CURRENT EVENTS AND ANALYSIS

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INDIAN ECONOMY

Editor

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CURRENT EVENTS AND ANALYSIS

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Irrigation:

Continuation of Pradhan Mantri Krishi Sinchayee Yojana for 2021-26

- In December 2021, the Union Government approved continuation of three components of Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) for 2021-26 with an outlay of Rs.93,068 crore.
- Accelerated Irrigation Benefit Programme (AIBP), Har Khet ko Paani (HKKP) and Watershed Development components are three components approved for continuation during 2021-26.

Background:

- Out of about 141 million hectares of net area sown in the country, **only 45%** (about 65 million hectare) is covered under irrigation.
- Substantial **dependence on rainfall makes cultivation** in **unirrigated** areas a **high risk, and less productive profession.**
- Pradhan Mantri Krishi Sinchai Yojana (PMKSY) was launched by the Union Government in 2015 with the overreaching vision of ensuring access to some means of protective irrigation to all agricultural farms in the country.
- Assured irrigation encourages farmers to **invest more in farming technology** and **inputs** leading to productivity enhancement and increased farm income.

Broad objectives of PMKSY:

- Achieving convergence of investments in irrigation at the field level (through preparation of district level and sub district level water use plans).
- Providing new water sources;
- repair, restoration and renovation of defunct water sources;
- construction of water harvesting structures,
- ensuring integrated development of rain fed areas using the watershed approach towards soil and water conservation, regeneration of ground water, and arresting runoff,
- enhancing physical access of water to the farm and expand cultivable area under assured irrigation (Har Khet ko pani - Water to Every Farm), and
- improving on-farm water use efficiency to reduce wastage and increase availability both in duration and extent (through enhanced adoption of precision-irrigation and other water saving technologies - more crop per drop)

Components of PMKSY:

PMSKY has the following 4 major components:

1. ACCELERATED IRRIGATION BENEFIT PROGRAMME (AIBP)

It focuses on faster completion of ongoing Major and Medium Irrigation Projects including National Projects.

2. PMKSY (HAR KHET KO PANI)

HKKP consists of four sub-components

a) **Command Area Development (CAD)** i.e. strengthening and creation of distribution network from source to the farm,

b) **Surface Minor Irrigation (SMI)** i.e creation of new water sources (both surface and ground water),

c) **Repair, Renovation and Restoration (RRR) of Water Bodies** i.e. strengthening carrying capacity of traditional water sources, construction of rain water harvesting structures, and

d) **Ground Water Development** (creating sinks to store runoff/ flood water during peak rainy season.

3. PER DROP MORE CROP:

It focuses on enhancing water use efficiency at farm level through Micro Irrigation with Drip and Sprinkler Irrigation System. Besides promoting micro irrigation, this component also supports micro level water storage or water conservation/management activities as Other Interventions to supplement Micro Irrigation.

4. PMKSY (WATERSHED DEVELOPMENT):

Watershed Development component focuses on development of rain fed areas towards soil and water conservation, regeneration of ground water, arresting runoff and promoting extension activities related to water harvesting and management.

Continuation of 3 components:

- In December 2021, the Union Government approved continuation of 3 components of PMKSY namely Accelerated Irrigation Benefit Programme (AIBP), Har Khet ko Paani (HKKP) and Watershed Development.

Accelerated Irrigation Benefit Programme:

- Total additional irrigation potential creation targeted during 2021-26 under AIBP is 13.88 lakh hectare.
- Apart from focused completion of 60 ongoing projects, additional projects will also be taken up.
- Central funding of 90% of water component for two national projects would be given, namely Renukaji Dam Project (Himachal Pradesh) and Lakhwar Multipurpose Project (Uttarakhand). The two projects would provide beginning of storage in Yamuna basin benefitting six states of upper Yamuna basin, augmenting water supply to Delhi as well Himachal Pradesh, Uttarakhand, UP, Haryana, and Rajasthan and a major step towards rejuvenation of Yamuna.

Har Khet Ko Pani (HKKP):

- Additional 4.5 lakh hectares irrigation would be created under surface minor irrigation and repair-renovation-restoration of water bodies component.

