Why we must show restraint

Does holding elections alone constitute democracy? Or is there a crying need for deeper structural reform?

WITHOUT CONTEMPT

SOMASEKHAR SUNDARESAN

The Republic is witnessing unprecedented scenes of political and constitutional conflict -- not unexpected considering that the national elections are fast approaching. However, if one particular trend stands out across constitutional institutions, it is the abiding theme of how institutions under the Constitution are far from exercising restraint.

Conflicts between agencies and institutions with varying constitutional roles is not at all a bad thing. In fact, such conflicts inherently give rise to the political check and balance that the Constitution envisages. Which is why those who hold forth on how institutions must work with one another and avoid conflict do not get the critical value that such conflict brings about. When a state government stands up to the investigating agencies from the Centre, it is not necessarily a bad thing. When the central investigating agency approaches the Supreme Court to intervene, it is a great development — the right forum to resolve the issue is indeed considered worthy of being approached for an unbiased intervention.

Yet, it is important to remember that a perpetual state of conflict is not a good thing. Inter-institutional conflict that arises out of an institution playing its envisaged role is great, but conflict arising out of an institution that is abusing its role is not good at all. Indeed, one can have serious disputes about whether there is abuse at all, and often constitutional courts have to resolve the dispute.

A vital facet of managing conflict in a statesmanlike and mature manner is the exercise of restraint by institutions and those at the helm of the affairs. Look around and you may find a near absence of restraint in the conduct of affairs. The absence of restraint can be seen from so many examples.

When the founding fathers desired that the view of the Speaker in Parliament certifying that a draft legislation is a "money bill" should be regarded as final, they believed that a person worthy of holding high office would exercise the restraint necessary to decide that the Rajya Sabha need not debate the law. History has shown us that this faith lies belied.

When the Republic was founded as a true democracy and yet internal democracy was suspended for members of the armed forces, inherent in the structure was a belief that the leadership in the armed forces would build an inherent system of restraint in how this protection would be used. Yet, the system of orderlies (now termed "sahayaks", bordering on slavery) continues with impunity.

When the army was indeed made subservient to the democratically elected government, the expectation indeed was that the leadership would exercise restraint and stick to its turf. Indeed, the leader of the army is in the news every other day, not for being the window for civilian society to peek into the armed forces, but mouthing opinions on matters ranging from social trends to foreign relations.

When governors were empowered to invite a political party or a coalition to form government, or when they were empowered to declare upon a broken state of affairs to warrant recommending President's rule to overthrow a democratically-elected state government, inherent in it was the belief that someone holding this high office would take decisions with restraint. This expectation stands belied through the history of the Republic.

When the power of judicial review was conferred upon constitutional courts, inherent in it was the belief that judges would exercise restraint and never want to be IAS officers taking executive decisions that determine the fate of society and its members. When Article 142 empowered the apex court to issue any order it desires to render complete justice, never was it envisaged that the provision would create a unique jurisdiction to legislate, declare and enforce law — a mash-up of separate powers.

When Parliament empowered regulatory agencies to exercise legislative, executive and quasi-judicial roles all at once, inherent in it was the belief that those manning these institutions would exercise restraint in how they play out these roles in different spheres and that they would segregate these functions as a matter of internal discipline. This expectation stands belied uniformly.

As the Republic races headlong into election mode in its seventieth year of existence, it is time to introspect on whether holding elections alone constitutes democracy or if there is now a crying need for deep structural and architectural reform in the functioning of various institutions that collectively constitute our democratic Republic.

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CHINESE WHISPERS

Opposition powerhouse

The Aam Aadmi Party (AAP) held a protest at New Delhi's Jantar Mantar on Wednesday. The dais had leaders from nearly all Opposition parties, and photographs of B R Ambedkar formed the backdrop. The AAP was born during the anti-corruption movement of 2011 when Anna Hazare began a hunger strike at Jantar Mantar with a life-sized picture of Bharatmata forming the backdrop. If that movement was against the Congress-led United Progressive Alliance (UPA), the protest on Wednesday saw senior leaders from Congress, Anand Sharma, and UPA constituents like Dravida Munnetra Kazhagam and Nationalist Congress Party align with other parties against the ruling Bharatiya Janata Party (BJP)-led National Democratic Alliance. Incidentally, the protest was held just outside the Janata Dal (United) national headquarters, which has kept vacillating between the BJP and Congress-led Opposition.

No love lost

The ghost of the Saradha chit fund scam continues to hound West Bengal Chief Minister Mamata Banerjee. After Congress' Bengal leader Adhir Ranjan Chowdhury attacked Banerjee's Trinamool Congress over the Saradha chit fund case in the Lok Sabha on Wednesday, Banerjee was left fuming. She refused to calm down even after Congress chairperson Sonia Gandhi reached out to her. "We will remember," she said. "We are accusing each other but we are friends," Sonia Gandhi told Banerjee.

