Litmus test for Google, Facebook

How social giants are trying to weed out fake news and propaganda in the run-up to the LS polls

TECH-ENABLED

DEVANGSHU DATTA

Facebook, Google and Twitter, are introducing new measures to introduce transparency to political advertising. India, with its upcoming general elections, will be a crucial test site.

These three are the most important global news dissemination platforms, with over two billion people using them as primary news sources. They also have a hammerlock on online advertising, with Google and Facebook owning dominant marketshares in specific areas, while Twitter is a distant third. Apart from their eponymous properties, Google also owns video content platform, YouTube, while Facebook is the owner of Instagram and WhatsApp.

Barrack Obama's first presidential campaign of 2008 was an early example of the effective use of social media. Controversy exploded in 2016, after the Brexit campaign (June 2016) and the US presidential campaign that ended with Donald Trump in the White House.

There were successful attempts by trolls to spread misinformation and influence voting patterns during both campaigns. Private user-data on Facebook was also accessed by Cambridge Analytica during that period.

Circa 2019, all political formations use social media and much of the usage is legitimate. But social media networks are also primary carriers of the plague of fake news, designed to manipulate opinion. Facebook's India-specific measures will be launched in February. The first step is to remove anonymity. The company has asked advertisers and agencies to provide scanned copies of address and identity documents, to be verified by Facebook. FB has also shared a guide with politicians and bureaucrats, including all MPs, chief ministers and electoral officers of the Election Commission.

'Political ads' are being defined as advertising with references to political figures, parties, elections and legislation. Administrators of pages with politically-oriented content and political advertisers must offer verified ID and location, and content from outside India may be blocked.

Political advertisers will be asked to provide more (unspecified) details about content, along with payment details, with a compliance window of seven days. Facebook will comply with the Election Commission's norms, including the blackout period when campaigning stops 48 hours before voting.

This implies changing the algorithm driving Facebook's Newsfeed. One loophole political parties exploit is that the timeline of the Newsfeed is non-chronological. Political parties swamp the platform with content just before the blackout kicks in. This ensures the content propagates during blackout and it is amplified as it is shared.

Importantly, all ads will be tagged prominently with "paid for by" information. Users can report any ads they think are missing tags, and Facebook will track and show name changes of any pages that try to be deceptive.

All political ads will be placed in a searchable online library containing contact information of ad buyers with official regulatory certificates. This will be archived for seven years. Going by such archives already created for the US and UK, this will display an ad's budget, number of viewers, and anonymised data on age, gender and location of viewers. It's unclear how easy or difficult it will be, to use shell companies to place such ads however.

Google is intending similar measures. Google also has a searchable archive of political ads in the USA, with data about candidate names, advertisers, cost, timeline, viewers, etc. It will launch a similar archive in India. It intends to start an ID verification process by mid-February and it will tag ads with "paid for" labels. It will also generate and update a "Political Ad Transparency Report" for India.

Twitter's Ad Transparency Center also has a similar US archive where users can access data about ad buyers, billing information, ad spends, impression and demographics. The microblogging platform says it will provide a new dashboard showing expenditures by political parties and it will work with the Election Commission to verify advertisers. It will also encourage users to report suspicious and abusive activity.

Media planners guess that the elections alone could lead to a 100-120 per cent spike in online advertising. There's speculation that online political advertising may hit the Rs 120 bn mark -- the total online ad-spend last year was estimated to be just about Rs 110 bn.

All these companies are already working with external consultants to find ways to identify and weed out fake news. It remains to be seen how successful all these new measures will be. Obviously the platforms don't want to miss out on this huge potential revenue stream and they are wary of falling foul of ECI guidelines and the proposal to introduce new restrictive changes to the IT rules.

CHINESE WHISPERS

Corporate makeover

6, Shyamala House, the official residence of the Madhya Pradesh chief minister, is being readied to welcome its new resident, Kamal Nath. Nath, it is learnt, wants his new residence to don a "corporate look", which entails an investment of ₹4-5 crore. This has caused a furore in the Opposition camp. Alluding to his business interests, Bharatiya Janata Party member and leader of the state Opposition Gopal Bhargava said, "Being from a business background, Nath thinks like a corporate. But why does he need a corporate office in his home?" Sources said principles of vastu had also been referred to while drawing up the renovation plan for the bungalow.

Seeking brand endorsers

Taking a cue from celebrities endorsing state- and government-run campaigns, Madhya Pradesh Chief Minister Kamal Nath has invited Indian and global investors to invest in Madhya Pradesh and offered them the option to become a brand ambassador for the state. These ambassadors would be used globally to promote the state as the ultimate investment destination. Nath himself belongs to a business family. His sons, Nakul and Bakul, control companies that have interests ranging from real estate to aviation, from plantations to hospitality.

