



ENQUIRY

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Bad News for India?

By SAM BENEVELLI
STAFF WRITER

Millions of Americans stayed up late to watch the election returns on November 8. Halfway around the world, Indians were also awake, as Prime Minister Narendra Modi announced sweeping changes in the country's monetary policy. At around midnight, he declared that 500 and 1000 rupee notes, worth about \$7.50 and \$15, will no longer be accepted as legal tender.

The changes effectively cancel roughly 22 billion notes spread across India, stuffed in coin purses, stored under mattresses, and used in under-the-table deals. These notes are 86 percent of all circulating cash. Modi stated that this recall is meant to curb the use of "black money" and to reduce widespread government corruption. People have until the end of the year (less than 40 days) to exchange their current notes, at banks and ATMs, for new ones.

In addition to new 500 and 1000 rupee currency, the Reserve Bank of India is introducing new 2000 rupee notes, worth about 30 U.S. dollars.

The uncertainty of India's cash-based economy has economists worried about the security of its future foreign investments and unforeseen repercussions on citizens.

This disruptive move is not unprecedented. It follows a similar decision of the European Central Bank, which recently phased out 500 euro "mega notes" due to concerns about illegal immigration, corruption, and the fallout from the terrorist attacks in Paris. Countries in crisis have also used such a monetary policy before: Germany after World War II, the Soviet Union on the brink of collapse, and Zimbabwe drowning in hyperinflation have all issued currency callbacks. But the policy does not signal India's economic strength to foreign investors.

Kaushik Basu, a former chief economist at the World Bank, categorizes this currency move as "bad economics." The ban on most of the existing currency immediately triggered a run

on banks and ATMs, forcing individuals to wait in line for hours to exchange the equivalent of, at most, about \$30. The banks simply did not have enough bills.

While people still have until the end of the year to exchange their currency, the current notes are essentially worthless. Merchants and shop owners are reluctant to accept the larger banned bills, as they no longer have smaller notes for change, thanks to the bank runs. The government's move seems

The policy does not signal India's economic strength to foreign investors

to do little to fight corruption, but is already negatively affecting the nation's law-abiding citizens.

The Reserve Bank of India's contention that the policy will reduce the use of "black money" and fight corruption may be true in the near future. Looking further ahead, however, criminals will simply store their "black money" in the new currency as soon as it is available. Moreover, the addition of the larger 2000 rupee notes makes storing illegal currency even easier.

The mandate to exchange old bills for new ones also creates

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The Italian Referendum: Strike Three Against Globalization?

By ALEX KLOSNER
STAFF WRITER

Following the United Kingdom's decision to leave the European Union and the election of Donald Trump, a "no" vote in Italy's upcoming constitutional referendum could further agitate the international order.

Over the past few months, the American elections have left little space for substantial media coverage of the December 4 referendum. If approved by Italian voters, the measure would increase the power of the lower house of parliament, the Chamber of Deputies. Additionally, it would

This Week's News in 140 Characters

EDITORIAL REPORT



Dr. Jill Stein @DrJillStein · 35m

Clinton + Trump: Want democracy? Abolish the Electoral College and allow direct national election of the president by Ranked Choice Voting.



Donald J. Trump @realDonaldTrump · 2h

The Green Party scam to fill up their coffers by asking for impossible recounts is now being joined by the badly defeated & demoralized Dems

14K 40K



Pope Francis @Pontifex · Nov 25

So many women are overwhelmed with the burdens of life and the drama of violence! The Lord wants them to be free and their dignity respected

12K 36K



Marco Rubio @marcorubio · 11h

President Obama issued a pathetic statement on death of dictator #FidelCastro with no mention of thousands he killed & imprisoned. #Cuba

10K 15K



Charles C. W. Cooke @charlescwcooke · 13h

My eight-month-old just looked up at me and said, "Daddy, why are people making excuses for one of history's most egregious monsters?"

943 2.1K

ITALIAN REFERENDUM cont.

relegate the Senate to an advisory role, similar to that of the House of Lords in the UK, and reduce the number of senators from 315 to 100. Therefore, the party that controls the Chamber of Deputies would gain more power. Currently, Prime Minister Matteo Renzi's center-left Partito Democratico (PD) controls the majority of seats.

Renzi claims that the constitutional changes would enable him to implement a number of economic reforms to revive the ailing Italian economy. He has pledged to resign if the referendum fails to pass. The prime minister is a staunch supporter of European Union policies, and a "no" vote would be an outright rejection of not only his leadership, but the EU and the Euro as well.

Proponents of the referendum argue that the constitutional reforms are necessary to kickstart

the past year has quite clearly proven that opinion polls are often wrong

economic growth. According to Lorenzo Codogno, the former chief economist of the Italian Treasury, these reforms "would allow the government to regain

A Poor Reaction on Both Sides

By FRED POLLEVICK
GUEST CONTRIBUTOR

On November 8, the United States elected Donald J. Trump as its 45th president. By the time many Americans awoke the next day, protesters had already organized and taken to the streets. Hamilton students held their own protest a week later, marching down to the Village Green for a rally.