From strength to strength

As Telangana Chief Minister K Chandrasekhar Rao (*pictured*) continues to dither on cabinet expansion, there is wild speculation in the state about the possible dates. Earlier, there was some conjecture that an announcement was forthcoming on February 9/10, the day goddess Saraswati was to be worshipped. All hopes were dashed when there was no word from the chief minister even on the auspicious *ratha saptami*, which fell on Tuesday. Now there is talk of a possible cabinet expansion after February 15. According to planetary positions of Rao — he is a firm believer in astrology — a favourable planetary alignment post that date is expected to bestow more strength on him.

Reliance vs foreign e-commerce giants

Integrating retail and telecom, mobilising *kiranas*, plus regulatory advantages could make it a formidable force

SURAJEET DAS GUPTA

TAKE TWO

Late last month at a "Vibrant Gujarat" event Mukesh Ambani announced that Reliance Retail and his telecom venture Jio would collaborate to launch an e-commerce platform that would involve 12,00,000 small retailers in the state.

The announcement, which offered more detail on Reliance's e-commerce plans announced in July last year, marked a shrewd understanding of the politics of the business. The spectre of deep-pocketed foreign e-commerce giants wiping out the *kirana* community has long haunted the political establishment. Co-opting the *kirana* community, — Reliance aims to rope in 20 million *kiranas* and small retailers — to ensure last-mile delivery is not novel. Chinese giant Alibaba launched this model in 2015.

This is part of a larger plan to integrate the group's businesses into a structure that would own, as Ambani has long intended, a larger share of the consumer wallet. So Reliance will be mobilising Jio's 4G network and its specially designed Point of Sales (PoS) machines to enable small retailers to take orders from consumers, get credit lines to expand their business, book orders from its warehouses, do inventory management, generate GST bills and become part of the organised retail network.

"No e-commerce model can work without the last-mile retail outlets being part of the chain, because it is not sustainable," said a source with knowledge of Reliance's strategy. "Global e-commerce players are spending over 23-24 per cent of their operating cost on delivery in India; the Reliance model reduces this to 6-7 per cent, providing a large arbitrage opportunity that would be passed on to customers," he added. Brands can benefit too — companies can leverage the data analytics on consumers and promote products accordingly.

Technopak, a retail consultancy, estimates that in 10 years merchandising (e- commerce and physical) will be a $2 trillion business (currently $750 billion), and Reliance could garner 5 per cent of this market.

The core to the e-commerce business is to create an ecosystem offering a bundle of services and products.

INDIA'S RETAIL MARKET: 2020

$960 bn	$115 bn	$50 bn
Overall retail market	Organised brick and mortar retail	Online retail

Source: Bank of America Merril Lynch

Amazon's value proposition has been subscriptions to Prime, which offers free delivery, video and music and shopping benefits at its offline retail offering Whole Foods (in India, it has taken the first steps by acquiring More). Similarly, China's Alibaba straddles e- commerce and physical stores under Hema and Ling Shou Tong, long-form video and a payments offering in Alipay.

But Reliance has a huge competitive edge in its telecom services business with 300 million customers who are using huge amounts of data, providing both a captive market and consumer data. Jio is also putting in place a content offering — a bouquet of OTT channels, from music, movies, original programming plus a broadcasting channel — to provide more choices than Amazon Prime.

It has an unmatched physical retail business, with over 7,500 stores (plus 3,700 Jio touch points). Nearest competitor Future group has 11 million square feet of retail space against Reliance's 21 million. This means Reliance has the clout to negotiate prices with suppliers for its e-commerce, not to forget the cost advantage of integrated warehouse and supply chains.

"The question is whether anyone else can be Reliance of India. It has an unmatched physical retail presence which generates ₹35,000 crore a quarter with presence in multiple formats from the smallest stores to hypermarkets and in diverse categories from grocery, and consumer electronics to gold," says Arvind Singhal, chairman of Technopak.

Most significant of all is the favourable regulatory regime. Last year, on December 1, the commerce ministry passed rules stipulating that an entity in which an e-commerce company has a stake cannot sell on the same online platform, players cannot get into exclusive deals with sellers and also cannot stock more than 25 per cent of their inventory from a single vendor. These rules do not apply to Indian companies, only those with foreign direct investment.

Does Reliance need such protection? Some say such mega-integration could lead to concentration of market power, which may not be customer-friendly. Others say competition rules will avert that possibility. They also argue that Reliance is being overly ambitious: Companies like Unilever and ITC took decades to build a relationship with small retailers, and even they have not reached these magic numbers.

