Albert's Hopeless Hall

To experience the true meaning of hope followed by despair, pay a visit to Jaipur's Albert Hall Museum

OUT OF THE BLUE

ANJULI BHARGAVA

Since Jaipur and its literary and other festivals are the flavour of the season, I have a question for the new chief minister of the state and his deputy: When they were being sworn in the other day at the Albert Hall Museum in the heart of Jaipur, did they actually open their eyes and take a look around?

Over the years, I have visited a fair number of museums in India, something most people I know don't do. But never have I had a feeling of such hopelessness as I did at Rajasthan's oldest museum, also the state museum.

Let me begin by stating the positives of the Albert Hall Museum. Architecturally, the museum is a delight. Designed by Samuel Swinton Jacob and opened to the public in 1887, the structure is an appealing combination of Indo-Islamic elements with the highly decorative neogothic style one sees in many European cities. The structure is attractive even to birds, as the thousands of pigeons found hovering on its arches and domes testify. Rudyard Kipling had once described it as a "rebuke to all other museums in India from Calcutta downwards".

The museum has a colossal and magnificent collection of objects: metal art, miniatures, a varied pottery collection spanning many regions including some rare Turkish red pottery, period furniture and garments, jewellery, musical instruments, ivory, coins, among others. The international art collection is nothing short of thrilling, the kind that makes you want to be a Vincenzo Peruggia (he stole the Mona Lisa once). A highlight of the museum is the Egyptian section, which has a mummy. The museum also has some nice mahogany and teak cabinets that house some of the objects.

That's where the positives end. As soon as you enter the first room, it has the feel of a government-run institution. Display is lackadaisical and indifferent. Signages look like pages torn out of government files and leave you none the wiser.

Lighting takes away from objects rather than highlight them. In fact I am quite unable to understand this Indian affinity for these depressing white tube lights -- the kind we grew up with in the 70s and 80s and that inhabit most classrooms and government offices.

Cabinets and glass tops are dusty with glass shields that look as if they could do with some frenzied scrubbing. The steps — quite grand — that take you up to the first floor are paan-stained. I can go on and on section by section but let me say this in short: the entire display is a lesson in how to turn a mountain of a collection into a molehill.

Only one element impressed me: there's a netting to prevent the whole place from becoming a pigeon dropping infested site with all the accompanying hazards. Now, which bright spark thought of that? Pat yourself on the back on behalf of the aam aadmi.

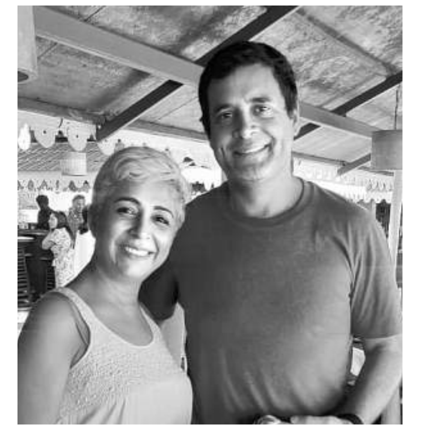
The human element is equally dispiriting. All the staff and guards on the property look bedraggled and tired, as if dragging themselves out of bed that morning was an ordeal. In the Egyptian room, it was hard to tell if the guard was alive, so slumped was he in his chair next to the enclosed supine mummy. I spoke to him to ensure he was. The room — one level below ground — is dark and dingy and children were running amuck — encouraged by their parents — to "spot the mummy".

On returning, I did some digging into why things were in such a sad state. After all, the former chief minister Vasundhara Raje had done wonders with the Jawahar Kala Kendra (JKK) that was apparently in a fairly decrepit state till she transformed it. It can be done.

I learnt to my dismay that the state museum -- under the aegis of the director of the department of archaeology and museums of Rajasthan -- underwent an facelift not too long ago in 2007-08. The site was closed for 15 months and reopened after refurbishing. It's after this we find ourselves where we are today.

I'll end here with two suggestions. Let those in charge of Albert Hall take a short trip to the private Gyan Museum in the city's Sitapura Industrial Area. Second, in line with today's virtual living, let visitors skip the physical museum and enjoy the website. It's many shades better than the real avatar, albeit without the pigeons.

CHINESE WHISPERS



All charm, no politics

Congress President Rahul Gandhi and United Progressive Alliance Chairperson Sonia Gandhi Sunday visited a beach restaurant in Goa. The two leaders are in the coastal state since Saturday on what Congress leaders said was a "private visit" and did not include meeting party functionaries. Writing about their visit to a beach shack restaurant, Rachna Fernandes, a local resident, said on a social media platform, "awed by his charm and modesty". Fernandes, a dentist, said in her Facebook post she was at a seafood restaurant in Betul in south Goa where she bumped into the two leaders. She also posted a picture of the Congress president in a blue T-shirt on her Facebook page (*pictured*).

