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PRISM OF IDEAS

Editors Note

An idea is all that it takes to change the course of our future. At the start of this new academic year, at ‘Ephemeris’, we are celebrating ‘Prism of Ideas- Euphoria of imagination’ that has made economics as myriad as it is today. Just the way a prism refracts light, we hope that the ideas shared here help us all learn and grow.

Ephemeris is an initiative by the Department of Economics to encourage budding economists of tomorrow to think critically, envision boundlessly and write creatively. It has seen over the years the advent of some impactful pieces of writing beyond the realm of the classroom, aiming to bridge distinct ideas into a comprehensive whole.

A special thank you to all the writers who contributed with their articles to make Ephemeris what it is. Cheers to the readers, you are all wonderful. Thank you team, the effort and hard work is finally out for all to see. Hope to take this forward with great fervor and zeal!

FROM THE HOD'S DESK

The Economics Association, Amartya, has been playing a key role in organizing various activities related to the Department of Economics, since its inception. The very presence of Amartya has turned to be vital as it supplements the academic endeavours of the department. The Association consists of the representatives of different Programmes, ensuring a proper linkage between students of different level, knowledge and calibre. The Association undertakes various flagship programmes of the department such as the national level economics fest for undergraduate and masters' students, panel discussion on union budget etc. It also ensures that the representation of students of economics at Christ University, in national and international level programmes, is quite effective in creating a positive impact across the world.

It is time to appreciate the commendable leadership from the faculty coordinator, Prof. Greeshma Manoj and all office bearers and student leaders for injecting lots of energy into young minds. Amartya holds increasing importance in the context of considerable surge in the number of students seeking admissions in various Programmes with economics as a key area of study. Also, it is the occasion of releasing the first issue of Ephemeris, the department newsletter, this academic year. It provides a good platform for the students' academic importance. This issue of Ephemeris gives thrust to 'Prism of Ideas' as everything begins with an idea! I specially thank the faculty in charge of Ephemeris, Prof. Sheetal Bharat and Prof. Aswathy Rachel Varghese and all the students working behind it, for their effective coordination.

I wish each one of you, the economics fraternity, an enriching academic year 2016-17 ahead, through the initiatives of the Association, Amartya.

- Prof. Joshy K J
(Head of Department, Economics)

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ECONOMICS ALSO CAN GET WEIRD.

Nisarga Velur, II EMS

If you wanted to get a good idea of the current economic picture in the U.S, you could look at the GDP report or unemployment figures. You could also look at recent sales of men's underwear or Champagne. Economists make a strong argument that we are what we buy. And as strange as it seems, they can make accurate predictions about the economy's future health by looking at certain items we toss in our shopping carts. These items could be thought of as economic indicators.

Not all indicators have the same worth. Some are more reliable than others. And some measure other things besides what's going on in the economy. Here are a list 10 noteworthy, but odd, metrics, starting with the famously weird connection between lipstick and the stock market.

Lipstick vs. Nail Polish

When the economy tanked during the 2001 recession, cosmetic company Estée Lauder saw a significant boom in lipstick sales. Its former chairman, Leonard Lauder, dubbed it the "lipstick index," explaining that women seek out cheap "luxuries" when money is tight.

Turns out that Lauder was half right. Women do splurge on cheaper treats when the economy is weak, but fashion trends are another strong influence. During the Great Recession, for example, lipstick sales fell with the rest of the economy in 2008, but nail polish went through the roof, up 65 percent from 2008 to 2011.

The longer the recession - the weaker the relationship between down markets and "pick-me-up" sales. As the economy continued to limp along in 2013, U.S. perfume and nail product sales flattened and even declined as Americans cut back further on discretionary spending.

Coke Is It

Coca Cola is the biggest private employer in Africa and its sugary soft drinks are cheap and widely available even in the humblest rural store. Coke is so popular in Africa — more than 36 billion bottles are sold each year — that the company has identified a direct relation between Coke sales and political stability in African nations.

When Kenya erupted in post-election violence in 2008, Coke sales slumped then bounced back. As the country stabilized, more delivery of the drink in rural villages and urban slums was possible. The most dramatic indicators of instability are the countries that can't even get their act together to operate a bottling plant, like Somalia and Eritrea, whose supply lines were plundered by pirates and warlords.

