

ECONOMY

PRE-CONTEXT

ECONOMIC GROWTH

THE HINDU, PG.NO: 1.

News: "IMF retains India's growth projection at 7% for FY25"

Economic Growth

- Economic growth refers to an increasing production of goods and services in an economy over a period of time.
- In India economic growth is measured using Real GDP.
- **Real GDP:** Calculation of prices of goods and services produced in an economy *adjusted for inflation*.
 - Economic growth and Real GDP are directly proportional.
- **Nominal GDP** is calculation at *current price* (includes inflation).
- **Slowdown:** When rate of change of Real GDP is *decreasing* but not negative.
- **Recession:** When rate of change of Real GDP is *negative*.
- **Melt down:** steep fall of stock markets.
- **Economic growth can happen even without generation of employment.** Eg. Jobless growth, increased labour productivity, better technology, outsourcing etc.

Core Industries

- **8 core Industries of Indian economy:** they collectively represent 40% of total items included in the Index of Industrial Production(IIP).
- **Cement, Electricity, Coal, Crude Oil, Refinery products, Natural gas, Fertilisers, Steel.**
- **Highest weight in IIP** assigned to Petroleum Refinery products followed by Electricity and Steel.
- **Index of Industrial Production** released by **NSO**.

Gross Capital Formation

- This **gives details about Savings in the economy**.
- Savings include Household, Private, Public sector.
- **Higher GCF = Higher Savings.**
 - Higher Savings = higher money to borrow from market.
 - Higher money in market = higher rates of production.
- **Despite India being a high saving economy (high Capital formation) but its GDP output is low why:** this is due to High-capital-to-output Ratio.
- **Capital-to-Output Ratio** shows how much capital you have invested and how much you get back.
- **High capital-to-output ratio means** one who has invested is not able to get back enough-returns of what they invested.
- **Low capital-to-output ratio means,** despite investing less capital, gets more in return.

National Statistical Organisation

- Works under **Ministry of Statistics & Program Implementation**.
- **Indices Published by NSO:** GDP, SGDP, Inflation (CPI, WPI), Employment Reports(PLFS).
- Statistics is under **concurrent list**.

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GLOBAL PLASTIC TREATY

THE HINDU, PG.NO: 1.

News: "Plastics treaty draft overlooks key issue:limiting production."

Context:

- Last round of negotiations on a **legally binding treaty to address the global scourge of plastic pollution** has opened in Busan, South Korea.
- **Global plastics production is projected to reach 736 million tons by 2040**, a 70% increase from 2020, without policy changes, as per the OECD.

Ongoing Plastic Pollution Treaty Highlights:

- Led by **United Nations**.
- The treaty **lacks a universally agreed-upon definition for the term 'plastic'**.
- **Is there a limit** on the amount of plastic companies can produce?
- **Resolve whether to end the use of hazardous chemicals in plastics** and whether these steps will be mandated or merely encouraged.
- To promote design of plastic products so they can be **recycled and reused**.
- There is demand for a treaty that tackles the root causes of the crisis rather than just managing plastic waste.
- **Overlooks** the key **issue of limiting production**.

India's Proposals:

- India proposes **creating a dedicated multilateral fund** with distinct contributions from other financial transfers.
 - The **fund will be governed by a subsidiary body** that facilitates:
 - **Technology transfer from developing to developed countries** for achieving a just transition towards sustainable plastic production and consumption.
- India says it will not back 'use' of plastic alternatives.

India and Plastic:

- India **banned single-use plastic** in 2022.
- Nearly **24 million tonnes of plastic** packaging have been introduced into India since 2022, despite its limited mechanical **recycling capacity of 9.8 million tonnes**— **Centre for Science and Environment investigation**.

Similar Conventions:

- **Basel Convention:** aims to reduce the movement of hazardous waste between nations
- **Stockholm Convention:** seeks to eliminate or restrict the production and use of persistent organic pollutants (POPs).
- **Rotterdam Convention:** promotes shared responsibilities in the international trade of certain hazardous chemicals and pesticides.

"We are not demonising plastic. It helps our planes and cars get lighter, but we have to get rid of polluting plastic"— Climate & Environment Ambassador, of EU.

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ENVIRONMENT REGULATORS

THE HINDU, PG.NO: 5.

News: "Silica mining: NGT asks CPCB to prepare pan-India guidelines."

Context:

- National Green Tribunal (NGT) on Friday directed the Central Pollution Control Board (CPCB) to prepare detailed pan-India guidelines for silica sand mining and silica washing plants within three months.

