

Opinion

SATURDAY, JANUARY 26, 2019

ELECTRONIC ELECTIONS
 Ram Nath Kovind, India's president
 India's sheer size and the logistics of elections in our country make it critical to embrace modern technology



Rational Expectations

SUNIL JAIN

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The good and bad news on education

Intergenerational inequality falling, but education quality remains poor; govt remains reluctant reformer

WHILE THE GOVERNMENT has shown considerable alacrity in implementing a 10% quota for upper-castes, it is worrying that less attention is being paid to fixing the education system itself. Along with the proposed sub-categorisation of OBCs—to stop powerful groups like the Yadavs cornering the benefits—the government is banking on the quotas having a big impact on voting.

Few universities/colleges have been freed from the government's yoke despite this being promised for years. Indeed, had this been done, there wouldn't have been the clamour there was for the Institutions of Eminence tag; the only thing this does for private institutions that will now be under the 10% quota is to free them from government regulations. And while universities continue to see their standards plummet thanks to such controls and the pernicious reservations policy, the quality of school education is also getting poorer.

According to Pratham's latest ASER report for rural areas, while there has been an improvement in the learning outcomes at the elementary level (goo.gl/GTwpW), the proportion of Class VIII students who could read Class II level texts has declined—nearly half of Class V and over a quarter of Class VIII students in the country can't read a Class II level text.

In the case of maths, the proportion of Class VIII students who could do division has fallen from 48.1% to 44.1% over 2012-18. Even though standards of learning are improving in government schools, they have fallen below 2008 levels, and the gap with private school learning outcomes is getting wider.

While the normal reaction to this is that government schools should be replaced by private ones, that will help, but may not be the only issue; indeed, the quality of teaching in government schools is improving. As Rukmini Banerji, Pratham's CEO points out, teachers in both public and private schools are teaching various levels of classes at the same time since, as the weaker students aren't kept back in their current grades, the higher classes have children who don't know how to read or do maths along with those that do—which students is the teacher to pitch the education to? Fixing this requires a different approach and even a different pedagogy; fortunately, the UPA's no-detention policy has been scrapped.

While many argue for more private schools, and government-paid coupons to give poorer parents a choice of sending their children to private schools, some like Asier Centre's director Wilima Wadhwa argue that private schools do better because their kids come from both richer as well as more educated families; three-fourths of the difference in learning outcomes, she says, is directly linked to this.

An analysis in *Mint* (goo.gl/eKP4e9) mines Pratham data to reach similar conclusions. If kids in classes III to V come from 'highly privileged' families—have a pucca house, electricity, etc.—and their parents have completed school, 66% of them will be able to do subtraction; this falls to 43% in the same economic category but where parents are illiterate. In the same classes III to V category, where parents are illiterate, 43% of the kids of parents that are 'highly privileged' will be able to subtract vs 17% if they are 'under privileged'.

While the level of affluence is certainly a factor, it is not clear whether it is the overriding one. Private schools have better learning outcomes, as do children from more affluent homes, but it is not clear whether the learning outcomes are related to the levels of affluence or to better pedagogy in private schools. While government-paid coupons will allow even the poor to get to private school, 'teaching at the right level'—ensure slow-learners are held back—will also improve learning outcomes since the weaker students can then be taught differently.

An interesting study, in contrast to the rich-do-better one is a recent PhD thesis from IIT-Delhi by Ishan Bakshi (disclosure: he is my nephew) that uses NSS data to look at inequality trends over generations. It finds that (see graphic) if a parent in rural India had studied till just Class V—this includes illiterates—there was a 58% chance his child also studied till this level in 1983; this fell to just 29% by 2009-10. Even better, while there was a 1% chance the child of such a parent could have passed Class XII in 1983, this rose to 14% by 2009-10.

Inequality of opportunity also falls over time. Take the case of an up-to-Class V parent and a Class XII-pass parent in 1983—there was a 21 times greater chance of the Class XII-pass parent's child also passing Class XII. By 2009-10, this difference reduced to around five times.

This also holds true for the bottom 40% of the population. There was a 1% chance the child of an up-to-Class V parent had a Class XII degree in 1983 (it is 3% for the top 40% of the population) and this rose to 9% by 2009-10 (it rose to 28% for the top 40%). There is no doubt that urban or richer households do better, but the inter-generational change is heartening. Indeed, since the analysis for SC/ST shows that children of more-educated parents tend to be more educated—even though the children of less-educated parents are also getting more educated over time—there is a strong case for restricting reservations in college to just one or two generations. While the results from the studies are unambiguous, the problem is the government does not seem to be learning any lessons from them.

Censoring Sense

Censorship by OTT players is a bad idea especially given the latitude the guidelines allow

LEADING ONLINE CURATED content providers (OCCPs), including Netflix, Hotstar, Voot, Arre, SonyLIV and ALT Balaji, have come up with a self-regulatory code (Code) to regulate video-streaming content. The same gives viewers an option for redressal as well. According to the Code, "content which deliberately and maliciously disrespects the national emblem or national flag" or represents children or any part of their body for primarily sexual purposes or which "deliberately and maliciously intends to outrage religious sentiments of any class, section or community" or which "deliberately and maliciously promotes or encourages terrorism and other forms of violence against the State (of India) or its institutions" or that has been "banned for exhibition or distribution by online video service under applicable laws or by any court with competent jurisdiction" will be censored.

In the present instant, the width of interpretation the conditions allow poses a big problem. Self-censorship, in any case, is done out of fear or deference to the sensibilities/preferences of the party or coalition in power, thereby denying both content-generators and viewers the freedom of expression. It isn't hard to imagine a Netflix refusing to allow streaming of *Qaum de Heere* under a Congress regime or refusing to stream a *Parzania* or *Firaq* under a BJP regime. If OTT players rely upon the maturity of viewers in foreign jurisdictions to show controversial content, why should they believe their Indian subscribers lack the same?