If the Coke indicator holds true, then the political future is bright for Africa, Asia and Eastern Europe, which collectively provided a 5 percent boost in revenue for 2012 over 2011. The Coke index doesn't function as well in North America and Western Europe, where changing tastes and higher prices are more likely to affect soft drink sales.

Burgernomics

Back in 1986, writers for The Economist came up with a tasty way of measuring purchasing power parity or PPP by comparing the price of a McDonalds Big Mac across different countries. The exercise turned out to be a handy — if not an entirely accurate — way of predicting which global currencies were undervalued or overvalued compared to the U.S. dollar.

Here's how the theory works. In 2011, the price of a Big Mac in China was U.S. $2.27 versus $4.07 stateside. According to the Big Mac Index, that meant that the Chinese yuan was 44 percent undervalued compared to the U.S. dollar. In Brazil, on the other hand, a Big Mac was 51 percent more expensive than in America (at $6.16), making the Real wildly overvalued as a global currency.

Over time, the theory goes, exchange rates should drift toward equality or PPP. That is critical information for folks who trade on the FOREX or foreign exchange market. The Economist is quick to note, however, that Big Mac prices are affected by other factors, most notably wages and cost of living standards, which vary widely in developing countries.

Hemlines

Some economic indicators are so much fun, it hardly matters if they're actually true. Exhibit A is the "Hemline Theory" promoted by economist George Taylor back in the Roaring '20s. The Wharton School of Business professor couldn't help but notice the shockingly short dresses worn by flappers during the flush years before the stock market crash of 1929. According to Taylor's theory, women raised their skirts in good times to show off their expensive silk stockings. When they couldn't afford new stockings, the hemlines fell down.

Does that mean that a trend toward shorter or longer skirts can accurately predict movements in the stock market? Hardly. A team of economic researchers from the Netherlands compared hemline lengths with economic indicators from 1921 to 2009 and found that skirt lengths actually trailed the market by three to four years. In other words, skirts rose three years after an economic turnaround.

Clothing buyers for major retailers point out fashion trends work independently of the economy, although women are more likely to splurge on a name-brand skirt — long or short — when economic confidence is high, and opt for the discount version when money is tight.

Follow the Wire

For millions of migrant workers worldwide, Western Union is the fastest, simplest and most reliable way to send money to family and friends back home. The company is so popular with migrant workers that Western Union's earnings reports are one of the most accurate reflections of global migration trends.

Back in 2003, for example, Western Union made more than half of its earnings from migrant workers in the U.S. sending money home to countries like Mexico and El Salvador. By 2013, only 30 percent of Western Union's revenue originated in the U.S. Instead, the company saw a significant increase in money transfers from emerging economies like Brazil, Chile and Malaysia. Since many migrant workers lack legal documentation, Western Union records are the next best thing to census data for determining migration trends worldwide.

Men's Underwear

This one comes from the mind of none other than former Federal Reserve Chairman Alan Greenspan, known as "the oracle" for his uncanny ability to keep a pulse on the U.S. economy.

If you look at a graph of men's underwear sales over the past several decades, it's almost comically flat. Men don't run out and buy underwear because it's fashionable; they buy it when they need it, and only when they need it. Since men's underwear represents the ultimate non-luxury item, Greenspan theorized that any slight dip in sales signaled a significant drop in discretionary income.

Cardboard Boxes

Just about every consumer product you can imagine is shipped in cardboard boxes. That's why the manufacturing and sales of cardboard boxes are such reliable and accurate indicators of economic performance. An increase in cardboard orders signals a widespread increase in consumer activity.

Champagne

According to research conducted by NPR's Planet Money team; consumption of Champagne in the U.S. can predict, with 90 percent accuracy, the average American household income a year later. The researchers tracked Champagne sales and average household income from 1996 through 2011 and found an alarmingly accurate trend. The line for inflation-adjusted household income perfectly tracked how much Champagne Americans downed the year before. The peak bubbly years were, not surprisingly, 1999 and 2007, right before the Internet and housing bubbles were about to burst.

