

Mains Master

Finance panel should curb populism

Context

The article focuses on the 16th Finance Commission's challenge in addressing the issue of rising populism and unsustainable spending in Indian states. It highlights concerns raised by the RBI, challenges in curbing populism, potential solutions, and the Finance Commission's role in promoting responsible fiscal practices. Ultimately, it emphasizes the Commission's crucial role in advocating sound financial management amidst growing fiscal indiscipline in states due to populist policies.

The upcoming 16th Finance Commission (FC) faces a crucial challenge: addressing the issue of rising populism and unsustainable spending by Indian states. While the FC's primary mandate is to recommend the devolution of central taxes and grants to states, its broader role in promoting "sound finance" necessitates tackling concerns over populism-driven fiscal indiscipline.

Issues Highlighted by RBI Report:

- **Reversal to Old Pension Scheme (OPS):** States reverting to the fiscally-burdensome OPS after adopting the New Pension Scheme (NPS) is a major concern. The RBI estimates a 4.5 times higher liability under OPS and warns of growth constraints and compromised future benefits.
- **Unsustainable Subsidies:** Excessive subsidies, often linked to populist election promises, strain state finances. The RBI report urges the FC to consider higher conditional grants based on reforms, expenditure quality, and fiscal sustainability.
- **Need for Fiscal Disincentives:** The uncritical provision of grants as safety nets incentivizes states to avoid fiscal reforms. The report suggests linking grants to performance on fiscal parameters to encourage responsible spending.

Challenges in Curbing Populism:

- **Difficult Definition of Populism:** Categorization of schemes as populist or non-populist is subjective and prone to political disagreements.
- **States' Prerogative over Welfare Schemes:** Elected state governments argue that they, not the FC, should decide welfare programs as they are accountable to their electorate.
- **Political Interference:** Imposing restrictions through the FC might be misconstrued as the Centre intruding into states' legislative powers.

Possible Solutions:

- **Focus on Fiscal Efficiency:** The FC should consider stronger weightage to fiscal efficiency criteria in its devolution calculations. This could encourage states to undertake fiscal consolidation measures.
- **Conditional Transfers:** Linking higher shares of grants to reforms, quality expenditure, and fiscal sustainability creates incentives for responsible financial management.
- **Consensus Building:** While consensus between the Centre and states is ideal, achieving it in India's fractious political landscape remains a challenge.

Role of the Finance Commission:

- **Highlighting Financial Strain:** The FC cannot directly regulate populism, but it can highlight the financial strains these policies create, urging states to consider long-term consequences before indulging in such practices.
- **Promoting Sound Finance:** By emphasizing fiscal responsibility and efficiency in its recommendations, the FC can nudge states towards sustainable financial practices.

Conclusion:

Curbing populism in Indian states requires a collaborative effort. While the Finance Commission may not have the direct power to regulate such policies, it can play a crucial role in promoting sound financial practices and highlighting the risks associated with unsustainable spending. The 16th FC faces a formidable challenge, but by adopting a nuanced and pragmatic approach, it can contribute significantly to fostering responsible fiscal management at the state level.

Sign of the future

Context

The editorial by TH discusses ISRO's recent scientific missions, emphasizing a shift from technological to scientific endeavors, showcasing collaborative efforts and diverse payloads. It highlights ISRO's evolving role amidst space exploration goals and the unique demands it faces in balancing scientific research with technological advancements.