Tools of the game

The Central Industrial Security Force (CISF) personnel manning the Taj Mahal in Agra are undergoing training to use a new weapon, *gulel*, or slingshot, to tackle the troops of monkeys that swarm the premises. The move hasn't gone down well with local wildlife activists, who have raised their voices in defence of the simians citing provisions of the Wildlife Act, 1972. According to the Act, monkeys are protected species and no physical harm can be inflicted on them. But local residents continue to complain that civic authorities have failed to find a solution to the monkey menace. Last November, a monkey had snatched a 12-day-old infant from the arms of his mother. Days later, monkeys were blamed for the death of a 58-year-old woman. Tourists also complain regularly of attack by monkeys.

The three musketeers of Indian banking

Both Jayakumar and Vaidyanathan are on the cusp of making history while for Ghosh it is compulsion

BANKER'S TRUST

TAMAL BANDYOPADHYAY

What do P S Jayakumar, V Vaidyanathan and Chandra Shekhar Ghosh have in common? Well, the trio is currently anchoring the three most interesting mergers in Indian banking.

Bandhan Bank Ltd, headed by Ghosh, has announced taking over Gruh Finance Ltd, a subsidiary of Housing Development Finance Corp Ltd (HDFC), while Vaidyanathan's Capital First Ltd has already been merged with IDFC Bank Ltd, and two relatively small public sector banks — Dena Bank and Vijaya Bank — are being merged with Jayakumar's Bank of Baroda (BoB).

Both Jayakumar and Vaidyanathan are on the cusp of making history as there is no precedent in Indian banking of the job in their hands.

The BoB-Dena-Vijaya Bank merger is the first attempt at consolidation in India's public sector banking industry with close to 70 per cent market share in loan assets. Indeed, before this, five associate banks of the State Bank of India (SBI) got merged with the parent, catapulting the nation's largest lender into the league of the top 50 global banks but that was a family affair.

Similarly, Vaidyanathan, the youngest executive director of ICICI Bank Ltd who chose to be an entrepreneur, is the first professional to get a banking licence without applying for it! For all practical purposes, his non-banking finance company, Capital First, is taking over IDFC Bank, which is as old as Bandhan Bank.

All three are dealing with investors' expectations but I am not focussing on that aspect as all mergers may not be value accretive from day one and the shareholders can get the benefit over a longer term. The Centurion-Bank of Punjab Ltd merger with HFDC Bank Ltd is one such instance.

Consolidation apart, the merger of Dena Bank and Vijaya Bank with BoB is also a rescue act for Dena Bank. Put under the so-called prompt corrective action (PCA) of the banking regulator, Dena Bank has been restrained from normal banking activities. Since December 2015 when the bad loans of the banking system started rising, following the Reserve Bank of India (RBI) intervention, Dena Bank has recorded close to ₹5,000 crore net loss (making losses in 11 out of 12 quarters) till September 2018. Its gross non-performing assets (NPAs) during this period rose from 9.85 per cent to 23.64 per cent, the fourth highest among the state-owned banks.

Jayakumar has done a good job of cleaning up the BoB balance sheet and changing the way a large public sector bank works with a slew of initiatives but steering a merger is a different cup of tea. His biggest challenge will be managing the ego of the senior employees of Dena Bank and Vijaya Bank who are bound to suffer from persecution complex.

ILLUSTRATION BY BINAY SINHA

And, it can turn ugly if the balance sheet of Dena Bank shows a far bigger hole that what it does now. Remember how SBI's bad loans zoomed after its merger with associate banks? Till September 2018, Dena Bank provided for less than 60 per cent of the ₹16,140 crore gross NPAs. If the bank is not as transparent as it should be, then Jayakumar will have a nightmare. Incidentally, the merged entity (it will have a new name) will be the third-largest lender in India by assets after SBI and HDFC Bank Ltd, employing 85,675 people strewn over 9,489 branches.

IDFC Bank, renamed IDFC First Bank (subject to shareholder approval), will have a loan book of ₹1.03 trillion. It will cater to 7.2 million customers through its 203 bank branches and 454 rural business correspondent centres. Its retail loan book will now contribute 32.46 per cent to the overall loan book.

Vaidyanathan, known for his passion for balance sheet growth and penchant for technology, has already reshuffled the top deck. While Capital First will give the bank its retail teeth, the biggest challenge for Vaidya, as he loves to be called, will be generating low-cost liabilities.

Unlike the other two, for Bandhan Bank, the first instance of a microfinance entity transforming itself into a universal bank in India, the Gruh Finance deal is a compulsion. Under the RBI's licensing norms, it needs to be listed within three years of starting operations and the promoters have to pare their stake to 40 per cent. Bandhan Bank, which took off on August 23, 2015, has gone public but the promoters' stake has not come down to the required level. The takeover of Gruh Finance will help the promoters to pare their stake to a certain extent.

Most analysts feel the Bandhan Bank-Gruh Finance deal is not good for the minority shareholders of both the entities and that the real gainer is HDFC, which holds the majority stake in Gruh Finance. Some of them also say it is good for Bandhan but the bank is paying too much for it.

Post merger, Bandhan Bank will have a ₹50,000 crore loan book (based on September 2018 earnings) and 15 million customers served by 4,182 banking outlets across India. More than half of Gruh Finance's business is in rural pockets and its average loan size is ₹9.4 lakh. Its presence in western and central India will complement Bandhan Bank's overwhelming presence in the east.

