

Drop, don't extend it

Why the EWS quota in private schools isn't working



OUT OF THE BLUE

ANJU BHARGAVA

Let me begin with two incidents in two premium schools in Gurugram to illustrate my point. In one case, an expensive phone carried by one of the students — against school rules — went missing in a classroom of students in the 11-12-year age group. The parents asked the school principal to intervene and a search was conducted. The phone could not be traced but the needle of suspicion fell

on two boys from the economically weaker section (EWS) quota who happened to be in the same class. The principal who narrated the story to me said that while the culprit could not be nailed (and neither was the phone ever found), the two boys were guilty in almost everyone's eyes. "It is just assumed that they must be the ones," she added. Classmates shunned the two boys and parents sought their expulsion.

In another school in Gurugram, a regular student happened to befriend a classmate who was admitted under the EWS quota. A fast friendship developed between the two boys but soon the mother of the former started blaming all the problems she saw developing in her child on this relationship. After a few months, she landed up at the principal's office, asking her to expel the child who was admitted under the quota. The principal refused, following which she withdrew her son. The EWS quota boy remained but lost his only friend.

I can cite many such instances but both the incidents highlight one of the reasons why I am of the view that the EWS quota under the Right of Children to Free and Compulsory Education Act or Right to Education (RTE) Act is not working well for anyone concerned. In a society that is fundamentally unequal, expecting the classroom to bridge the gap and deliver is plain silly. Happy, well-adjusted, high performers from one stable, regardless of their background, may be ideal but it sounds unrealistic in the current scenario. The kind of social engineering the Act envisages can only take place when the gap is less stark and not in isolation.

Over the last four years that I have been meeting teachers, principals, educationists and academicians, I am yet to come across one who managed to convince me of the benefits of this reservation — one that the government now is intending to expand.

Other than the social and psychological damage — which is largely

anecdotal — teachers in the more elite schools openly say that the variance among students from under the EWS quota and the regular students is often so sharp that they as teachers are unable to cope. As a result, EWS students often spend most of their time in remedial classes, defeating the very purpose and placing an additional strain on the school's resources.

The EWS scheme doesn't work for the well-intentioned private schools either. For one, the eligibility criteria are so narrowly defined that many schools hardly get any applicants. This becomes a stick for the authorities and the media to beat the school management with, arguing that they are not keen to admit children under the quota. Allegations of misuse and corruption abound and commonly happen too. The compensation offered by government often has little bearing on the cost of educating the student by the school. In high-fee schools, the compensation is far too less and in low-fee schools, far too much.

As and when schools do manage to admit students under the quota, the teachers are unhappy as they view it as an extra effort for no return. They also grapple with complaints from parents who often argue that

their children are being taught wrong values, language and habit by the quota students.

Geeta Gandhi Kingdon, an educationist who runs the City Montessori schools in Lucknow and is one of the sanest voices in the country's education space, says these problems have arisen due to the failure of the government to discuss the proposal with the private schools. As she points out, for any partnership to work, there has to be a discussion on how best to make it work. That didn't happen. The EWS quota section in the RTE was thrust upon private schools as a fait accompli. The ambiguity in the law is expectedly leading to litigation and bad blood.

Perhaps the greatest negative of the EWS quota scheme for me is its tacit acceptance of the failure of the government school system. If I was the government, I'd be trying to stem the outflow from the state schools to the private system instead of taking this defeatist approach of "I can't do it; let someone else take on this headache". A mighty government that is actually doing its job should be in a position to obviate the need for such a quota instead of looking at ways of shedding more and more of its responsibility.

Travesty of basic income

It would be wonderful to have a genuine basic income scheme for the country. Thus far, all we have are populist gestures



VIJAY JOSHI

Universal basic income (UBI) has entered India's public lexicon and political debate. The term has been used to describe various schemes: Rythu Bandhu in Telangana, the Modi government's handout to small farmers in its recent interim budget, and Rahul Gandhi's promise of a handout to all poor people. Since I presented a detailed proposal for a UBI in my recent book (*India's Long Road, Penguin India, 2016*), and in my article in *Indian Journal of Human Development* [2017, Vol. 11(2)], I could be forgiven for feeling a sense of satisfaction. However, that is not my reaction; I am disappointed, even appalled, by the schemes that have appeared on the scene under the name of 'basic income'.

The pure concept of basic income envisages an unconditional and univer-

sal cash transfer set at a level that would enable every citizen to live a decent life. Since quantification of 'decent income' is highly elastic, this ideal is fiscally unachievable in practice and some dilution of the concept is inevitable.

