

## STAGFLATION

**SYLLABUS:** GS PAPER-III (GROWTH & DEVELOPMENT, FISCAL POLICY, MONETARY POLICY)

**CONTEXT:** As per an article in the June edition of RBI Bulletin, India's economy is better placed than many other countries to avoid the potential risk of stagflation.

### ABOUT STAGFLATION

- Stagflation is a term that defines a situation characterized by a simultaneous increase in prices (inflation) and stagnation of economic growth.
- Stagflation can also be defined as a period of inflation combined with a decline in the gross domestic product (GDP).
- The situation may comprise of the following elements-
  1. growth rate of the economy slows down
  2. the level of unemployment remains steadily high
  3. the inflation or price level remains high at the same time.
- The term Stagflation was coined by **Iain Macleod**, a Conservative Party MP in the United Kingdom, in November 1965. It was the time when many developed economies experienced rapid inflation and high unemployment because of an oil shock.

### CAUSES OF STAGFLATION

1. **OIL PRICE RISE:** Stagflation due to rise in oil prices is often caused by supply side shock.
  - Rising commodity prices such as that of oil causes a rise in business costs (transport becomes more expensive) and short run aggregate supply shifts to the left. This causes a higher inflation rate and lower GDP.
2. **POWERFUL TRADE UNIONS:** Trade unions with strong bargaining power can bargain for higher wages even in periods of lower economic growth. Higher wages lead to significant inflation without increasing the GDP.
3. **FALLING PRODUCTIVITY:** A fall in the productivity of an economy results in inefficient workers along with a rise in the cost and fall in the output.
4. **RISE IN STRUCTURAL UNEMPLOYMENT:** A decline in traditional industries may result in higher structural unemployment and lower output. Thus, even in case of increasing inflation, unemployment may be high.

### CONSEQUENCES OF STAGFLATION

- Stagflation characterized by low economic growth rates and high inflation rates results in an unfavorable combination and can be a dilemma for governments since most actions designed to lower inflation may raise unemployment levels, and policies designed to decrease unemployment may worsen inflation.
- With stalled economic growth, unemployment tends to rise and existing incomes do not rise fast enough and yet, people must contend with rising inflation. So, people find themselves pressurized from both sides as their purchasing power is reduced.

## G-20

**SYLLABUS:** GS PAPER-II (GROUPINGS & AGREEMENTS INVOLVING INDIA)

**CONTEXT:** Jammu and Kashmir to host G-20 meeting next year.

### ABOUT G-20

- It is an informal group of **19 countries and the European Union (EU)**, with representatives of the International Monetary Fund and the World Bank.
- It does not have a permanent secretariat or Headquarters.
- The membership comprises a mix of the world's largest advanced and emerging economies, representing about two-thirds of the world's population, 80% of global Gross Domestic Product (GDP), 80% of global investment and over 75% of global trade.
- Its **members are** Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United

### G20 members



Kingdom, the United States, and the EU.

- **Each G20 country** is represented by its **Sherpa**, who plans, guides, implements, etc. on behalf of the leader of their respective country.
- Commerce and Industry Minister is the current "G20 Sherpa" of India.

### INDIA AND G-20

- As a founding member of the G20, India has used the platform to raise issues of vital importance and those that impact on the most vulnerable around the world.
- India has set a strong example as the only country among G20 nations that is on track towards meeting what it had promised in 2015 Paris Agreement in terms of being the only 2-degree Celsius compatible country and is much ahead as compared to other G20 countries in terms of fulfilling this commitment.

- Also, the vision of 'Self Reliant India (Atmanirbhar Bharat)' initiative is expected to play a transformational role for "New India" in the global paradigm as an important and reliable pillar of world economy and global supply chains in the aftermath of Covid -19 crisis.
- India's endeavor of establishing the Coalition for Disaster Resilient Infrastructure, comprising nine of the G20 nations amongst others provides new dimensions of leadership in the global growth process.

## PRELIMS FACTS

1. **NIRYAT (NATIONAL IMPORT-EXPORT RECORD FOR YEARLY ANALYSIS OF TRADE PORTAL):** PM launched a new portal called NIRYAT which is supposed to be a **one-stop place for all information** needed on India's foreign trade.
  - It will help in breaking silos by providing real-time data to all stakeholders.
  - Vital information related to more than 30 commodity groups exported to more than 200 countries of the world will be available.
  - In the coming time, information related to district-wise export will also be made available.
2. **LARGEST BACTERIUM EVER FOUND:** Up to a centimeter in length, the '**Thiomargaritamagnifica**' was found in 2009 in the mangroves of **Guadeloupe in the Caribbean**.
  - The sulphur-rich environment of this place offers an energy source for bacteria.
  - They are 50 times bigger than any other known bacteria.
  - They have lost some genes essential for cell division and have more than the usual number of copies of genes responsible for cell elongation.
  - They have DNA bearing organelles called '**pepins.**'
3. **MO BUS: Odisha's Mo bus** has been recognized by the United Nations for its annual **Public Service Awards** of 2022.
  - It has been recognized as promoting **gender-responsive public services**.
  - Mo bus has incorporated **real-time technologies** like live tracking, travel planner and e-ticketing.
  - An **e-rickshaw system** called '**Mo E-Ride**' has been introduced as a last mile feeder service.
  - **40%** Mo bus conductors are women while **100%** Mo E-Ride drivers are women, transgenders, and people from disadvantaged communities.
4. **GLOBAL LIVEABILITY INDEX 2022:** It is released by **Economics Intelligence Unit**.
  - The Austrian capital **Vienna ranked 1<sup>st</sup> in the index** followed by **Copenhagen** and Switzerland's **Zurich**.
  - The index ranked 140 cities for their urban quality of life based on the assessments of their **stability, healthcare, culture, environment, education, and infrastructure**.