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THE POWER OF CONTRADICTION

Deeksha Pande, III ECO(H)

Are societal contradictions essential in shaping our everyday living?

The answer, in fact, is not merely a 'yes' or a 'no', but a reality of life. It is upon this very rudimentary truth Indian society survives, thrives, and brings to life a nation of unified yet diversified groups.

India is a land of cultural as well as societal contradictions. A fallacious argument would reason out that India has overcome its pangs of orthodoxy in certain ways. However, the basic fabric of the country's traditions and customs attaches connotations to a series of contradictions.

In a land where women are worshipped during festivities in broad daylight, while raped on silent nights, logic ceases to exist. In a land where growth is synonymous to accumulating money in Swiss banks, on the one hand, while there is development of the largest slum of South-East Asia, on the other hand, the fundamentals of the society are shaken. Yet again, in a country where reservation for minorities and identity crisis for the marginalized go hand in hand, the pillars of equality are challenged.

Yes, India is a land of contradiction, and a very strong one, indeed. It is this paradox that shapes our living. We believe women to be the best home-makers, givers of ultimate maternal love, where boundaries of worship and prayer don't confine spirituality. We believe in development as individual profiteering, small steps to a larger glory of development. We believe in the notion of "unity in diversity", and silent revolutions to solve crisis, following the Mahatma's ideals.

The contradictions are diverse yet true. It gives the Indian society a distinctive identity making it a land for both the powerful and the powerless. However, we should not forget that it is also the land of emerging youth, a nation with the largest democracy, and a country with historic greatness. This brings to our understanding that it is not just a developing nation, but one which entails a new era all together.

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IS INDIA A GLOBAL RESOURCE IN THE ERA OF DIGITIZATION?

Adaina K.C, Faculty, Dept. of Economics

The World Economic Forum (WEF) that concluded a few months back in the Swiss resort town of Davos had a few main concerns and key issues on fuelling economic growth. Of particular relevance for India was the digitisation and automation of economic activities. In the backdrop of a gloomy global economic scene, the World Economic Forum, this year, came up with a theme very apt and relevant to India's growth potential, i.e. 'Mastering a Fourth Industrial Revolution'. The essence of this theme is the transformation of society and the economy, motivated and driven by advances in artificial intelligence, robotics, autonomous vehicles, digitization and other emerging areas of science. One could argue that such a digital revolution should naturally and easily belong to India. India is a 'young' country with 65% of its 1.25 billion population under the age of 35 and has a continuously rising middle class with increasing disposable income and an aggressive appetite for IT based entrepreneurship. The Union Finance Minister, Mr. Arun Jaitley commented during the WEF on 'India and the World' that the year 2016 can be seen as a 'Year of Opportunity' for India. The

RBI Governor Raghuram Rajan also expressed confidence in this context that once the initial volatility in global markets settle down, investors will come looking for a more stable emerging economy like India.

An important question therefore, is how can we capitalize on these opportunities and make these positive sentiments a reality.

First and foremost, the government needs to build and expand digital infrastructure in the country. As of now, the digital prevalence is only an urban phenomenon, highly skewed in its distribution and biased towards the metropolitan areas. There should be initiatives to make digital in-roads to rural India too. Digital literacy can then happen at the grass-root level, educating the students at schools and colleges. It is also imperative to set up schemes to absorb non-performing educated youths and re-skill them to suit the digital requirements of the country. The Indian government's attention towards building a digital roadmap by envisioning more than USD 50 billion by 2020 is laudable in this regard. Such initiative in building digital infrastructure should effectively translate into smart cities, smart healthcare, smart e-commerce, intelligent transportation and so on. The government should also project the country as a viable and market-friendly investment destination to attract massive investments to meet the growing hunger and requirements for technology.

The government also needs to put in place a broader network to improve the quality and efficiency of services in various fields of space communication, mobile communication, broadcasting, radio navigation, mobile satellite service, aeronautical satellite services, defence communication etc. In addition, the government should formulate a market friendly spectrum policy with incentives for its efficient usage and also develop differential pricing of spectrum in congested areas. It is imperative that the government construct robust broadband highways and secure broadband access to everyone in order to foster the digital start-up revolution in the country.