Issues with Silica Mining and Sand washing:

- Silica sand washing plant is used to remove impurities and contaminants from silica sand.
- Both mining and washing pose health risks to people working in the plants or residing nearby.
- They also cause silicosis, an occupational lung disease caused by prolonged inhalation of silica dust.

National Green Tribunal:

- Statutory body:** Est. National Green Tribunal Act 2010.
- Composition:** Chairperson, members from Judiciary, Domain experts.
- Tenure:** 3 years.
- Chairperson appointed by central government in consultation with Chief Justice of India.**

Powers:

- Jurisdiction:** all matters related environment. Eg. Water Act 1974, Air Act 1981, Environment Protection Act 1986 etc.
- Procedure guided by Principles of Natural Justice.
- Suo Moto (can take up issue on its own).
- Power to impose penalties.
- Its orders have same status as a decree of a civil court.
- It is mandated that dispose of all applications and appeals within 6 months.

CPCB:

- Statutory body** created under Water (Prevention and Control of Pollution) Act 1974.
- Also entrusted with powers and functions under the Air Act, 1981.
- Works under Ministry of Environment, Forest, and Climate Change.
- Advises** Central govt., on water & air pollution.

Powers of Board:

- Has nationwide jurisdiction but works in coordination with State Pollution Control Boards.
- Advices, coordinates & technical assistance for prevention of water pollution.
- Amended in 1977:** imposes "Cess" on industries.
- Power to punish, fine & imprisonment.

Functions:

- Setting standards for notified pollutants under National Ambient Air Quality Standards for air quality.
- Sets environment criteria for products under Ecomark scheme.
- Monitors the usage of single-use plastics.

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Initiatives by CPCB:

- Comprehensive Pollution Index:** ranks industrial clusters based on the level of environmental pollution they cause.
- National Air Quality Monitoring Program (NAMP):** Monitors ambient air quality at various locations across India.
- National Water Quality Monitoring Program (NWMP):** Monitors water quality at different rivers, lakes and water bodies.
- Graded Response Action Plan (GRAP):** dealing with severe air pollution levels in the National Capital Region (NCR).
- National Clean Air Programme (NCAP):** to reduce PM10 & PM 2.5 by 20-30% by 2024.

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GS II

SYLLABUS: ISSUES AND CHALLENGES PERTAINING TO THE FEDERAL STRUCTURE.

PRESIDENTS RULE

THE HINDU, PG.NO: 10.

News: "Clamour for President's Rule is increasing in Imphal, says Manipur High Court's former CJ."

Current situation in Manipur:

- In Manipur, the unprecedented and horrific violence that erupted in May 2023, continues unabated.
- Ordinary people are forced to resort to violence** for self-protection.
- Between May 11 and November 11, 2024, over 250 people were killed, and more than a lakh were displaced due to ethnic violence.
- Recent centre's AFSPA intervention in Manipur has limited impact.
- Supreme Court's intervention was slow and ineffective, despite there having been 27 hearings.
- State of Manipur reflects a classic case of the failure of the Constitutional machinery.
- Situation demands the immediate intervention of the President.

Emergency Provision's under Part XVIII:

- Art.355:**
 - Duty of Centre to protect every State from external aggression and internal disturbance's.
 - Centre to ensure that every State govt. operate according to provisions of the Constitution.
- Art.356:**
 - Imposition of President's rule, if President is satisfied, that State govt. is not functioning according to provisions of Constitution or "Governor report" or "otherwise".
- Art.365:**
 - Imposition of President's rule, if State govt. does not comply with directions of Centre.
- Note:** Art. 355 was incorporated to check any arbitrary or unauthorised use of Art. 356—Dr. B.R. Ambedkar.

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Important cases on president rule:

- **S.R. Bommai vs Union of India 1994: to restrict misuse.**
 - President rule is subjected to **Judicial Review**.
 - Satisfaction of President must be based on relevant material & **Centre must justify President rule**.
 - If President rule is unconstitutional, **State Legislature can be revived by court**.
 - State Legislature can be dissolved only after parliamentary approval, till then can **only be suspended**.
 - **If State follows anti-secular policy**, Art.356 can be applied.
 - **Floor test of confidence is mandatory** before dismissal of State executive.
 - Art.356 is only a measure of **last resort**.