Also unlike in telecom, where heavily indebted competitors conceded Jio a 26 per cent revenue market share, Amazon and Walmart have deep pockets. Amazon has a $7 billion war-chest for India and Walmart did not have any problem rustling up $16 billion to buy Flipkart. And if Amazon goes ahead with its planned strategic stake in Future group – it is reassessing this plan after the December1 rules — with More retail and grab Spencer's, it will have a formidable physical retail presence. Amazon and Walmart could also tie up with competing telcos to leverage their mobile base, similar to what Airtel and Vodafone-Idea are doing in the OTT space. All of which suggests that Indian retail will be in for interesting times.

Autonomy of statistical agencies

In the concluding part, the authors say what is lost in discrediting the NSSO report is the story of change taking place in the economy and society

P C MOHANAN & ALOKE KAR

Fortunately for us, successive governments have made efforts to create institutions to safeguard the integrity and objectivity of official statistics and recognised official data as "public good". This government also notified in the Gazette the acceptance of a set of principles called the fundamental principles of official statistics that is accepted as the bedrock of an independent statistical system.

The first of the fundamental principles of official statistics notified by the government of India states that "Official statistics provide an indispensable element in the information system of a democratic society, serving the Government, the economy and the public with data about the economic, demographic, social and environmental situation. To this end, official statistics that meet the test of practical utility are to be compiled and made available on an impartial basis by official statistical agencies to honor citizens' entitlement to public information".

It was the Vajpayee government that recognised the importance of official statistics in a world that was getting integrated economically. Credible data was required not only for national governments but also sought by multilateral agencies for inter-country comparisons besides for investment decisions by private corporates. The Rangarajan Commission was appointed in January 2000 to critically evaluate the Indian statistical system and suggest measures to improve it. One of the follow-ups on the recommendations of Rangarajan Commission report submitted in August 2001 was the setting up of the National Statistical Commission (NSC).

The National Sample Survey (NSS), initiated in the year 1950, as a nationwide, large-scale, continuous survey operation conducted in the form of successive rounds was established on the basis of a proposal from Professor PC Mahalanobis to fill up data gaps for socio-economic planning and policy-making through sample surveys. Initially, all aspects relating to the designing of surveys, processing of data and preparation of reports were entrusted to the Indian Statistical Institute (ISI). The then Directorate of NSS in the government of India had been responsible for carrying out the fieldwork in all areas except in the state of West Bengal and Bombay city, where the fieldwork was carried out by the ISI. All aspects of survey work were brought under a single umbrella by setting up the NSSO under the resolution dated March 5, 1970. Since its creation, the NSSO was functioning under the overall direction of a Governing Council with autonomy in the matter of collection, processing and publication of survey data, thus ensuring freedom from political and bureaucratic interference (Rangarajan Commission Report, para 14.2.30, emphasis added).

With the setting up of NSC as an independent apex body for the Indian Statistical System in 2006, the Governing Council was dissolved and all the responsibilities handled by the council was handed over to the NSC through a government notification. Since then the NSC has been overseeing the technical work of NSSO including the approval of all survey reports with the director general of NSSO responsible for the dissemination of survey reports.

It is this scheme of things that ensured the credibility and independence of the Indian Statistical System now being disturbed by the claim that the NSSO reports approved by the NSC requires further government "approvals" before it is released to the public. The NSSO has been the most transparent organisation anywhere in the world, where independent experts outside the government are actively involved in all stages of survey work. The ministry of statistics was the first to come out with a policy on data dissemination in 1999 that ensured the researchers access to the micro data collected in NSSO surveys at a nominal charge. This was much before the Right to Information Act and the National Data Sharing and Accessibility Policy covering all kinds of government data. The vast number of research papers that followed this unrestricted access to basic survey data is a testimony to the willingness of the NSSO to be questioned by independent researchers and the acceptance of NSSO data (with all its known limitations) as one of the best sources for economic and social research in India.

What is also lost in the eagerness to discredit the survey report is the story of change taking place in the economy and society visible even in the few figures published by this newspaper. It talks of how the youth, especially in the rural areas, are availing of improved educational opportunities to become more qualified and openly seeking employment in the non-farm sector; the improved connectivity in rural areas adding to the expectations of better job prospects especially for rural women; how there is a healthy growth in the wage/salaried employment as opposed to engagement in marginal or subsidiary employment in household enterprises that contributes very little to the country's GDP. Availability of the report and the micro data from the survey to the researchers would have answered many questions and contributed to our understanding of the transformation taking place and known to have accelerated in recent times.

It is certainly a case of shooting the messenger without reading the message.

Mohanan was a member of the National Statistical Commission and resigned his position recently. Kar is a survey statistician and member of the Standing Committee for Labour Force surveys that guided the Periodic Labour Force Survey. He is currently associated with the ISI Kolkata

INSIGHT

Private sector, national interest

DHIRAJ NAYYAR

File picture of a Sukhoi fighter aircraft. India is the largest importer of defence equipment/arms in the world, importing around 80 per cent of its requirement

The economic argument for the government to retain ownership of commercial enterprises is very weak. But can an argument of strategic necessity be used to keep the government in the business of doing business? So, for example, if and when, India signs a deal for fighter aircraft to be made in India, must the public sector Hindustan Aeronautics Ltd be the sole local partner for any original equipment manufacturer to protect strategic interests? On evidence, the answer is no.

