

Twin troubles: On low growth and high inflation
Low growth and high inflation raise questions about the root cause of the crisis

Economic data released by the government on Thursday suggest that India may be stepping even closer to stagflation. The Index of Industrial Production (IIP) contracted 3.8% in October, as against a healthy growth rate of 8.4% witnessed during the same month last year. Industrial output, it is worth noting, had shrunk by 4.3% in September. At the same time, retail inflation jumped to a 40-month high of 5.5% in November fuelled mainly by a sharp jump in food prices. Retail inflation is now in the upper band of the inflation range targeted by the Reserve Bank of India (RBI) but might drop as fresh food supplies hit the market. Low growth combined with high price inflation is sure to cause further headaches for policymakers. Economic growth has declined for six consecutive quarters now, making it one of the longest downturns in recent history. With inflation raising its ugly head now, the RBI, which held rates stable in its recent policy meet, is unlikely to cut rates aggressively in the next few months at least. So it is entirely up to the government now to find ways to boost growth. Given the seriousness of the slowdown, the government cannot delay reforms.

For a long time, the government maintained that the country's growth rate was held back by the tight monetary policy stance adopted by the RBI under its previous governors. But with the benchmark interest rate being cut five times so far this year, the government can no longer shift blame on to the RBI. The favourite defence of the government right now is that the slowdown in growth is merely a cyclical one that will end sooner than later. But regardless of the nature of the current slowdown, it cannot be denied that the Centre has fallen short on its promise of bringing about major structural reforms to the economy. Except for the recent cut in corporate tax rates, the government has not come up with any other significant reform in response to the slowdown. Further, the presence of low growth along with high inflation also raises questions about the root cause of the slowdown, which has been attributed to a drastic fall in consumer demand. But aggressive rate cuts by the RBI that have extended over most of the year cannot stop the continuous slide in growth rate; it may well be that supply-side is also in deep trouble. The answer to the current slowdown lies in economic reforms that can first lift the potential growth rate of the economy. Otherwise, further rate cuts by the RBI will only add to the government's troubles by stoking inflation in the wider economy.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Inflation	Noun	Simply meaning "cost of living"; increase of price level of goods & services and vice versa decrease of currency value.
Root	Noun	The basic reason of something.
Stagflation	Noun	Decline, downturn, slowdown.
Index	Noun	Measure; guide, indication.
Contract	Verb	Decrease, diminish, reduce.
Shrank past of shrink	Verb	Lessen, reduce, decrease.

Headline (retail) inflation	Noun	it is a measure of the total inflation within an economy, including commodities such as food and energy prices (e.g., oil and gas).
Fuel	Verb	Stimulate, encourage, intensify.
Upper band	Noun	Upper limit/range (a value-setting method).
Downturn	Noun	Setback, upset/blow, decline (in business activity).
Raise its ugly head	Phrase	An unpleasant/undesirable thing hidden till date, becomes as a problem that people have to deal with.
Unlikely	Adj.	Questionable, unconvincing; doubtful, unexpected.
Slowdown	Noun	Economic decline, recession, slump/depression.
Hold back	Phrasal verb	Prevent, block, thwart/retrain.
Benchmark interest rate	Noun	Base interest rate; reference interest rate; basis/guideline (interest rate).
So far	Phrase	Until now, up to the present, up to this point.
Merely	Adj.	Only, simply, just.
Cyclical	Adj.	Recurrent, recurring, happening at regular intervals, regular.
Sooner (rather) than later	Phrase	Soon, immediately, without delay.
Fall short (of)	Phrase	Be deficient/inadequate/insufficient; fail to meet/reach.
Come up with	Phrasal verb	Produce, propose/put forward, submit/recommend.
Attribute	Verb	Connect with, associate with, hold responsible for.
Rate cut	Noun	A decision by a central bank (like RBI in India) to reduce its main interest rate to the banks (like SBI, ICICI & etc in India) when these commercial banks get money from the central bank. Once this rate goes down, the banks are in a position to give loans at lower interest rates to individuals and the industry.
Slide	Noun	Fall, drop, decline.
Lie in	Phrasal verb	Be present, be contained, exist.
Add to	Verb	Increase, aggravate, worsen/deepen.
Stoke	Verb	Incite, encourage, fuel.