- **Watershed Development**

This component envisages bringing additional 2.5 lakh hectares under protective irrigation in rain fed areas during 2021-26 .

Financial Support for Ken-Betwa Rivers Interlinking

- In December 2021, the Union Government approved central support of Rs.39,317 crore (grant of Rs.36,290 crore and loan of Rs.3,027 crore) for interlinking of Ken and Betwa rivers in the Bundelkhand region. This is the first inter-linking rivers project under the National Perspective Plan which envisages transfer of water from water surplus areas to drought prone and water deficit areasthrough the interlinking of rivers.

Details:

- Bundelkhand is a semi-arid region of India spread over northern Madhya Pradesh and southern Uttar Pradesh.
- It comprises of seven districts of Uttar Pradesh: (Jhansi, Jalaun, Lalitpur, Mahoba, Hamirpur, Banda and Chitrakoot) and six districts of Madhya Pradesh : (Datia, Tikamgarh, Chhatarpur, Panna, Damoh and Sagar.)
- Rainfall is sparse and the **agricultural production is low** due to **lack of irrigation facilities.**
- As a result, nearly 50 per cent of the people in this region are poor leading to **distress migration** to other parts of the country.

About Ken-Betwa Rivers Interlinking:

- The project approved by the Centre involves interlinking of Ken and Betwa Rivers which are tributaries of Yamuna River.
- Both the rivers originate in Madhya Pradesh and flow through Uttar Pradesh where they join Yamuna River.
- Surplus water from the Ken River will be transferred to the Betwa River with the construction of Daudhan Dam and a 221 Km canal linking Ken River and Betwa River.
- A Special Purpose Vehicle (SPV) called Ken-Betwa Link Project Authority (KBLPA) will be set up to implement the project.

Benefits of the Project:

- Once completed, the project will provide an **annual irrigation for 10.62 lakh hactares,** drinking water supply to a population of about 62 lakhs, and also generate 103 MW of hydropower and 27 MW of solar power.
- The project is expected to **improve socio-economic conditions** of people in the backward Bundelkhand region on account of increased agricultural activities and employment generation.
- It would also help in **arresting distress migration from this region.**
- Panna, Tikamgarh, Chhatarpur, Sagar, Damoh, Datia, Vidisha, Shivpuri and Raisen districts of Madhya Pradesh, and Banda, Mahoba, Jhansi & Lalitpur districts of Uttar Pradesh will benefit from this project.
- The Project is proposed to be completed in 8 years.

INDUSTRY

PSU Privatisation:

Guidelines Issued for Implementation of New Public Sector Enterprises Policy

- In December 2021, the Union Government issued detailed guidelines for the implementation of New Public Sector Enterprises (PSE) policy in the non-strategic sector.

Background:

- In February 2021, the Union Government notified the new Public Sector Enterprises (PSE) policy.
- The new PSE Policy envisages classification of Central Public Sector Enterprises (CPSEs) into two sectors:

1. Strategic sector, and
2. Non-Strategic Sector.

Exemption:

- The policy exempts certain CPSEs under the Companies Act, 2013 or those supporting vulnerable and weaker sections of society from the scope of the Policy.

Strategic Sectors:

The strategic sectors as per the policy are

1. Atomic Energy, Space, and Defence,
2. Transport and Telecommunications,
3. Power, Petroleum, Coal, and Other Minerals,and
4. Banking, Insurance, and Financial Services

CPSEs in the Strategic Sector/ Non- Strategic Sector are to be taken up for privatisation, merger, subsidiarisation with another CPSE or for closure.

Only a bare minimum presence of CPSEs in the aforesaid Strategic Sector is to be maintained.

Implementation of the Policy:

- Department of Investment and Public Asset Management (DIPAM), under Finance Ministry deals with all matters relating to the management of Central Government investments in Central Public Sector Undertakings (including disinvestment).
- The Four major areas of its work relate to Strategic Disinvestment, Minority Stake Sales, Asset Monetisation and Capital Restructuring (changing the ratio of debt and equity). It also deals with all matters relating to sale of Central Government equity through offer for sale or private placement or any other mode in the erstwhile Central Public Sector Undertakings.