Traditionally, two sectors more than others have been viewed as strategic by the government in India. The first is defence and the second is natural resources (oil, coal and other minerals). And both are dominated by large public sector undertakings (PSUs). It is perfectly reasonable for the government to define these as strategic sectors — without defence equipment, borders are not secure, without resources there is no basis for economic growth. Remarkably though, these are the two sectors in which India is the most dependent on imports. India is the largest importer of defence equipment/arms in the world, importing around 80 per cent of its requirement. More than half of India's trade deficit is the result of its dependence on foreign oil, gold, coal and other minerals. In a crisis, India would have little control over supplies. Therefore, in what is one more irony in India's public policy regime, the country's vulnerability is the highest in sectors deemed to be of the greatest strategic importance.

The problem lies in equating the logic of strategic sector to government ownership. Some countries do it. In China, government companies still dominate defence and natural resources (and indeed several non-strategic sectors as well). In the US and most other advanced western economies, government does not own large defence companies or large oil companies. India's reality is that the state has limited capacity and public enterprises do not have the autonomy, the financial resources and the managerial skills to be world class. India's strength is the dynamism and nimbleness of its private sector entrepreneurs. In this, India is more like the US and other advanced economies than it is like China.

It's time for India to rethink its current preferences. The government would argue that it has already opened up defence to the private sector, including FDI and that it has liberalised at least some of the resources sector, including oil and coal (which is more stop than start). However, the presence of large PSUs in these sectors is a deterrent for the private sector. The fact is that there isn't always a level playing field. For one, the government, often chooses to favour PSUs through what is known as the nomination process. This means that PSUs need not participate in any bidding/auction process which the private sector players must do. Second, for bureaucrats it is less controversial to do business with PSUs because there are likely to be no (or much fewer) allegations of wrongdoing. Third, despite the unfavourable outcomes from PSUs, the government has an active preference for keeping lucrative PSUs under its control (that they are lucrative is only because the government gives assured business) which can then be used for non-commercial considerations, like providing subsidised products to consumers, preferential development of certain regions or doling out jobs.

If the government genuinely wants to attract large amounts of private investment in strategic sectors, it has to level the playing field, either by completely exiting PSUs (unlikely to happen) or by reducing its stake in PSUs to 49 per cent so that these function as independent board-managed companies with significant government ownership. Even without PSUs, the government will always retain huge influence on any businesses that operate in these sectors. In defence, the government is the sole buyer of arms/equipment and any exports would require a government nod. In resources, the government will always be the ultimate owner of what lies underground and can charge royalties and taxes and demand revenue sharing. Of course, the government must ensure that there is competition in the private sector. The US has several large private defence companies including Boeing, Lockheed Martin, General Dynamics, United Technologies and so on. That way it is not dependent on one supplier. In some sectors that tend towards natural monopoly, import competition can be used to keep the businesses honest. And, of course, procurement process or resource allocation processes must be transparent.

For the US, these private sector companies also provide their government with huge strategic leverage in the realm of foreign affairs. India's private sector can do the same. The potential is huge. A partnership between government and the private sector is in strategic and national interest.

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Business Standard
Volume XXIII Number 131
MUMBAI | THURSDAY, 14 FEBRUARY 2019

More questions on Rafale

CAG report must serve as the basis for further discussion

The long-awaited Comptroller and Auditor General report on defence capital purchases — in particular, regarding the Rafale fighter for the Indian Air Force —has been submitted to Parliament. The report opens up several major questions regarding the fighter deal with Dassault in particular and about procurement processes in general. For one, the basis of selecting Dassault as a partner in the first place has been rendered unclear. Why are specific technologies prescribed for quality requirements under the original bidding process? Why not, instead, user-set performance benchmarks? The latter would achieve technology- and product-neutrality, and the question of special favours for any vendor would not arise. In addition, the United Progressive Alliance's handling of the original multi-role aircraft tender in 2007, won by Dassault, was clearly faulty. The Congress Party is currently attacking the National Democratic Alliance government for favouring Rafale — but it seems it has its own questions to answer as well. The report makes clear that Rafale did not technically qualify; nor was it the lowest bidder. Indeed, its financial bid was not even in the required format, and made comparisons with EADS difficult. In general, Dassault should not have been chosen, and it seems to have been a particularly difficult vendor all along. The political implication is that the Congress gets accused of favouring Rafale.

The contract that emerged from the 2007 bid process, in the end, had to be scrapped — according to the CAG report — because the financial bid did not take into account the man-hours required for production at Hindustan Aeronautics Limited, and because Dassault was chary of adding a performance guarantee for HAL-built aircraft to the agreement. This opened the door for another contract, such as announced by the prime minister on his 2015 trip to France. But by then EADS had offered a 20 per cent discount on the Eurofighter, and it is not clear why that unsolicited offer was ignored when deciding to buy 36 flyaway aircraft from Rafale — and not even used as a bargaining chip. The CAG report does not go into this, or into the process involved in the second contract.