The day of Boris: On U.K. polls

Labour lost because it fought a Brexit election as if it were just another general election

The decisive victory the Conservative Party clinched in Thursday's elections to Parliament gives British Prime Minister Boris Johnson, who built his campaign around the promise to "get Brexit done", a clear mandate to take the U.K. out of the European Union without further delay. Initial results show that his party is set to win 364 seats in the 650-member House of Commons, the greatest performance of the Conservatives in over three decades. The Labour, led by veteran socialist Jeremy Corbyn, is expected to win 203 seats, its worst performance in decades. It is Mr. Johnson's victory. He is the one who called for an early election after reaching a new divorce deal with the EU. He turned the poll into a de facto Brexit referendum, arguing that only a stable Conservative government could take the U.K. out of the EU quickly and end the lingering political standoff. His strategy was to consolidate the pro-Brexit vote, get a fresh mandate in Parliament and then quicken the divorce process. The Labour Party,

on the other side, has been ambivalent on the question of Brexit. Mr. Corbyn promised another referendum and declined to state what his position would be during that vote. His focus was on the economy. He promised a radical expansion of the state, with plans to tax the rich, increase public spending and nationalise utilities. The Labour leader may have hoped that his radical economic agenda would cut through the Brexit narrative. But it did not. In the end, Labour fought a Brexit election without articulating a clear position on Brexit. Unsurprisingly, it lost even its traditional working class districts in the Midlands and north of England that had overwhelmingly voted to leave in the 2016 referendum.

Mr. Johnson is now confident that he could push his withdrawal agreement through Parliament at the earliest so that Britain could leave the union before the January 31 deadline. But a big victory or a timely exit does not mean that the road ahead is smooth. His Brexit agreement itself is controversial; once implemented, it could erect an effective customs border between Britain and the island of Ireland. The question is what impact Mr. Johnson's deal will have on the Good Friday agreement that brought peace to Northern Ireland and to the unity of the Kingdom in general. Second, a more difficult part of the Brexit process is negotiating an agreement on the U.K.'s future relationship with the EU. Mr. Johnson has promised to finish the negotiations during the 11-month transition period, but it could take years. Lastly, more than Brexit, the poll results pose administrative and constitutional challenges to the Prime Minister. In Scotland, the Scottish National Party's landslide victory — it is poised to win 48 out of the 59 Westminster seats — has already rekindled calls for a second referendum on Scottish independence. This will put the SNP on a warpath with the Tories who are opposed to a new referendum. Mr. Johnson might go down in history as the Prime Minister who took the U.K. out of the EU. But at what cost is the question. The answer will be known in bits and pieces in the coming days.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Brexit	Noun	A term used for the (supposed) departure of the United Kingdom from the European Union.
As if	Phrase	Used to explain how a situation seems to be.
Decisive	Adj.	Definite, absolute, conclusive, determining.
Clinch	Verb	Settle, secure, seal; win, triumph in.
Veteran	Noun	(Long-serving) expert, mature established /experienced person in an area of activity.
Call for	Phrasal verb	Demand, necessitate need/reason for.
Divorce	Noun	Separation, division, disunion.
De facto	Adj.	Latin, literally 'of fact'; existing, actual, effective.
Referendum	Noun	Public vote; a direct vote in which people cast ballots to decide on a specific issue or policy.
Lingering	Adj.	Protracted, persistent/prolonged, long-lasting.
Standoff	Noun	Deadlock, stalemate, impasse (in a dispute/conflict).
Consolidate	Verb	Combine, unite/merge, integrate.
Quicken	Verb	Speed up, accelerate, step up.

Ambivalent	Adj.	Indecisive, inconclusive, undecided.
Radical	Adj.	Fundamental, basic, essential.
Nationalise	Verb	Change ownership (of an industry/business) from private sector to the public ownership of a national government or state.
Utility	Noun	Public utility; an organization supplying the community with electricity, gas, water, or sewerage.
Cut through	phrasal verb	To make a path through something.
Narrative	Noun	A representation of a particular situation; portrayal/account.
Articulate	Verb	Express, point out, mention.
Unsurprisingly	Adverb	As expected.
Overwhelmingly	Adv.	With a great majority.
Erect	Verb	Create, establish, form/set up.
Good Friday Accord/Agreement	Noun	Belfast Agreement; This agreement (signed on 10 April 1998) helped to bring to an end a period of conflict in the region called the Troubles (of Northern Ireland as part of the UK, and the Republic of Ireland as a separate country).
In general	phrase	Generally, normally, mostly.
Transition period	Noun	A period in which things are changing from one state/condition to another.
Landslide	Noun	Decisive, runaway (victory), overwhelming majority.
Poise	Verb	Position, get into position, ready oneself.
Westminster	Noun	A place/town (borough) in London which contains the Houses of Parliament and many government offices).
Rekindle	Verb	Revive, renew, restore.
Warpath	Noun	A hostile/argumentative course of action.
Tory	Noun	A member/supporter of a Conservative Party in the UK; right-winger, reactionary, rightist.
Go down	Phrasal verb	Be remembered.
Cost	Noun	Sacrifice, loss.
Bits and pieces	Phrase	Partially, bit by bit, small things of different types/kinds.