Along with the expansion of digital infrastructure, increased investment on human capital is integral to making India a global resource for innovation and growth. Development of human capital is a thoroughly explored, researched and empirically verified area of academic and theoretical investigation that leads to innovation and creativity. The endogenous growth model, principally proposed by Paul Romer explicitly takes technological progress (as an engine of economic growth) to mean new innovation, new ideas, creativity etc. all leading to enhanced productivity. Romer provided an insightful analysis on increasing returns to scale at the economy-wide level once we introduce human capital and knowledge as inputs in the production processes. This model is interesting because it provides many important policy prescriptions. For instance, it suggests that investment on education or research and development of a firm not only has a positive effect on the firm itself but also spill-over effects on other firms and hence on the economy as a whole. According to World Bank data, India spent only 3.3% of GDP on education and research and development in 2015, while the global average was 4.9% of GDP. Not only does the government need to re-engineer its spending and increase investment on human capital formation but it also needs to re-skill the workforce to suit digital requirements if India wants to lead the fourth industrial revolution in the world.

Another key enabler is that regulatory frameworks should not hinder or stifle innovations that result from such investments. The entrepreneurial spirit is already very strong amongst the young Indians and the start-up ecosystem is evolving very well in the country. Innovation must not be hindered by state interference; instead the government should provide support on all fronts possible. For instance, easy and quick access to finance for start-ups can create an altogether new and conducive climate to incubate ideas and eventually translate them into actual and realised innovations. The government should continue to create more platforms and launch initiatives for start-ups with tax breaks for both the companies and investors. When an adequate broadband infrastructure is built for a digital country, a whole new, ambitious generation of start-ups will come up in every segment of each industry- be it education, manufacturing, transportation, energy, IT services, health care and so on. India can then acquire a “sweet spot” in the fourth industrial revolution (digital transformation) and become the next investment and business powerhouse.

ART ECONOMICS

Madhurima Mantha, IIIECO(H)

The greatest dilemma in life is to decide what exactly interests us from a career point of view. I have had many such "moments" where I am completely lost and have bizarre thoughts! And when such thoughts creep in, the only place with a solution is the World Wide Web. The search engine this time came up with probably the freshest idea as if it knew I was waiting for something like this. Doing a BA course with Economics as a major subject, I have always thought this was something used only in big financial institutions or in the government and being an artist, I assumed the only job a painter has is to create and sell paintings.

I am pretty sure a lot of us have never come across a study of, the economics of the art world. At least I am very new to this concept. This concept arises from the basic idea that the rich are further increasing their wealth by buying art.

This makes the rich richer and more wealthy individuals are now prepared to make bids of exorbitant amounts while in the outside world.

Beyond the utopia of the art world, living standards are in extreme contrast. Last year, worldwide auction sales of postwar and contemporary art climbed to a historic peak of 4.9 billion euros, or $6.8 billion, a massive increase over the €1.42 billion in auction sales in 2009, according to the 2014 Art Market Report published by the European Fine Art Foundation in March.[1]

Art economics has recently emerged as a very intensely researched topic and one of the few notable economists working in this field is Dr. Clare McAndrew. Dr. Clare McAndrew is a cultural economist, investment analyst and an author. She is the founder and managing director of Arts Economics, which she set up in 2005. Arts Economics is a research and consulting firm focused exclusively on the art economy.[2] It carries out research and analysis on the fine and decorative art market for private and institutional clients. Currently, the main field of research covers macro-economic art market studies, micro-level sector analysis, art banking and investment-related services.

This study is, however purely research based. There is no institution that particularly offers this course. Art Economics has seen light in the famous Wall Street where experts there consider the art market a great source of profits. Fred Alger, art collector and former board member of the Museum of Modern Art, had always envisioned a publication that examined an unregulated and basically veiled market filled with profitable sales but also with intrigue and confusion. He is the pioneer of *The Art Economist*[3], a publication that

[1] (The New York Times)
[2] (Arts Economics)
[3] (The Art Economist)

addresses the topics related to profitability in the contemporary art market.

There is a lot more to Economics than just demand and supply graphs! Economics as a discipline is used in majority of the research done in the world today and it is time that we broaden our perspective and work towards understanding the economics of everything society has to offer.