GLOBAL DISPARITY
 CHANGES IN THE ESTIMATED VALUE OF WEALTH IN DEVELOPING NATIONS ARE LIKELY TO COME FROM CHANGES IN THE ASSUMPTIONS OF THE RESEARCHERS DOING THE ESTIMATION

Hold the outrage about soaring wealth inequality

THE GUARDIAN RECENTLY reported a startling development—according to the charity Oxfam, a handful of the world's richest people got much richer in 2018, while half of the world's population got much poorer. On Twitter, writer Anand Giridharadas summed up the dire implications:

When Giridharadas urges us not to "be Pinkered" into complacency, he is referring to psychologist Steven Pinker, whose books convey the message that life for large numbers of people has been improving.

By this point, everyone knows—or ought to know—that inequality has been rising within most developed countries. This has been made clear by a steady drumbeat of statistics, as well as economist Thomas Piketty's landmark 2014 book, *Capital in the Twenty-First Century*, which confirmed that inequality has generally increased within rich countries since about the middle of the 20th century. Nor can anyone ignore the glaring disparities between the global ultra-rich, who gathered at Davos, Switzerland, this week to ski and network and praise themselves, and the billions of people in poor countries who still subsist on just a few dollars a day. To anyone who is upset about these disparities, Oxfam's numbers simply add one more call for alarm. But the charity organisation's dire reports should be taken with a grain of salt. The truth is that wealth inequality, though substantial, probably isn't skyrocketing.

First of all, Oxfam's numbers look dubious. If the wealth of half of the world's people really fell by 11% in one year, as Oxfam says, it would signal the coming of an enormous global recession. But 2018 economic growth numbers look healthy—the International Monetary Fund estimates that almost every economy in the world grew last year, with only a small handful of exceptions. That

suggests something funny is going on with Oxfam's data.

One reason might be that wealth is inherently hard to measure, especially in developing nations. In those countries, much wealth tends to be held in the form of real assets, like houses owned by poor farmers, or informal businesses, like a family-run food stand in a big city. There are typically no well-functioning, transparent financial markets for these assets, so it is hard to get a reliable estimate of their value.

That is not to say that the global poor have lots of hidden wealth squirreled away. Instead, what it means is that changes in the estimated value of wealth in developing nations are likely to come from changes in the assumptions of the researchers doing the estimation, or changes in data availability. This can be seen in Oxfam's numbers. Oxfam gets its wealth data from Credit Suisse, which provides yearly updates to its estimates. Comparing the 2017 wealth estimates to the 2018 updated estimates for 2017, we can get an idea of how much these numbers tend to vary:

These differences can't be coming from actual wealth changes, since both estimates are for 2017; they come from data revisions. Sometimes these data revisions are small, but other times very



NOAH SMITH

Bloomberg

Asset prices can be affected by investor sentiment that has little to do with how much of the world's actual resources people get to consume

large—for China, the difference is more than twofold! Even for rich countries, the data revisions can be big—for Japan, the difference was about 18%.

If data revisions are regularly this big, then Oxfam's assertion that wealth inequality went up substantially in 2018 could easily be illusory.

In rich countries, meanwhile, wealth depends mostly on asset prices, especially the prices of stocks and real estate.

As anyone who lived through the 2008 financial crisis keenly remembers, these prices can be affected by investor sentiment that has little to do with the real underlying value of physical assets—and thus little to do with how much of the world's actual resources people get to consume. If investors decide to pay higher prices for shares of Amazon.com Inc., Jeff

Bezos' wealth goes way up, but the real value of Amazon's business might be the same as the previous day. For closely held companies, where many rich people derive their wealth, it is even harder—if one investor overpays for a small piece of Uber Technologies Inc., the whole company's valuation can go up by billions of dollars, but that really just reflects the excessive optimism of that one investor.

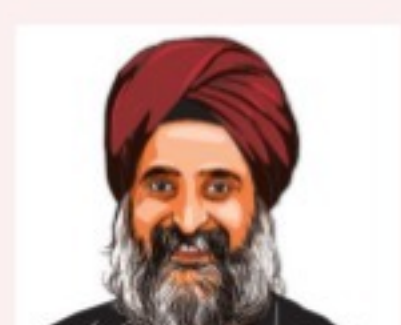
This means that big swings in the wealth of the world's top billionaires don't

Understanding India's political economy

Decentralisation needs to extend to India's cities, which also need better governance, and which will be the focal points for future economic growth

NIRVIKAR SINGH

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ECONOMISTS AND POLITICAL scientists have developed reasonably good understandings of how politics and economics interact in abstract, and in the case of specific countries. A basic principle of the different explanations is that societal groups and the institutions within which they function create trade-offs between competition for a nation's current output (especially the surplus, or "economic rents") and efforts to expand that output, that is economic growth. That growth creates more economic rents down the road, but economic and political institutions may not allow that to be done in the best way possible.

In particular, I would argue (1) India is too economically centralised for a successful growth acceleration, and (2) institutional capacity, both in terms of public finances and the human capital to manage them, needs to be strengthened at the level of the states, which can be better at serving their constituents in many dimensions than can a distant national government. A subtler argument that also fits in the trade-off framework is the tendency for economic policy thinking to be tilted towards public sector action rather than strengthening the private sector, which will ultimately deliver the growth and jobs that India's citizens need. In my previous columns, I described this tilt in terms of a lack of sufficient attention to "industrial dynamics". This goes well beyond just trying to score better on the World Bank's Ease of Doing Business, though performing better there is certainly an indicator of movement in the right direction. There is also the complication that the private sector can be part of the problem, when capitalists focus on capturing economic rents (or even theft), with the connivance of politicians.

Of course, India is not doing too badly at present, and one should recognise that good performance. Its

neighbour, Pakistan, for example, is an example of much more suboptimal economic performance, which can be traced to the economic rent-capture and rent-protection of narrow elites that dominate societal institutions. This needs to be kept in mind as the spectacle of campaigning for India's national elections unfolds. The country's heterogeneity and diversity make the quest for ruling at the Centre a complicated one, involving multiple regional political groupings, shifting alliances, and large sums of money, much of it from uncertain sources.

It seems to me that the state of play right now is complicated. Five years ago, the challengers could point to disappointing economic performance, some evidence of paralysis in policymaking, and instances of corruption in a ruling coalition that seemed to have run out of steam in its second term. Promises of better governance and better economic performance won the day, leading to the first single party majority in many years. But the delivery on those promises may not have been enough to persuade voters to give as strong a mandate this time around.