The merger will help Bandhan Bank derisk its portfolio concentration, diversify loan portfolio (with more secured loans) and cross sale products but Ghosh's challenge will be synergising the cultural diversity (Gruh Finance is more technology savvy than the bank and its senior executives are better looked after than their peers in the bank). Of course, in the run up to launching the bank, he has done a good job in making newly hired bankers and home-grown micro-finance employees eat from the same plate. *(A disclaimer: I was associated with the bank from August 2015 to October 2018 as an adviser, strategy.)*

Rakesh Sharma too has a tough task in hand. In October 2018, he moved to the corner room at IDBI Bank Ltd, which can rival Dena Bank when it comes to the pile of bad assets. Life Insurance Corporation of India (LIC) is taking over IDBI Bank — again, a unique experiment in Indian banking.

Sharma is one of the two CEOs who were picked up from the private sector to run a government-owned bank in 2015 (the other being Jayakumar). But he has been given just a six-month term to oversee the LIC takeover. Jayakumar will be around for one year. So, both are in a hurry but Vaidyanathan and Ghosh have plenty of time to steer through.

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Quasi-universal basic rural income: The way forward

The authors propose an alternative to build a new rural India where a basic income, regardless of agricultural vagaries, will be guaranteed

JOSH FELMAN, BOBAN PAUL, M R SHARAN, & ARVIND SUBRAMANIAN

Crisis also begets opportunity. And years of agrarian distress have done just that. As agricultural incomes have been buffeted, first by droughts and then (ironically) also by surpluses, politicians are trying old and new ways of propping up incomes.

Proposal: We propose an alternative to build a new rural India where a basic income, regardless of agricultural vagaries, will be guaranteed.

There would be a direct cash transfer to rural households. Although the crisis is agrarian, the rural economy is depressed, justifying the broader, rural focus. Second, the transfer would not cover all rural households but all except the demonstrably well-off based on the rural Socio-Economic Caste Census (SECC). Third, even with broad coverage (of say 75 per cent) the transfer would be meaningful enough to make it "basic." Combining these three features yields a quasi-universal basic rural income, hence QUBRI.

Current schemes are highly regressive, helping the poorest very little. Loan waivers would benefit rich farmers because very few poor farmers (less than 15 per cent) borrow from official sources, and on average, rich farmers borrow four times as much as poorer ones (₹140,000 per household versus ₹40,000).

Telangana's Rythu Bandhu, is a laudable initiative, but suffers from similar regressivity. Our analysis for Bihar suggests that it would exclude nearly 98 per cent of the poorest farmers, and the benefits to the richest farmers would be 15 times that for the poorest (the companion longer paper has more detailed calculations: *https://drive.google.com/file/d/1v6-Pu_q64wpenehdSxJVZ7TSDn8RLJfW/view?usp=sharing*). This regressivity is a feature of all farmer-oriented interventions such as MSP, fertiliser, interest and power subsidies.

QUBRI would be progressive and cover all the deserving poor as Odisha's Kalia scheme does but would go further in including non-farm, rural households.

The other big advantage of QUBRI over Kalia (and Rythu Bandhu) is implementation. Under these two schemes, all farmers —landed, tenants and workers —would have to be identified. This could be a nightmare. The QUBRI would use the SECC not to target and include beneficiaries but to exclude non-beneficiaries, those that, by way of owning certain assets, are clearly non-poor.

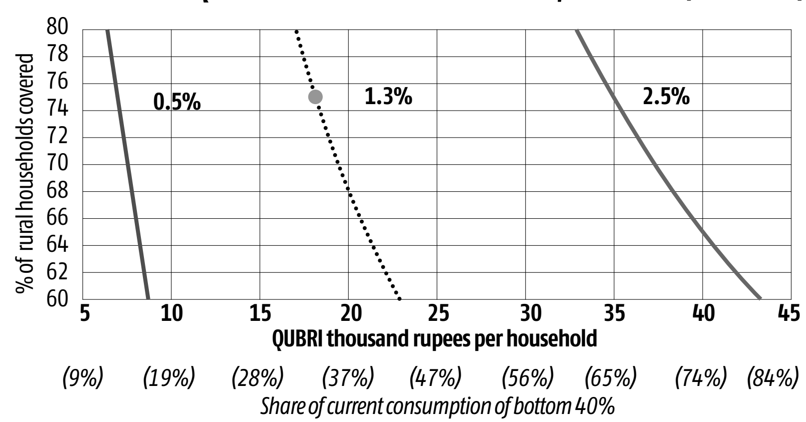
Cash transfers would be sent to the remaining rural households. Many or most of these have bank accounts (which are being used for transfers of pensions and MNREGA payments). Latest data show that there are 64 crore bank accounts which should encompass most rural households.

Costs, benefits: Under QUBRI, politicians will confront three choice variables: the amount of the QUBRI (i.e. the transfer per household), the coverage (number of households), and the aggregate fiscal cost. The greater the QUBRI and coverage, the greater the cost. Trade-offs will have to be made between these three variables. We show some illustrative calculations, using Census-based estimates which suggest a figure of 20 crore rural households in India in 2019-20.