The price comparisons themselves are not entirely meaningful, given that the defence ministry has insisted that the actual numbers be redacted. However, some of the numbers have been reported in *The Hindu* newspaper. The main saving in the second deal comes from the "India-specific enhancements" put in by Dassault to meet the original bid requirements. These saved just over 17 per cent, according to CAG, or almost €240 billion going by *The Hindu* report. This is the major contributor to the total saving of 2.8 per cent, according to CAG, which works out to €223 billion using *The Hindu*'s numbers. However, this saving cannot be seen as entirely credible for two reasons. First, the cost of the enhancement is amortised in CAG's calculations over 36 aircraft for both contracts, whereas there were 126 aircraft in the original bid. Second, dissenters in the original negotiating team have argued that the enhancement cost had not yet been the subject of negotiations and was inflated, so the 17 per cent "saving" is against Dassault's first offer and not the final agreement.

Finally — and most politically salient — the price comparisons in the CAG report are closed before the discussion on the absence of a sovereign and other guarantees, which it is observed yield cost savings to Dassault that have not been passed on to the government. There is no assessment of the money saved, nor does it get incorporated into the total cost calculations. Thus, while the CAG report does not close the discussion into the Rafale deal, it is important that henceforth discussion be based on actual facts that have been made available and not on numbers and assertions that are cherry-picked or remain unverified.

Vote of confidence

India's IP regime still has a lot of ground to cover

The Global Innovation Policy Centre (GIPC) of the US Chamber of Commerce, which compiles the annual global IP Index, has acknowledged appreciable improvement in India's intellectual property (IP) protection regime. The IP Index 2019, released by it, places India at 36, up eight slots from the previous year's 44, among 50 world economies which together account for over 90 per cent of the world's gross domestic product. Significantly, this is for the second year in a row that India's gain in ranking is the largest among all the countries included in the index that takes into account 45 parameters covering patents, trademarks, copyrights and trade secrets. The Index report concedes that the surge in the score reflects improvement in India's IP environment as a result of reforms focused sharply at building and sustaining an innovation ecosystem for domestic entrepreneurs and foreign investors alike. The reformist measures cited in the report include accession to IPR-related international treaties; consent to initiate a Patent Prosecution Highway with international offices; dedicated set of IP incentives for small business enterprises; and a strong awareness-raising effort on the negative impact of piracy and counterfeiting.

However, it's not roses all the way, as the report has red-flagged some areas as problematic, calling for more reforms. The GIPC has pinpointed some issues which, though compatible with the global treaty on Trade-Related Intellectual Property Rights (TRIPs), seem ill-suited to innovation-based businesses looking for perpetuating their patents. The most prominent among these are the provision in the patent law for "compulsory licensing" to allow commercial production of a patented product in public or national interest and an unambiguous definition of patentability that denies extension (read ever-greening) of a patent on trivial grounds. The other purportedly objectionable aspects include barriers to licensing and technology transfer, limited framework for safeguarding bio-pharmaceutical IPRs and lengthy procedure for pre-grant opposition to patents.

Indeed, it is not for the first time that these issues have been underscored by the GIPC or, for that matter, the Office of the US Trade Representative (USTR). The latter has, in fact, been keeping India on the 'Priority Watch List' for lax IP regime for years. It is uncertain whether the country would be excluded from this list in view of the substantial improvement in the IP system post-promulgation of the new IPR protection policy in 2016 — as endorsed by the higher IP rank. The fact that none of these issues has ever been challenged in international IPR forums bears out their conformity with the TRIPs mandate. India has, like most other nations, made use of the flexibilities provided under the TRIPs agreement to safeguard domestic industry and other commercial interests. The country's plant varieties and breeders' rights protection legislation, which is often deprecated by multinational seed companies, is also a *sui generis* law as permitted under the TRIPs accord. This aside, New Delhi has speeded up the process of granting patents by hiring more patent examiners and streamlining the scrutiny process. The backlog of applications awaiting clearance has shrunk perceptibly. However, some issues such as infringement of copyrights and piracy of IP-protected contents still remain to be suitably tackled. But these are areas that require better enforcement of the IPR laws and not any changes in the statutory provisions.

