working in the **organised or unorganised, private or public sector**.

Context:

- As per the government's statement in the parliament, a total of 391 complaints have been filed by employees of Central government Ministries about sexual harassment at the workplace.

G. Tidbits

1. Engineering course in 11 languages

- The [All India Council of Technical Education](#) is creating a database of resources to allow **colleges to offer more programmes in regional languages** and has developed a tool to translate engineering course content into 11 languages.

- 14 engineering colleges in eight States are planning to start engineering studies in five Indian languages.
- This will help **promote regional languages in technical education**. Teaching in regional languages will offer **access to higher education for students from rural, low-income families who may not be fluent in English**. This would help prevent language-based discrimination.
- The **National Education Policy (NEP), 2020** had placed a strong emphasis on education in the mother tongue. One of the recommendations was to teach all children in their mother tongue or home language until Class 5.

2. Kishtwar cloudburst: rescue operation resumes to trace 19

- **Cloudburst** in the Kishtwar area of Jammu has **triggered massive flash floods** and left seven dead.
- Rescue operations are on to trace the missing people.

H. UPSC Prelims Practice Questions

Q1. Consider the following statements:

1. It was designated a Ramsar Wetland of International Importance in 2002.
2. Its fauna includes Indian python, king cobra, black ibis, darters.
3. It has one of the largest populations of saltwater crocodile.

The Ramsar Site being talked about is:

- a. Chilka lake
- b. Bhitarkanika Wetland
- c. Bhoj Wetland
- d. Harike Wetland

Answer: b

Explanation:

- Bhitarkanika Wetland was designated a Ramsar Wetland of International Importance in 2002.
- Its fauna includes Indian python, king cobra, black ibis, darters.
- It has one of the largest populations of the saltwater crocodile.
- It is located in the Kendrapara district of Odisha.

Q2. Which of the following can lead to 'crowding out' effect?

1. Overseas issue of sovereign bonds
2. Government increasing direct public sector expenditure
3. Government funding infrastructure development projects
4. Government selling new bonds in the money market

Options:

- a. 1, 3 and 4 only
- b. 1 and 2 only
- c. 2, 3 and 4 only
- d. 3 and 4 only

Answer: c

Explanation:

- The crowding-out effect is a theory that argues increased government spending reduces private spending in the economy. It refers to increased government borrowing and spending causing a reduction in private spending. Because government borrowing increases the cost of private loans and uses up capital that may have been deployed elsewhere, private sector investments go down.
- Borrowing overseas through the issue of sovereign bonds will not lead to crowding out effect.
- Government increasing direct public sector expenditure, government funding infrastructure development projects, government selling new bonds in the money market can lead to the crowding out of private investments.

Q3. Arrange the following Tiger Reserves from South to North:

- 1. Parambikulam
- 2. Dudhwa
- 3. Panna
- 4. Pench
- 5. Bandipur

Options:

- a. 1, 5, 4, 3, 2
- b. 5, 1, 4, 3, 2
- c. 1, 5, 3, 4, 2
- d. 5, 4, 3, 2, 1

Answer: a

Explanation:

Parambikulam – Bandipur – Pench – Panna- Dudhwa.

Tiger Reserves in India Map

The geographical location of Tiger Reserves in India [Map] is shown below:



Q4. Which of the given statements with respect to Samagra Shiksha Abhiyan is/are correct?

1. It is a programme for the school education sector extending from pre-school to class 10.
2. It has subsumed Sarva Shiksha Abhiyan, Rashtriya Madhyamik Shiksha Abhiyan and Rashtriya Uchchatar Shiksha Abhiyan.

Options:

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

Answer: d

Explanation:

- Samagra Shiksha Abhiyan is a programme for the school education sector extending from pre-school to class 12.
- It has subsumed Sarva Shiksha Abhiyan, Rashtriya Madhyamik Shiksha Abhiyan and Teachers' Education.

Read more: [Samagra Shiksha Abhiyan – Integrated Scheme for School Education](#)

Q5. What is the purpose of 'evolved Laser Interferometer Space Antenna (eLISA)' project? (UPSC 2017)

- a. To detect neutrinos
- b. To detect gravitational waves
- c. To detect the effectiveness of missile defence system
- d. To study the effect of solar flares on our communication systems

Answer: b

Explanation:

- 'evolved Laser Interferometer Space Antenna (eLISA)' project helps in the detection of gravitational waves that are emitted by super-massive black holes.

I. UPSC Mains Practice Questions

1. Despite laws criminalising human trafficking, child labour and sexual exploitation continue unabated. Discuss the possible reasons and suggest remedial measures. (15 marks, 250 Words) [GS-1, Social Issues]
2. Should states in India adopt a compulsory vaccination policy for the greater good? Critically examine. (10 marks, 150 Words) [GS-2, Health]