OROP vs ODOMOS

For the Congress, OROP means "only Rahul, only Priyanka", said Bharatiya Janata Party (BJP) President Amit Shah on Monday, giving a new expansion to the initialisation for "the one rank, one pension" scheme. Addressing a BJP Panna Pramukh Sammelan at Hamirpur in Himachal Pradesh, Shah said the Narendra Modi government implemented OROP for ex-servicemen in the true sense, while for the Congress it meant something entirely different. National Conference leader Omar Abdullah (*pictured*) took to Twitter to respond to Shah's jibe. Abdullah said the country was suffering from too much "ODOMOS". "...The rest of the country suffers from too much ODOMOS — overdose (of) only Modi only Shah."

A talented lot

At a recent event in IIT-Bombay, retired Supreme Court judge J Chelameswar began his speech by pointing out that he was finding it difficult in hearing what was being said by the organisers over the microphone. "It could be due to the acoustics of this hall, but I would think at IIT, someone would be able to fix that problem," he said, doffing his hat at the potential of the students gathered.

Why there are doubts on Bhavantar plan

A complicated registration and compensation mechanism and price manipulation by traders have precluded success

SANJEEB MUKHERJEE

TAKE TWO

Last week, the new Congress government in Madhya Pradesh put on hold the much-feted "Flat Bhavantar Bhugtan Yojana" pending a review of its performance.

The scheme, which was touted as India's first large-scale experiment with Deficiency Price Payment, has been riddled with controversies from the start but was considered a test case for other states where farmers were struggling with falling market prices.

Before this, there had been stray attempts to directly compensate farmers for market losses. In 2009-10, for instance, a scheme for betel nut farmers was started in Goa's Ponda. Under this, the state set the base price at ₹100 a kg, and paid farmer the difference if they sold below that.

In 2015, a pilot project for cotton growers in the Hinganghat taluka of Maharashtra paid farmers the difference between the minimum support price (MSP) and market price, if the latter fell below the MSP, in their bank accounts. The results were not encouraging, preventing a countrywide rollout.

Under the Madhya Pradesh model, registered farmers were to be compensated for a fall in prices below the MSP but the payout was capped up to a prefixed "model rate", which was the average price in nearby *mandis*.

Farmers were required to submit land details along with crop sown, and the average yield for a certain number of years was taken as benchmark for the payments.

If the actual price realisation was below the model rate, farmers got the difference between the MSP and model rate. But if the difference was more than the model rate, the payment would be based on the actual difference.

This method of calculation was so complicated as was the process of registration involving multiple paperwork that it precluded success.

Despite several extensions, just 45 per cent (4.3 million hectares) of the total area under eight crops in which the scheme was launched was registered in the 2017 kharif season, according to an ICRIER paper co-authored by economist Ashok Gulati. Tirtha Chatterjee and former agriculture secretary Siraj Hussain in April 2018.

Thus, 55 per cent of the land was not even registered under the scheme. "It is clear that a large number of farmers did not register on the portal and they therefore had to sell their produce at prices which were lower than that of the announced MSPs," the paper said.

For the lentil *urad*, for example, though the average selling price in the October to December period was 42 per cent lower than the MSP, only 32 per cent of the total *urad* grown in Madhya Pradesh was compensated under the scheme.

In the case of soybeans, the difference between the MSP and average selling price was 12 per cent, and less than 19 per cent of the crop was compensated.

The bigger problem was the sharp drop in prices once the sale window under Bhavantar opened. Allegations abounded of farmers conniving with traders to artificially lower market prices to widen the differential between actual price and the MSP, so that the payout could be shared between the two.