ILLUSTRATION BY BINAY SINHA

India slips into a pre-Keynesian world

We must improve our statistical systems or be condemned to make policy in the smoky haze of inadequate and politically filtered data

A PIECE OF MY MIND

SHANKAR ACHARYA

John Maynard Keynes is generally acknowledged as the founder of macroeconomics, with his "The General Theory of Employment, Interest and Money" (1936) seen as the seminal volume for this discipline. Some of the key concepts he deployed in that book include: Aggregate demand (and supply), consumption, investment and their relation to production, employment and economic activity. Stimulating output and jobs were the key policy goals for Keynes and his generation in the midst of the Great Depression of the 1930s. His path-breaking contributions to the theory of macroeconomics stimulated the budding field of national income accounting, led by stalwarts such as Colin Clark, Simon Kuznets and Richard Stone. Theory and data developed in tandem to support the practice of macroeconomic policy, first in the Anglo-Saxon winners of the Second World War and then in the rest of the world (with enormous support from the fledgling United Nations).

I have sometimes wondered how the then industrialised nations of the world conducted economic policy prior to the 1930s, without the analytical framework of macroeconomics and the necessary complement of reliable national income accounts and employment data? Well, in today's India, we may still have the basic concepts and theories of macroeconomics but, increasingly, we seem to lack reliable estimates of gross domestic product (GDP) and other macro aggregates, including employment and unemployment. It's hard to make fiscal and monetary policy when you are not sure whether economic growth is slowing or accelerating and what the employment conditions are!

Consider the recent record with GDP growth estimates. All seemed to be well till January 2015, when the shift was made from the earlier 2004-05 base to the current 2011-12 base. Aside from the base year change (which is desirable and normal every 7-8 years), substantial changes were made in methodology and data sources. Together, this spawned various apparent anomalies, including a significant upward revision (and hence acceleration) in the earlier growth estimate for 2013-14, a year which saw a mini balance of payments crisis and a hike in policy interest rates by 300 basis points. Then, contrary to past norms, the Central Statistical Office (CSO) did not revise the pre-2011-12 GDP data in accordance with the new base for over two years. To fill this void, the Committee on Real Sector Statistics, appointed by the National Statistical Commission (NSC) and chaired by Dr Sudipto Mundle (and with the current chief statistician of India as member secretary), took on this task and published (in July 2018) its estimates for the period 1994-95 to 2011-12 in accordance with the new, 2011-12 base (note: The key sub-committee, chaired by Prof N R Bhanumurthy, had as its member-secretary, the head of the National Accounts Division of CSO). For the politically sensitive UPA years from 2004-5 to 2011-12, these new estimates showed an average upward revision of the 2004-05 base GDP (factor cost) growth rates by about half a percentage point. A controversy erupted. Possibly in response to these back series estimates, the CSO became energised and finally produced its own back series (but only back to 2004-5) in November 2018, resulting in a scaling down of the NSC's Mundle-Bhanumurthy growth estimates by an average of nearly two per cent points a year. Speak of torturing the data!

Further doubt was cast on the quality of the current, 2011-12 base GDP series a fortnight ago when the earlier GDP growth estimate of 7 per cent for 2016-17 (the year of demonetisation) was revised upward to a whopping 8.2 per cent. This provoked the jest: If you want to sustain 8 per cent plus growth you must demonetise every year!

As for employment data, the National Sample Survey Office (NSSO) completed its survey for 2017-18 (the first since 2011-12), now dubbed the Periodic Labour Force Survey (PLFS), in June 2018. According to press reports, the NSC approved the report in early December but it is yet to be released, a fact which contributed to the recent resignation of two non-official NSC members, including its acting chairman. Parts of the report (or "draft report" as characterised by the vice-chairman of Niti Aayog) were leaked to the press two weeks ago. It shows depressing trends in employment conditions since 2011-12: A tripling of the observed unemployment rate to 6.1 per cent; very sharp increases (more than doubling) in the unemployment rate amongst youth (aged 15-29) to levels ranging from 13.6 per cent for rural females to 27.2 per cent for urban females; and major declines in the labour force participation rates for all segments, down to 23 per cent for females and a dismal 16 per cent for female youth, suggesting a very bleak future for female empowerment. Incidentally, the marked increase in unemployment and large declines in labour force participation rates have also been observed in recent household surveys conducted by the Centre for Monitoring Indian Economy.

Last week, the CEO of Niti Aayog, (an ex-officio member of the NSC), added to the controversy by publishing in his personal capacity (whatever that is for a government appointee) a two-part article in this paper, critiquing the PLFS "draft report", stating that it had not been sent to him and he had not been present at the relevant meeting of the NSC, and presenting more positive (though partial) indicators of employment. His substantive criticisms seemed weak, though one would only be able to properly assess this when the full PLFS is placed in the public domain. Such is the state of our knowledge about employment conditions in India and the apparently diminished autonomy of the traditionally independent and professional statistical bodies, CSO and NSSO.

It is an unprecedented and unfortunate situation. We need to urgently review (critically but constructively) the sources and methods underlying the current national income series and undertake the necessary improvements as soon as possible. Concurrently, we have to restore the functional autonomy of the CSO and ensure that it has the requisite quality and quantity of staff and other resources to carry out its onerous responsibilities. A similar agenda is desirable for the NSSO, with special priority to employment/labour force surveys and reports. There is simply no alternative to strengthening and improving our statistical systems and restoring to them the kind of professional autonomy they have traditionally enjoyed in the past. If we don't, we are condemned to making policy in the smoky haze of inadequate and politically filtered information.