- However, in July 2021, the Department of Public Enterprises (DPE), under the Ministry of Heavy industries, which was responsible for continuous appraisal of the performance of public enterprises, was brought under the Ministry of Finance.
- Consequent to the merger of Department of Public Enterprises (DPE), the Ministry of Finance demarcated certain responsibilities between DIPAM and DPE.
- DPE has been entrusted with the responsibility to identify CPSEs for closure or privatisation in non-strategic sector in consultation with administrative ministries / departments and to take in principle approval from CCEA in respect of such identified CPSEs.
- In December 2021, the Government issued further detailed guidelines regarding the implementation of new Public Sector Enterprises (PSE) policy in the non-strategic sector.

New Guidelines for non-strategic sector:

- New Guidelines provide clarity to the process and timelines to be followed by the Department of Public Enterprises.
- DPE will identify the CPSEs either for closure or privatisation in the non-strategic sectors in consultation with the concerned Administrative Ministries/ Departments, NITI Aayog, Department of Expenditure, and DIPAM (Department of Investment and Public Asset Management)
- After identification of non-strategic PSEs for closure or privatisation, DPE will prepare a Note for in-principle approval of the Cabinet Committee on Economic Affairs (CCEA)
- Once, the in-principle decision for closure of a CPSE is obtained from CCEA, an Inter Ministerial Committee (IMC) will be constituted by DPE to drive the process of the closure of CPSEs.
- The Ministry/ Department concerned will proceed to work out the details of the closure. This would include estimation of budgetary support required for financing the closure of the CPSE, the time-lines and phasing of release of funds from the Central Government, etc.
- Disposal of movable assets including plant & machinery would be done in a transparent manner through an Auctioning Agency.
- Intangible assets like brand name, goodwill, trademarks, intellectual property, etc. of the CPSE under closure shall be transferred to the concerned administrative Ministry/ Department of the CPSE for disposing of separately.

7 months time line

- The guidelines set a time line of 7 months from the date on which in-principle approval of closure of CPSE has been given by the CCEA for completion of process. Another 45 days has been kept for striking off of the name from the list of Registrar of Companies.

Significance of Central PSE's:

- **Total Central PSEs:** As on March 31, 2020, 256 CPSEs were operational.
- **Profits:** The overall **net profit** of operating CPSEs during 2019-20 stood at Rs. 93,295 crore.
- **Contribution to Exchequer:**
- **Contribution** of all CPSEs to central exchequer by way of excise duty, GST, corporate tax, dividend, etc. stood at Rs. 3,76,425 crore.
- **Employment:** The CPSEs across sectors employed 14,73,810 persons.

Reasons for evolution of Public Sector Enterprises in India:

- When the country became independent in 1947, there were range of socio-economic problems confronting the country.

- Some of the problems were

a) an agrarian economy with a weak industrial base,

b) low level of savings,

c) inadequate investment and lack of infrastructural facilities.

d) considerable inequalities in income and levels of employment, and

e) glaring regional imbalances in economic development and lack of trained manpower.

- All these problems needed to be dealt with in a planned and systematic manner. Planned development through State's intervention in all the sectors of the economy was seen as a pragmatic compulsion.

- Private sector neither had the necessary resources, the managerial and scientific skill, nor the will to undertake risks associated with large long-gestation investments.
- Hence, the Public Sector Enterprises were set up with following objectives:

a) ensure the rapid economic development and industrialisation of the country and create the necessary infrastructure for economic development,

b) promote redistribution of income and wealth,

c) create employment opportunities,

d) promote balanced regional development,

e) assist the development of small-scale and ancillary industries,

f) promote import substitutions, and

g) save and earn foreign exchange for the economy.

