

Gist of EPW December Week 4, 2022

The Economic and Political Weekly (EPW) is an important source of study material for [IAS](#), especially for the current affairs segment. In this section, we give you the gist of the EPW magazine every week. The important topics covered in the weekly are analyzed and explained in a simple language, all from a [UPSC](#) perspective.

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1. Debt scenario

Context: Debt of every sovereign country is increasing across the world.

Detail:

What is global debt monitor:

- The Global Debt Monitor tracks indebtedness by sector across key mature and emerging markets, offering a unique like-for-like comparison across countries.
- This report is released by the **International Monetary Fund (IMF)**
- This report is **published quarterly, and offers a snapshot of key trends using a variety of international and national-level data sources.**
- This report provides currency breakdown of sectoral debt, bond and syndicated loan redemption profiles, and the foreign ownership structure of local currency government bonds.

Key findings of the report:

- The inaugural edition of the Global Debt Monitor of the International Monetary Fund shows that global debt (that is, public plus non-financial private debt stocks) has reached **\$235 trillion in 2021.**

- This is about 249% of the global gross domestic product (GDP).
- The public or government debt was only 96% of the global GDP, the size of non-financial private debt was a still larger 153%.
- The first year of the pandemic saw both the public and private sector debt surge up to an unprecedented high.
 - While private debt surged up by **13.1 percentage points to touch 158.9% of the global GDP in 2020**, the public debt rose by a still faster **15.7 percentage points to reach 99.85% of the global GDP**.
 - Consequently, **the total global debt rose by 28.8 percentage points to 258.7%** of the global GDP, an all-time high.
- Realising the enormity of the debt burden an attempt was made to bring the debt burden to manageable limits.
 - Consequently, the private sector reduced its debt burden by 6.1 percentage points of the global GDP in 2021, while the public sector eased it to a much lower 3.8 percentage points.
 - Therefore, **the overall debt levels of the global economy came down by 9.9 percentage points to 248.8%** of the global GDP in 2021.
- It was also noted that, in advanced economies, **it was the government whose debt burden increased faster by one-third than that of the private sector**, which played the major role to mobilise funds and try compensate the extensive destruction unleashed by the pandemic.
- The governments in emerging market economies (EMEs) were much more conservative. therefore, **it was the private sector that mobilised more debt to combat the pandemic**.
- In low-income developing economies (LIDEs), the government increased its debt burden twice as fast as that of the private sector.

Image: Global Debt burden

	2007	2008	2009	2010	Average 2011-18	2019	2020	2021
World	61.1	64.0	74.7	76.9	80.9	84.1	99.8	96.0
Advanced Economies	71.7	78.4	91.7	98.1	105.2	105.2	124.7	119.5
Euro Area	66.0	69.7	80.4	86.0	92.1	85.8	99.4	97.8
Japan	172.8	180.7	198.7	205.7	229.1	236.1	259.1	262.1
United Kingdom	41.4	49.0	62.8	74.0	84.1	83.8	102.5	102.8
United States	64.6	73.5	86.7	95.2	104.7	108.8	134.5	128.1
Emerging Market Economies	35.0	32.9	38.5	37.4	43.5	54.1	64.5	64.5
China	29.2	27.2	34.6	33.9	42.6	57.2	68.0	71.5
Others	36.7	34.7	40.0	38.8	43.9	51.7	61.5	58.5
Low-Income Developing Countries	28.8	27.1	29.6	28.0	34.7	42.7	48.6	48.5

Source: imf

Reason for rise in debt:

- One of the major reasons for the surge in the global debt is the onset of the global pandemic. This era has witnessed rise in both Private and the Public debt burden.
 - While private debt surged up by **13.1 percentage points to touch 158.9% of the global GDP in 2020, the public debt rose by a still faster 15.7 percentage points to reach 99.85% of the global GDP.**
 - Consequently, the total global debt rose by **28.8 percentage points to 258.7%** of the global GDP, an all-time high.

So, it is imperative that the debt level in the economy is brought back to a sustainable level so that it does not end in creating inter-generational disparity.

2. Political Aspects of 'Freebies'**Background Details:**

- The Supreme Court of India is hearing a Public Interest Litigation (PIL) demanding directions to the [Election Commission of India \(ECI\)](#) to act against political parties that promise free goods (freebies). The Union Government is also supporting the PIL.
- The ECI submitted that it has limited scope to interfere in the matter.
- However, ECI issued a letter asking for the views of political parties on introducing a standardized proforma for the disclosure of
 - Financial impact of promises to be made in future election manifestos
 - Methods to finance them within the available financial space
 - The effect of such promises on the fiscal sustainability
- It is argued that these are against the constitutional principles, as a constitutional body (ECI) is attempting to restrict a political party that might come to power and form the government.

