Prelim Bits 24-10-2021 & 25-10-2021 | UPSC Daily Current Affairs

US Proposal for a $1 Trillion Platinum Coin

In the U.S., the Democrats have proposed to issue a $1 trillion platinum coin to bypass the debt ceiling on the US Government debt, if Republicans refuse to raise it.

> *The electoral system in the U.S. is a two-party system. These two parties are the Republican Party and the Democratic Party.*
>
> *Other parties, often generally termed "third parties", in the U.S. include The Green Party, Libertarians, Constitution Party and Natural Law Party.*

Debt Ceiling

- Debt ceiling is the limit that the US Congress puts on the total amount of debt that the U.S. Government can borrow to finance its spending.
- The debt ceiling has been **gradually raised over the decades**, from around $4 trillion in the early 1990s to $28.4 trillion in 2021.
- Debt ceiling serves as a **check on government borrowing** by forcing the government to live within its means.

$1 Trillion Platinum Coin

- The $1 trillion platinum coin is a token coin with a face value of $1 trillion that can be issued by the U.S. Treasury and deposited at the U.S. Federal Reserve, America's central bank.

> The U.S. Treasury can mint a platinum coin of any denomination - regardless of the actual platinum content of these coins - and demand an equivalent sum of dollars from the central bank.
>
> However, gold and silver coins can be issued only in certain denominations and, need to contain a certain weight of gold.
>
> This limits the dollar amount the Treasury can demand from the Fed.

- **General working** - Usually, when the U.S. Government wants to borrow money, it issues Treasury bonds to investors.
- These bonds are then purchased by the Fed in the secondary market. The Fed thus indirectly finances the government.
- But the issuance of these bonds also increases the government's overall debt figure.
- This, in turn, could cause a breach of the debt ceiling unless the Treasury simultaneously

retires bonds of equal value by paying back investors.
- **Coin** - With the $1 trillion platinum coin, however, the U.S. Government won't have to worry about breaching the debt ceiling.
- Receiving dollars from the Fed in exchange for the coin will not increase the government's liabilities.

Impact on Inflation

- Some argue that creation of fresh dollars by the Fed in return for the platinum coin will add to the overall money supply the economy.
- Without a sufficient rise in the overall supply of goods and services in the economy, this can lead to higher prices if people opt to spend rather than hoard the fresh money supplied by the Fed.
- This inflation could be prevented, when the Fed,
    1. Credits the Treasury with $1 trillion worth of fresh dollars,
    2. Simultaneously sell U.S. Government bonds worth $1 trillion from its holdings in the open market.
- This will suck money worth $1 trillion out of the economy and prevent inflation.

Hybrid Funds Option

With markets hitting new highs and are likely to stay strong with some correction, weighing the hybrid funds option is needed.

- A hybrid fund is a type of a **mutual fund or ETF** that invests in different types of assets or asset classes to produce a diversified portfolio.
- Often, they are a combination of Equity and Debt assets, and sometimes they also include Gold or even Real estate.
- They may also be known as **asset allocation funds**. The allocation to each asset class is decided by the fund manager basis the investment objective of the fund and the market condition.
- **Advantages** - Portfolio risk can be reduced by combining assets that have a low correlation.
- Helps in achieving maximum returns at minimum possible risk.
- While hybrid funds are conservative and limit exposure to equities, they allow investors to participate in any upside that the markets may offer.

Types of Hybrid Funds

- **Balanced funds** are hybrid funds that hold 60% stocks & 40% bonds.
- **Target date funds or lifecycle funds** invest in multiple asset classes for diversification.
- They vary from standard hybrid funds in that their portfolio portions begin with a more aggressive allocation and progressively rebalance to a more conservative allocation for use by a specified utilization date.
- **Blend fund** (or blended fund) is a type of equity mutual fund that includes a mix of both value and growth stocks.
- These funds offer investors diversification among these popular investment styles in a single portfolio.

Model Code of Conduct during Bye-election

The Election Commission (EC) noticed that certain political parties/ candidates are organizing electioneering activities in the areas adjoining the district/ constituency where the bye-election is being conducted.

> Model Code of Conduct is a set of guidelines issued by the Election Commission of India for conduct of political parties and candidates during elections mainly with respect to speeches, polling day, polling booths, portfolios, election manifestos, processions and general conduct.

- The applicability of the Model Code of Conduct (MCC) of the EC during bye-election would be only to the concerned district(s) comprising the Parliamentary/ Assembly Constituency going to such bye-election.
- This was mentioned in the existing instructions of the EC regarding enforcement of the MCC during elections.
- The only relaxation in these instructions has been given in case the constituency is comprised in State Capital/ Metropolitan Cities/ Municipal Corporations.
- In such cases, MCC instructions would be applicable in the area of concerned Constituency only.
- In all other cases, aforesaid instructions would be enforced in the entire district(s) covering the Constituency going for bye-election(s).
- The above relaxation has been given with an objective that the operation of MCC doesn't hamper normal developmental and administrative functioning in the State and districts.
- District Election Officers concerned will ensure that the MCC instructions & COVID guidelines are followed in the districts adjoining to the poll going district/ constituency.

Supreme Court on Right to Protest

The Supreme Court said that the public roads could not be blocked to hamper free movement even as farmers and the Government verbally clashed during the hearing, over who is responsible for the 2-year blockade in New Delhi.

- The court noted that it had laid down the law in the **Shaheen Bagh protests case** that,

> The right to protest should not hamper the right to movement of the public.

- In the end, the court concluded that the roads cannot be blocked.
- To know more about Shaheen Bagh protests case, click here.

National Fund to Control Drug Abuse

Ministry of Social Justice and Empowerment has recommended that the National Fund to Control Drug Abuse (NFCDA) be used to carry out de-addiction programmes, rather than just policing activities.

> The World Health Organisation defines 'Drug Abuse' as the harmful or hazardous use of

psychoactive substances, including alcohol and illicit drugs.

- The fund was created in accordance with a provision of the Narcotic Drugs and Psychotropic Substances Act (NDPS Act), 1985.
- **Objectives** - The funds can be utilized to meet the expenditure incurred in connection with the measures taken for,
    1. Combating illicit traffic in narcotic drugs, psychotropic substances or controlled substances;
    2. Controlling the abuse of narcotic drugs & psychotropic substances;
    3. Identifying, treating, rehabilitating addicts;
    4. Educating public against drug abuse; and
    5. Supplying drugs to addicts where such supply is a medical necessity.
- **Components** that are admissible for assistance under NFCDA,
    1. Information, Education and Communication (IEC)
    2. Financial assistance shall be admissible to the organizations for conducting Surveys, Studies, Evaluation & Research on drug abuse.
    3. Grant for increasing the bed capacity at the centres/hospitals run by the State/ Central Government for drug de- addiction purposes.
    4. Funds can also be sanctioned for enhancing, upgrading the medical instruments and other facilities for drug deaddiction purposes.
    5. Training the Doctors/medical staff on drug de-addiction.
    6. Infrastructure support for Vocational Training for rehabilitation
    7. Apart from the above activities, the Governing Body of NFCDA may consider other project also for funding from NFCDA.

Reference

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