One way to understand events in India is in terms of an imbalance between political and economic decentralisation. The structure of Parliament, in which the composition of the Rajya Sabha reflects political control at the level of the states, and the states are large, heterogeneous and, sometimes, distant from the Centre, means that any party or coalition of parties has to work hard to secure a national majority. This was apparent throughout the tenure of the current government, when much attention was paid to multiple, asynchronous state assembly elections, distorting national policies and taking away attention from national governance. This was not the only problem, of course: non-economic

factors, such as an aggressive ideology of cultural nationalism have also been at odds with the kind of good governance that would promote the best possible economic outcomes. This ideology also conflicts with the reality of a diverse nation, and sometimes with realistic visions of progress (instead of fantasies about the past).

Economic decentralisation will not alleviate the political difficulty of stitching together a coherent national coalition for governance, nor change the direct political influence of the states through the Rajya Sabha. But it will improve economic performance, if done correctly, with capacity building and greater autonomy over funds. Ideally, this decentralisation needs to extend to India's cities, which also need better governance, and which will be the focal points for future economic growth. This is an arena in which cooperative federalism between the Centre and states can truly matter, beyond being a nice sounding phrase.

In past five years, we have seen some economic policy decisions at the Centre that continued a quarter century of reforms to improve the functioning of government in various spheres, such as taxation, the bankruptcy code, and rules on foreign direct investment. In other areas, there is still much to be done. And in the case of India's central bank and its money, there have been some retrograde steps. In the short term, we will see some attempts to stimulate the economy and make voters feel better about the ruling party. That is to be expected, and is not too harmful. The real questions are whether economic strategy for the long-term can survive damaging political compulsions, what institutional changes can be made that reduce the chances of such damage, and which politicians—if any—understand the need to make those changes.

usually represent changes in the amount of real, physical resources they command—it doesn't show that they are "monopolising progress," as Giridharadas puts it, to any greater degree than before.

Wealth comparisons are always hard to do, but they're even harder when comparing across countries. Big swings in exchange rates can dramatically change the amount of real foreign resources—Nigerian oil or Australian bauxite—that Jeff Bezos's billions would be able to buy.

Finally, as many other writers have noted, wealth calculations include debt, much of which is held by people in rich countries who actually aren't that poor. By the official definition, when Donald Trump declared bankruptcy, he was poorer than a debt-free subsistence farmer in Somalia. Thus, reported shifts in the wealth of the world's so-called poorest people can reflect changes in debt rather than swings in the real-asset holdings of the actually destitute.

So, although it is good to be concerned with wealth inequality, reports such as Oxfam's shouldn't be cause for alarm. The world is a very unequal place, but 2018 probably didn't make it much worse in any meaningful sense. The real story of 2018 was a positive one—rapid global growth that raised living standards in poor countries such as Ethiopia, India, Bangladesh and Indonesia. Thanks to that growth, global inequality of income—which can be measured more reliably than wealth—is actually falling.

So yes, the vast wealth of the Davos set may be annoying, and countries such as the US and China should tax them more. But ultimately, the fate of the world's poor will depend much, much more on economic growth than on how much rich countries choose to tax their wealthiest citizens.

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LETTERS TO THE EDITOR

No winter, no smog?

While recent showers in the NCR have led to an improvement in the AQI, it is prudent that the authorities take due cognisance of the annual hazard. State PCBs are accountable and ought to establish/enforce a robust/long-term plan based on a carrot-and-stick approach towards producers to mitigate the problem of winter smog. A proactive approach, despite the yearly recurrence, is clearly missing. Instead, unstructured measures attempted to overcome a known/chronic issue have failed to offer a solution. Administrative pretexts or self-proclaimed achievements by citing a lower figure vis-a-vis previous years do not align with the larger agenda to truly prioritise public health, cleanliness and hygiene. A reactive approach towards availability of green crackers and continued procrastination or unwillingness on the part of state authorities towards crop-residue/stubble burning allowed the smog to aggravate. Shutdown of power plants, impounding of old vehicles, intermittent watering of trees, halting of construction projects, recommendations for odd-even vehicle-plying and conceptualisation of artificial rainfall via cloud-seeding are not feasible to implement on the ground — Girish Lalwani, Delhi

Off the hook

The committee of administrators' (CoA) lifting of the suspension on Indian cricketers Hardik Pandya and KL Rahul, two weeks after they were sent home from the tour of Australia must make the duo breathe easier. Both players are now available for selection but will face enquiries once an ombudsman is appointed. The cricketers' crass comments on the TV show 'Koffee with Karan' had come in for stick from all quarters and led to a social media storm. Now that the two erring players have realised their folly, they would do well to draw a line between the good, the bad and the ugly and refrain from indulging in loose talk in future — Ravi Chander, Bengaluru

Write to us at feletters@expressindia.com

Why India shouldn't legalise cannabis

A critical evaluation of the available data regarding medicinal benefits, health hazards and long-term outcomes of legalisation

PANKAJ CHATURVEDI

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THE EARLIEST KNOWN reports regarding the use of cannabis in India come from the *Atharva-Veda*, written around 2000-1400 BCE. Cannabis has been consumed in different ways—smoking (*ganja*), chewing (*bhaang*), drinking (*tea*), etc. Its plant has been used for manufacturing clothes, shoes, ropes and paper. In ancient India, it was used for treating or alleviating symptoms of several diseases.

Marijuana and hemp are members of the cannabis family and contain chemicals with varying degrees of psychoactive properties. While marijuana induces intense psychoactive effects, hemp is low on that. *Ganja*, *charas* and *hashish* are known to cause hallucinogen, euphoria, temporary loss of senses and a funny behaviour. The *International Classification of Diseases* and the *Diagnostic and Statistical Manual of Mental Disorders* designate cannabis as an addictive substance, with recognised dependence disorders. Around 9% of people who try it ultimately become addicts. Its withdrawal symptoms are irritability, sleeping difficulties, dysphoria, etc. For those who try to quit, relapse rates are as high as 71% at six months. The Narcotic Drugs and Psychotropic Substances Act, 1985, prohibited cultivation or production of cannabis plant by anybody, while reserving these rights with central and state governments if they wish to do so, by creating rules later. It is alleged that the NDPS was a result of an intense international pressure following the UN's Single Convention on Narcotic Drugs, 1954.