Reasons for disinvestment of Public Sector Enterprises:

- The process of disinvestment and privatisation in public sector enterprises began in 1991 due to the following reasons.
- The monopoly status of public sector enterprises (PSEs) **bred inefficiency.**
- There was a **negative return on capital employed** in most Public Sectors Enterprises (PSEs).
- Inefficient PSUs had become **a drag on the Government's resources** turning to be more of liabilities to the Government than being assets.
- The national **gross domestic product and gross national savings** were also getting adversely affected by low returns from PSUs.
- **Private sector** also began gaining **sufficient expertise** in running large organisations. Hence, involvement of private sector would bring in efficiency in running these enterprises.

Semiconductors & DME:

Incentives Programme for Development of Semiconductors and Display of Manufacturing Ecosystem in India

- In December 2021, the Union Government approved an incentive program worth US $ 10 billion (Rs. 76,000 crore) for the development of semiconductor and display ecosystem in the country.

Details:

What are Semiconductors?

- Semiconductors are small in size, consume low power, operate at low voltages, and have long life and high reliability.
- Semiconductor devices (commonly called electronic chips) are critical components used in the various electronic products used in our day to day lives like smartphones, laptops, televisions, washing machines, refrigerators, LED bulbs, digital cameras as well as in sophisticated equipment used in industries like automobiles, defence, aerospace, Internet of Things (IoT), sensors, self-driving car circuits, etc.
- The most used semiconductor materials are silicon, germanium, and gallium arsenide. Of the three, germanium was one of the earliest semiconductor materials used.
- Silicon has been in extensive use as a semiconductor material since the 1950s. It is the most abundant element on earth after carbon, and is abundantly available in quartzite.

- Gallium arsenide is the second most common semiconductor in use today. Unlike silicon and germanium which are found as single elements, gallium arsenide is a compound semiconductor. A compound semiconductor is made by combining two or more elements. Example: gallium arsenide is made by combining Gallium with Arsenic.
- Gallium-nitride (GaN), silicon carbide (SiC), indium-phosphide (InP) and even aluminium-gallium-indium-phosphide (AlGaInP) are some of the other compound semiconductors.

Why Semiconductors are called so?

- Semiconductor materials have specific characteristics related to electrical conductivity.
- Materials that allow electrical conductivity are called conductors. Examples include gold, silver, and copper. Insulators, on the other hand, have high resistance and prevent electrical conductivity. Rubber, glass, and ceramics are insulators.
- Semiconductors possess characteristics of both conductors and insulators. Semiconductors have lower numberof free electrons, which are needed for conductivity. Their atoms group together to form a crystal lattice through which electrical conductivity is possible, but only under the right conditions.
- At low temperatures, semiconductors allow little or no conductivity and act as insulators. At room temperature or when exposed to light, voltage, or heat, however, they can conduct electricity. It is this quasi state between conductors and insulators that makes semiconductors so important for electronic devices, as they control how, when, and where electricity flows.

Display Manufacturing:

- The global market demand is expected to reach around$ 126 Billion by 2025.
- China, South Korea, and Japan control the bulk of the production in the display market, together making up the 65% of the global production. South Korea houses the display giants like Samsung Display and LG Display.
- Economies across the globe are trying to capitalise on the display demand. China is rapidly growing its production with currently 12 under construction.
- LCD (Liquid Crystal Display) and OLED (Organic Light-Emitting Diode) are the dominant technologies used in the display units.

Why did India announce Incentive Scheme for Semiconductors and Display Manufacturing Units?

- India **imports100 % of semiconductors** used in various products like mobile phones, computers, washing machines, etc. spending US $ 24 billion annually.
- Such high reliance on imports makes the country susceptible to supply chain disruptions.
- For instance, the automobile manufacturing industry has been hit hard by semiconductor chip shortages worldwide including India due to COVID-19. Despite strong demand, Indian carmakers are estimated to loose sales of 5 lakh units in FY2021-22 due to chip shortage.
- Hence, the incentive programme for semiconductors and display units has been launched to achieve self reliance as well as position for India as hub of manufacturing these items.

What are the challenges in attracting investments for setting up semiconductor companies?