In my version, the cash transfer for a UBI in India was set at a level equal to the difference between the Tendulkar poverty line (TPL) and the average income of India's poor population, indexed to the cost of living. This difference is about 25 per cent of TPL, roughly equal to ₹3,500 per head per year (₹17,500 per household per year). This would be equivalent to say ₹4,000 per head and ₹20,000 per household at 2019-20 prices. This transfer would not be princely but meaningful enough to make a difference to people's lives. I advocated raising the resources for such a 'UBI Supplement' (UBIS) mainly by abolishing non-merit price subsidies, e.g. fertiliser subsidies, which have been recognised to be dysfunctional on grounds of efficiency as well as equity.

I showed that a UBIS set at this level would cost no more than 3.5 per cent of GDP. Note that abolition of non-merit subsidies (5.5 per cent of GDP) is only one possible source of creating fiscal space. Resources could also be raised in other ways that are desirable on independent grounds, for example, privatising some



grossly inefficient public sector enterprises (say 1 per cent of GDP annually for a few years), weeding out unnecessary tax exemptions (say 1.5 per cent of GDP), taxing agricultural incomes above a threshold level (say 0.5 per cent of GDP), and winding up badly targeted welfare programmes while retaining those of proven worth (say 1.5 per cent of GDP). This potential fiscal space of 10 per cent of GDP could be used to implement a basic income programme (3.5 per cent of GDP), as well as to ramp up public investment (by 2 per cent of GDP), increase opportunity-enhancing social expenditures such as education and health care (by 2.5 per cent of GDP) and reduce the consolidated fiscal deficit (by 2 per cent of GDP). Thus, a UBIS could fit into a coherent reform programme to be achieved over a few years, financed partly by the Centre and partly by the states. A universal and unconditional basic

income supplement, as part of a coherent reform strategy, would thus be feasible; and the oft-repeated objection that it could be implemented only by sacrificing other valuable goals is false. The fiscal cost could be reduced further by sacrificing universality and restricting coverage to say two-thirds of the population, leaving out the third that are judged to be relatively well-off. This would of course raise the problem of identification but it may be just about feasible to do so on the basis of exclusion criteria such as eligibility for income tax, ownership of land above five acres, and possession of relatively expensive consumer durables such as a car or a motorised two-wheeler. The cost of such a quasi-UBIS (QUBIS) would be about (3.5 times 0.67) = 2.3 per cent of GDP. Any further reduction in coverage should be resisted because it would a) create large problems of identification and b) defeat

the main object of UBIS.

Alas, the 'basic income' schemes that have hit the headlines in the recent past are a far cry from the genuine article in terms of coverage and fiscal implications. The Rythu Bandhu and Kalia schemes are restrictive in coverage and exclude many rural poor and/or the urban poor. The same applies to the Modi government's scheme. Moreover, its income supplement is set at too low a level to make a meaningful difference. On the fiscal side, the Modi scheme does not attack subsidies or make any other new moves to raise resources in a growth-promoting way, so it is not part of a coherent strategy. I conclude that the recent schemes in India are not fit for purpose. They are just populist gestures.

Rahul Gandhi's announcement lacked any details. Unfortunately, it was combined with a proposal to write off rural debts, which would cause huge moral hazard apart from being extremely regressive. It would be nice if the forthcoming Congress manifesto ditched the idea of debt cancellation and put forward a road map for a UBIS scheme that covers two-thirds of the population in a meaningful way, financed by extra revenue raised in a manner that promotes efficiency, growth, and equity.

It would be wonderful to have a genuine basic income scheme for the country. Alas, thus far, all we have are travesties of the idea.

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CHINESE WHISPERS

A new temple

Abu Dhabi is all set to get its first Hindu temple with the foundation stone-laying going to be held on April 20, in the midst of the Lok Sabha polls here in India. The plan to build the temple in the UAE capital was approved by the Abu Dhabi government during Prime Minister Narendra Modi's first visit to the country in 2015. BAPS Swaminarayan Sanstha, a worldwide Hindu religious and civic organisation, is building the temple. Dubbed an icon of tolerance and religious harmony in the UAE, the temple is being built on a 13.5-acre land gifted by Abu Dhabi's crown prince Shaikh Mohammed Bin Zayed Al Nahyan. The Shiva and Krishna Mandir in Dubai is currently the only Hindu temple in the UAE.