There is a global wave of legalisation of cannabis, based on its medicinal properties and commercial utilities. Buoyed by success in the West (Uruguay, some US states, Canada), cannabis supporters are pushing for legalisation in India. In the US, the use of marijuana (a more addictive derivative) for medicinal purposes is legal in a number of states, whereas its use for recreational purpose has also been legalised in some states. Canada has legalised its use for recreational as well as medicinal purposes. Europe recognises the use of marijuana for recreational purposes as a crime, but its use for medical purposes is permitted in many countries.

■ Does it have proven medicinal benefits?

One of the proposed indications of cannabis is in the control of nausea and vomiting. But studies show that there is no statistically significant benefit of cannabis derivatives over available drugs. Paradoxically, few case reports have described a condition known as cannabinoid hyperemesis (excessive vomiting) syndrome in marijuana addicts. With regards to appetite-stimulating actions of cannabis, we have more effective drugs that are easily available. Cannabis is effective in pain management, but it is weaker and less safe than opiates that are approved. A study did show beneficial effects of cannabis in a small percentage of extremely rare form of epilepsy and multiple sclerosis. However, most studies aren't designed properly to offer any conclusive evidence. Needless to say, the studies have reported an increased risk of adverse effects when cannabis was used. There is no good evidence that cannabis is beneficial when used in diseases such as Crohn's disease, sleep disorder, glaucoma, etc. Similarly, there is no data to support its use in oncology practice outside of clinical experiments—cannabis derivatives are known to have immunosuppressives that can promote cancer. In summary, its medicinal benefits aren't as strong as presented by the proponents of legalisation—safer and effective alternatives are available in the market. Some argue that cannabis has been part of Indian tradition and our ancestors used it for thousands of years. The rise in life expectancy from 32 years in 1947 to 68 years in 2018 proves we are living longer than our ancestors. The US FDA has approved cannabis as a treatment for only one disease—a very rare form of epilepsy.

■ What about health consequences of cannabis use?

The severity of the adverse effects of cannabis depends upon type (marijuana being the worst), duration and frequency of use. Adults who smoke marijuana regularly show impaired neural connectivity. Marijuana users are at an increased risk of developing chronic psychotic disorders (including schizophrenia). There is an increased incidence of vehicle accidents in those who may be either short-term or long-term users of marijuana. Cannabis smoking is associated with an increased risk of bronchitis, pneumonia and respiratory distress, as also transient ischemic attacks, stroke, myocardial infarctions and cannabis arteritis. Studies have shown a positive association between



ILLUSTRATION: ROHINIT PHORE

marijuana smoking and cancers of the lung, and an increased risk of developing other cancers. Moreover, the interactions between cannabis and chemotherapy (or any drug) are largely unknown.

■ Are we depriving patients of a possible hope or cure? Cannabis derivatives play a very little role, and that too in rare medical conditions, for which alternatives exist. The pursuit of better drugs in such illnesses remains an intense area of research. There is no restriction for cultivation and procurement of cannabis for therapeutic use or experimentation. The government has been generous in giving licences for such purposes. One would argue there are bureaucratic hassles and complex paperwork required to get narcotic drugs for research and dispensing. But is cannabis legalisation a solution for ineptness of healthcare or research institutions to obtain a regulatory licence that aims to protect public health?

■ If risks outweigh benefits, why did the US and Canada legalise it? With an increasing number of youth (though a minority) supporting legalisation, most policymakers don't see it a battle worth

report, the Colorado government proceeded to legalise marijuana. The five-year result of this experiment was publicly available in October 2018 and showed startling facts. The number of calls to poison control mentioning human marijuana exposure increased over 10 years. Organised crime cases almost tripled in five years. Marijuana-possession-related arrests have halved but not decreased dramatically, as anticipated. Post-legalisation, new types of crimes emerged, such as illegal cultivation, sale, production. The number of vehicular fatalities with cannabinoid-only or cannabinoid-in-combination positive drivers increased by 153%. Colorado has not experienced an increase in marijuana use among young people. But the number of adults who use marijuana rose

between 2014 and 2017. Marijuana accounted for 22% of all expulsions and 24% of all law enforcement referrals in Colorado public schools. It is clear from the statistics that marijuana legalisation has failed to achieve its objectives.

■ What happened in Uruguay after legalisation in 2013? Illicit trade continues because of increased demand (than supply), foreign tourists (legal marijuana can't be sold to foreigners), lower cost (than the price at government dispensaries), ease of access. As anticipated, the spin-off industry failed to take off. Against the backdrop of the UN regulation (1961), for fear of international sanctions, banks refused to work with agencies linked to sale of marijuana. This affected pharmacies, growers and agencies that desire to market spin-off products such as consumer goods, medicines, cosmetics, food, etc. Medicinal use, portrayed as a major source of income, has failed to materialise. Only one-third of Uruguayan consumers are registered with pharmacies or clubs that are supposed to sell marijuana. That means a majority are still buying it illegally.

India has a history of misuse of even prescription drugs that are otherwise beneficial. Weak opiates (derivatives of opium) are one of the easily available alternatives to cannabis for medical conditions. Spasmo Proxyvon was a popular painkiller that contained opiate dextropropoxyphene. Tramadol is a common

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between 2014 and 2017. Marijuana accounted for 22% of all expulsions and 24% of all law enforcement referrals in Colorado public schools. It is clear from the statistics that marijuana legalisation has failed to achieve its objectives.

■ Will legalisation worsen our overburdened healthcare system? India is struggling to control the three addictive substances of tobacco, alcohol and areca nut. Introduction of yet another psychoactive drug will wreak havoc on a population still struggling with tobacco and alcohol and *pan masala*. It is unlikely to solve the drug menace in Punjab, Rajasthan and other states. Predatory marketing of cannabis companies will hit the vulnerable population most, such as youth, poor, insecure, illiterate. Once introduced, it will establish a big market that would make subsequent tighter regulations impossible. Following legalisation in the West, various newer products with marijuana are available in the market and on online portals, without proper prescription. These include marijuana chewing gums, candies, etc, which youngsters can easily take to.