- Semiconductors and display manufacturing is **very complex** andrequires **cutting-edge nanoscale manufacturing technologies**
- It involves **huge capital investments, high risk, long gestation and payback periods, and rapid changes in technology.**

- The industry also requires **continuous power supply (as these factories run 24/7), huge quantity of ultra-clean water** (for cleaning chips to remove any contaminants) and **skilled manpower.**
- The environment within the factory has to be completely clean as even a single speck of dust can compromise a chip and lead to defective products.
- It takes years and costs upwards of $5 billion to set up a semiconductor fabrication unit. Factories of companies like Samsung and TSMC (Taiwan Semiconductor Manufacturing Company) costed over $20 billion each.
- Hence, the semiconductors' design and manufacturing is concentrated in a few countries and in the hands of few companies globally.
- **USA, South Korea, Japan, Taiwan and China are the leading countries while companies like Intel, Qualcomm, Samsung, and TSMC (Taiwan Semiconductor Manufacturing Company) are the leading companies in this area.**
- USA dominates in designing of semiconductors (Intel, Qualcomm), while Taiwan has a leading position in the manufacture of semiconductors.
- Taiwan alone accounted for 63% of the total global semiconductor production followed by South Korea at 18%, and China at 6%.
- Just top 3 companies, Intel, Samsung and TSMC made $188 billion in revenue in 2020

How is India Trying to Attract Investments?

Government's policy for development of semiconductor and display ecosystem in the country involves a series of incentives and initiatives across the value chain of semiconductor industry which includes designing, manufacturing, assembling and testing, marking, and packaging (ATMP).

1. Government would extend financial support of 50 % of the project cost for setting of semiconductor plants and display manufacturing plants.
2. Semi-conductor design units will also be eligible for financial support of 50 % of the project cost. In addition, they would be eligible for incentive of 6% on net sales for five years. 100 companies would be supported in this regard.
3. Financial support of 30% of capital expenditure would be provided for setting up of compound Semiconductors / Silicon Photonics / Sensors units and for semiconductor ATMP (Assembling, Testing, Marking and Packaging) units. At least, 15 such units of Compound Semiconductors and Semiconductor Packaging are expected to be established with Government support under this scheme.

4. India Semiconductor Mission:

In order to drive the long-term strategies for developing a sustainable semiconductors and display ecosystem, a specialised and independent "India Semiconductor Mission (ISM)" will be set up. The India Semiconductor Mission will be led by global experts in semiconductor and display industry. It will also act as the nodal agency for efficient and smooth implementation of the schemes on Semiconductors and Display ecosystem.

Will India Succeed in Attracting Investments?

- Due to the strategic significance of semiconductor and display manufacturing industry, many countries are seeking to attract investments.
- All the major economies like USA, South Korea, and Taiwan are offering 50 % capital incentive for setting up plants. Hence, it remains to be seen how far India succeeds in attracting investments.

- There are also suggestions that India should channelise incentives more in the semi conductor value chain where it has advantage i.e. semi-conductor design and ATMP (assembling and testing, marking, and packaging).

1. There is fairly strong semiconductor design ecosystem in the country with 25,000 design engineers.
2. Similarly, focus on assembling and testing, marking, and packaging (ATMP) can create many employment opportunities. Many ATMPs are situated in south-east Asia. Countries like Vietnam, Singapore, and Thailand have benefitted by focusing on ATMP.
3. Another better option for India would be focus on specialised fabrication units. Instead of focusing on the most advanced technology, these fabrication units use more mature and older technology.

Technology advancement in the semiconductor industry is defined by the nanometer number. Leading-edge technology today would be 10 nanometer nodes (nm), 7 nm, and so on. But there are a lot of devices that can be fabricated with older technology like 90 nm, 130 nm, and 65 nm. These are specialised fabrication units and have big applications in industrial, power and automotive verticals. Most of the current shortages of chips used in automobiles are chips fabricated on older technology.

The other advantage of specialised fabrication unit is the cost. A full-fledged semiconductor fabrication unit would require an investment of about $15-20 billion, whereas specialised fabrication unit would need around $3 billion. Since these fabrication units are based on older technology, the technology upgrade cycle is also set to a lower pace, which suits a country like India.