PROBLEMS OF PLENTY

Soybean and *urad* crop scenario in October to December 2017 when Bhawantar was in operation

MP SOYABEAN	2012	2013	2014	2015	2016	2017
Sowing (lakh hectare)	58.1	63.8	57	59.1	54	50.1
Production(tonnes)	7,800,000	5,242,400	63,53,000	4,907,900	7,075,000	6,939,000
Productivity(kg/hectare)	1,360	895	1,139	753	1,310	1,385
Arrival in *mandis* (tonnes)	3,695,447	2,270,472	3,049,968	13,054,914	1,514,711	2,161,859
MP URAD	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Sowing (lakh hectare)	6.6	6.4	8.6	9.2	11.7	17.9
Production(tonnes)	385,700	218,600	428,000	515,000	1,058,000	1,771,000
Productivity (kg/hectare)	411	374	496	553	906	990
Arrival in *mandis* (tonnes)	134,855	30,668	240,660	135,213	193,468	672,918
Arrival as a % of production	34.96	14.03	56.23	26.25	18.29	38.00

An investigative report by news website scroll.in published in June 2018 based on RTI responses revealed that Madhya Pradesh farmers lost almost ₹200 crore owing to such manipulation, which in some cases was done by traders buying the same crop multiple times from a single trader.

Several experts, however, have countered this point on grounds that post-harvest arrivals of soybean and *urad* had risen, which pulled down prices. Plus, they said, the fall wasn't restricted to the state alone but extended to Maharashtra and Rajasthan for nearly the same set of crops.

Data culled by *Business Standard* showed that between October and December 2017, soybean arrivals in Madhya Pradesh *mandis* was 43 per cent more than the same period last year, while *urad* arrivals were almost 200 per cent more than the same period of the previous year (see chart).

Clearly, Bhavantar was getting messier than anybody bargained for. "Bhavantar was a difficult scheme to operate in the first place. Moreover, allegations abound that traders milked the scheme to artificially keep prices down, while a significant amount of growers didn't even register owing to multiple difficulties in registration and were deprived of the payout," said Mahendra Dev, Director of Indira Gandhi Institute of Development Research.

In the following rabi season, the government withdrew some of the crops from the scheme (*chana, masur* and mustard) and decided to buy directly from farmers. This was partly on account of the Centre's reluctance to share the financial burden of the scheme till a decision on its nationwide rollout was taken (despite its multiple shortcomings other Bharatiya Janata Party-ruled states such as Haryana and Uttar Pradesh had evinced interest).

With elections round the corner and farmers facing headwinds from falling prices, the state government introduced the "Flat Bhavantar Bhugtan Yojana", months ahead of the 2018 kharif season, involving a flat bonus payment fixed at ₹500 per quintal for soybean and maize.

Till the middle of November 2018, state government estimates show that 34 per cent of the growers had registered for the revamped scheme, selling an estimated 6.38 million tonnes of both crops or roughly 20 per cent of the total. Since the registrations continued till January 19 this year, this number is not final. Still, the scheme was considered easier to administer because the calculation was simple and entailed less paperwork. So why did the incoming state government put it on hold? The official reason is that there have been multiple complaints of irregularities. Whatever the reason, this is an anxious time for farmers in Madhya Pradesh.

ON THE JOB

Urban unemployment rate steeper

MAHESH VYAS

As of January 27, the unemployment rate based on a 30-day moving average (30-dma) was 7.3 per cent. This rate has been falling since it peaked at 7.81 per cent on January 8. It was 7.4 per cent in December 2018. Trends in the 30-dma suggest that the unemployment rate in January is likely to turn out to be a shade lower than it was in December.

Before discussing the trends in the 30-dma unemployment rate, let me explain the dynamics of the 30-dma vis-a-vis the weekly series of unemployment rates. One of the objectives of CMIE's efforts at estimating employment/unemployment is to generate these at fast frequencies. The target was to generate daily estimates of unemployment. However, this turned out to be too volatile to be a reliable indicator of the health of the economy.

Weekly estimates are relatively stable and reasonably reliable but turn out to be systematically higher than the 30-day moving average measure. This is because weekly estimates use a restrictive survey design that considers just two strata — urban and rural India. Sample distribution and logistics of execution of the survey currently do not permit a better stratification for weekly estimation purposes. Weekly estimates are therefore useful in terms of the direction of unemployment but are found to overestimate by half a percentage point.

The 30-day moving average (30-dma) measure is based on a much richer stratification which considers rural and urban strata at the state level and so is far more accurate. The disadvantage though is that a single observation has the effects of all the past 30 days and so it does not give us, adequately sharply, the full impact of events that happen on a day.

The 30-dma unemployment rate, which is a better indicator to study trends due to the richer sample and survey design, fell to 7.3 per cent by January 27. The fall is entirely because of the fall in the rate in rural India. The rural unemployment rate peaked at 7.6 per cent on January 5. Since then, it has dropped to 6.5 per cent by January 27. This alone has brought the all-India unemployment rate down from 7.8 per cent to 7.3 per cent. Rural India has a much larger weight in the overall estimates and therefore any change in this sector has a large impact on the all-India estimates.