Cannabis prohibition is being portrayed as paternalistic nanny-state policy by party hoppers. However, promotion of addiction and sufferings among millions is a heavy price to pay for protection of individual freedom of a handful. We cannot allow our next generation get trapped into a vortex of poor performance, indiscipline, addiction, psychosis, isolation, insecurity and bleak future.

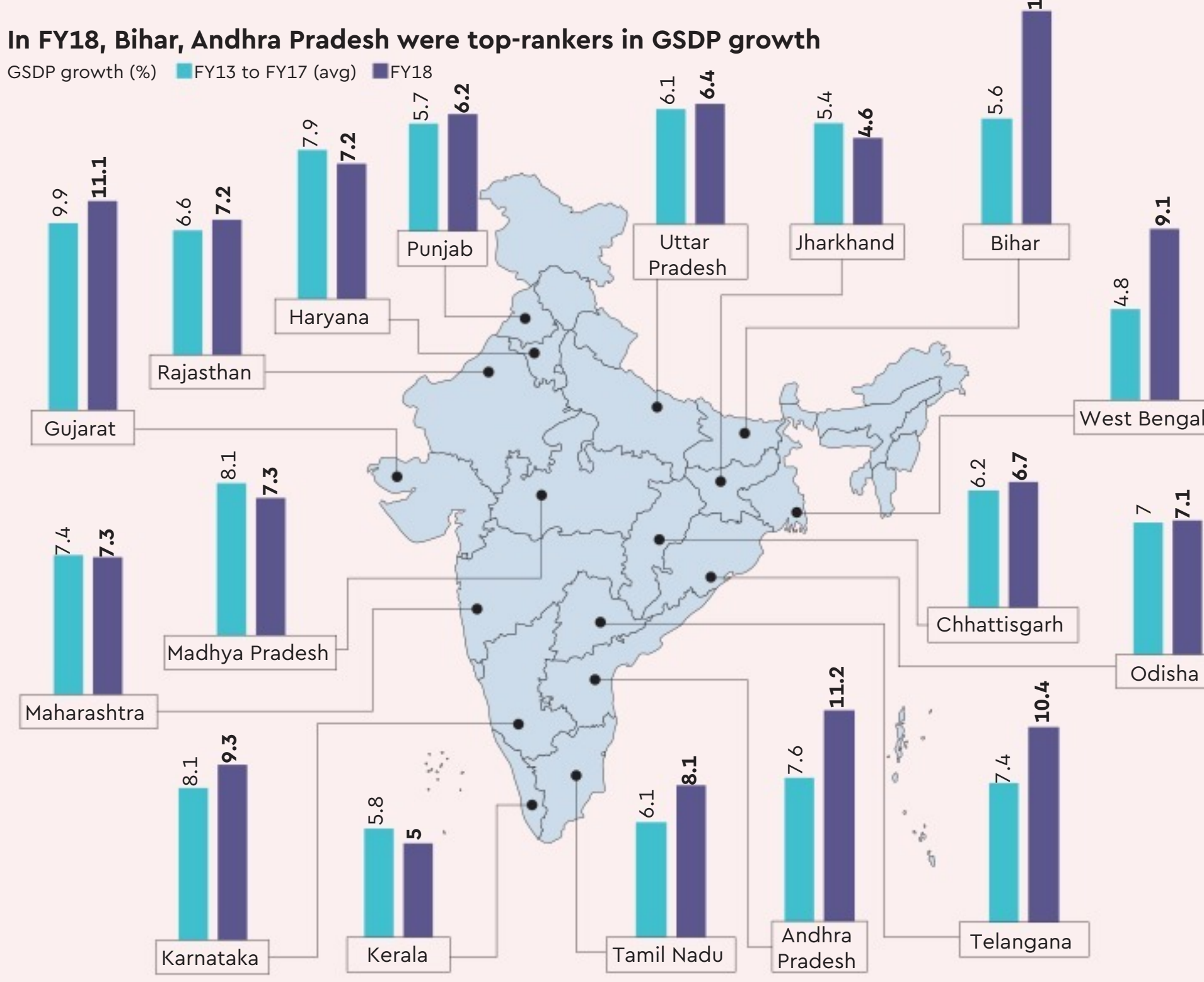
India is struggling to control the three addictive substances of tobacco, alcohol and areca nut. Introduction of yet another psychoactive drug will wreak havoc on the population