The figure, on the x-axis, shows the QUBRI as an annual per household amount. It is also expressed as a percentage of notional rural consumption of the bottom four deciles, which we estimate at ₹54,000 crore (in 2019-20). If this percentage is small, household consumption or income will not be augmented enough to be a meaningful cushion against crises.

The y-axis shows potential coverage between 60 per cent and 80 per cent of all rural households. Analysis of the SECC data suggests that below 60 per cent a lot of the deserving poor may be excluded; and above 80 per cent the pool of the less poor can be substantial.

FISCAL COSTS FOR QUBRI-COVERAGE COMBINATIONS, ALL-INDIA (% OF GDP)



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The lines show combinations of coverage and QUBRI that result in the same fiscal cost. It is downward sloping because if coverage increases, benefits will have to decline (and vice versa) to maintain the same fiscal cost. We show these lines for three levels of fiscal costs: 0.5 per cent, 1.3 per cent, and 2.5 per cent of GDP.

Strikingly, our proposed QUBRI is not recklessly expensive. For example, our preferred combination (the dot in the Figure) would be a transfer amounting to 1/3rd of the current consumption of the poorest 40 per cent. This is a meaningful enough transfer to make it "Basic" and provide additional income. This yields a per household annual transfer of about ₹18,000 or ₹1,500 per month. With this QUBRI, 75 per cent of the rural population of India can be covered at a total fiscal cost of about 1.3 per cent of GDP ₹2.64 lakh crore in 2019-20 prices).

Of course, the underlying arithmetic will vary across states. In a poor and overwhelmingly rural state such as Bihar, the fiscal costs of attaining the coverage and QUBRI discussed above would be substantially greater. Conversely, costs would be substantially lower in Tamil Nadu. This will pose political challenges for financing and "burden-sharing" to which we now turn.

Cooperative Federalist Financing: The central government, at the appropriate time, should convene a meeting of all the states to discuss QUBRI because it must be discussed, financed and implemented within a cooperative federalism framework. The Centre is necessary because it can provide resources more easily than the states all of which are close to their fiscal limits, especially the poorer ones. Equally, the Centre cannot do it alone because the states will have to play a critical role in implementing the scheme (for example, updating the SECC). By coming together, financing and implementation will be strengthened.

Moreover, QUBRI must involve fair burden sharing between the Centre and the states. If the Centre finances the entire amount, there would be serious moral hazard and lack of effort on the part of some states: they must have some skin-in-the-game. If the states were to finance most of it that is why we propose a 50-50 burden-sharing rule below which seems a reasonable trade-off between equity and incentives.

There are many ways in which financing can be structured. No one solution will be politically acceptable to all.

But QUBRI should not be financed:

- from RBI resources not least because they are one-time and cannot finance a permanent QUBRI entitlement;
- by the states or the Centre breaching their existing fiscal commitments.

Targeting a QUBRI of ₹18,000 per household (inflation-adjusted to preserve real value over time), the Centre should offer to finance one-third of it or ₹6,000 upfront and without conditions. It should then offer to finance another ₹3,000 in the form of untying existing grants given to finance Centrally Sponsored Schemes. That way, the Centre's total contribution would be half of the targeted QUBRI. This offer by the Centre would be equitable since it would result in greater transfers to poorer, and more populous and rural states such as Bihar. And untying is inherently desirable to provide states greater freedom in shaping expenditure priorities.

The Centre's ₹6000 per household contribution would entail an expenditure of ₹84,000 crore. Where will this come from? Currently, we have schemes when agriculture does badly (Fasal Bima Yojana, FBY) and when agriculture does too well (MSP and price deficiency). They are a deadly combination of being demanding, duplicative, and dysfunctional (state insurance of agricultural incomes is desirable but its current avatar, FBY, has proved ineffective). They should be abolished to finance a QUBRI which would provide guaranteed income, irrespective of agricultural conditions.

As a starting suggestion, the following agricultural schemes should be eliminated or phased out: interest rate subsidy for crop loans (₹15,000 crore); FBY (₹11,000 crore); Additional MSP/price deficiency scheme (₹10,000 crore); fertiliser subsidy (₹70,000 crore). The entire fertiliser subsidy would not be abolished in one go. Instead, the domestic price of fertiliser should be increased by about ₹150-200 per quintal every month so that the subsidy is eliminated over three years (the diesel and petrol subsidies were abolished through such creative incrementalism).

The feasibility of the Centre financing the additional ₹3000 QUBRI is illustrated by comparing its cost of ₹42,000 crore with the aggregate CSS expenditures of ₹3 lakh crore. In effect, the Centre and states will need to prune about 15 per cent of the overall CSS budget.

What about the states? The states would then have to find the additional resources to top up the Centre's QUBRI of ₹6000 (plus ₹3000). If QUBRI is politically attractive, states should be able to find the means and political will to to do so. They will have to cut subsidies (power and water) and other wasteful schemes. Competitive federalism pressures will exert itself on the lagging states to find the means to match the efforts of states that do more.