Hogging the limelight



The Congress party, and the rest of the Opposition, on Monday worked to a plan to capture the media space. Andhra Pradesh Chief Minister N Chandrababu Naidu sat on a day-long fast at New Delhi's Andhra Bhavan from the morning, which was attended by all leading Opposition leaders. Congress President Rahul Gandhi attended the protest in the morning, before leaving for Lucknow where he held a road show with two of his newly appointed general secretaries in charge of Uttar Pradesh — Priyanka Gandhi Vadra and Jyotiraditya Scindia. Most television channels beamed the road show live. Also on Monday, Priyanka (*pictured*) made her debut on the social media platform Twitter and by evening her twitter following crossed 100,000.

Last-ditch attempt

The list of business of the Rajya Sabha for Tuesday did not mention the Citizenship (Amendment) Bill. The Lok Sabha has already passed the Bill but there have been protests against it. Even within the ruling Bharatiya Janata Party (BJP), there are opposing voices. On Monday, Arunachal Pradesh's Pema Khandu and Manipur's N Biren Singh, both from the BJP — meet Union Home Minister Rajnath Singh and urged him to ensure that the Bill was not passed in the Rajya Sabha. Singh asked the chief ministers not to worry and assured them that the rights of the indigenous people of the North East would not be diluted, an official said.

ON THE JOB

Goodbye, demographic dividend



MAHESH VYAS

weeks, that is, since the week ended September 4, 2016.

It is worrisome that the unemployment rate is rising steadily. The average increase per week since August 2017 is 0.07 percentage points. This is an 80 week period over which the unemployment rate has risen steadily. This seems to suggest that the Indian economy faces a rising unemployment trend.

The labour participation rate has remained largely stable during this 80-week period. The average weekly change in labour participation is a negligible -0.004 percentage points. While this is a negligible change, the negative sign against it is telling. It implies that the rising unemployment rate is in the face of stagnant or even falling labour participation rate.

As political parties raise the bar of distribution of cash and given that there are no incentives to increase job-creating investments, it is likely that the unemployment rate could continue to rise and labour participation rates may continue to remain low in the coming months. Evidently, India seems to be kissing goodbye to its demographic dividend.

Rural and urban regions present different labour participation and employment levels. These differences also are not tuned to India exploiting its demographic dividend.

The weekly urban unemployment rate crossed 10 per cent three in the past six weeks. In fact, it was 11.2 per cent during the week ended January 27. It has since fallen — to 9.8 per cent in the week ended February 3 and then to 9 per cent in the week ended February 10.

The 9 per cent unemployment rate in urban India denotes a sharp fall in the rate. After remaining largely on a sharply rising gradient for five weeks, the urban unemployment rate has declined quite substantially in the past two weeks.

Urban labour participation rate has not changed much but the little change that can be deciphered is positive — particularly from January this year. The urban labour force participation rate (LPR) was 40.5 per cent in November and 40.8 per cent in December 2018. In January, it was 41.4 per cent. In the first two weeks that ended in February, the average urban LPR was 41.5 per cent.

This gradual increase in the urban LPR, however, is too small and too vulnerable. The small momentum can easily dissipate and the LPR may then continue to remain at its current very low levels of 42-43 per cent. It is imperative that the rate rises back to the pre-demonetisation levels of 45-46 per cent. Urban India provides the better jobs and it is here that the labour participation should be high.

However, in India, the labour participation rate is higher in rural areas. Rural LPR in India is about 3.5 percentage points higher than urban LPR. The gap narrowed a bit in January 2019. Yet, rural LPR was 44 per cent while urban LPR was 41.4 per cent in the month.

Rural unemployment rate has traditionally been lower than urban unemployment rate. However, in the two weeks ended February, rural unemployment rate has risen quite sharply to average at 8.2 per cent. The average rural unemployment rate is a shade below 6 per cent.

Large parts of rural India manage to live off farmlands with very informal forms of employment and with high levels of underemployment. This is not similarly true of urban regions. Urban regions offer better quality jobs. Thus, the lower labour participation rates and higher unemployment rates in urban India are worrisome.

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The key lessons from Kochhargate

The concluding part of the series lists the lessons for the industry



BANKER'S TRUST

TAMAL BANDYOPADHYAY

Allowing the Srikrishna panel to have as much time as it wants to complete the probe was a masterstroke by the board. By doing this, it forced Kochhar to put in her papers.