DATA DRIVE

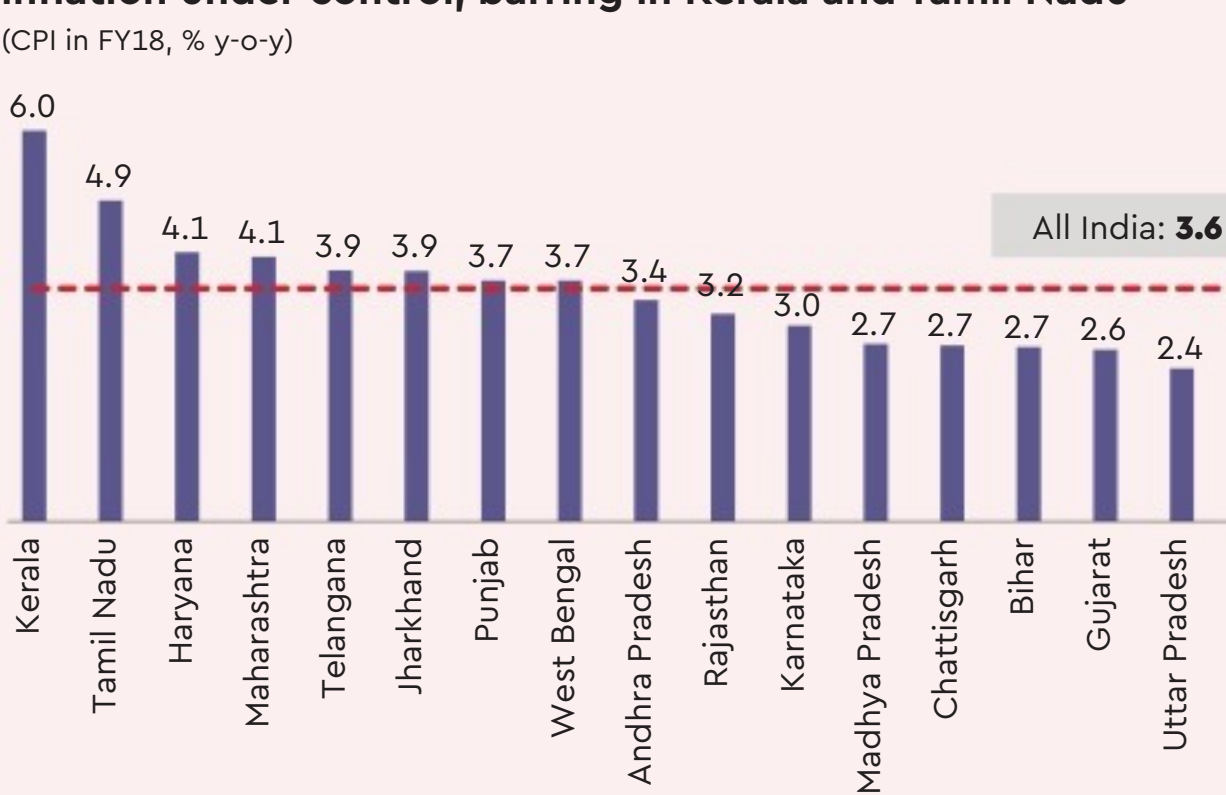
State of growth: Where are the jobs?

TWELVE OF THE 17 non-special states have managed to buck the trend of slowdown afflicting the national GDP, registering faster growth in FY18 compared to the five previous years. But, growth hasn't been equitable, a CRISIL analysis notes, given low-income states have not been able to sustain the momentum to meaningfully bridge the per capita income gap with high-income ones. In fact, the gap has widened. Growth has also not translated into job creation—11 of the 17 non-special category states recorded lower job growth than the national average in 'employment-intensive' sectors like manufacturing, construction and trade.

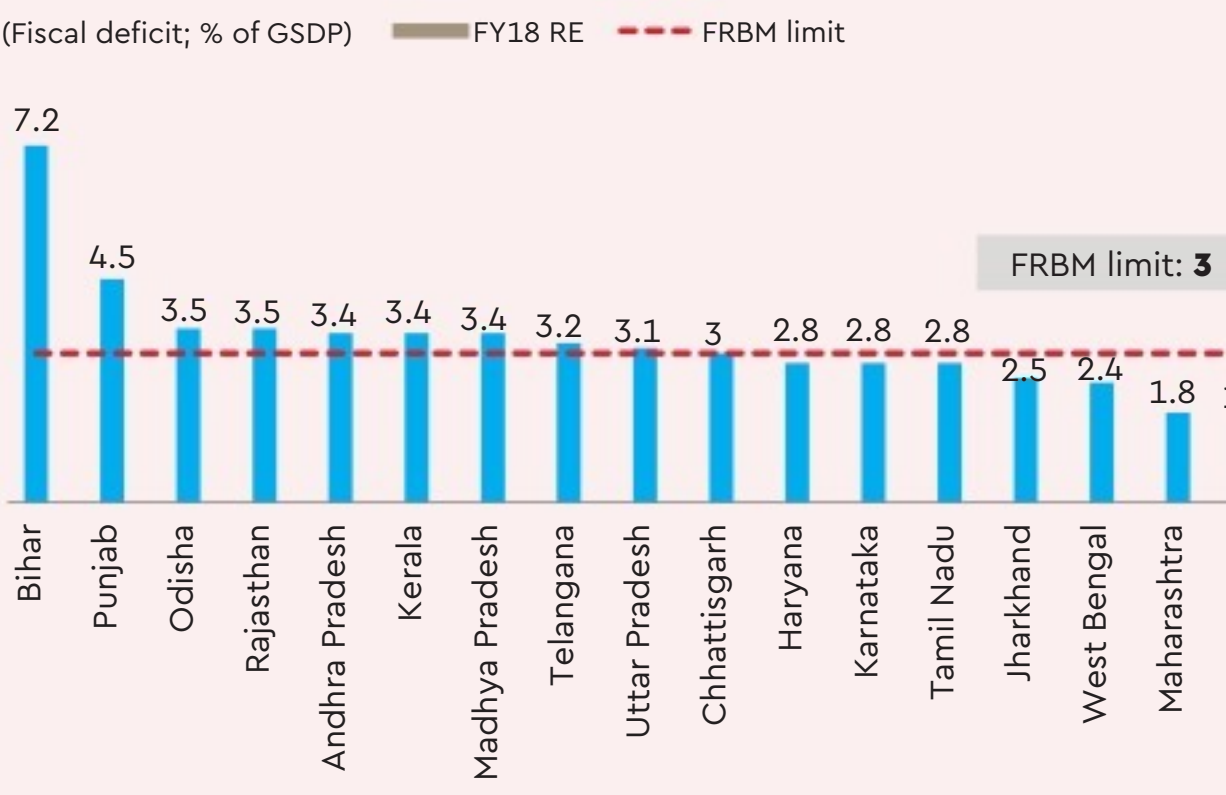
Inflation, however, fell across states from the levels five years ago, though the inter-state inflation figures show wide difference, with Kerala having the highest consumer inflation, at 6%, and Odisha having the lowest, at 2.2%. While states have been increasing their share in capex spends vis-a-vis the Centre, and thereby have become the engines of government spending, it has come at the cost of most veering off the FRBM target. Debt-GDP ratio is up in many states, thanks to the assimilation of UDAY, farm loan waivers, and pay hikes for government servants. Despite this, most states are still not spending enough on health, irrigation and education, areas where spending can help develop the quality of human capital.