- **Recent ISRO Missions:** Following the success of Chandrayaan-3, ISRO launched two scientific missions.
- Aditya L-1 space probe aimed at studying the sun.
- XPoSat mission focused on observing polarised X-rays in astrophysical events.
- **XPoSat Mission Details:** This mission was launched in two parts using the PSLV on the C58 flight on January 1. It marks the second space-based experiment to study X-ray polarisation, aiming at higher X-ray energies compared to NASA's Imaging X-ray Polarimetry Explorer.
- The **POLIX payload**, developed by Raman Research Institute, observes X-rays within the 8-30 keV energy range.
- **XSPECT payload**, created by ISRO's U.R. Rao Satellite Centre, studies X-rays of energy between 0.8-15 keV. Over five years, it aims to investigate emissions from around 50 sources, providing insights into pulsars and black holes.
- **ISRO's Science-Technology Balance:** Historically, ISRO has favored technological missions over scientific exploration, but recent missions show a shift towards scientific endeavors. The C58 mission exemplifies this balance.
- **C58 Mission's Second Part:** After launching XPoSat into a 650-km circular orbit around the Earth, the PSLV fourth stage transitioned into a rudimentary satellite. Positioned in a 350-km-high orbit, it functioned as an orbital testbed carrying 10 payloads from private entities and ISRO centers.
- **Payload Highlights:** The payloads encompassed various contributions from private entities such as cubesat propulsion, monopropellant thrusters, radiation shields, heater-less hollow cathodes, and nanosatellite platforms. ISRO contributed payloads like an interplanetary dust counter, fuel-cell power system, and high-energy cell.
- **Significance of C58 Mission:** It represents a collaborative effort involving professional scientists, aspiring students in science, and India's private space sector. This mission underscores ISRO's adaptability in an era heading towards a permanent lunar station, balancing technological advancements with expanding humanity's understanding of the universe.

India's 1991 crisis and the RBI Governor's role

S. Venkitaramanan: A Legacy of Stewardship Through Crisis and Reforms

The recent passing of S. Venkitaramanan, former Governor of the Reserve Bank of India (RBI) from December 1990 to December 1992, marks the departure of a statesman whose tenure was defined by pivotal moments in India's economic history. His legacy rests on two significant events that underscore his stewardship during a period of financial turmoil and subsequent reforms. Venkitaramanan's tenure at the RBI coincided with a severe balance of payments crisis and witnessed commendable efforts to stabilize India's economy, though often overshadowed by later

reforms. His proactive measures and openness in engaging with diverse economic perspectives deserve recognition amidst the challenges and subsequent transformative changes in India's economic landscape. Financial Crisis Management:

- **Balance of Payments Crisis (1990-1991):** India faced severe stress due to reduced inward remittances and increased oil prices post-Saddam Hussein's invasion of Kuwait.
- **Role of RBI led by Venkitaramanan:** The RBI, under his leadership, pledged gold reserves to secure hard currency loans, helping India stave off potential default.
- **Significance:** This action prevented a likely default, safeguarding India's global credibility and access to loan markets critical for financing imports, especially given India's dependence on oil imports.

Economic Reforms and Stabilization:

- **Import Compression Strategy:** The RBI implemented import compression measures by significantly raising cash margins on imports, reducing the current account deficit from 3% to 0.3% of GDP (1991-1992).
- **Immediate Impact:** While the Narasimha Rao government's long-term measures contributed to improving the balance of payments, the immediate improvement was largely attributed to the import compression strategy by the RBI under Venkitaramanan.
- **Post-Crisis Recognition:** The architects of crisis management were overshadowed by subsequent economic reforms led by Dr. Manmohan Singh's team, which garnered greater attention.

Challenges and Transparency:

- **Harshad Mehta Scam:** Venkitaramanan's tenure concluded amidst the Harshad Mehta scam, causing a tarnishing of his term due to irregularities in securities transactions under the RBI's watch.
- **Governor's Openness:** Venkitaramanan exhibited remarkable openness by engaging with a diverse range of economists, inviting critical voices to discussions related to monetary policy and the balance of payments crisis.
- **Development Research Group:** Attempted to bridge the gap between RBI staffers and external stakeholders through professional interactions, although its success might have been limited.
- **RBI's Current Stance:** Present-day RBI's focus on adhering to economic orthodoxy possibly overshadows a deeper understanding of India's economy, as evidenced by the struggle to control inflation.