Unemployment in rural India has fallen in spite of a steady increase in its labour participation rate. Rural LPR has increased from 43.4 per cent as of January 5 to 44.1 per cent as of January 27. Thus, rural India has absorbed the larger labour force available to it during January. This possibly reflects increased rabi crop sowing and associated activities during the month. Rabi sowing picked up substantially during late December and early January. Total acreage under rabi crops shot up from 47.6 million hectares as of December 14 to 59.2 million hectares by January 25.

While rural India has seen a pick up in economic activities to engage labour, urban India has not been similarly successful. The urban labour participation rate had remained under 41 per cent during November and December 2018. This has been rising steadily since mid-December. By early January, urban LPR crossed 41 per cent and has continued to rise. As of January 27, it was 41.5 per cent.

This increased flow of labour into the urban labour markets has not met with a corresponding increase in employment. As a result, the unemployment rate has risen steadily in January 2019.

Urban unemployment rate was steady at around 7.6 per cent between September and December 2018. Early in January 2019, its 30-dma crossed 8 per cent and it has continued to rise steadily during the month. By late January, the 30-dma urban unemployment rate had reached 8.9 per cent.

The weekly series suggests a substantial increase in urban unemployment in the last week of January. After averaging 10 per cent in the first three weeks, urban unemployment shot up to 11.2 per cent in the week ended January 27. In the case of rural India, the last week saw a sharp fall in the unemployment rate to 5.9 per cent after averaging close to 7 per cent in the preceding three weeks.

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LETTERS

Identifying the jewels

Given the kind of polity that we are, it is not quite possible to detach the Bharat Ratna awards from political considerations. Bharatiya Jana Sangh leader Nanaji Deshmukh and Bhupen Hazarika, a Bharatiya Janata Party candidate in the 2004 Lok Sabha election, were widely regarded as natural choices for the award of Bharat Ratna. But eyebrows were raised at the conferment of the land's highest civilian award on former president Pranab Mukherjee (*pictured*). There must have been some motive other than wrong-footing the Congress for the government to eulogise an out-and-out Congressman and a Nehruvian secularist as "an outstanding statesman of our times". It is hard to shake the feeling that the award was a quid pro quo for gracing a Rashtriya Swayamsewak Sangh (RSS) event with his presence. In this context, I cannot but wonder if Periyar E V Ramasamy, one of India's great social revolutionaries, M Karunanidhi, a versatile politician and Arundhati Roy, a pre-eminent writer and public intellectual will ever be honoured with Bharat Ratna.

G David Milton Maruthancode

Need more incentives

"Efforts on to double exports from USD 321 billion" (January 28). The focus on five key sectors to push exports is welcome. There is a good scope to double the exports of agro-products and plantations provided some reforms are carried out. Apart from the export policy which should be fine-tuned, several other enablers needs a relook — government incentives to increase exports, remunerative prices for growers and the removal of certain quantitative restrictions.

Last month, the Director General of Foreign Trade issued a notification raising export incentive from 5 to 10 per cent for onion exports through the Merchandise Export from India Scheme (MEIS). The move is indeed a wise step considering the volatile onion prices over the past six months in the domestic mandis. The intention, as stated in the notification, is to get better prices and to stabilise domestic prices of onions.

The export incentive for fresh onions was zero before July 2018 when it was introduced at 5 per cent. With the current increase, the commodity enjoys one of the highest incentives in the list of agro exports. This timely rise in MEIS rate for onions would help the

farmers — who have recently harvested their crop and eyeing better prices which the domestic market is not providing —in a big way.

Although higher incentives for exports of agro-commodities need to be reviewed as often as possible, some restrictions should also be done away with. This will help to double the exports of onions. The Agricultural and Processed Food Export Development Authority should also look in this by urging the commerce and agriculture ministries to step in and remove the quantitative restrictions.

A Sathyanarayana New Delhi

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A resounding nod

Supreme Court endorses the Insolvency and Bankruptcy Code

On Friday, a two-judge Bench of the Supreme Court cleared the path for the untrammelled functioning of the Insolvency and Bankruptcy Code (IBC). The IBC was enacted in 2016, replacing a host of laws, with the aim to streamline and speed up the resolution process of failed businesses. In particular, the IBC was supposed to provide a quick and efficient way to recover the most value from the assets that turn into bad debts for creditors. The inability of the Indian economy to wrap up a failed enterprise or indeed recover value from such insolvent businesses had been a glaring deficiency for a long time. The IBC was supposed to change that as well as herald a change in borrower behaviour. However, despite strict timelines mandated for the process, the evidence over the past two-odd years showed that the IBC process was getting bogged down in litigation — the original source of the problem in the pre-IBC era. Some of the biggest cases such as Essar Steel, Bhushan Power and Steel Ltd, and Jyoti Structures have been stuck in litigation. As a result, only 5 per cent of India's ₹14.5 trillion distressed assets has been resolved. But much of this is likely to change after the Supreme Court's salutary decision, as it cleared the legal confusion on several key aspects of the IBC.