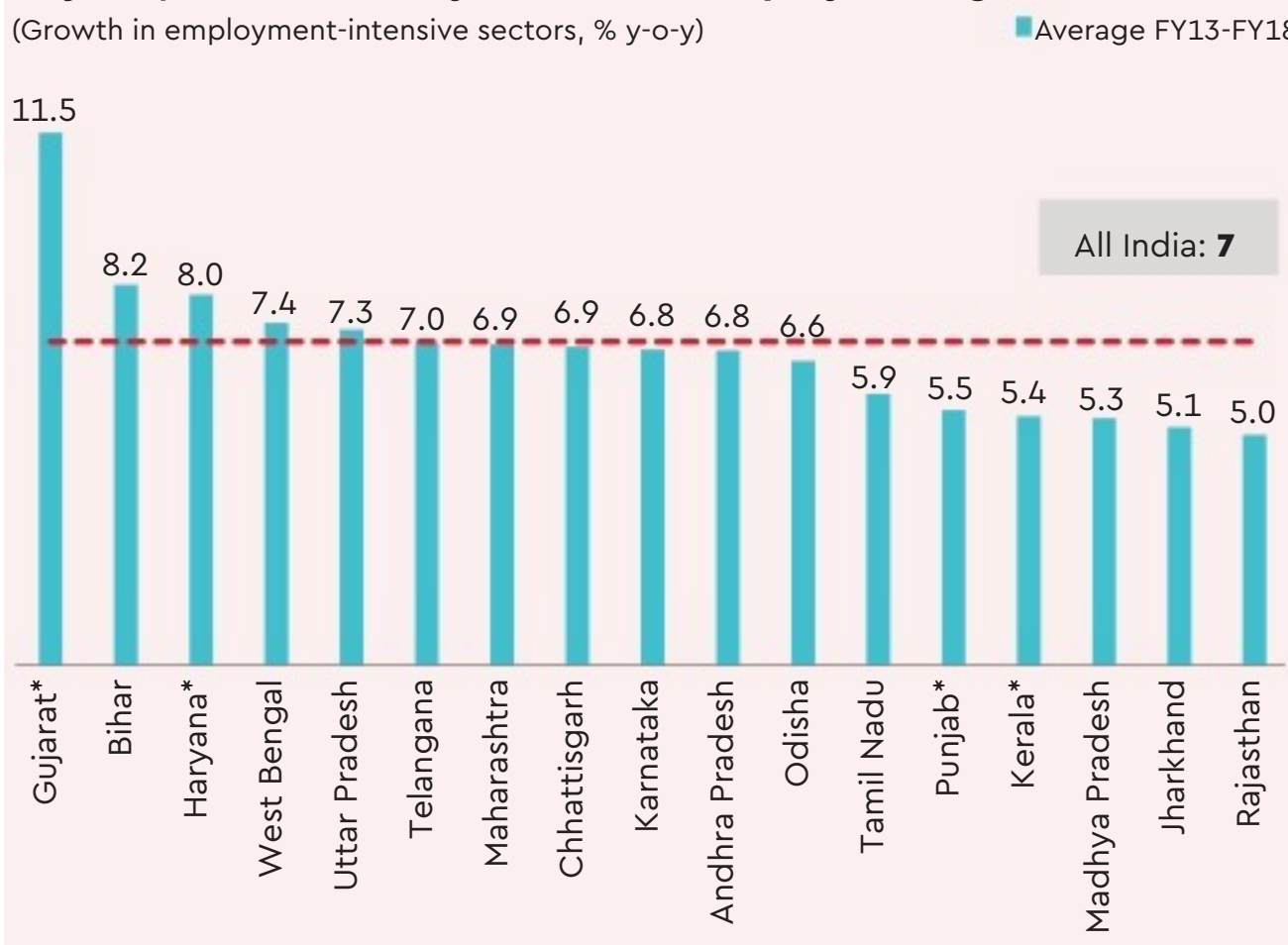
Inflation under control, barring in Kerala and Tamil Nadu



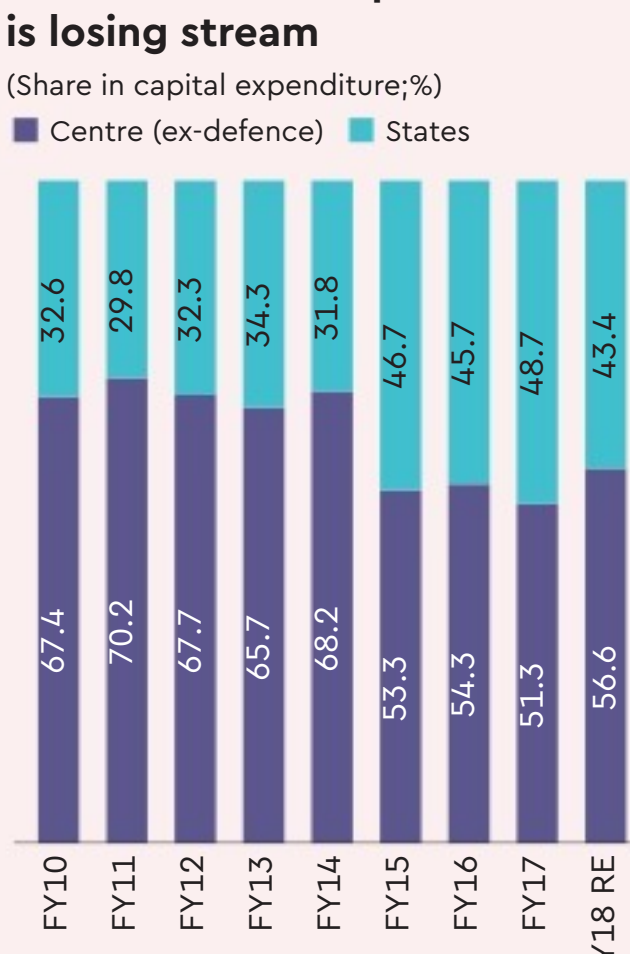
Fiscal deficit of 10 states were more than 3% of GSDP