Protesting in the streets, and in some cases elsewhere causing havoc, will only result in more arrests and mutual hostility in this already torn-apart nation. And despite such activities, Donald Trump will remain the president-elect. Going out into the streets proclaiming that he is "#notmypresident" will do absolutely nothing. Neither will urging California to secede from the union, or posting your plans to move to a different country on Facebook. This is effectively the same thing as getting a test grade you are not happy about and complaining to the teacher about how unhappy you are. But as everyone knows, a better solution to a bad test grade is to study harder for the next test and do better. So why not take a similar



a new black market. Take, for example, this plausible scenario: an individual approaches a farmer or shopkeeper (or some equally hard-working, honest person) and offers to change the latter's 500 and 1000 rupee notes for new ones. But there is a catch: the farmer will get only 800 rupees for the 1000 rupee note. As economist Prabhat Patnaik describes it: the government's move shows "a lack of understanding of capitalism ... Consequently, instead of curbing black business it will actually give rise to the proliferation of black business."

There are no obvious significant repercussions on the global economy as a whole. It is not difficult to imagine spooked foreign investors holding their money if the Reserve Bank of India indicates there might be more surprise currency actions, but this seems improbable given the unlikelihood of positive results from the current one. Moreover, the new monetary regulations will directly affect only people's cash reserves, not money stored in investments.

Unfortunately, however, the currency change is negatively affecting tourism. International visitors typically withdraw cash just before their arrival or upon arrival. Now, ATMs and banks across the country have little or no cash to give out. Additionally, some tourists who are currently travelling have either run out of cash or are relying on debit cards that are scarcely accepted by locals. For a country that relies heavily on tourism, stranded foreigners are not a great advertisement.

In addition to its likely minuses for the population and the economy, this currency reform does not seem productive or effective for the Indian government. Many economists agree that the costs will greatly outpace the limited benefits. Even if there do turn out to be few negative results, the exchange is a lot of hassle for no gain in the battle against corruption.

ITALIAN REFERENDUM *cont.*

certain key responsibilities, which would make the public administration more effective."

A rejection of the proposal would increase the political standing of the populist Five Star Movement (M5S). The leader of M5S, comedian Beppe Grillo, has called for Italy to withdraw from the Euro and return to its own former currency, the Lira. An "Ital-Leave" from the Eurozone would threaten the stability of the Euro and the overall European monetary system.

In February of this year, around 60 percent of voters expressed a favorable opinion of the constitutional changes. Polls now appear to indicate a "no"

vote, with slightly more than half of voters opposed. Nonetheless, the past year has clearly shown that polls are often wrong.

But markets, too, are currently predicting a rejection of the proposal. Italy's Target2 balance, or its real-time gross settlement system, shows a tremendous capital flight from the country over the past few months. A "no" vote next week would almost certainly devalue the Euro and increase capital flow into American markets (strengthening the U.S. dollar even further).

Given the current economic conditions in Italy, rejection of the referendum and the political establishment would come as no surprise. According to the International Monetary Fund, real income per capita in Italy is 12 percent less than in 2007, just before the global financial crisis. Unemployment continues to hover around 11 percent, while youth unemployment is 40 percent (50 percent in southern regions). According to Eurostat, government debt is 133 percent of GDP.

Furthermore, Italy has grown much more slowly than other EU members since the end of the recession. The appalling economic conditions have created the ideal conditions for populist movements. Like their counterparts in the United States and Britain, working-class Italians feel alienated from the political establishment. The idea of a group of German bureaucrats sitting around in Brussels, crafting the nation's economic policy, does not appeal to unemployed blue-collar Italians. They believe that the parliamentary reforms will give them more say in Italy's economy than they currently have under the EU, which is dominated by representatives from other European countries. Despite such concerns, only time will tell if a rejection of the referendum produces an overall positive outcome for the Italian people.

A POOR REACTION *cont.*

approach to the Oval Office? If you are unhappy with Trump, don't protest about how unhappy you are via Facebook rants. Instead, call your local representative and express your opinions so that they can be better represented in the future. Then, swallow the pill and work with Trump, instead of against him, to create progress for our nation and make our future as bright as possible.

However, the protesters alone should not be blamed for the poor reactions to this year's election results. It seems that some of the president-elect's staunch supporters have used his victory as an excuse to harass and spew hateful messages toward immigrants and minority

groups. Since the election, there have been more than 200 hate crimes reported by the Southern Poverty Law Center. They range from vandalized cars and homes to children bullying each other about race. Even though Trump himself condemned such actions, telling all of those who participated or plan on participating in a hate crime to "stop it," these behaviors have continued in earnest.

This leads to one simple question – why? Why have some

incidents range from vandalized cars and homes to children bullying each other about race

Americans stooped to such low standards as to make others feel ostracized based on their race, religion, or gender? Trump's message on election night was about unifying the nation, not tearing it apart. Engaging in these actions accomplishes nothing but instilling fear into the hearts of those who have done nothing wrong. It is time for Trump supporters to be graceful winners and offer an olive branch to the losing side. It is time to assure them that all Americans can work together to put an end to race wars and extreme partisanship.

I understand that many were not happy with the results of this election. The vast majority of Democrats disagree with Trump's (and the Republican Party's) platform. Many Republicans, too, did not consider him an ideal or even a good candidate or potential president. Regardless, Americans who did their civic duty voted, and Trump won. The

public should both accept the election outcome and encourage the success of our next president.

If protests, riots, and the refusal to accept the election results persist, our nation will continue to polarize. Similarly, if hate crimes and the mocking of innocent people continue, the dangerous racial conflict will drag on. As Americans we have two options: to fracture this nation, or come together and show just how amazing our country can be. Hopefully we can make the right choice.

CONTINUE THE CONVERSATION

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