Meaning of Freebies:

- There is no clear understanding of freebies. The [Reserve Bank of India \(RBI\)](#) classified free water, free electricity, free public transportation, waiver of pending utility bills, and farm loan waivers as freebies.
- Another view differentiates between “merit goods” and “public goods”. It describes freebies as providing free power, water, and consumer goods that have the potential of becoming “a quick passport to fiscal disaster”.
- According to the third view, many states offer freebies like farm loan waivers that are economically unsustainable due to the weak financial status of many states.

- All three views basically imply that any provision that undermines credit culture, distorts prices through cross-subsidization, undercuts the basic framework of macroeconomic stability, and distorts expenditure priorities is classified as freebies.
- It is believed that government expenditure in freebies reduces private investment opportunities and might lead to a fall in the gross output of the economy, often referred to as “crowding out.”
- The freebies are opposed on account of the government’s purpose/objective of expenditure. It should be noted that there are two types of expenditure - public investment and subsidizing mass expenditure.

Significance/Benefits of Freebies:

- It is argued that the coinage of the term freebies is an attempt to belittle government expenditures, especially those that subsidize mass consumption.
- The majority of scholars agree that government spending schemes have the ability to secure employment and are “automatic stabilizers” during an economic slowdown.
- The expenditure is also compressed on the account of [fiscal deficit](#).
- If the so-called freebies schemes are analyzed, they can be grouped under four major sectors namely education, health, employment, and agriculture. These can strengthen human capital.
- Several such schemes (which are categorized as freebies) have been successful in the past. For example, fertilizer and power subsidies in the agriculture sector. The removal of such subsidies might result in an increase in [food inflation](#).
- Similarly, the outcome of various subsidized health schemes like immunization, malaria control, tuberculosis, and AIDS showed a positive impact on Human Capital.
- It should be noted that building a school and incentivizing students to attend schools through various schemes of the union or state governments are also essential for capital expenditure. The current opposition to subsidies ignores these aspects.

Need for freebies:

Several experts argue that after the economic liberalization in India, several new challenges have emerged. Some of these issues are:

- ***Unemployment and Wages:***
 - The annual growth rate of employment remained low in various sectors and declined further in several other sectors.
 - It created a cheap labour economy, reflected through informalization of the workforce and lack of wages and social security.
 - The wage-to-profit ratio declined from 1.41 in 1991–92 to 0.49 in 2019–20.

- Moreover, the minimum number of days required to earn an income equal to per capita GDP has increased from 256 for agricultural and 164 for non-farm casual workers in 1998–99 to 414 and 281 in 2019–20, respectively.
- Similarly, the number of days required for the average wage earner in the organized sector to reach the per capita GDP has also risen from 91 days in 1990–91 to 230 days in 2019–20.
- This means that GDP per capita has become more inaccessible.
- **Food and Hunger:**
 - It is argued that despite the increase in food production, food grains are not adequately made available to the citizens due to export promotion.
 - It is also suggested that there is a decline in the income of many farmers.
- **Issue of Profits, Privatization, and Non-Performing Assets (NPAs):**
 - Notably, discouraging and restricting government expenditure not only impacts the poor but also weakens the aggregate demand in the economy. For instance, since 2009–10, there has been a decline in the proportion of companies reporting any profit and an increase in the share of loss-making companies.
 - Furthermore, the increasing privatization of public sector enterprises led to a huge rise in borrowing by corporates and the subsequent mounting up of [NPAs](#).

Way Ahead:

- All the schemes of the government at all levels should undergo quality assessment. It should also look at the social aspects. For example, the distribution of cycles to girl students in Bihar increased the enrolment of girls in secondary school by 32% and reduced the gender gap by 40%.
- The Central and State government should abide by the principle of “fiscal federalism”. The Union government should allow the state government to adopt welfare measures for the vulnerable sections of society.
- The [Supreme Court of India](#) should carefully assess the “political aspect of freebies” with constitutional conviction.
- The government expenditure should be made for public investment only to the extent of the investment requirement. The rest of the government spending can be used to subsidize consumption and strengthen human capital.
- It is time to address the increasing socioeconomic inequality.
- The states should also be allowed to maintain their autonomy with respect to the welfare state, without them being accused of encouraging a ‘freebies culture’.