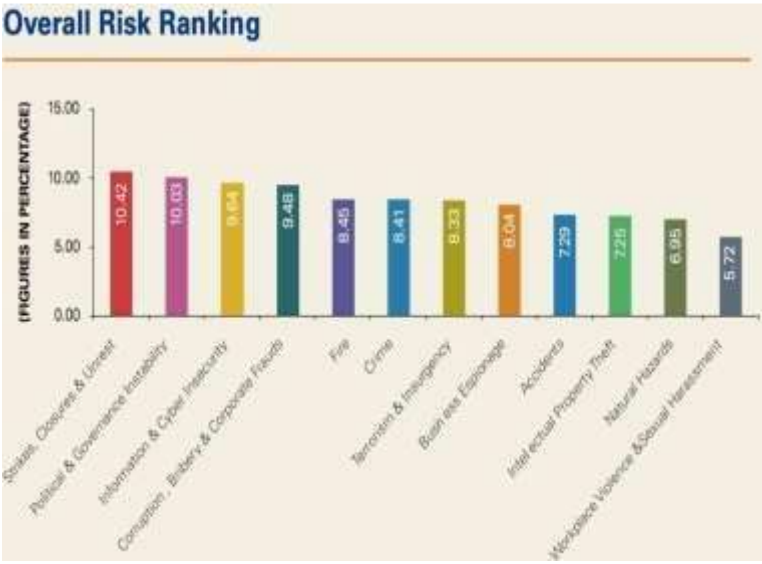
RAPE, INEQUALITY, AND ECONOMIC ISSUES

Supphakon Damrongkitkanwong, IIMAECO

India, the second largest populated country in the world is predicted to have taken the place of the first rank holder, China, by 2050. This implies that India is among the countries of the world that own enormous amount of potential labor force, but not all of them are participating economically. This is one of the reasons India remains to be one of the poorest per capita income nations. Economic factors such as low literacy rates, poverty and inadequate sanitation are largely responsible for the high number of rape incidents. Using open fields as toilets at night make it risky for women who are victims of local rapists. According to the four theories of rape, gender inequality generates the fear of rape in the minds of women enabling men to impose their power over women, maintaining the existence of gender stratification. In a patriarchal society where many women are considered objects of sexual pleasure of men, they are under the power of men by way of intimidation.

In 2012, the National Crime Records Bureau disclosed that the total number of victims of rape cases on an all-India basis was 24,923 out of which 24,470 offenders were known to the victims and 392 were victims of incest rape cases! According to the United Nation 2012 gender inequality index, India is ranked 132 out of 148 which indicates a huge gap of gender inequality. Perpetuating violence against women has exacerbated the challenges Indian women experience in accessing education and career opportunities that further reflects their arduous economic participation and the existence of glass ceiling. Only 23.3 per cent of women in India work, which indicates that majority of the potential labour force contribute absolutely nothing to the economy. Further, the Associated Chamber of Commerce and Industry revealed that rape and sexual assault have decreased the number of hours that women work. This trend is seen because they leave their offices early to avoid the higher risk of rape and sexual assault when travelling after dark. Even worse is seen when some of them quite their job when they think commuting becomes jeopardous. This shows that many women's earning potential has been lowered, reducing the per capita income and hence affecting the tax revenue as well as the GDP of the country. In addition, the reputation of the country has direct effect on its tourism industry. As the environment has been jeopardised, the number of tourists has dropped immensely leading to lower GDP.

The India Risk Survey 2013 conducted by Pinkerton and the Federation of Indian Chambers of Commerce and Industry (FICCI) to acknowledge potential risk factors affecting public and private sectors in India has revealed that the rape incidents has affected the productivity and motivation of women by 65 per cent; even though incidents occurred in a great distance from their home or workplace. Such unsafe environments that women live in today has not just compelled the government to form and implement policies for women security, but has also impelled the private sector to play a role in the economy. Registration for car drivers is made compulsory in many companies for the purpose of women security. Many women organisations have requested Business Processing Organisations (BPOs) and Call Centres to ban night shifts for women. In 2007 the state of Karnataka was the first to accept the request.