Proper Application President Rule :

- **Hung Assembly situation:** no single party or pre-existing coalition achieves a clear majority.
- If **State goes against Constitutional direction** of Central govt.
- **Internal subversion** Eg. Govt deliberately acting against Constitution or law.
- **Physical breakdown of govt.** law and order i.e, State endangering its security.

Misuse of Art.356:

- Dr. B.R. Ambedkar **wished that Art. 355 & 356 should remain as 'dead letters'** but they were misused on several occasions:
 - Removing elected govts.
 - Loss in Lok Sabha elections.
 - Deterioration of law and order in States.

Impacts of President Rule:

- **On State Executive:**
 - President can **suspend** Constitutional provisions of any body of State.
 - President can **dismiss Council of Ministers** headed by Chief Minister.
 - Can vest State govt. executive powers with Governor or any other authority.
- **On State Legislature:**
 - **Parliament exercises State Legislature powers.**
 - **State budgets & bills passed by Parliament.**
 - President can promulgate **ordinances** for State.
 - **Laws** made by Parliament or President **continued to operate even after President rule**. Such laws can be repealed or altered by State Legislature.
 - **Parliament can dissolve State assembly only after** Parliamentary approval, till then (only suspended) — **S.R. Bommai case**.
- **On Judiciary:** No Impact.

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GOODS & SERVICES TAX

THE HINDU, PG.NO: 13.

News: "GST spurring fresh tax terrorism!"

About GST:

- **Vision:** सरलीकृत कर, समग्र विकास
- One nation, one **indirect Tax** regime i.e a unified national market.
- **Destination based tax.**
- **Components of GST:** CGST, IGST, SGST.
- Both CGST, SGST are levied across the value chain **on both goods and services**.

Taxes subsumed by GST:

- **Central Taxes:** Cess, Surcharge, Central Excise Duty, Service Tax, Customs.
- **State Taxes:** VAT, Entertainment tax, Luxury Tax, Entertainment Tax.
- **Items not covered under GST:** Electricity, Alcohol, Petrol & its products. But sales tax & VAT are levied on Alcohol, Petrol & its products.

About GST COUNCIL:

- **Constitutional body under Art.279A,**
- It empowers the **President** to constitute a GST Council to make recommendations on levy of various taxes.
- **Responsibility:** To make recommendations on:
 - Inclusion & exclusion of Goods & services under GST.
 - GST floor rates.
 - Surcharges, taxes, cess levied by Centre, States, Local bodies that would get merged into GST.
 - Revenue sharing between Central and state govts.
- **Composition:**
 - **Chaired by Finance Minister.**
 - Union Minister of State in charge of revenue (finance) from the centre.
 - Members nominated by each State.
- **Decision making in council:**
 - Every decision = Minimum **3/4th Majority** of weighted votes.
 - Centre vote weighs = 33%, States = 66%.

Other functions:

- **Adjudication of Disputes** b/w Centre & States, States & States etc.
- **GST Appellate tribunal:** Statutory body under CGST Act.

GST Issues:

- **GST Evasion:** of **₹2 lakh cr.** found in FY24; over 40% in online-gaming — **Directorate General of GST Intelligence report.**
- **Technical issues:** e-way billing system glitches. Eg. **Vacmet India Ltd. Case 2023.**
- **Corruption associated with input credit** Eg. fake companies, **~9,000 fake GSTINs** identified, etc.
- **Multiple Tax Slabs:** GST structure includes four main tax rates (5%, 12%, 18%, 28%), causing complexity.

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• **Federal issues related to GST**

- **Loss of Fiscal Autonomy after GST:** In 2000-01 States decided the floor rate for sales tax & two-thirds of their revenue generated from VAT.
- **Voting rights issue:** Eg: small states like Goa have equal vote with larger states.
- **Ignoring diversity of issues:** The problems of Assam are not the same as those of Gujarat. Their sources of revenue and expenditure's are different.
- **GST council recommendations are not binding** on Centre & States, it can't have supremacy over elected Govt. —**SC 2022.**
- **Shortfall in GST compensation:** is done through a cess on luxury and sin goods. But collection of cess remains inefficient—**CAG Report 2021.**
- **COVID-19 Impact:**
 - It exacerbated revenue deficits of States & there was **GST compensation shortfall of 2 lakh crore.**
 - Central govt. proposed that States borrow to meet the deficit, leading to disputes over fiscal responsibilities.
- **GST Council has become overly focused on rate cuts and exemptions:** hindering necessary rate rationalisation —**A.Subramanian former CEA.**

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Thank you!