3. Intergenerational Effects of Educating Girls on Empowering the Next Generation

State of girls' education in India:

- Girls consist 58.65% of the total population but their literacy rate is only 65.5%.

- At the elementary and secondary levels, the girls' enrolment rate has decreased from 2012 to 2015, but girls' gross enrolment ratio has increased at the higher education level from 2012 to 2015.
- The annual average dropout rate of girls in the secondary level is 17.79% and in the higher secondary level, it is 1.61%.
- The importance of educating girls is globally recognised and stressed in Sustainable Development Goal 4, global call for the attainment, by 2030, of “complete free, equitable and quality primary and secondary education”.

Outcome of the research:

- The learning outcome indicator shows that compared to adolescents whose mothers had no formal education, those with more highly educated mothers were more likely to display positive learning outcomes.
- Just **23% of boys and 6% of girls whose mothers had no formal education displayed good learning outcomes, compared to 65% of boys and 43% of girls** (and 24% of married girls and 46% of unmarried girls) whose mothers had completed secondary school.
- Just 8%–12% of respondents whose mothers had no formal education reported a sense of self-efficacy, compared to 22% of boys, 24% of married girls, and 32% of unmarried girls whose mothers had completed secondary school.
- Among girls who typically faced considerable constraints on mobility, percentages of those free to visit places **unescorted were 25% among those whose mothers had no formal education and 54%** among those whose mothers had completed secondary school.
- Among those whose mothers had no formal education, girls were far more likely than boys to hold egalitarian gender role attitudes (28% versus 16%).

Importance of girls' education in India:

- Girls' education is one of the most effective ways for **ending poverty in developing nations**. The benefits of their education can be seen in their families, and throughout society. Education helps in the following ways:
 - Reducing the number of babies women have
 - Lowering infant and child mortality rates
 - Lower maternal mortality rates
- Girls' education helps to **eliminate illiteracy; develop self-esteem and self-confidence**.
- Global evidence confirms that educating women not only benefits their lives but also has favourable intergenerational effects on the health and education of their children.

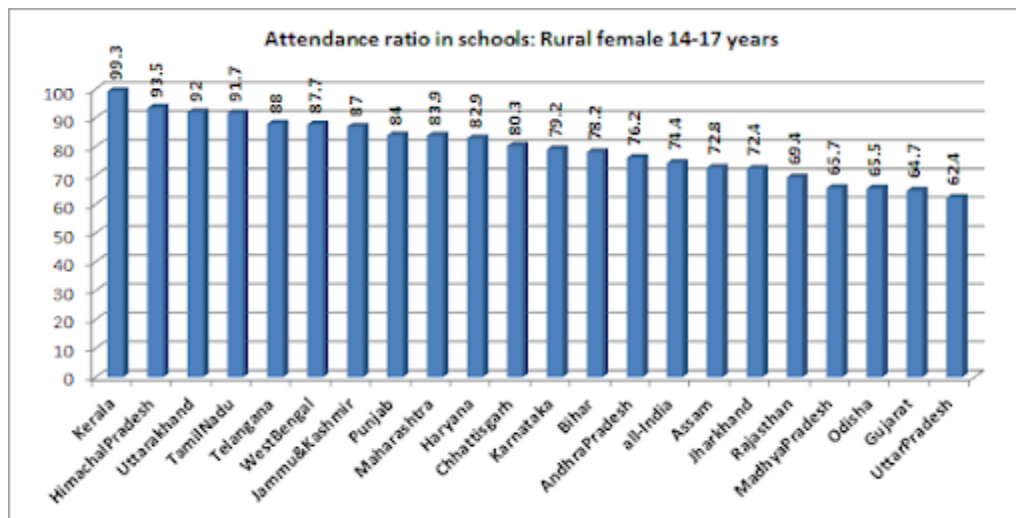


Image source: www.counterview.net

Challenges faced by women in educating the girl child:

- Negative **parental attitude towards educating daughters** is one of the important challenges to promoting girls' education in India.
- Lack of **infrastructural facilities in schools** is one of the major problems in the development of girls' education in India. The [Annual Status of Education Report](#) (2014) agreed that due to the **lack of girls' toilet facilities**, the dropout rate at elementary and secondary levels have been increased when compared to the past decades.
- In many parts of the country, **the nearest primary school to a particular community might be a 4 or 5-hour long walk away**. On top of that, girls may face dangers or violence on the long way to school; so many parents select to keep their daughters at home.
- When girls are forced to marry young, they are often pulled out of school at a very critical age in their development.