SOCIAL SECTOR:

Global Inequalities:

World Inequality Report 2022

- The World Inequality Report, 2022, flagship product of the World Inequality Lab, was released in December 2021.
- The report suggested levying progressive wealth tax and increasing the global minimum tax to 25 % to raise more resources for the Government and invest the same in health, education, and opportunities for all which would contribute to reduced economic inequalities.

Details:

- **What is economic inequality?**
- It refers to disparity in economic conditions of the people. It can be measured for a country, for a region and at global level.

Types of economic inequality:

- Inequality is broadly captured in two forms.

1. Income Inequality,
2. Wealth Inequality.

- Income inequality takes into account wages and salaries of individuals and other incomes like interest income and dividends in a year.
- Wealth Inequality takes into account stock assets accumulated over a period of time. These assets include financial assets (capital accumulated in the past and in the form of savings, investment in stocks, bonds, etc) and non-financial assets like houses, buildings and intangibles (copyrights, patents, trademarks, trade names, etc.)

- For the purpose of global comparison, the incomes are converted in terms of Purchasing Power Parity (PPP) and individuals are grouped under 3 categories:
- Top 10 % (called the richest)
- Middle 40 %, and
- Bottom 50 % (called the poorest).
- Income Inequality and wealth inequality can be measured at global level, regional level and country level and intra-country level.

Who is measuring Economic Inequality?

- Economists like Simon Kuznetsk, Anthony Atkinson, Thomas Piety, FecundAlvarado and Alan Harrison have been doing pioneering work to gather data on income and wealth inequality for the past 25 years. Their work culminated into setting up of World Inequality Lab at Paris School of Economics in France.
- Initially inequality datasets were produced for France and the US by Thomas Piketty and Emmanuel Saez, and rapidly expanded to dozens of countries, thanks to the contribution of over 100 researchers involved in the World Inequality Database.

What are the consequences of inequalities?

- Some degree of inequality may not be a problem as it provides the incentives for people to excel, compete, save, and invest to move ahead in life.
- However, high economic inequalities in society lead to the following consequences.

a) High crime rate and low level of social cohesion,

b) Educational inequalities due to which individuals cannot fully realise their potential, and

c) Health inequalities.

Why economic inequality is a subject of debate?

- Economic inequality is subject of debate due to moral questions on fair ordering of society.
- Hence, economists study on issues like how economies should distribute the incomes they generate, and is economic growth distributed fairly? Is the social safety net wide and deep enough? Are low-income countries catching up with richer ones? Are racial and gender inequalities falling?,etc.
- Around the world, people hold strong and often contradictory views on what constitutes acceptable and unacceptable inequality, and what should be done about it.

What measures are adopted by Governments to reduce inequalities?

1. Taxation:

Taxation is the main instrument for checking economic inequalities and wealth concentration. A progressive taxation is adopted where the rich pay higher taxes. In addition to regular taxes, other taxes like capital gains tax, surcharges, wealth tax, etc. are levied on them

2. Spending on Social Sector:

Governments also spend significant funds on education and healthcare. Spending on education enables individuals to fully realise their potential and participate in labour force.

Government's spending on healthcare reduces out of pocket expenditure for people especially the poor, and addresses the inequalities in access to healthcare.

Findings of the World Inequality Report 2022

1. Global Income Inequality:

The richest 10% of the global population currently take52% of global income.

The poorest half (bottom 50 %) of the population earn 8.5% of global income.

On average, an individual from the top 10% of the global income distribution earns USD 1,22,100 per year.

An individual from the poorest half of the global income distribution earns USD 3,920 per year.

2. Global Wealth Inequality:

Global wealth inequalities are even more pronounced than income inequalities.

The richest 10% of the global population own 76% of all wealth.

In contrast, the bottom 50 % of the global population barely owns any wealth at all, possessing just 2% of the total.

On average, the top 10% own USD 7,71,300

The bottom 50 % of the population owns USD 4,100.

3. Inequality across Regions:

Middle East and North Africa (MENA) is the most unequal region in the world, Europe has the lowest inequality levels.

Europe is the most equal region.

Inequality varies significantly between the most equal region (Europe) and the most unequal (Middle East and North Africa i.e. MENA).