The above diagram shows the overall risk ranking where the overall risk of workplace violence and Sexual harassment is ranked the lowest at 5.72 per cent. However, it could possibly bring about political unrest and government instability where the overall risks are ranked 1st and 2nd respectively. Such consequences would lead to political uncertainty creating an unsuitable environment for businesses and investments to grow.

There are several reasons why is it so difficult to curtail rape. The victims often do not report the crime as they blame themselves for men's sexual aggression, not wanting to go through the deep distress of a rape trial. The prosecuted cases often result in acquittal because the juries blame the victim or refuse to blame the perpetrator. Often, the rapists have not internalized that raping is morally wrong so they continue engaging themselves in such behavior. According to evolutionary perspective, biologists explained that rape is and has always been universal, while the law is trying to prevent it from happening by making it a crime and imposing punishments on those who violate the laws. Sexual assault may be natural and universal, but the crime of rape is social. Katharine K. Baker stated that rape could be reduced only if rape's social construction is addressed.

The amendment of the anti-rape law is in place but the government should focus more on the implementation and most importantly there should be more security facilities for women. Without women security, there would not be much women economic participation, preventing them from earning income which would then result in lower per capita income. The Indian population is enormous in quantity and the economy has a very high chance of becoming a larger superpower if it is able to bring about women security. This is the most essential factor influencing economic participation and tourist destinations. Hence, it is plausible to say that the issue of rape is not just an immense social problem but it is a tremendous economic problem as well.

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GAME THEORY OF MARRIAGE

Sharon Fernando, IIMAECO

In this, the season of weddings, it's good to remember that it's all downhill from here. After the toasts and conga lines, the All-Clad omelet pans and honeymoon sex begins the real work of living together until you die.

In many ways, marriage is like a game plan. Two people get a license; make an understanding and pool in their resources together towards a mutual interest. There is a lingual bond that states that both parties are committed to making it work and put in a massive initial investment with a desire for voluminous returns over time. Although there are other elements involved, a marriage can benefit from common economic principles that are usually reserved for traditional business.

How does one negotiate when to sell a stock, whether to rat out a partner in crime, or what to ask for when negotiating a job offer? In each of these situations, the actions of others will greatly affect one's final result — and yet, one cannot predict an individual's thoughts. These are the kinds of situations that game theory has helped mathematicians and economists parse for decades. The prisoner's game is most commonly used to illustrate this principle. In the illustration, two partners in crime who are being interrogated by the police in separate rooms must decide if it is best to reveal or conceal. When the day of final reckoning arrives it is found that the appropriate option is for both parties to reveal, or in other words work towards their common good. In a marriage this makes too much sense. If spouses are acting only for their own selfish needs then they are doomed to fail. If you work together with your partner and stay on the same page, you are more likely to get the most benefit.

If we imagine the search for marriage partners as an auction, some of us are more confident of our long term prospects than others. People with brains, looks, social capital, money, or any combination of any of them can afford to be selective. Men and women who are traditionally thought of as desirable partners can be thought of as strong bidders. People who are less confident of their prospects are known as weak bidders. And strong bidders win over weak bidders, right? That's Wrong.

In the marriage market, there is an enormous incentive to get it right the first time. Consequently, weak bidders will move into the market very aggressively, while strong bidders stand pat, looking for a really good deal. Those who are most confident of their prospects are most likely to prolong their search for the perfect partner. In a sense, it is like poker, where those with the strongest hands stay in the game the longest.

Our traditional model, where the male makes the marriage bid and the female gives the thumbs-up or thumbs-down, places the male in the position of a weak bidder. If his bid is rejected, his social capital is knocked off, especially if word gets around, and it certainly will.

Therefore, more men are weak bidders when compared to women. For a cavalier, success would automatically spell out with a thumbs -up, and he would rather get an acceptance from a marginally desirable prospect than a rejection from a very desirable prospect. This model turns one of our traditional notions about marriage on its head. One commonly speaks of women as their

"better halves" in marriage; contradictory to it is usually men who say that they are "married up". But game theory holds true for the thought that many males have married beneath themselves.

For a bit of fun let's think about how soon a man (or woman) should get married using this rule. Let's assume that he is 16 and wants to get married sometime before he is 46. This gives him 30 years to find his optimum partner. According to the theory he should not settle down until at least 30 divided by e = 2.72 years gone by (e is a key value in mathematics and has a value of 2.72).