The apex court was hearing a clutch of petitions that questioned several different aspects of the IBC. One key challenge pertained to Section 29A of the IBC, which bars promoters of defaulting companies (classified as non-performing assets or NPAs) and connected persons from bidding in the eventual auctions. Petitioners had argued that a blanket ban on promoters was not only arbitrary and discriminatory but also undermined a speedy resolution. They also argued that ruling out promoters would lead to lower recoveries and that the retrospective application of this ban was unfair to the erst-while promoters. The Supreme Court, however, found no fault in the IBC ruling out promoters who had been unable to service their debts. The apex court did not find Section 29A violative of Article 14 of the Constitution, which talks about equality before law. However, the Court did clarify that "related" parties (of the promoter) under Section 29A, which too are barred, would not include those relatives who were not connected with the business activity of the promoter concerned.

The other big aspect where the Supreme Court provided clarity was the differential treatment between financial creditors and operational creditors under Section 53 of the IBC. Here, too, the petitioners argued that the differentiation was violative of Article 14 of the Constitution. However, the Court justified the existing differentiation by making a salient distinction between financial debts, which are secured, and operational debts, which are unsecured. The apex court rightly underscored the relative importance of financial debts as their repayment infuses money back into the economy. The Court pointed out that approximately 3,300 cases have been disposed of in out-of-court settlements with claims amounting to over ₹1.20 trillion. It said that the amount realised from the resolution process under the IBC was around ₹60,000 crore, roughly 200 per cent of the liquidation value. The Court has thus provided an emphatic nod in favour of the IBC resolution process that the government had put in place and its decision should be welcomed.

NPPA undermined

Govt decides to have bureaucracy set drug prices

Last Monday, the Union government made an announcement that further set back regulatory autonomy in India. It was announced that a committee housed in the government think tank NITI (National Institution for Transforming India) Aayog would "recommend" the medicines that would be brought under the government's price-control schemes. This committee would be composed essentially of senior bureaucrats. This determination is currently the job of the National Pharmaceutical Pricing Authority, or NPPA. The NPPA regulates the prices not just of medicines that are on the National List of Essential Medicines, or NLEM, but also of other health products such as stents. Recently, for example, the price of stents was controlled — which the government has seized on as an example of its own pro-poor policy. There has also been a change in how and which drugs are declared "essential" and thus brought on to the NLEM, which automatically places them under price control. Now, the NITI Aayog committee will have the powers to determine exactly which medicines will have their prices controlled. The power to set price caps on other drugs has also been taken away from the NPPA and given to the committee under the NITI Aayog.

There are two basic points that need to be made in this context. The first is that much is wrong with the existing approach of price control and drug regulation, which does not fully and properly take into account the entire system of incentives for doctors, patients, hospitals and producers. The stent price control, for example, may not have changed the overall price to patients; after all, hospitals can simply move the costs to other, less tangible parts of the process. In the process, the best-quality stents would not be used. Thus, there was clearly a lack of application of mind in how the regulatory structure was constructed. That even non-essential drugs should have a price cap, or have their price increases limited to 10 per cent a year, made little sense. In the period after the NLEM was created and a drug price control order was issued in 2013, the NPPA certainly indulged in some over-reach. But that was brought under control by the courts.

Restrictive regulatory policies of this manner always give rise to a demand for more and more arbitrary control. And thus the second point that is relevant here is that it is not good news that bureaucrats have seized control from a rules-bound regulator, and furthermore given themselves arbitrary power to determine which medicine is sold at which price. Such mechanisms always breed lobbying, even if that is not the immediate intention. Independent regulators who make transparent decisions are the best antidote to such arbitrariness. Unfortunately, however, the bureaucrats who have been given a free run by the current government do not believe in such things as independent regulators. Thus, for many independent bodies, the freedom to act has been taken away. The NPPA is just the latest in a long list. The lessons of the licence raj have truly been forgotten.