Prelims Booster

How radiocarbon dating revolutionised science

- 🕒 Radiocarbon dating is a pivotal methodology for determining the age of objects, leveraging the isotope carbon-14, which is continuously formed in the Earth's atmosphere through cosmic rays interacting with atmospheric nitrogen-14.
- 🌐 Carbon-14 combines with atmospheric oxygen to create radioactive carbon dioxide, subsequently entering the biosphere through plants, animals, and the carbon cycle.
- 🌱 The synthesis of carbon-14 in laboratories in the early 1940s revealed its 5,000-year half-life, leading to the concept of using it for dating organic materials, as proposed by Willard Libby in 1946.
- ⌚ Upon death, living organisms cease the exchange of carbon, and the radioactive decay of carbon-14 allows scientists to estimate the time elapsed since death by measuring the remaining carbon-14 concentration.
- 🔧 Libby's era predominantly utilized Geiger counters, with modern methods, notably Accelerator Mass Spectrometry (AMS), offering higher sensitivity and precision, analyzing samples as small as 50 mg.
- 🌐 Radiocarbon dating continues to evolve, enabling scientists to unravel the mysteries of our past by decoding the age of organic materials with unparalleled accuracy and precision.

First girls' Sainik School opened in Mathura with 870 students

- 🏠 Defence Minister Rajnath Singh inaugurated India's first all-girl Sainik School in Vrindavan, Uttar Pradesh, marking a historic moment for women's empowerment in the armed forces.
- 🎖️ The school is part of a larger initiative to establish 100 new Sainik Schools across the country and will provide training led by ex-servicemen to nearly 870 students.
- 🌟 Chief Minister Yogi Adityanath highlighted the importance of women's empowerment and inclusive education in his speech at the inauguration ceremony.
- 🏛️ Additionally, both leaders praised infrastructure developments in Ayodhya, envisioning a future that blends progress with cultural significance.

No tsunami threat to India, says INCOIS

- 🌊 Indian National Center for Ocean Information Services (INCOIS) is an autonomous organization of the Government of India, under the Ministry of Earth Sciences, located in Pragathi Nagar, Hyderabad.

- 🌐 ESSO-INCOIS was established as an autonomous body in 1998 under the Ministry of Earth Sciences (MoES) and is a unit of the Earth System Science Organization (ESSO).
- 🏠 INCOIS is mandated to provide the best possible ocean information and advisory services to society, industry, government agencies, and the scientific community through sustained ocean observations and constant improvements through systematic and focused research.

Nobel peace winner Muhammad Yunus convicted in Bangladesh labour law case

- 🏠 Professor Muhammad Yunus, recipient of the 2006 Nobel Peace Prize, is internationally recognized for his work in poverty alleviation and the empowerment of poor women.
- 🏠 He is the inspiration for the Grameen Foundation and a founding member of the Board of Trustees, having successfully melded capitalism with social responsibility to create the Grameen Bank, a microcredit institution committed to providing small amounts of working capital to the poor for self-employment.
- 🌐 Grameen Bank has grown to provide collateral-free loans to 7.5 million clients in more than 82,072 villages in Bangladesh, with 97% of them being women.
- 💰 Over the last two decades, Grameen Bank has loaned out over 6.5 billion dollars to the poorest of the poor, while maintaining a repayment rate consistently above 98%.

Veerasaiva -Lingayat

- 🕉️ Lingayatism is a distinct religious tradition within Hinduism that worships Shiva as the supreme deity, with followers known as Lingayats or Veerasaivas, emphasizing the worship of Shiva in the form of an ishtalinga, a personal emblem of the deity.
- 🏠 Lingayatism emerged as a reform movement in the 12th century, challenging the caste system, ritualistic practices, and the authority of the Brahmin priesthood, advocating for social equality and spiritual liberation, led by the philosopher and social reformer Basava.
- 🌸 Lingayats are known for their distinctive practices, including wearing the ishtalinga around their neck, symbolizing their devotion to Shiva, and emphasizing the principles of equality, social justice, and ethical living.
- 🌐 The Veerasaiva-Lingayat community has significant social and political influence in Karnataka, actively involved in social reform movements, education, and politics, shaping the cultural and religious landscape of the region.
- 🌐 Discussions and debates regarding the recognition of Lingayatism as a separate religious identity distinct from Hinduism have emerged, leading to movements advocating for its recognition as a distinct religion, represented by organizations such as the All India Veerasaiva Mahasabha.