This works out to be 11 years, so he shouldn't get married before he is 27 otherwise he has reduced his chance of finding his best wife!

Today's takeaway: Don't settle too early. When you have lots of options it is better to keep looking for longer.

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ECONOMIC THEOLOGY- AN OXYMORON?

Vidushi Mehrotra, III ECO(H)

Contemporary economics has long ceased to be a monolithic body of empirical evidence and theory. Rather, it has emerged as a pantheon of competing schools of thought. While some such as the Neo-classical and Keynesian schools of thought are dominant, many others are marginalized. As students of economics, we are traditionally introduced to a heterogeneous body of knowledge, loosely termed neoclassical theory, a mere refinement of earlier classical economics, usually associated with David Ricardo, Adam Smith, Alfred Marshall and others before the twentieth century; Each of which is conspicuously modern in flavour, having no link to the more philosophical and abstract economics of St. Thomas Aquinas, Aristotle and Paul Samuelson (Nelson, 2004).

However, it is highly erroneous to deprive economics of its transcendent importance. This is primarily because as an applied study, economics is practiced in a cultural setting with an ethical dimension. Since, this morality works in close affiliation with economic agents, it is invariably grounded in the nature of God (Iyer, 2015). Though to a layman, theology and economics may seem two completely parallel subject matters, with opposing foundations and principles, wherein economics is understood as fixed and scientific, opposed to the unverifiable, subjective and thoroughly spiritual nature of theology (Chaff, 2016). But, one can discover a strong connexion between spiritual and economic matters in Western societies, reflected in the studies of Weber and Samuelson.

Etymologically, the word 'economy' traces its root to housekeeping. The term housekeeping in itself is suggestive of an anthropological foundation of family and culture, guided by moral principles. Human life is a tapestry of diverse activities, practiced in an economic climate where everything is condensed to maximization of profit and unlimited material growth. Hence, it becomes imperative to keep an eye on the moral contours of all such economic motivations, relationships and conventions. As a separate sovereign entity, economics threatens to reduce all other discourses to its own terms- complete material abundance (Williams).

According to Marshall, economics can exist apart from morals (Small, 2011). Regardless of its acceptance by several economists, this notion has always been flawed. Economics assumes an economic actor- *homo economicus* as a rational utility-maximising self-interested individual, which in itself is a collective anthropological-moral theory. Economists justify these assumptions with respect to interim costs, pertinent to the "the long run." Paradoxically, this long run finds its origins in economic theology, which tells us that a continuing high rate of economic growth will lead us to a 'new heaven on earth.'

Moreover, if current economics relies on the moral system of utilitarianism, and the anthropology of *homo economicus*, two proven deficient concepts, it seems reasonable to propose other economic structures based on other anthropological and moral systems (Small, 2011). This is precisely where economic theology finds its origins. Faith educates us to work towards a decisive global economic ethic, in which the indefinitely continuing poverty or disadvantage of some is not left behind. Therefore, in this sense, it exalts a bottom-up perspective to envision alternate solutions from a combined theological and economic standpoint. Pope

Benedict explicitly connected "the rejection of metaphysics by the human sciences" to failures in overcoming the problem of development (Iyer, 2015).

Religion and economics find common ground in terms of faith, supremacy and the need to seek an eschatological answer. Theology does not help solve economic questions, but it offers a more robust definition of what human well-being looks like, while providing a rationale behind existence in an economic framework (Iannaccone, 1998). It proposes a broader methodology for economics, one that is better conformed to real market actors and has the capacity to overcome some of the contentious aspects of the economics as a discipline.

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THE RBI GOVERNOR: REPORT CARD

In News

BJP leader Subramanian Swami's criticism of RBI Governor Raghuram Rajan's policies cannot eclipse his accomplishments to salvage a floundering economy, make the rupee respectable and lower inflation. When Rajan entered the RBI in September 2013, the country was part of the infamous 'Fragile Five'— emerging market economies which are too dependent on unreliable foreign investments to finance their ambitious growth.