Conclusions: The agrarian crisis has created an opportunity to initiate discussions on a real social safety net for rural India, a QUBRI. It should not be a substitute for government efforts to improve human capital (health and education) nor should it replace existing elements of the social safety net such as old age pensions and maternity benefits. QUBRI should also be monitored for its potential dis-incentivising impact on urbanisation, rural-urban migration and agricultural land consolidation.

The correct way to think about QUBRI is as help to rural India instead of and replacing other interventions such as loan waivers, and Rythu Bandhu and Kalia, and ideally, also the fertiliser, interest, power and water subsidies whose benefit/cost ratios have been non-compelling.

Technology is enabling the possibility of converting inefficient, regressive, producer-based, redistribution to better targeted, income and consumer-based support. And now agricultural crisis is offering the political opening to facilitate this transformational shift.

The time and opportunity are now.

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Investigative overreach

Mr Jaitley is right to question CBI's adventurism

Last week, the Central Bureau of Investigation (CBI) filed a case against the former managing director and chief executive officer of ICICI Bank, Chanda Kochhar; her husband, Deepak Kochhar; and the managing director of the Videocon Group, Venugopal Dhoot. The CBI says that there were illegalities in six loans totalling ₹1,875 crore, which ICICI Bank had made to companies related to Mr Dhoot in the 2009-2011 period. The CBI further claimed that Ms Kochhar and her husband received an illegal payout of ₹64 crore, presumably as a quid pro quo for clearing the loan. Claims of impropriety in these loans are not new, and are what led to Ms Kochhar leaving the bank last year after a much-admired career. The CBI's First Information Report further named several well-known figures in the world of finance related in some way to ICICI Bank, including many who are still at the helm of major financial firms.

Union Minister Arun Jaitley, in a blog post written over the weekend, has accused investigators of "adventurism and megalomania", saying that "professionalism takes a back seat" when such FIRs include "the entire who's who of the banking industry". Mr Jaitley's words are well-founded — and extend beyond this particular case. The CBI's track record is at best patchy. The agency's case against Ms Kochhar, based at least on the information currently available, seems worryingly slender. For one, the loans to Mr Dhoot's companies were not given by ICICI Bank alone, but by a consortium of over 20 banks, led by State Bank of India — are all those banks going to be investigated? Or is it the CBI's contention that more than 19 banks had good reason to extend credit, but only in ICICI Bank's case there was wrongdoing? The CBI's mention of the other names in its FIR — including such well-known individuals as K V Kamath and Rajiv Sabharwal of Tata Capital — reflects another weakness of its claims, namely that even within ICICI Bank the decision was hardly Ms Kochhar's alone. They were all taken by the appropriate committees, and Ms Kochhar did not even attend some of the relevant meetings. Thus, is the CBI going to have to discover criminality on the part of all the others — a grand conspiracy to lend Mr Dhoot money? ICICI Bank has, in fact, reduced its exposure within the consortium of lenders when Ms Kochhar was at the helm.

All these questions about the allegations against Ms Kochhar and the others have been known for a while, but the CBI's FIR does nothing to answer them. Indeed, if it has taken the agency almost a year just to file an FIR, how long will the charge sheet take to file? The minister is thus right to ask if "instead of focusing primarily on the target, is a journey to nowhere (or everywhere) being undertaken?" It is entirely possible, of course, that investigations reveal that there is a case to answer against Ms and Mr Kochhar and Mr Dhoot and the others. Certainly, the transactions between Mr Dhoot and Mr Kochhar appear puzzling and raise a lot of questions. But the CBI doesn't seem to know how to go after it in any sensible way. The confusion is already evident, with the CBI transferring the investigating officer in the case on suspicion of leaking information. As Mr Jaitley said the agency should focus only on the prime target with proper evidence. Witch-hunting can't be an alternative.

Hazy initiative

New programme for clean air sets very modest targets

The National Clean Air Programme (NCAP), launched by the environment ministry, is a welcome, even if small, beginning towards mitigating the grave and rapidly aggravating air pollution in Indian cities. But given the magnitude of the task, the targets mooted under the plan and the means earmarked to achieve them need to be enhanced substantially to ensure its success. The NCAP aims to slash the content of air pollutants, especially the most hazardous particulate matter PM2.5 and PM10, by 20 to 30 per cent by 2024 over 2017 levels in selected 102 cities, including 43 smart cities. The programme is proposed to be implemented with the collaboration and involvement of various Central ministries, state governments, local bodies and other stakeholders with focus on all sources of pollution. It also proposes to take up studies to assess the impact of pollution on health and the economy, expand infrastructure for monitoring pollution levels on a regular basis, and introduce city-specific plantation plans to create virtual lungs for urban areas. Significantly, it does not overlook the need to tackle indoor air pollution, which is equally harmful.

On the downside, the NCAP's initial target to cut pollution levels by just 20 to 30 per cent seems rather modest. The prevailing pollution levels in the selected cities, including metros, such as Delhi, are manifold higher than the permissible limits, and a reduction of this order would still leave their ambient atmosphere in the "poor" to "very poor" categories of air quality index. Besides, the funds allocated for the first two years of this five-year programme are merely ₹300 crore — meaning less than ₹1 crore per city for two years — which is a pittance, considering the intricacy and enormity of the mission. Moreover, the targets are non-binding in nature, thus, leaving room for inaction.