How? India's banking law does not allow the boss of a bank to abstain from office for four months or more. Kochhar, who went on her annual leave in June 2018 and later had to stay away for the completion of the probe, had no choice but to quit as the probe took its own time. It was a sort of bloodless coup which did not allow her any ambition to come back to the bank as CEO.

A few days before the board sacked her, the Central Bureau of Investigation (CBI) had filed its first information report (FIR), alleging criminal conspiracy, cheating and *quid pro quo* — ICICI Bank sanctioning ₹3,250 crore to Dhoot's group companies and Dhoot, in turn, investing ₹64 crore in Deepak's NuPower Renewables Ltd. Going by the FIR, the bank sanctioned six high-value loans to the Videocon group between June 2009 and October 2011, violating the norms of loan sanction and Kochhar was one of the members of the sanctioning committee.

The FIR also named other senior bankers who were directors on the board of ICICI Bank then, including Kamath, current CEO Sandeep Bakshi, Sonjoy Chatterjee, K Ramkumar, NS Kannan, Zarin Daruwala, Rajiv Sabharwal and independent director Homi Khusrookhan. While Kamath is the president of the New Development Bank of BRICS countries, others are prominent names in Indian finance, heading foreign and local banks and non-banking finance companies.

Of course, the CBI will have to probe these allegations — something which the country's premier investigative agency is not good at, particularly when it comes to the banking sector. Both Arun Jaitley and

Piyush Goyal have come down heavily on CBI's "investigative adventurism".

What's the Kochhar side of the story?

Well, barring issuing a release, expressing her shock, she has been keeping mum. She has appointed a lawyer to deal with the cases with the market regulator and other agencies but not the bank.

Those who know her well are wondering why would the Videocon group do a favour to Kochhar's husband as a *quid pro quo* to get money from the bank when it was getting money from the entire banking industry on a platter?

They also claim that Kochhar all along made the statutory disclosures about her husband's companies but she did not disclose Videocon's investments as she was not aware of them.

Finally, they say that a particular corporate house has been after Kochhar's blood because she has stopped giving it fresh loans and has been hounding it to recover money already lent to it.

How would she recuse herself from the credit committee when she was not aware of her husband's dealings, they are asking, pointing out that out of the six loans, mentioned in CBI's FIR, she was involved in sanctioning only two.

Finally, Dhoot's ₹64 crore investment in her husband's company is not gratification for her; it's an investment by Dhoot which he can liquidate after 2021.

But her bank is not taking these arguments seriously. For it, Kochhar is a closed chapter. Even before the Srikrishna report was submitted, the bank wrote to the Securities and Exchange Board of India (Sebi), requesting it to "decouple" the bank from Kochhar's case.

For her, it will be a lone battle and the outcome will depend on how Sebi, the CBI, income tax authorities and the Enforcement Directorate move.

Kochhar's fall from the grace has dealt a blow to the personality cult which the Indian banking sector is known for — in many cases the CEOs don a larger-than-institution persona. Many saw the seeds of Kochhar's downfall in November 2014 when Shah Rukh Khan danced at the *sangeet* ceremony of her daughter's wedding in a Mumbai hotel. I don't know whether he performed there or was a guest like many others, including Amitabh Bachchan, and chose to shake a leg well past midnight but it got wide media publicity which would not have been possible if the Kochhars did not want that.

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Good news, bad news

More workers receive salaries, but women are working less

Much attention has rightly been devoted to reports in this newspaper of the National Sample Survey Office's (NSSO's) estimates regarding the state of employment in India. The most eye-catching revelation, that unemployment is at a 45-year high, is naturally deeply worrying. However, other aspects of the NSSO's Periodic Labour Force Survey (PLFS) deserve examination as well. They convey both good and bad news about employment trends and have implications for the framing of government policy.

One such revelation is that, while the overall labour force participation rate (LFPR) has declined sharply between 2011-12 and 2017-18, the two most recent relevant NSSO rounds, the decline has been particularly striking among females. The overall LFPR was 49.8 per cent in 2017-18, down from 55.9 per cent in 2011-12 — and down even more since 2004-05, when it was 63.7 per cent. But for females above 15 years of age, the decline was twice as steep in recent years. It declined by eight percentage points between 2011-12 and 2017-18, compared to a four percentage point drop for males. The LFPR for adult females now stands at an especially low figure of 23.3 per cent in 2017-18. This is driven in particular by a massive decline in labour force participation by females in rural areas. In towns, the female LFPR remained approximately the same, whereas it declined by 11 percentage points in rural areas. This is not good news. Some have argued that this is demand-driven — women are choosing to work less. But even so, it is not a positive trend at a macro level. It can no longer be the case that it is purely a product of increasing enrolment in education. It may instead be that women's employment is seen as a necessity at lower levels of income, and that as income increases, women withdraw from the workforce. Or it may be that increasing male unemployment causes "women's work" in rural areas to be given to men and so women stop working outside the home. Either way, it is a structural problem that needs to be addressed. India cannot grow and progress while more than half its workforce is so under-utilised. Employment and skilling policy must be redesigned to specifically target women.