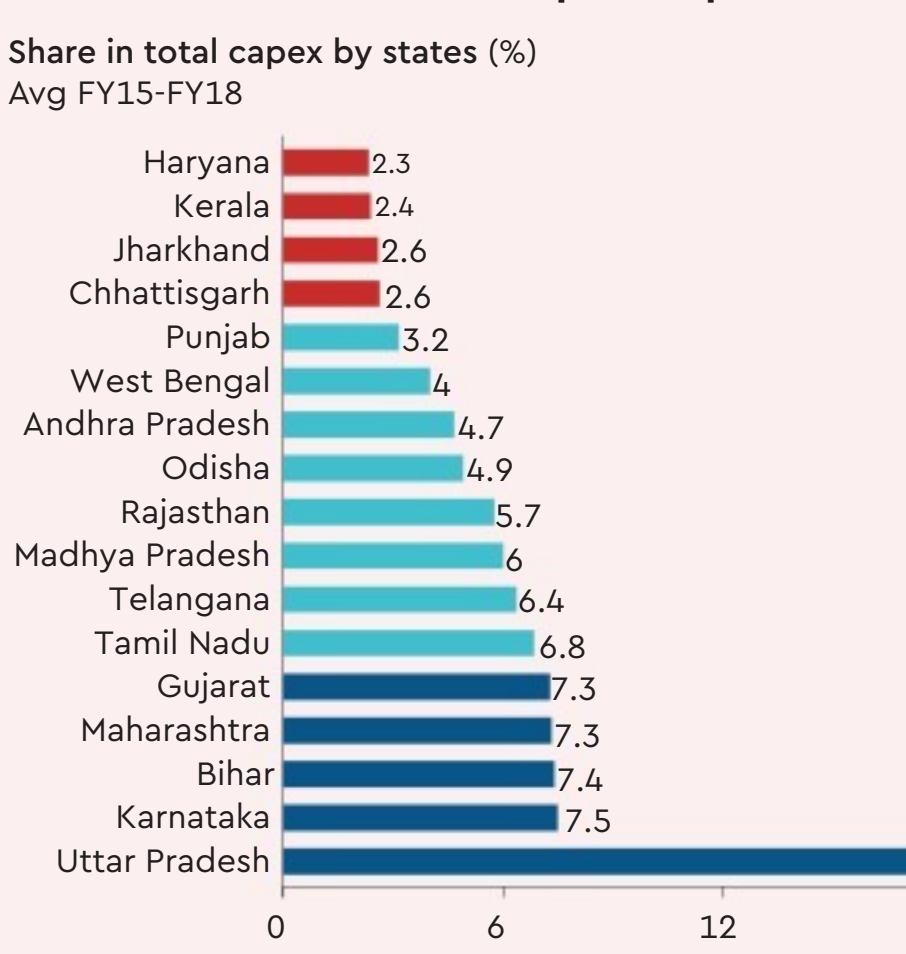
Gujarat, Bihar and Haryana lead in employment generation



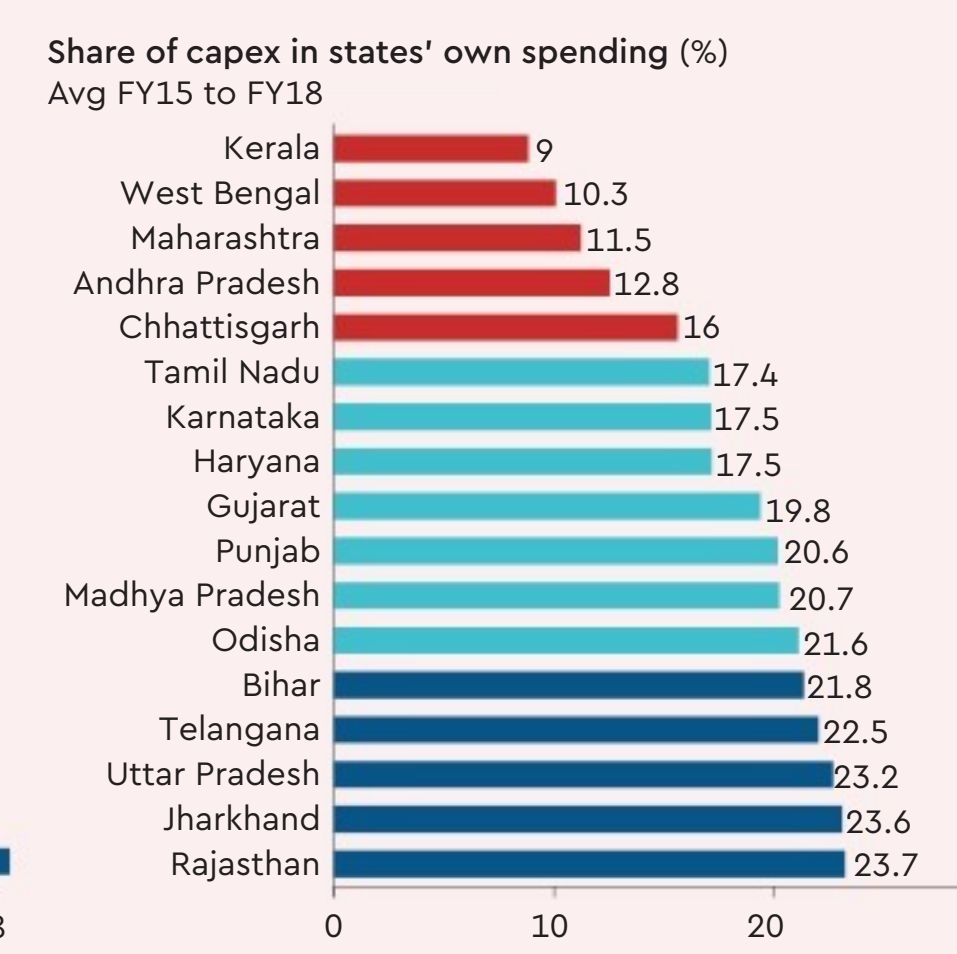
Centre's role in capex is losing steam



State-wise share in total capital expenditure



Share of capex in states' own spending (%)



*Average is till fiscal 2017, due to unavailability of fiscal 2018 data.

Source: State budgets, RBI CRISIL