According to a World Health Organization (WHO) report released in May, India is the world's second-most polluted country, next only to Nepal, with 14 of the 15 most polluted cities located here. Regrettably, this position has remained more or less unchanged since 2014. The ill-effects of toxic air on human health have now begun to show up. The findings of a study sponsored by the Indian Council of Medical Research and published in the reputed journal, *The Lancet*, last month indicated that 1.24 million lives were lost in 2017 due to causes attributable to air pollution. Another study by the Energy Policy Institute of the University of Chicago has pointed out that the unduly high content of PM2.5 and PM10 pollutants shortens the average Indian's life expectancy by over four years.

The urgency of alleviating urban air pollution stems also from the fact that though the cities occupy just 3 per cent of the total land, they contribute over 80 per cent to the country's gross domestic product (GDP) and are responsible for 78 per cent of carbon dioxide emissions. Vehicular discharges are only one of the key factors that vitiate the urban air. The others are the burning of waste and fallen leaves; presence of garbage landfills within urban boundaries; manual sweeping of roads; use of unclean fuel for cooking; and existence of thermal power plants; and, more so, polluting industries in and around the towns. Unless adequate action is taken on these fronts, the NCAP may not deliver tangible results.

ILLUSTRATION BY AJAY MOHANTY

Outlook for the next six months

Three difficulties — global/local macro conditions, credit stress, and uncertainty — will weigh upon the January-June period, and result in relatively sombre outcomes

SNAKES & LADDERS

AJAY SHAH

What can we expect of global/local macro conditions in the first half of 2019? We got a slow and partial recovery from 2012 to end-2018. But we now face headwinds again, through a combination of stress in the credit market and increased uncertainty. These problems may hamper output in the January-March and April-June quarters. This shapes the setting for macro policy, and determines the initial conditions for next Parliament and the Cabinet.

While the official GDP data has problems, we are able to reconstruct a measure of economic activity by combining other well-measured series. This portrays a slow and partial recovery from 2012 to 2018. What can we expect for January-June 2019?

The most important source of Indian macro fluctuations is private investment. Government investment is more stable and predictable. Private investment moves around quite a bit. The fluctuations of private investment, as seen in the firm data, are greater than those portrayed in the official GDP data. From 2011 onwards, private project announcements have halved in nominal terms. This has created stress in the macro-economy and in employment.

We must peer into the minds of private persons (both domestic or foreign) and wonder how to create conditions for high investment. We tend to view domestic investors as captive, but this is incorrect. Domestic investors always have the choice of doing nothing: If we want them to invest, we have to create conducive conditions. We should recognise the extent to which Indian persons are able to shift activities, assets and humans out of the country. We cannot take domestic investment for granted, just as we cannot take foreign investment for granted.

Three concerns can be identified. The first lies in global and domestic growth. When the outlook for demand is buoyant, private persons are more inclined to invest. On the other hand, when demand is weak, the emphasis is on keeping up capacity utilisation and protecting production plans. Firms may even protect production by sacrificing margins, but then they would be reticent about adding capacity.

The second problem lies in credit stress in non-financial firms and in their lenders. About a third of the non-financial firm balance sheet is under credit stress as are about two-thirds of banks and non-banking financial companies (NBFCs). When one entity or a sub-industry gets into difficulties, it pulls back from lending to certain persons. In the short term, this generates stress for these borrowers, until new credit relationships are developed.

The difficulties in IL&FS, NBFCs, bond market and mutual funds have exerted ripple effects upon the real economy. These ripples propagate outwards from the site of the problem. A car company that sells/makes fewer cars becomes a car company that buys fewer automobile components, and so on.

The credit stress in the non-financial sector and in many lenders impacts the private sector's desire to invest and ability to invest. To some extent, difficulties of the credit market hamper economic activity, and thus take away the desire to invest for some firms. For some firms, the inability to borrow at attractive rates of interest hinders investment. It holds back the translation of a desire to invest in a full-blown corporate financial strategy that is required to back each investment project.

The third problem lies in uncertainty. Many individuals in the private sector are absorbed in dealing with investigative agencies. Investment requires optimism, and many persons may choose to put expansion on hold until the problems with agencies are solved. There are significant risks associated with dealing with regulators and taxmen. In the last few weeks, there is a focus upon waiting for the results of the general elections, after which various possibilities can be re-evaluated.

These three difficulties — global/local macro conditions, credit stress, and uncertainty — are holding back investment. These problems will weigh upon the January-June 2019 period, and result in relatively sombre outcomes.

This has implications for monetary policy. Monetary Policy Committee (MPC) members should reduce the importance they give to the official GDP data. Once this is done, we see a consistent picture of the economy where weak aggregate demand is giving low inflation. The RBI then has an obligation to help the economy get back to the 4 per cent CPI (consumer price index) inflation rate, the formal inflation target, by cutting rates. As the monetary policy transmission is weak, substantial cuts are required in order to have an impact upon the economy.