ILLUSTRATION BY AJAY MOHANTY

CPTPP: The new trade deal on the block

India must move quickly to join the 11-member grouping that is set to alter the global trade regime quite significantly

Over the last one month, the regional trading environment in Asia has undergone a very significant change that has gone largely unnoticed in India. The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) agreement came into effect on December 30, 2018, among six of its 11 signatories that include Australia, Canada, Japan, Mexico, New Zealand and Singapore. The CPTPP, originally the 12 member Trans Pacific Partnership (TPP) agreement, has thus gone ahead despite pullout by its largest member economy, the United States. On January 14, its seventh member, Vietnam, joined after ratification of the agreement. The first round of tariff cuts— 95 per cent by Chile, 94 per cent by Canada, 86 per cent by Japan and 77 per cent by Mexico — will be implemented with immediate effect except for Japan, in which case it will be from April 1. Vietnam undertakes the lowest tariff cut of 66 per cent but that will increase to 87 per cent over a period of three years. For the other four member countries —Brunei, Chile, Malaysia and Peru — the agreement will come into force after their respective ratification processes.

AMITA BATRA

The CPTPP continues to be an ambitious pluri-lateral free-trade agreement (FTA) like the TPP. It offers WTO-plus commitments that go beyond trade and investment facilitation to include enforcement of high labour and environmental standards among the Asia-Pacific economies. A majority of the provisions of the original TPP agreement have been retained in the CPTPP except for 22 provisions relating to investment and intellectual property rights, of priority interest largely to the US, which have been either modified or suspended. Significantly, chapters on government procurement processes, e-commerce and state-owned enterprises have been retained.

Thus, aimed at deeper integration with over 90 per cent tariff reduction and high standards of regulatory environment policies, the CPTPP is designed to provide more efficient production sharing and network possibilities. FTA induced ease of doing business, lower trade costs and preferential market access will help facilitate multiple cross border movement of intermediate goods that is integral to global value chains (GVCs) as well as movement of final goods to consumption demand. This is relevant in the current context when global trade and growth is weighed down by risks of escalating "trade wars" among major economies. Rising trade protectionism that can negatively impact investor sentiment, investment levels and thereby disrupt global value chains will be countered by the CPTPP as an instrument of deep and progressive trade liberalisation.

The Asia-Pacific economies, in the past, have benefited from GVC participation that has helped them enhance firm productivity, create skilled job opportunities and ride the wave of GVC led international trade over the last decade and a half. At this juncture, therefore, the continued value chain led trade through CPTPP is significant in not just assisting trade and growth in the region but possibly also as the driver of global trade and growth. This will happen as over time trade and GVC possibilities can be expected to expand through FTA linkages of the member countries beyond the CPTPP, such as that between Japan and the European Union.

In the context, three lessons may be useful for India. One, we must not fight shy of participating in FTAs fearing competition from other member countries. In addition to providing opportunities for enhancing trade and investment, FTAs, most significantly, facilitate entry into GVCs. Against the current background of WTO losing its ability to promote trade liberalisation and further trade reforms, FTAs may soon become the only available instruments for shaping trade norms and rules, regionally and globally. Even smaller countries such as Vietnam perceive participation in FTAs as an opportunity to attract GVC-creating FDI. Vietnam's outlook may no doubt have been conditioned by recent positive assessments of its growth process and business environment. With a decade-high growth rate of 7.08 per cent in 2018, Vietnam has been among the fastest growing economies in the world. In the World Bank's ease of doing business rankings for 2018, Vietnam gained 14 places to rank 68th among 190 countries. In 2019, it ranked 69th, again among 190 countries. Interestingly, in the same rankings, India has also made impressive progress. In 2019, India jumped 23 places to be at rank 77. India should, therefore, also derive confidence from such assessments and consider FTAs as a means to lock in domestic reforms and leverage its, as yet underexploited, GVC potential.

Second, the CPTPP concessions for individual country sensitivities, such as for Canada's cultural industries and labour protection laws in case of Vietnam as well as its varying levels and period of tariff reduction across member countries, should provide India with examples and means to negotiate concessions and safeguards for its sensitive sectors under the Regional Comprehensive and Economic Cooperation (RCEP) agreement, still under negotiation.

Third, the CPTPP's commitment towards membership expansionism will, over time, imply greater regional and global trade coverage. In the first CPTPP trade ministers meeting on the 19th of this month, it has been agreed to keep the agreement open to new members that are willing to abide by its higher standards. Soon, therefore, other ASEAN member countries such as Thailand and Indonesia and regional economies such as South Korea and Taiwan, all keen on membership, may find entry into the agreement. Extra-regional economies such as post-Brexit UK and Colombia have also expressed interest in joining the agreement. The CPTPP, already in effect, is therefore likely to alter the regional and global trade regime quite significantly, and quite soon. It is surely high time India took note and acted to hasten completion of the RCEP negotiations and improve its trade and related policies for a possible future membership of the CPTPP.