There is also some good news — and that is the share of those receiving a regular salary has increased, according to the 2017-18 NSSO data. In towns, it increased to 47 per cent from 43.4 per cent in 2011-12, at a similar rate of increase to that seen since 2004-05, when it was 39.5 per cent. If almost half the urban workforce is now receiving monthly salaries, that is a vital indicator of the potential for formalisation. It also suggests that income security has been increasing for this segment of the workforce. More needs to be done to bring them into the social security net — while half of these salaried workers were eligible for social security benefits, 70 per cent of them had no formal contracts. Clearly formalisation is a work in progress — however, there is now a far greater possibility for successful formalisation than earlier.

Populism catches on

Politics triumphs over economics in state Budgets

Hot on the heels of the Centre's interim Budget, which promised several hand-outs for the "common man", several state governments, regardless of political affiliation, seem to have gone one up on populist Budgets ahead of the Lok Sabha elections, due in a couple of months. It is not surprising that in most states that are ruled by the Bharatiya Janata Party (BJP), the chief ministers have ensured that their Budgets for the coming fiscal year dovetail with the central Budget. As such, barring Goa, which presented a Budget with a revenue surplus of ₹450 crore, most other BJP states have presented deficit Budgets with a significant increase in the outlay for agriculture and the social sector. Uttar Pradesh, for instance, has not only hiked its agriculture allocation by 14 per cent but also expanded its pension scheme for the destitute by including sadhus. It has also allocated ₹600 crore for cow shelters for the thousands of stray cattle in the state. Similarly, Assam proposes to give 10 gm gold to brides, apart from a whole host of freebies for families involved in tea gardens. In Jharkhand, the government has unveiled the Mukhya Mantri Krishi Ashirwad Yojana, under which farmers will get ₹5,000 per acre every year apart from ₹150 as a bonus over the minimum support price announced by the Centre.

Opposition-ruled states are not far behind. Though they have criticised the BJP government at the Centre for being populist, their own Budgets are no different, except for Tamil Nadu, which announced its intent to lower the revenue deficit and borrowing in 2019-20. The underlying theme for all other state Budgets seems to be that the best way forward is welfarism, accompanied by the assumption that growth will take care of itself. For example, the Mamata Banerjee-led Trinamool Congress in West Bengal has increased agriculture allocation by 120 per cent. Apart from this, the state government has exempted those working in tea plantations from paying education cess and rural employment cess for the next two fiscal years. In Karnataka, the Congress-JD(S) alliance has allocated a quarter of the state's Budget to agriculture and allied activities including farm loan waivers. In Andhra Pradesh, N Chandrababu Naidu's government has allocated a big chunk of public expenditure towards providing input grants to farmers and doubling allocation for the market intervention fund for farmers. Mr Naidu has also raised unemployment allowance for the state's youth. In Odisha, Chief Minister Naveen Patnaik has rolled out his government's flagship scheme of direct income support for small and marginal farmers as well as landless labourers, called Kalia. He has also allocated money for a dedicated government outreach programme in villages, as well as a rural water supply scheme.

Clearly, there is no escaping the impact of the election season this year. But it should also be known that while the election season will be over by May-end, the adverse ramifications of these ambitious fiscal sops will go beyond just one year. Most analysis suggests that India's general fiscal deficit, that is the combined deficit of the Centre and the states, will be high enough for the country to continue to miss its Fiscal Responsibility and Budget Management Act targets. This, in turn, can have a significant negative impact on inflation, sovereign ratings and sustaining high economic growth.