In Europe, the top 10% income share is around 36%, whereas in MENA it is 58%.

In East Asia, the top 10% makes 43% of total income and in Latin America, 55%.

4. Inequality across Countries:

Among high-income countries, some are very unequal (such as the US), while others are relatively equal (e.g. Sweden).

The same is true among low- and middle-income countries, with some exhibiting extreme inequality (e.g. Brazil and India), somewhat high levels (e.g. China) and moderate to relatively low levels (e.g. Malaysia, Uruguay).

5. Inequality is a political choice:

Income and wealth inequalities have been on the rise nearly everywhere since the 1980s, following a series of deregulation and liberalisation programs which took different forms in different countries.

The rise has not been uniform: certain countries have experienced spectacular increases in inequality (including the US, Russia and India) while others (European countries and China) have experienced relatively smaller rises.

These differences confirm that inequality is not inevitable, it is a political choice.

6. Nations have become richer, but governments have become poor:

One way to understand inequalities is to focus on the gap between the net wealth of governments and net wealth of the private sector.

Over the past 40 years, countries have become significantly richer, but their governments have become significantly poorer. The share of wealth held by public actors ? such as is close to zero or negative in rich countries, meaning that the totality of wealth is in private hands.

This trend has been magnified by the Covid crisis, during which governments borrowed the equivalent of 10-20% of GDP, essentially from the private sector.

The currently low wealth of governments has important implications for state capacities to tackle inequality in the future, as well as the key challenges of the 21st century such as climate change.

7. Wealth inequalities have increased at the very top of the distribution:

The rise in private wealth has also been unequal within countries and at the world level. Global multimillionaires have captured a disproportionate share of global wealth growth over the past several decades: the top 1% took 38% of all additional wealth accumulated since the mid-1990s, whereas the bottom 50% captured just 2% of it.

8. Gender inequalities remain considerable at the global level:

Overall, women's share of total incomes from work (labor income) neared 30% in 1990 and stands at 34% today.

There are significant variations across countries, ranging from below 10% to 45%.

Western Europe has high female labour share in the world with an average of 39%.

Variability across countries appears to be relatively low, with values ranging from 35% in Austria to 44% in Portugal. In the three most populous countries (Germany, France and the UK), the shares stand at 36-41%.

In comparison, North America and Australia have similar but slightly lower shares than those found in Europe: the US and Canada exhibit shares of 38-39%. This means that men capture around 62-64% of total labor income. This illustrates the magnitude of systemic gender inequality

While the US and France have a high representation of women among all wage earners, they lag behind in women's representation in top income positions.

Brazil, Costa Rica and Spain exhibit much higher shares of women in the top 10% and top 1% of wage earners than the US and France.

9. Inequalities in carbon emissions:

On average, humans emit 6.6 tonnes of carbon dioxide equivalent (CO_2) per capita, per year.

There are inequalities in CO_2 emissions at the world level.

The top 10% of emitters are responsible for close to 50% of all emissions.

The bottom 50% produces 12% of the total.

Inequalities are not just a rich vs. poor country issue. There are high emitters in low- and middle-income countries and low emitters in rich countries.

In Europe, the bottom 50% of the population emits around five tonnes per year per person; the bottom 50% in East Asia emits around three tonnes and the bottom 50% in North America around 10 tonnes. This contrasts sharply with the emissions of the top 10% in these regions (29 tonnes in Europe, 39 in East Asia, and 73 in North America).

Large inequalities in emissions suggest that climate policies should target wealthy polluters more. So far, climate policies such as carbon taxes have often disproportionately impacted low and middle-income groups, while leaving the consumption habits of wealthiest groups unchanged.

10. Redistributing wealth to invest in the future:

The report suggested levying progressive wealth tax and increasing the global minimum tax to 25 % to raise more resources for the Government and invest the same in health, education, and opportunities for all which would contribute to reduced economic inequalities.

Wealth Tax:

- Given the large volume of wealth concentration, modest progressive taxes on wealth can generate significant revenues for governments.
- These could be reinvested in education, health and addressing climate change challenges.