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The euro turns 20

Twenty years ago this month, the euro was born. For ordinary citizens, little changed until cash euros were introduced in 2002. But in January 1999, the "third stage" of Economic and Monetary Union officially started, with the exchange rates among the original 11 eurozone member states "irrevocably" fixed, and authority over their monetary policy transferred to the new European Central Bank. What has unfolded since then holds important lessons for the future.

In 1999, conventional wisdom held that Germany would incur the biggest losses from the euro's introduction. Beyond the risk that the ECB would not be as tough on inflation as the Bundesbank had been, the Deutsche Mark was overvalued, with Germany running a current-account deficit. Fixing the exchange rate at that level, it was believed, would pose a severe challenge to the competitiveness of German industry.

DANIEL GROS

Yet, 20 years on, inflation is even lower than it was when the Bundesbank was in charge, and Germany maintains persistently large current-account surpluses, which are viewed as evidence that German industry is too competitive. This brings us to the first lesson of the last 20 years: The performance of individual eurozone countries is not preordained.

The experiences of other countries, such as Spain and Ireland, reinforce that lesson, demonstrating that the ability to adapt to changing circumstances and a willingness to make painful choices matter more than the economy's starting position. This applies to the future as well: Germany's current predominance, for example, is in no way guaranteed to continue for the next 20 years.

Yet the establishment of the eurozone was backward-looking. The main concern during the 1970s and 1980s had been high and variable inflation, often driven by double-digit wage growth. Financial crises were almost always linked to bouts of inflation, but had previously been limited in scope, because financial markets were smaller and not deeply interconnected.

With the creation of the eurozone, everything changed. Wage pressures abated throughout the developed world. But financial-market activity, especially across borders within the euro area, grew exponentially, after having been repressed for decades. For example, eurozone member countries' cross-border assets, mostly in the form of bank and other credit, grew from about 100 per cent of GDP in the late 1990s to 400 per cent by 2008.

Then the global financial crisis erupted a decade ago, catching Europe off guard. The first deflationary crisis since the 1930s was made especially virulent in Europe by the mountain of debt that had been accumulated in the previous 10 years, when countries had their eyes on the rear-view mirror.

Of course, the eurozone was not alone in being taken by surprise by the financial crisis, which had started in the United States with supposedly safe securities based on subprime mortgages. But the US, with its unified financial (and political) system, was able to overcome the crisis relatively quickly, whereas in the eurozone, a slow-motion cascade of crises befell many member states.

Fortunately, the ECB proved robust. Its leadership recognised the need to shift focus from fighting inflation — the objective the ECB was designed to achieve — to curbing deflation. Ultimately, the euro survived, because, when push came to shove, leaders of the eurozone's member states expended political capital to implement needed reforms — even after blaming the euro for their countries' problems.

This pattern of demonising the euro before recognising the need to protect it continues to unfold today — and it should serve as a second lesson of the last 20 years. Italy's populist coalition government used to speak bravely about flouting the euro's rules, with some advocating an exit from the eurozone altogether. But when financial-market risk premia increased, and Italian savers did not buy their own government's bonds, the coalition quickly changed its tune.

In fact, the eurozone's economic performance has not been as bad as the seemingly endless stream of bleak headlines implies. Per capita GDP growth has slowed over the last 20 years, but not more so than in the US or other developed economies.

Moreover, continental European labour markets have undergone an under-reported structural improvement, with the labour-force participation rate increasing every year, even during the crisis. Today, a higher proportion of the adult population is economically active in the eurozone than in the US. Employment has reached record highs, and unemployment, though still high in some southern countries, is continuously declining.

These economic realities imply that, even if the euro is not particularly well loved, it is widely recognised as an integral element of European integration. According to the latest Eurobarometer poll, support for the euro is at an all-time high of 74 per cent, while less than 20 per cent of the eurozone's population opposes it. Even Italy boasts a strong pro-euro majority (68 per cent versus 18 per cent). Herein lies a third key lesson from the euro's first two decades: Despite its many imperfections, the common currency has delivered jobs, and there is little support for abandoning it.

But probably the most important lesson lies elsewhere. The euro's first 20 years played out very differently than many expected, highlighting the importance of recognising that the future is likely to be different from the past. Given this, only a commitment to flexibility and a willingness to rise to new challenges will ensure the common currency's continued success.