ILLUSTRATION BY AJAY MOHANTY



Rafale will fly, but the excuses won't

Procedures and institutional mechanisms have been severely undermined in negotiating the deal

The controversy around Prime Minister Narendra Modi's unilateral decision to buy 36 Rafale fighters from France, which picked up steam in late 2017, initially seemed a quixotic political attack by Rahul Gandhi, centred on allegations of overpayment and crony capitalism to favour the Reliance Group, headed by Anil Ambani, who is allegedly close to Mr Modi. However, over the last one-and-a-half years, a seemingly endless drizzle of analyses and exposés have added credibility to a "Rafale scam" narrative, raising questions of impropriety, bypassing of procedures, modifying (no pun intended) standard contractual terms to suit foreign vendors and riding roughshod over defence ministry's concerns. The Congress Party president, initially alone in attacking the Rafale procurement, now has the entire Opposition chorusing his allegations.

During this period, the Bharatiya Janata Party (BJP) and the government have won pretty much all the big Rafale battles. The Supreme Court tossed out a group of writ petitions, notably one filed by Yashwant Sinha, Arun Shourie and Prashant Bhushan. The apex court order relied on government arguments submitted on an unsigned piece of paper. The Central Bureau of Investigation has not initiated any investigation, despite urging by citizen groups. On Tuesday, the Comptroller & Auditor General is expected to submit an audit report, which is already somewhat discredited after the Supreme Court mistakenly cited it, before it was made public, to clear the government of wrongdoing (this has been justified as a grammatical error, where future tense was confused for past tense). And on television news debates, as in Parliament, government and BJP spokespersons successfully confuse the issue with technical and procedural jargon.

Notwithstanding all these victorious Rafale battles, the Rafale war continues causing attrition on Mr Modi. That is because of continuing revelations about procedural violations that are emerging from deep within the government, apparently leaked by

officials who resent having been pressured to toe the line laid out by powerful decision-makers in the Prime Minister's Office (PMO). This discontent is widespread. Even before three Ministry of Defence (MoD) officials in the Indian Negotiating Team on the Rafale deal in 2015-16 dissented in writing about how "the basic requirement of financial prudence" was being thrown to the winds, this writer had reported how Mr Modi's unilateral decision to replace the acquisition of 126 Rafales under the Medium Multi-Role Combat Aircraft (MMRCA) tender with the procurement of 36 Rafale fighters had taken the Indian Air Force (IAF) and then defence minister Manohar Parrikar by surprise. Both the IAF and Mr Parrikar are today defending the deal for different reasons. The IAF, desperately short of fighter aircraft, fears that if the Rafale allegations stick, they might end up without even 36 Rafales. Meanwhile, Mr Parrikar walks a fine line, messaging that this was Mr Modi's idea, not his own, but he would grit his teeth and defend it as a loyal minister.

With much water having flown under the bridge, let us summarise the arguments since then. The first is the charge that the French vendors, Dassault (aircraft) and MBDA (weapons), were allowed to get away with charging the IAF significantly more per Rafale than what the 126-MMRCA deal would have charged. This writer revealed that Dassault had bid ₹19.5 billion for 126 Rafales in 2007, some 40 per cent cheaper per fighter than what the IAF is paying in the ₹7.87-billion contract for 36 Rafales, signed in 2016. The government has argued that the Rafales are now coming with "India-specific enhancements" that make them far more capable, but it then emerged that those added capabilities were also a part of the earlier procurement. Further, the MMRCA contract included the extra benefits of technology transfer to build 108 Rafales in India, which would have galvanised India's aerospace industry.

The government has privately sought to discredit such reports, but has declined to divulge official fig-



BROADWORD

AJAI SHUKLA

On farm distress, reform and dole

The Pradhan Mantri Kisan Samman Nidhi scheme proposing to directly transfer ₹6,000 per year in three instalments to all farm families holding up to two hectares of land is without a doubt the centre-piece of the interim Budget 2019-20. As A K Bhattacharya observed in these pages, no past interim budget proposed such a large outlay (*Business Standard*, February 2, 2019). Even the former finance minister P Chidambaram labelled it the "Big promise" (*The Indian Express*, February 10, 2019).

This transfer is in reality a top-up, and not any variant of the much-discussed universal basic income. It is not universal at all. And it falls well short of the extent of deprivation of the poor as measured by any accepted yardstick. Political opponents (read Congress) and some economists have critiqued it on this ground. Mr Chidambaram has joined the chorus led by his party president Rahul Gandhi by asking a rhetorical question: "Will ₹17 per family per day alleviate the distress or poverty of a farmer-household?" Others have shown their mastery of the calculator by terming it ₹3.30 per person per day. Why not carry this exercise to its *reductio ad absurdum* next level, which is 14 paise per person per hour?

