

NEWS WRAP

AGD

INFLATION IN INDIA IS RUNNING at an annualized rate of 10%, judging by core inflation, which strips away food and fuel price changes. Inflation in India has been continuously high from 2008. India is structurally short of food supply. The 4 to 5% annual agricultural growth is not enough to satisfy the surging demand of 1.2 billion people, with real incomes rising at over 5%. Agricultural productivity is low and the supply chain is inefficient. Rural wages were virtually flat between 1999-2005, and grew at an annual 2% over 2006-09. The expansive rural unemployment assistance programme, which guarantees 100 days of work a year, has pushed up rural wages. Rural wages increased to 10% in January 2010 and accelerated to 14% by May 2011. Then productivity is static. Wages are increasing because the government is handing out more money, without getting much output in return. Higher food inflation now automatically converts to higher wages, that raises input costs for all goods. The government's raising of the administered floor price for many agricultural products, increases food inflation further. Wages in urban areas also rise, as rural wages act as the benchmark for construction and informal workers. The fiscal deficit is expanding by 1 to 1.5% of India's GDP, and adding to demand. Since mid-2008, corporate private investment has fallen to 4% of GDP, with no signs of surge in the immediate future.

SOLAR POWER

Environment-friendly sources of energy in India, like solar power, wind, water or biomass, remain untapped. 41,000 mw capacity of wind energy is created globally. While China has 18,000 mw wind energy capacity, India in 2011 had merely 3000 megawatts. India's total installed wind power generation capacity is barely 16,000 mw. This is alarming, as India has a vast windy coastline, and several inland regions with constant flows of high velocity winds, such as the peninsula and the arid tracts of Rajasthan. Wind energy generation requires little land whereas solar voltaic cells need almost one square kilometre to produce 20-odd mw of power. Installation costs of solar power production capacity and solar's per unit production costs, are still relatively high. On the other hand, the per unit production cost of wind energy is similar to that for new coal or natural gas based power installations. In India, the most under exploited renewable resource is biomass, available as agricultural residues, like paddy straw, rice husk, coconut shells or bagasse, and millions of tons of animal waste.

US BUDGET

Democrats and Republicans in USA are committed to significant cuts in government programmes, relative to GDP. Till 2020, the cuts will be severe in discretionary programmes for education, environmental protection, child nutrition, job retraining, transition to low carbon energy, and infrastructure. The budget plans of democrats and republicans envisage that the entire civilian discretionary budget will amount to only 2% of gross domestic product or less, as of 2020. The two major political parties in USA depend on the money of rich corporate

contributors from Wall Street, big oil, private health care, real estate, arms contractors, and other corporate lobbies. Corporate desires, especially for tax cuts, unregulated executive pay and weak corporate regulations are catered for by both parties. Electoral success depends more on raising huge campaign funds than on policy positions.

CHRISTIAN EVICTIONS

Egypt's recently elected assembly with an islamist majority drawn mainly from the Muslim Brotherhood and from ultra-conservative *Salafi* islamists is worrying Egyptian christians, who represent 10% of the population. Recently eight Coptic Christian families were evicted from their village near Alexandria. Sectarian disputes and violence in Sharbat, led to expulsion and collective punishment, which are not accepted in local or international law. The informal settlement of sectarian disputes without recourse to law, have been often unfair to the christian minority. □□