Rajan, a former IMF chief economist, co- authored a classic, '*Saving Capitalism from the Capitalist*' which discusses how individual self-interest to earn money ensures economic balance. India experienced the 'Rajan effect' which was evident from investment inflows into the country and manifested through a strengthened rupee. His eventful three year tenure helped turn around the country's economy which is reflected in its enhanced forex reserves. The NDA led BJP regime retained Rajan as RBI Governor despite the fact that former PM Manmohan Singh appointed him in September 2013. Fortunately Rajan, unlike over half a dozen RBI Governors earlier who were compelled to demit office due to change of political regimes, never suffered such a fate.

Rajan who was Research Director, International Monetary Fund predicted the 2008 sub-prime crisis way back in November 2005 which made him a celebrity economist. His 2005 paper '*Has Financial Development Made the World Riskier*?' argued how growth of the financial sector actually increased risk --- contrary to the then Federal Reserve Chairman Alan Greenspan's views on the matter. Rajan was able to connect the dots in the international political economy and figure out flaws that could adversely affect global markets.

Rajan has a fairly unique profile which combines both academics along with policy experience. This made him a perfect fit to helm the central bank through an adverse economic climate. There have been only five RBI Governors who were economists from the 23 who occupied the office since 1939. Otherwise RBI Governors till 1977 were only bureaucrats, but there after economists also entered Mint Street. Only a single RBI chief rose from the rank of a research officer in the central bank.

The RBI Governor hiked interest rates to promote savings rather than expenditure. His perspectives on domestic and global macroeconomic issues, disapproved low interest rates. He controlled inflation and reduced it from double digit levels. As a result, India's economy expanded by 7.9 per cent in the fourth quarter of 2015-16, and enjoyed the fastest growth among emerging market economies. Given Rajan's track record, his successor should have equally impressive credentials to reassure the markets.

He focussed on inflation and instituted a Monetary Policy Framework Agreement in 2015. This emphasised

CPI rather than WPI for the first time. The move produced results when Rajan claimed that inflation control had also stabilised the rupee. The government debt redemption was also smoother once prices stabilized because it reduced the cost of borrowing.

The RBI Governor's policy objective to target medium-term inflation proved useful to stabilize a volatile economy.

The role of a central bank chief is to implement a monetary policy that provides consistent growth and employment, promotes stability of the country's financial system, manages the production and distribution of the nation's currency and informs the nation about the overall state of the economy through publication of economic statistics. Rajan did these tasks to the best of his abilities.

While Rajan's priority focused on Foreign Portfolio Investment (FPI), the political leadership pursued the policy of Foreign Direct Investment (FDI). Such sharp policy differences only drove a wedge between the RBI governor and the government. This conviction made Rajan hold firm the interest rates and not bow to pressures from various lobbies to lower these rates.

Moreover, Rajan did not subscribe to the 'economy shining' propaganda with his move to reveal the realities of the banking sector doing badly with its enormous debts. Also Rajan promoted the concept of 'Make for India' rather than the Modi line of 'Make in India'. This only widened the schism between the central bank chief and his political bosses.

Differences of opinion over policy between the RBI Governor and heads of commercial banks have occurred earlier. For instance, prior to the mid-quarter monetary policy review in June 2013, the SBI Chairman proclaimed his disapproval over the prevalent Cash Reserve Ratio (CRR) rate. He opined that minor rate cuts would make no significant difference to the commercial banks lending rate and bank earnings. A lower CRR rate reduces interest rates on bank loans. This highlights a clash of views between the RBI

Governor and Chairman of India's largest commercial bank.

Criticism of the RBI Governor over economic variables of interest rates, Non Performing Assets (NPA) estimates and the shift from the Wholesale Price Index (WPI) to Consumer Price Index (CPI) are debatable. While Rajan attempted to focus on individual development, the powers-that- be preferred to promote overall economic growth. His exit from Mint

Street amounts to the country's loss of a brilliant brain, which could be another country's gain. There are unconfirmed reports that another country has invited him to join their economic policy community. Under his watch, the Indian economy performed well which earned him flying colours, yet the government chose not to retain him. Clearly Rajan's decision to demit office suggests that politics overrode economics.

Whether this move is the government's victory or the country's loss only time will tell.

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