Surely someone of Mr Chidambaram's financial acumen ought to know that certain expenditures of even a dirt-poor household, such as treatment of illness, repairs to the shelter, or marriage in the family, have indivisibilities. Formal credit does not cover these eventualities. Recourse to the local *sahukar* becomes inevitable when such needs arise. A lump sum grant of ₹2,000 every four months may not be much, but it could well help beneficiary households

keep the wolf of predatory private borrowing at bay for a bit. That is not an insubstantial relief.

Many have also argued that the transfer is small in comparison to the costs of farm inputs — fertilisers, irrigation, fuel, among others. Yet the stark reality is that a large majority of the 120 million target households practice virtually dry cultivation, with little or no input use. That leads to poor productivity and continuing distress. As Mr Bhattacharya observes, "The ...income support could be small at ₹500 per month, but since the beneficiaries would be largely in Uttar Pradesh, Bihar, Madhya Pradesh and Maharashtra, the scheme... if ...efficiently rolled out, ...[would have] a huge number of beneficiaries in the country across states and across sections of society."

That agriculture needs reforms is not in dispute, but what sort of reforms are called for? Ashok Gulati pleads for major marketing reforms ("No budget for farmers," *The Indian Express*, February 2, 2019). But how many of the small and marginal farmers enter the market?

And can those few that do withstand the enormous asymmetry of market power between sellers and buyers? I have long argued in these pages that what matters to farmers is not the price they receive *per se* but the income they earn. Dr Gulati concurs with this also, when he says that switching from price policy to income policy would be a fundamental reform, but he finds the interim Budget's first steps in this direction "too little, too late."

The root cause of rural distress, as I have argued previously, is that these 120 million small and marginal holdings support an impossibly large number of people, as employers of the last resort. There appears to be little hope of anything but an insignif-

icant proportion of these atomistic units, forever subdividing in amoeba-like fashion, could ever become viable. Some sort of collective decision-making could help, but that too is evident only in extremely small number of cases. Seed multiplication farmers in a village act together, but only because the seed companies hold the threat of rejecting the entire crop even if one member deviates from the prescribed practices. This is also the case when speciality marketers such as Fairtrade Label Organisation demand group discipline and adherence to stipulated norms. Elsewhere, in the overwhelming majority of holdings, each cultivator is law unto himself.

When even a minor adverse event affects agriculture, farmers immediately plead for government intervention. Small cultivators in Madhya Pradesh are now angry at the new state government for not helping them, after having voted out the previous one for the same sin. This indicates the depth of the farmers' ingrained need of a *mai-baap sarkar* intervening at all times. A popular Hindi film song from the 1960s goes, *Jab pyar hua is pinjare se, tum kehane lage aazad raho* (the confined bird that has come to love its cage is not ready for freedom). Breaking up subsistence Indian agriculture from government is hard to do.

Governments make budgets to retain and consolidate their hold on power, not to please opponents or economists. They do so by trying to gratify as many as possible without causing harm to the others. Greater giveaways add to the expenditure necessitating additional deficit, which in turn is a cause of alarm as it triggers inflation, hurting everyone. With the interim Budget, the government seems to have walked a very tightrope, of balancing the available (stretched) resources and the goal of maximising possible beneficiaries. That might be worth a muted cheer.

Monday's revelations were even more worrying. Documents indicated that, well after the Cabinet had approved the 36-Rafale contract document, the government diluted several clauses, doing away with mandatory penalties for the use of "undue influence", use of "agents/agency commission" and other mandatory clauses stipulated in the Defence Procurement Procedure, the rulebook for defence capital procurements. This raises troubling questions: Why would the PMO intervene to remove an anti-corruption clause from a contract the Cabinet had already cleared? Did the French negotiators ask for the "integrity clause" to be removed, or was it an Indian initiative? Why did the PMO intervene to strike out the "integrity clauses"?

Even with further revelations, only a money trail would establish criminal culpability in the Rafale affair. Without that, judgment can only be pronounced in the court of public opinion. Yet, great damage has been done. Procedures and institutional mechanisms have been severely undermined and the already fraught process of defence procurement complicated further. We may never know whether there has been corruption in the Rafale deal. But the evidence of unforgivable incompetence is everywhere.