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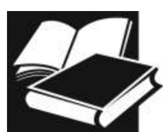
All our yesterdays



BOOK REVIEW

KANIKA DATTA

As the world atomises under resurgent nationalism, trade wars threaten to reverse the steady integration of global economies, and climate change and terrorism present unique new challenges, history offers an instructive reminder of what is at stake. The twin disruptions of 2016 — Donald Trump's election and the Brexit vote — provoked a deluge of books mourning the passing of liberal values and the post-Cold War consensus, all of them weighted with dire predictions. In contrast, Jonathan Fenby's *Crucible* is a well-timed chronicle of a period when global politics was poised between great disaster and greater hope.

Mr Fenby's history covers 13 months from June 1947 to June 1948, a period that, he says, "really did change the world, shaping much of it in a form that gives the period a lasting relevance for our day". Looked at from the distance of 72 years, this is a striking period to choose. The hot war (World War II) had coagulated into the Cold War, and the world had entered the nuclear age. Most of Europe was in ruins even as, ironically, its colonial empires remained intact. China and Japan, the rising powers of the latter half of the 20th century, were torn by civil war and under occupation, respectively.

At the end of the 13 months, new countries came into being with savage tragedies — India, Pakistan and Israel. Several colonies saw the start of movements that culminated in independence a few years later — Indonesia, Malaysia and Ghana; North Africa and Indo-China's struggles for freedom began. South Africa discovered Apartheid. Most of East Europe was brought under Stalin's *cordon sanitaire*. The era was bracketed by the opening discussions on the Marshall Plan — that seminal programme to revive western Europe, USA's key overseas market, and pull it into the mutually beneficial alliance that Mr Trump is working hard to destroy — and the Berlin Airlift.

The book presents multiple and overlapping histories set on a very broad canvas. Mr Fenby's global approach reminds us that the Cold War was not the sole defining development of the era. "Seeing this period through the prism of the Cold War is to distort events that determined the fates of hundreds of millions of people in Asia and Africa in ways that persist to this day. Reducing it to a trial of strength between countries led by Harry Truman and Josef Stalin is to ignore the extraordinary multiplicity of major developments across the globe and the way in which, at this stage at least, nationalism played a more important role in liberation struggles than allegiance to an ideological master in a far-away capital," he writes.

Mr Fenby does not offer any new interpretation or analysis, but he is an engaging writer and a widely read one with a journalist's eye for scene and colour. He imaginatively covers each month using the dramatic idiom with "Acts, "Scene" and "Cast" and closes each section with "Meanwhile," a random listing of parallel political, social, sporting and cultural developments. His ability to tell a good story and evocative character sketches of the main actors spare the reader the tedium of a bald narrative history.

He reminds us how Harry Truman, thrust unprepared into the presidency at the sudden death of the charismatic Franklin Roosevelt, emerged as one of the post-war America's better presidents. Truman made mistakes in his dealings with Stalin, of course, and had poor understanding of the nationalist aspirations of emerging Asia. But he was unafraid to delegate and his down-home style masked a shrewd grasp of the complex issues of the day. Selecting the states-man-like wartime chief of staff George Marshall as his Secretary of State proved a masterpiece of statecraft, and he suffered little insecurity in having the European Recovery Programme bear Marshall's name.

We are entertained by snippets. Of how Nehru weighed into rioting crowds and appealed to them to stop the communal killings. Of how the taciturn Marshall told a State Department colleague that he had "no feelings, except a few which I reserve for Mrs Marshall". Of Kim Song-ju, who established a lasting personality cult, renaming himself Kim Il-Sung meaning "Kim Becomes the Sun", after the Soviets made him ruler of North Korea. Of the West-leaning Czech politician Jan Masaryk, murdered by secret police, who presciently told his American girlfriend, "One day they will kill me."

Mr Fenby also reminds us of the serendipity that can change the course of history. Truman, for instance, had little patience with the demands for an Israeli state, even as the powerful Jewish lobby in America underwrote this project. "Jesus Christ on earth couldn't make them happy, what do they expect me to do," he once snapped to an aide. It was the intervention of a close personal Jewish friend that persuaded him to extend recognition for the new state, sealing the fate of millions of Palestinians and, indeed, West Asia ever since.

Mr Fenby's previous histories have focused on Europe and China, so his assessments of those two regions are better than his treatment of other Asian and African developments. Indian readers may be frustrated by the limits of his description of the Kashmir controversy (he omits British chicanery and Nehru's mistakes). But these are minor aberrations in a book that makes it possible to spot signs of history repeating itself as farce and/or tragedy.

CRUCIBLE
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