The writer is Honorary Professor at ICRIER and former Chief Economic Advisor to the Government of India. Views expressed are personal.

Brexiters, Singapore-on-Thames is a fantasy

LINDA LIM

Many pro-Brexit Brits are taken with the idea that the UK doesn't need to belong to a large bloc any more than its tiny former colony Singapore does. The Southeast Asian city-state, they argue, has flourished by lowering taxes and opening up its economy to trade and investment, and so can a post-Europe Britain. Those excited about the prospects for "Singapore-on-Thames," though, might want to take a closer look at how Singapore itself works. Or doesn't.

It is true that the tropical port has thrived on trade since before Sir Stamford Raffles landed there 200 years ago. British colonisers encouraged free flows of capital, goods and labour, which integrated the island into the region's colonial-plantation export economy.

Singapore's post-independence leader Lee Kuan Yew also saw the virtue in positioning his country within global trade flows. In recent years, even as a backlash against globalisation has swept the West, Singapore has been an avid joiner of regional and bilateral free-trade pacts, including most recently the Comprehensive and Progressive Trans-Pacific Partnership and a free-trade agreement with the European Union.

Several other conditions have been critical to Singapore's growth, though. And many of them won't be so attractive to passionate Brexiters.

The state, for instance, plays an exceptionally heavy role in Singapore's economy and society. Over 80 percent of the population lives in public housing, while a Central Provident Fund requires employees to park nearly 40 percent of their salaries into savings (the money can be used on housing and healthcare). In industrial policy, the government oversees a plethora of schemes targeting mostly off-budget public funding to particular sectors such as biopharma and aerospace, as well as activities such as R&D and skills training. Government-linked companies, whose controlling shareholder is the sovereign wealth fund Temasek Holdings Pte Ltd, are the dominant players in transport, communications, real estate and media, and account for a significant share of total stock-market capitalisation.

The state's dominance makes negotiating free-trade agreements much easier than it would be in a post-Brexit UK. The ruling People's Action Party has commanded an overwhelming majority in Parliament since independence and never loses a vote. Local labour and domestic capitalists are relatively weak, and the country has no agricultural sector to protect. Internationally, Singapore's small size, openness and longstanding friendliness to foreign business mean it poses no threat to domestic interests in partner countries, while its strategic geographical location makes it an attractive intermediary for entry into a much larger regional market. It will be much harder for the UK to negotiate similar pacts, especially if it can't serve as a gateway to the EU.

More importantly, given its tiny population, Singapore's growth has depended crucially on massive immigration — one of the fears that spurred the Brexit vote. Non-residents accounted for only 3.2 per cent of Singapore's labour force in 1970. By 2000, the share had risen to over 28 per cent and now tops 38 per cent. Following a backlash in 2011, which handed the PAP its worst electoral showing ever, the government has brought down the annual increase in foreign labour from 21 per cent in 2008 to around 1 per cent. But it's still growing.

Moreover, Singapore has been an austerity lover's dream, running budget surpluses of over five per cent of GDP nearly every year since 1990. Combined with high savings rates (35 per cent to 53 per cent of GDP since 1981), that's translated into persistently large current-account surpluses that have exceeded 10 percent of GDP since 1991 and 20 per cent since 2005. These surpluses yield foreign-exchange reserves that are invested outside the country by GIC Ltd, the other sovereign wealth fund. Exporting capital restrains currency appreciation and keeps Singaporean exports competitive. In a more substantial, less-open economy such as the UK, such policies would be considered "mercantilist."

The final irony is that Singapore may not be as clear-cut a success story as Brexiters imagine. A growth model based on large inputs of capital and imported labour has delivered poor productivity growth. Annual total factor productivity growth fell from 2 per cent in the 1980s to 1.4 per cent in the 1990s and 0.5 per cent in the 2000s, when employment contributed 75 per cent to (now lower) GDP growth, versus 31 per cent in the 1970s.

At the same time, like the UK and many other high-income countries, Singapore has experienced relative wage stagnation and rising income inequality. The share of wages and consumption in GDP is very low, with the latter ranging between 35 and 49 per cent of GDP every year since 1981. This means that consumer welfare is much lower than Singapore's high per capita income would suggest, and lower than in countries with similar income levels.

Even Singapore's liberal trade and investment policies are unlikely to yield the same growth dividends they did in the past, given the slowdown in globalisation and the rise of market, technological and political forces that favour increased regionalisation if not nationalisation of production and distribution of goods and services. Global capital flows in particular face increased restrictions meant to combat tax-dodging, while countries everywhere are far less tolerant of industrial policies that can be cast as "illegal" state subsidies.