ET CETERA

SHREEKANT SAMBRANI

The two faces of nonalignment



BOOK REVIEW

ANITA INDER SINGH

Nonalignment was practised in different ways by Jawaharlal Nehru and Indira Gandhi. Zorawar Daulet Singh's historical account of the changes in India's foreign policy made largely by the two prime ministers is based mainly on available official archives in India, Britain and the US. The private records of aides, including P N Haksar, T N Kaul and D P Dhar, illuminate the crafting of India's foreign policy. Of interest to specialists in Indian foreign policy, it covers the period from independence to 1975. This time-frame should have been mentioned in the title of the book. The Cold War, after all, lasted until the collapse of the Soviet Union in 1991.

The author throws light on the ways in which the competing ideas of Indian officials, their reactions to regional and world events — and the personalities of both prime ministers — shaped India's diplomacy. The crises during which Indian foreign policy evolved included some of the same strategic theatres: East Bengal (1950s, 1971), Formosa and Indochina (mid-1950s and mid-1960s). Additionally, the book analyses the handling of Goa (1961) and Sikkim (1970-5) by Nehru and Indira Gandhi, respectively.

Nehru was as aware of the power of realpolitik and the significance of the balance of power as Indira Gandhi. He nonetheless believed in India's indivisible security with its neighbours and its ability to contribute to Asian and world peace. By the time Indira Gandhi became premier in 1966, India had been defeated by China and there was no sign of an end to the border conflict with Pakistan. Sceptical about winning over neighbours through conces-

sions, she used war as an instrument to end the humanitarian crisis created by Islamabad's genocide in the former East Pakistan, to break up Pakistan and to create the new state of Bangladesh.

Nonalignment developed during the early Cold war. Mr Daulet Singh goes along with critics of the pro-western tilt of Nehru's foreign policy. But what did the Soviets then offer India? Until Stalin's death in 1953, they condemned Nehru as a camp-follower of imperialism. Even when ties improved under Nikita Khrushchev, the USSR was unable to compete with the West as an aid-donor. The book itself shows that Indira Gandhi refrained from lecturing Washington on Vietnam because only the US could give India the food it needed.

Moreover, if Nehru was really inclined towards the West, why did Britain and the US perceive nonaligned India as being "pink", if not "red"? Did part of the answer lie with Nehru's close confidant, Krishna Menon? In 1948 the US envoy, Loy

Henderson, who couldn't stand nonalignment, recorded Krishna Menon's acidulous greeting: "Well, this is interesting; you are the first American Ambassador who has ever darkened my threshold." Another US official reviled him as "a poisonous fellow", actively inimical to Americans.

The author could have added "international" depth to his account by revealing how British and American reports of meetings with Indian diplomats corroborated or differed from Indian accounts. Western officials always made some personal comments about their Indian counterparts. How did Indian diplomats relate personally to the British and American officials with whom they negotiated? And did personal impressions shape their images of the West and of India's world role?

At another level, what did India make of the fact that 13 out of the 28 countries attending the Bandung Conference in 1955 were Western allies? Was India aware that Britain and the US persuaded several Asian countries to criticise Nehru's anti-colonialism? Or that the charm and peace-talk of Zhou Enlai, invited at India's initiative, impressed even the arch-cold-warrior John

Foster Dulles, who "saluted" his performance at Bandung (although he doubted Chou's sincerity)?

Mr Daulet Singh is rightly aware of the link between India's early and contemporary foreign policies. Could he have said more about the connection between domestic and foreign policy? After all, the methods of handling foreign and domestic affairs can be analogous. Although India was one of the world's poorest countries when it became independent, Asia's economic tigers had yet to spring up. Nehru's India was widely respected because of his intellectual, political and moral calibre, and — as British and US records make clear — his forging of the Indian state-nation through democratic consensus.

The accountable, internationally esteemed domestic consensus builder was the natural bridge builder in world affairs in ways that neither Indira Gandhi, nor any other Indian practitioner of realpolitik, could ever be. Nehru's consensus and bridge-building stand out when one realises that, further afield, towards the West, no post-communist European country has achieved a strong political consensus —

despite receiving EU largesse and "democracy assistance".

The ways in which India secures its interests in a dynamic world will, of necessity, change. Nehru did not want India to be mean, especially to its smaller neighbours. His principled pragmatism contrasts with the current petty "transactionalism" in foreign policy. That has led many of India's smaller neighbours — and Asian countries — to turn to its greatest rival, China, despite the boasts about India's global power. Perhaps Mr Daulet Singh could write more about the link between domestic and foreign policy in his next well-researched book?

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India's Foreign Policies

During The Cold War

Zorawar Daulet Singh

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