When the elections come close, and the RBI cuts rates, this would ordinarily be criticised as a political action aimed at supporting the incumbent. The beauty of the inflation target is that there is clarity about what the RBI has to do. We know that the CPI inflation rate has persistently stayed below the 4 per cent target, we have reasonable expectations of sombre conditions for January-June 2019, and this gives the justification for cutting rates significantly. The beauty of the inflation target is that cutting rates in January 2019 has become possible for the RBI, without accusations about electoral motives.

After the elections, the economic policy team will have to go to the root cause of these difficulties. The main organising principle that will help get the economy on track is: Create conditions for private investment. This will involve changing the behaviour of the state on how economic policy is formed, how regulators work, on tax policy and tax administration, and on investigation agencies. A good measure through which private investment can be tracked is the stock of private "announced" and "under implementation" projects, which is observed every quarter.

Political parties are now writing their manifestos. The priority in economic strategy design should be to get back to the construction of a market economy, with a light role for the government, where individuals and firms are protected by the rule of law. Such an economic policy strategy needs to be developed, and exhibited to the economy as was done in the July 1991 Budget speech. This will elicit respect, create business confidence and foster private investment.

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Renewable, yes, but what is the question?

DOWN TO EARTH

SUNITA NARAIN

Five years ago, when the Centre for Science and Environment (CSE) published its first State of Renewable Energy report, the sector was just taking wing. We were part of its cheerleaders — an environmental research and advocacy group that strongly believed the world needed to move out of fossil fuels because of growing risks of climate change.

Five years later, when we publish the 2019 State of Renewable Energy, much has changed and yet much remains the same. The government of India has an ambitious target for renewable energy (RE) — 175 GW by 2022. There is no question now that RE has arrived. Nobody argues about its imperative or feasibility. The industry has matured. There are RE companies that can bid and out-bid each other for the supply of panels, solar power plants or wind turbines. RE is an industry with sparkling offices, new-age companies and flamboyant leaders. It is no longer in the musty world of scientists or activist NGOs. It has grown out of the world of community groups in villages working small projects. It is real. It is big. RE plants compete with coal-based energy. Renewables are now under the Ministry of Power — RE is no longer a peripheral scientific sector, struggling to compete with the big boys.

The testimony to this growth is in its numbers. Today, the Ministry of New and Renewable Energy (MNRE) says that the country has hit 73,000 Mw of installed RE power, which is some 20 per cent of the country's installed capacity for power generation. On good days, when the sun is shining and the wind is blowing, RE meets some 12.5 per cent of the country's electricity demand. On other days, it is over 7 per cent. This is not small. But it is not big either.

This, therefore, is not the time to be complacent or to pat our back for the work done. Even as RE has grown, the challenges that confront India have also grown — in fact, become even more troublesome and crippling. This is what we must discuss.

First, there is the challenge of access to energy. The fact is that even as the grid reaches everywhere, the light does not. Whatever the reason, millions in the country are still in darkness. Second, there is the challenge of clean cooking energy. This is the world's wicked, wicked problem. Women across the developing world continue to be exposed to toxic emissions because of the biomass they burn to fuel their cooking stoves. The Indian government's much-needed push to provide LPG to poor households has made a dent in the cooking energy sector. But it is also a fact that in spite of this, households are still using dirty biomass fuels; there is a definite correlation between income and cooking fuel. So, households do not get the refill of their cylinder as frequently as they must. The "other" energy crisis still exists, RE or not.

The third challenge is air pollution. The health impact of the foul air is now so big that even governments cannot deny the problem. Clean combustion, in other words RE, has a big role to play in clearing the air of toxins. But it is just not there.

Fourth, without any doubt, is the climate conundrum — the world and India remain addicted to fossil fuels. The developing world needs to provide affordable energy to large numbers of its people. How can it replace coal and yet provide this energy security? How? This is the question. This is where RE must matter.

So, I would argue, given these challenges, it is time we began an altogether different discourse about RE. We need to redefine its objective (and certainly its language) so that it can meet societal needs. It cannot be enough to meet targets. It must meet the poor's energy, clean-air and climate-change needs. Frankly, this RE market needs to be embedded in societal principles. It needs to be emboldened and driven so that it is the change.

So, how will it happen? The fact is that energy security for vast numbers of the poor requires an energy-delivery system that is different. It will require taking energy that costs less but is advanced and cleaner to households that cannot even afford to buy basic fuel or light. As yet, our track record (as 2019 State of Renewable Energy report shows) on these fronts is not commendable. RE is like all energy sources — it could be coal or gas. It is produced and pushed into the grid. It is supplied through the conventional (and broken) distribution network. It is limited by its environment and its imagination.

This is the course correction we must seek in 2019 and beyond. RE has to be the moral and economic imperative for a cleaner and more inclusive world. Anything less is selling us short. Anything else must be unacceptable.