One-off wealth taxes: a window of opportunity:

- The report also suggested that on top of recurrent wealth taxes, governments can also implement one-off wealth taxes.
- In 2020 alone when the COVID Pandemic started, global billionaires' wealth increased by more than •3,600 billion (•3.6 trillion). Had a global tax been applied on excess wealth for 2020, global billionaires would still be as rich today as they were on the eve of the pandemics and would almost double global healthcare spending in a year.
- Excess wealth taxes were implemented in the past in the aftermath of economic or political shocks to help societies recover and invest in the future. For instance, Germany and Austria implemented exceptional taxes on property in the 1920s for reconstruction after World War I, and Japan did so after World War II.

Corporate Tax:

- Global effective average corporate tax rate fell from close to 30% in the 1960s to about 25% in the 1980s and 18% in 2020.
- One of the most striking developments in global tax policy since the 1980s has been the decline in corporate income tax rates. Between 1985 and 2018, the global average statutory corporate tax rate fell by more than half, from 49% to 24%4. This trend shows no sign of abating. Since 2013, Japan has cut its rate from 40% to 31%; the United States from 35% to 21%; Italy from 31% to 24%; Hungary from 19% to 9%; a number of Eastern European states are following suit.
- Recently 130 countries agreed to on the Global Minimum Tax of 15 % on corporates.
- However, the report noted that 15% corporate tax is lower than what working-class and middle- class people typically pay in high-income countries. It is also lower than the average statutory rate that corporations face in those places. There is a risk that such a low reference point might trigger an additional reduction in statutory corporate tax rates in the countries that currently apply higher rates, thus reinforcing the 'race to the bottom' with corporate taxation observed since the 1980s. A higher rate (of 25%, for example) would reduce the risk of such a counterproductive outcome.
- The report noted that rise of modern welfare states in the 20th century, which was associated with tremendous progress in health, education, and opportunities for all, was linked to the rise of steep progressive taxation rates. This played a critical role in order to ensure the social and political acceptability of increased taxation and socialisation of wealth. A similar evolution will be necessary in order to address the challenges of the 21st century.

India Specific Data in the World Inequality Report:

1. Extreme income inequalities in India

The average national income of the Indian adult population is Rs. 2,04,200 (in PPP terms).

While the bottom 50% earns Rs. 53,610, the top 10% earns more than 20 times Rs. 11,66,520.

While the top 10% and top 1% hold respectively 57% and 22% of total national income, the bottom 50% share has gone down to 13%.

India stands out as **a poor and very unequal country,** with **affluent elite.**

2. Income inequality in the long run: a historical high

Indian income inequality was very high under British colonial rule (1858-1947), with a top 10% income share around 50%. After independence, socialist-inspired five-year plans contributed to reducing this share to 35-40%. Since the mid- 1980s, deregulation and liberalisation policies have led to one of the most extreme increases in income and wealth inequality observed in the world.

While the top 1% has largely benefited from economic reforms, growth among low and middle income groups has been relatively slow and poverty persists . Over the past three years, the quality of inequality data released by the government has seriously deteriorated, making it particularly difficult to assess recent inequality changes.

3. Wealth inequality

Average household wealth in India is equal to Rs. 9,83, 010.

The bottom 50% own almost nothing, with an average wealth of Rs. 4, 200 (6% of the total).

The middle class is also relatively poor with an average wealth of only Rs.7,23,930. (29.5% of the total)

Top 10% and 1% who own respectively Rs. 63,54,070 (65% of the total), and Rs.3,24,49,360(33% of the total).

4. Gender inequality

Gender inequalities in India are very high.

The female labor income share is equal to 18%. This is significantly lower than the average in Asia (21%,). This value is one of the lowest in the world, slightly higher than the average share in Middle East (15%).

5. Carbon inequality

India is a low carbon emitter: the average per capita consumption of greenhouse gas is equal to just over 2 tonnes CO2.

These levels are typically comparable with carbon footprints in Sub-Saharan African countries. The bottom 50%, middle 40% and top 10% respectively consume 1, 2, and 9 tonne CO2 equivalent/capita.