Steps taken to improve the situation:

- Beti Bachao Beti Padhao Scheme was launched in 2015 with the noble purpose of educating girls. The [‘Sukanya Samridhi Yojana’](#) was launched in 2015 to meet the expense of the girl child's higher education and marriage.
- Education is declared as the **fundamental right** for each child in the country through the [Right to Education Act](#).

Conclusion: Well-educated women have more agency than their poorly educated counterparts. Therefore, for the overall development of the country in general and the society in particular it is important that women's education is promoted through dedicated policy in this regard.

4. Mahua Wine

Context: Geographical Indication to mahua based alcoholic based beverages.

Detail:

What is geographical Indication:

- A geographical indication (GI) is a sign used on **products that have a specific geographical origin and possess qualities or a reputation** that are due to that origin.
- In addition, the qualities, **characteristics or reputation of the product should be essentially due to the place of origin**. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production.

What is mahua based alcoholic beverages:

- Mahua is found in the northern, central, and southern part of India. It is considered as a part of minor forest produce (MFP). The marginalised Adivasis are historically known to have distilled alcoholic beverages from mahua flowers for centuries.
- During the colonial era drinking of the local people was seen with animosity therefore, the Britishers had banned the use of mahua based alcoholic beverages. Therefore, mahua liquor could never attain social approval and brewing invited sanction.
- While the Adivasis continued to collect mahua blossoms and prepare the brew, covert sale of the liquor did not allow the opportunity to ferment them.

Repositioning of Mahua Beverage:

Mahua-based liquor consumption did exist in India since time immemorial but its sale and promotion was never allowed and encouraged.

The scope for any alcoholic beverage or country's liquor in India is often moving between the **opportunity of excise earnings by the government** and the legal and moral prohibition in pursuance of Article 47.

Overcoming the moral and ethical norms the government commenced venturing into mahua-based alcohol bottling and sale in 2020.

TRIFED (**Tribal Cooperative Marketing Development Federation of India**) collaborated with the Indian Institute of Technology Delhi to develop mahua Nutri beverage, an alcoholic drink marketed under the aegis of **Van Dhan Vikas Karyakram**.

Mahua-based alcoholic beverage has been categorised as country liquor in India, thereby making its uniform sale across the country difficult and export an uphill task.

- Indigenous liquors in Assam have been granted the tag of “heritage alcoholic beverage.
- Madhya Pradesh (MP) has also declared amendment to the state excise policy so as to enable tribal people to sell the traditional mahua liquor as heritage liquor.

- Maharashtra has also amended the Bombay Mahua Flower Rules 1950, thereby making collection, sale, and transport of mahua flowers legal.
- Chhattisgarh has recognised mahua as its signature product in few districts in the One District One Product (ODOP) under the aegis of Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMF ME) scheme.

Prospect and Peril of Mahua as GI:

- Mahua beverage is indigenous and has a rich history of tribal heritage and cultural traditions.
- At the same time drink's characteristics are inherently linked to the location where they have originated and produced.
- The value of such a rich history of mahua liquor is vastly undermined when government agencies such as the **Agricultural and Processed Food Products Export Development Authority (APEDA)** facilitate export of dehydrated mahua flower from India's Chhattisgarh to France circa August 2021.
 - The indigenous liquor is now being manufactured in France and sold under the brand name of Mah Spirit.
- It is imperative to claim GI tag for the mahua based beverages like it was done in case of feni. Moreover, as both the government and private players are launching their own versions of mahua drink, it becomes imperative that brand-specific trademarks are also protected.

India case:

- The **Geographical Indications of Goods (Registration and Protection) Act, 1999** of India states that no proceedings can be instituted or damages recovered in respect of infringement of an unregistered GI.
- A version of mahua wine that is manufactured in France, from flowers sourced from India, is likely to fall under the ambit of GI misuse and cultural misappropriation, provided that a safeguard in the form of registration of the GI is existent.
- **Mahua wine has not been registered as GI yet.**
- The Ministry of Commerce and Industry is not only well aware that Article 23 of TRIPS specifically prohibits per se the use of geographical indications for wines and spirits not originating in the place as done by France.

Therefore, it is imperative that the concerned department would apply for GI for the mahua based alcoholic beverages and seek appropriate recourse under TRIPS guidelines to prevent any intellectual property misuse or cultural misappropriation.