It's not clear that Singapore's past national development strategy will continue to be viable for Singapore itself. Singapore-on-the-Thames shouldn't count on following the same model.

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Unmasking British rule in India

BOOK REVIEW

C P BHAMBHRI

The ghosts of the 1857 revolt haunted the British for decades afterwards, prompting them to follow increasingly repressive policies towards their Indian subjects. The Jalianwala Bagh massacre of 1919 was the tragic outcome of this historical force, encouraging a British General, Reginald Dyer, born and raised in India, to order his troops to fire on unarmed protestors, resulting in the deaths of killing and injuries over a thousand men, women and children.

That protest on that fateful April day one hundred years ago was part of a nationwide movement launched by Mahatma Gandhi to protest the draconian Rowlatt Acts of February 1919 passed by the British. The Rowlatt Acts proposed to permit, among other things, certain cases to be tried without juries and the internment of suspects without trial. In *Jallianwala Bagh, 1919: The Real Story* Kishwar Desai points out that the Rowlatt committee said the laws were necessary to "overthrow by force, British rule". Almost all Indians resented it, and the impact of Gandhi's call was felt in Ahmedabad, Mumbai and Amritsar and other towns of Punjab where Hindus and Muslims unitedly marched on the streets and traders closed their shops. Amritsar, however, was the epicentre of the protest because that is where Lala Lajpat Rai and Saifuddin Kitchlew called public meetings. From April 9 to 15, 1919, events in Amritsar were the focus of the attentions of General Dyer and Punjab Lt. Governor Michael O'Dwyer, which led to the imposition of martial law from April to June 1919.

Ms Desai has built her well-documented narrative in six chapters and marshalled evidence from the British-appointed Hunter Committee inquiry into the massacre and the inquiry committee appointed by the Indian National Congress. Her contention that the colonial rulers' response to the events leading to the massacre was disproportionate. The ground situation did not warrant targeting of defenceless people by the armed forces. As she points out, "For six weeks or more, as long as martial law was imposed, the people of Punjab became slaves who had to accept every whim of their masters." It was a "regime of terror" and "the discomfort and humiliation aside, denigrating remarks and physical abuse were also meted out by the British soldiers posted there".

If anything underlined the innate racism of the British it was the "punishments" for those responsible for the massacre. In the chapter titled "The Fancy Punishments", the author quotes the Lt. Governor's statement of April 21, 1919, as an example: "I think our prompt action in dominating Lahore and Amritsar by our overwhelming military force...paralysed the movement before it had time to spread." The fact that no movement to overthrow the British existed was ignored. As for General Dyer, that unrepentant and ruthless defender of the Raj, observed that, "For me, the battlefield of France or Amritsar is the same".

Since the British colonial rulers did not inflict any punishment on their "loyalist", a Punjabi, Uddham Singh, decided to mete out the ultimate victims' justice, assassinating O'Dwyer on 13 March 1940. O' Dwyer had a lingering idea of the injustice of his actions. After a meeting with him, Secretary of State Edwin Montague observed that, "O'Dwyer frankly wanted... that the government of India may protect him against the inhabitants of Punjab".

Looking at the evidence a hundred years on, it is difficult to escape the reality that Punjab had been enslaved by a group of men led by O'Dwyer who believed that the natives were incapable of self-rule or entitled to a voice. Anyone who challenged the system had to be wiped out. General Dyer in a statement to the General Staff on 25 August, 1919, said, "I had the choice of carrying out a very distasteful and horrible duty or of neglecting to do my duty, of suppressing disorder or of becoming responsible for further bloodshed." What a defence by a loyalist of the Raj! Where was rebellion?

The Hunter Committee told British Parliament in 1920: "It appears that General Dyer, as soon as he heard about the contemplated meeting, made up his mind to go there with troops and fire" because they had "defied his authority by assembling". The larger question is: Was the 'massacre' the response of individual Raj loyalist or it was part of the whole strategy of the Raj to keep control over the colony and suppress any protest against its rule? The author's sound judgement is that "the massacre was a carefully planned one and not spontaneous".

The Jallianwala Bagh massacre of April 13, 1919, reverberated throughout India, as the information trickled out from under the tentacles of martial law. It proved the turning point of British rule in India and has, therefore, attracted the attention of many historians and scholars. This important study should be read with the larger historical context of colonialism in mind and not simply an account of one tragic episode in India's colonial history. Ms Desai's narrative leads to one potent conclusion: that the British Raj in India was as ruthless and cruel as any other colonisers in Africa, Latin America or other Asian countries. The most important message of this book is targeted at that section of the Indian elite that maintains that Gandhi's non-violence and Satyagraha movements succeeded because the British, unlike colonisers elsewhere, were tolerant of protest.

JALLIANWALA BAGH, 1919:
The Real Story
Kishwar Desai
Westland, ₹699, 280 pages