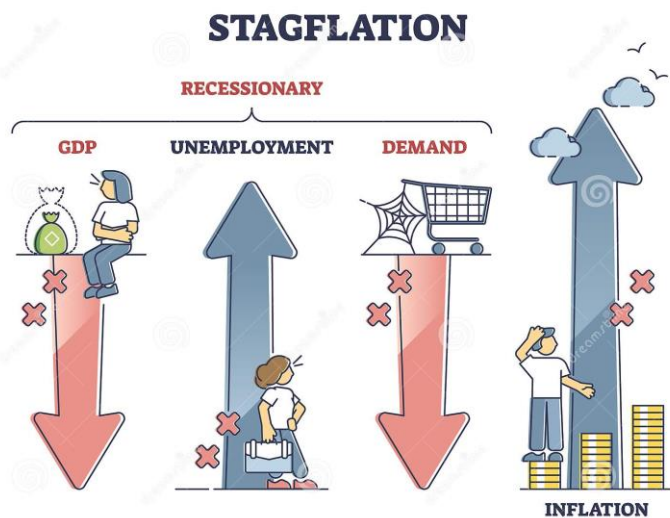


Global stagflation risk

India will have to cut fuel taxes or risk both faster inflation and slower growth.

Context:

1. As Russia's invasion of Ukraine is set to enter the third week, the economic costs of the conflict in Eastern Europe threaten to stall the shaky global recovery from the COVID-19 pandemic.
2. The war-led disruptions to supply and the sanctions have sent the prices of several key commodities soaring: from wheat and corn, to metals including nickel and aluminium, and, most crucially, crude oil and gas.
3. Brent crude futures surged to a high not seen since July 2008, and are currently about 29% higher than before the invasion began on February 24.
4. The price of natural gas has also risen sharply in Europe amid concerns that supplies from Russia could be hit either on account of European nations agreeing to a U.S. proposal to shut the tap on Russian energy exports or by retaliatory sanctions by Moscow.
5. Russia supplies Europe about 40% of its gas requirements, roughly a quarter of its oil and almost half its coal needs, and an embargo on energy supplies from Russia could send already high electricity costs in the countries comprising the eurozone skyrocketing.



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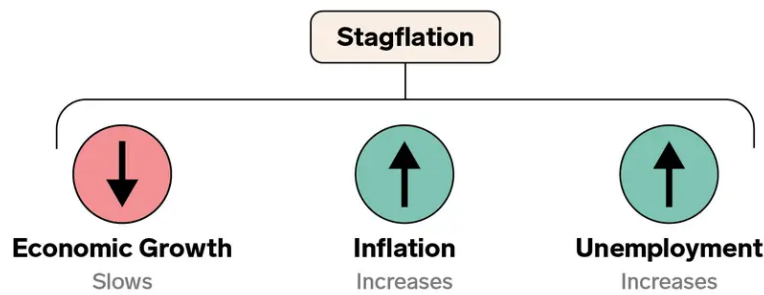
6. That, in turn, would hit consumers, as well as businesses and factories, forcing them to either raise prices or possibly even temporarily shut operations.



The threat of Stagflation:

1. With analysts projecting that crude prices will cross \$180 and some traders punting on prices surpassing \$200 a barrel, India too can hardly be sanguine, its diplomatic fence-sitting notwithstanding.
2. In a 2019 paper on ‘The Impact of Crude Price Shock on India’s Current Account Deficit, Inflation and Fiscal Deficit’, two senior RBI researchers posited that a \$10 increase in the price of oil from a \$65 level would raise headline inflation by about 49 basis points (bps) or widen the Government’s fiscal deficit if it decided to absorb the entire oil price shock.

What causes stagflation?



3. India’s policymakers face a tough choice: bear the cost of lower revenue by cutting fuel taxes or risk both faster inflation and slower growth.

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Stagflation



Components



Recession in most of the Economic Activities



Poor Implementation of Government Policies





For the women vote, go beyond tokenism

1. A welcome trend in Indian politics in recent years is the steady rise in the participation of women in elections, reflected in their turnout figures outpacing men in both national and state polls – the latest being the recently concluded five state elections.
2. This phenomenon has been marked by intensifying discussions around the women vote, political parties targeting women as a separate category in their manifestoes and nurturing women as a separate vote bank – think of Nitish Kumar, J Jayalalithaa or Mamata Banerjee.
3. Greater focus on welfare delivery has also pushed women into the centre of electoral calculations; gone are the days when reporters or politicians would only focus on the men of the family of the neighbourhood and assume that their decisions would bind the votes of the women.

The Gap Remains: From elector to elected

1. Women are counted as prospective voters but not given adequate space as candidates.
2. Questions of winnability continue to dog women candidates, and many are saddled with constituencies where the party nominating them has no real chance of winning – think of the Congress giving 40% tickets in Uttar Pradesh, where it has no realistic chance of winning but only 9% in Punjab, where it is defending its government.
3. That most political parties suffer from this bias is the reason the number of women lawmakers, in assemblies and Parliament, remains far below their 50% share of the population.

Elections are a key lever of democracy and ensure accountability and representation. Their mandate will remain unfulfilled if women – from all communities, including marginalised castes, genders and minority faiths – are missing from the forums that govern the country, and the decision-making bodies of political parties. Tokenism is not the answer.