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A story of self determination

BOOK REVIEW

NED BLACKHAWK

Over the past 12 months, Native American politicians, artists and academics have made uncommon gains. Indeed, Native American women helped to make 2018 the Year of the Woman. In November, New Mexican and Kansan voters elected Debra Haaland (Laguna Pueblo) and Sharice Davids (Ho-Chunk) to Congress, while voters in Minnesota elected Peggy Flanagan (Ojibwe) their lieutenant governor. In October, the sociologist Rebecca Sandefur (Chickasaw) and the poet Natalie Diaz (Mojave) won MacArthur Foundation Awards, while throughout the spring and summer, the playwrights Mary Kathryn Nagle (Cherokee), Larissa FastHorse (Lakota) and DeLanna Studi (Cherokee) had works staged at the Arena Stage in Washington, DC, Artists Repertory Theater in Portland, Oregon, and Portland Center Stage, respectively.

Such achievements represent more than added texture to the mosaic of modern America. They underscore the rising power of American Indians over the past two generations. During an era known as "Self-Determination," Indian tribes and their citizens have changed not only their particular nations but also the larger nation around them.

The Heartbeat of Wounded Knee, by David Treuer (Ojibwe), examines these recent generations of American Indian history. Through memoir, interviews and extensive reading, Treuer counters the familiar narratives of invisibility that have so readily frozen America's indigenous peoples.

A noted novelist, Treuer takes his title from the celebrated work *Bury My Heart at Wounded Knee*, by Dee Brown. Published in 1970 at the height of the activist movements, Brown's reassessment of the 19th-century wars between Indians and the federal government resonated with a generation of Americans. Achieving its narrative crescendo with the Wounded Knee Massacre of 1890, when the Seventh Cavalry was said to have exacted revenge for Custer's defeat at the Little Big Horn, Brown's text fuelled growing outrage against injustices perpetuated by the federal government.

To many, Brown's history inverted accounts of the American West. It substituted Euro-American quests for frontier freedom with those of American Indians "who already had it." The problem was that in place of Indian vilification Brown offered victimisation. Twentieth-century "poverty, hopelessness and squalor," he wrote, were the outcomes for peoples who had lost and who remained lost.

Treuer adeptly synthesises these recent studies and fashions them with personal, familial and biographic vignettes. Readers will find familiar analyses of the unrelenting, violent cupidity of European explorers and, at times, subtle suggestions about the equally relentless capacity of Indian communities adapting within the maelstrom of early America.

Through the book's second half, recounting developments since World War II, Treuer's counternarrative to Brown takes its fullest form. In particular, his detailed assessments of what he calls "becoming Indian" highlight the resiliency and dynamism of contemporary tribal communities. Interrelated processes rooted in family and culture, he suggests, undergird the continuing sovereignty of modern Indian tribes. Such processes, he shows, are in fact ubiquitous. They are also deeply personal. For instance, as he concludes about his mother's adjuration to maintain his family's methods of ricing, hunting, sugaring and berry harvesting, "sovereignty isn't only a legal attitude or a political reality." Sovereignty is lived. It is inhabited, performed and enacted, often on a daily basis.

Family, relationships and place-based sovereignty are a major feature of contemporary Native America, whose collective "heartbeat" has grown stronger throughout the Self-Determination Era. The legacies of conquest, however, continue, and Indian communities still endure beleaguering disparities. They also continue to confront legal and political challenges, as well as threats of violence. Treuer writes that in recent years the United States Supreme Court has been "shaped by the questions of community and obligation between the government and several Indian nations."

Increasingly, colonial battles have moved from Wounded Knee to Congress, where Native communities have, at times, been victorious. "In 2013, the Violence Against Women Act (VAWA)," Treuer writes, "was reauthorised and significantly revised. Among the new provisions was the empowerment of tribal courts to charge and prosecute non-Natives who raped or assaulted Native women on Native land."

Such statutory reforms offer tribal communities opportunities to reform misguided court rulings, and political advocacy has become an effective mechanism for protecting community members, enforcing environmental regulations and further institutionalising sovereign authority within tribal communities. Indeed, working with Congress has become a common feature of contemporary American Indian politics. Treuer speaks of "a slew of laws" passed in the 1990s and 2000s that have empowered Native peoples.

Threats to tribal sovereignty, however, loom. Shortly after the VAWA reauthorisation, Dollar General Corporation took a case to the Supreme Court contesting tribal authority over civil affairs. In 2016 it nearly won with a court that divided 4 to 4. Legal challenges like this one have become among the 21st century's primary landscapes of confrontation.

Ultimately, Treuer's powerful book suggests the need for soul-searching about the meanings of American history and the stories we tell ourselves about this nation's past. There is an urgency to fashion new national narratives. Treuer's suggestion, for example, that Indian peoples have been infected by colonialism with a disease "of powerlessness ... more potent than most people imagine" could be extended to include the subordination experienced by other gendered, racialised and historically disempowered communities. This disease also has the potential to spread even further, because it cannot simply be up to America's indigenous people to ward it off. As Treuer explains, "This disease is the story told about us and the one we so often tell about ourselves."

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THE HEARTBEAT OF WOUNDED KNEE
Native America From 1890 to the Present
David Treuer
Riverhead Books
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