

# Why digital skews media

The whole discussion around media consumption and growth is dangerously biased towards digital



**MEDIASCOPE**  
VANITA KOHLI KHANDEKAR

Do only some consumers matter? It is a question I frequently ask of researchers, media firms, marketers and analysts. For example, 31 per cent of Indian voters had chosen the ruling Bharatiya Janata Party or BJP in 2014.

Why then does more than 90 per cent of news media talk only to that 31 per cent? Similarly, 836 million Indians watched TV, more than 385 million people read a newspaper, more than a billion film tickets were sold in 2018 but most discussions and research on media focusses on digital audiences.

The Reuters Institute for Study of Journalism's (RISJ) India Digital News Report was released last week. Online news generally (56 per cent), and social media specifically (28 per cent), have out-paced print (16 per cent) as the main source of news among respondents under 35. Trust in news sources is low among its varied findings. Many of these are in line with anecdotal evidence. The survey was conducted by YouGov using an online questionnaire in early January 2019. The sample size remains undisclosed. "The sample is reflective of the English-speaking

population in India that has access to the internet. As a result, it is skewed towards male, affluent, and educated respondents. As an online survey, the results will further under-represent the consumption habits of people who are not online (typically older, less affluent and with limited formal education)," says the report.

To be fair — it is the 'Digital News Report', RISJ does put caveats all over the report on language and internet access and this is an honest effort.

But reports like these or even the last two years' FICCI-Frames reports are part of a skewed narrative about online media being this ubiquitous, omnipotent force that is killing TV, print and other media. It is not.

Of India's 480 odd million broadband users, 279 million consume news and information online says comScore. There is some duplication between a

reader of *The Times of India* online and offline, much of this is corrected by agencies like comScore that tabulate this data. So far, except for English, readership is not significantly affected for most of the large language groups.

TV has been facing the same kind of negative discourse. Netflix, MX Player and Voot are about to kill TV it would seem. The reality — Indians spent three hours and 45 minutes watching TV every day, a figure that has risen year on year. They spent 50 minutes a day watching streaming video in 2018. It was also one of the best years for the film industry that actually saw ticket sales rise.

The point is all media co-exists. Look at the US. In the 1940s, the fear that vinyl records would ruin the live concert business led to a strike by musicians. In the 1970's, it was a war against analogue tapes, in the 80s against blank CDs, in the 90s against music compression technologies — remember Napster. Live music bounced back, the music industry is having a great time thanks to digital. And radio and podcasting continue. Every new technology comes, reshapes things and then settles down to co-exist. Tomorrow if something better than digi-

tal comes along, it will wedge itself in too.

In the US each media — newspapers, radio, TV — had its day in the sun, it matured, consumers explored it and then went to another new technology long after. India was, technically, a media dark market till the mid-80s when the first cable channels (showing pirated video films) came. It really opened up in 1991 with the first private satellite channels and economic liberalisation. It took off only in the late 90s when everything — private TV, radio, newspapers — started expanding madly. That explains why print and TV consumption continue to grow. We just haven't had enough of these.

There is a whole India out there reading newspapers, watching films or listening to radio in Malayalam, Tamil, and Marathi among a host of languages — and a bulk of this is not online. It is embracing digital too, with as much enthusiasm. On revenue, profits and every other parameter, digital is still catching up. Even if it overtakes print or TV or any other media, it will co-exist.

Can we have some sense of balance and reality on this one please?

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# Discharging batteries to energise Khaitan group

The sale of Eveready is a crucial step to putting its house in order

ISHITA AVAN DUTT

In 1993, Brij Mohan Khaitan snapped up Union Carbide India (now known as Eveready Industries India), pipping the Wadias of Bombay Dyeing in a \$96.5-million deal or about ₹300 crore, in what was the biggest corporate takeover in India at that time. More than two decades later, that prized asset has been put on the block to deleverage group debt.

As on September, the debt within the group with interests ranging from batteries, tea and engineering, was at around ₹4,500 crore.

To put the house in order, McLeod Russel India, the bulk tea producer from the Khaitan stable, has been selling gardens; 12 deals have been sealed so far and with another eight memoranda signed in September, McLeod is set to rake in a shade less than ₹800 crore from the sale of gardens in Assam and Dooars. Add to it the sale of interest in the profitable Rwanda operations, and the amount goes up to ₹940 crore.

That might not be enough to take the Khaitans to the target of retiring debt to a level of ₹1,500 crore by September. But if lenders agree to debt resolution under Project Sashakt for McNally Bharat Engineering, the problem child within the group, then a lot of the burden would be taken care of.

Engineering has been a drag for the group. McNally's debt in FY18 stood at ₹3,500 crore.

"The proposal for resolution of debt has been placed before the lenders. That would bring down the group level debt

to ₹3,000 crore," sources pointed out.

Support was extended by Eveready and McLeod, which added to the debt burdens of those companies. Sometime around 2015, Toshniwal-owned EMC was brought in as a co-promoter in McNally but that didn't quite help and the debt kept mounting. The two eventually decided to part ways.

"If the whole restructuring goes through, change of ownership for McNally could also be an option," said sources. McNally then would be the second company to consider a change in ownership after Eveready.

The battery maker has seen interest from the likes of global battery majors Duracell and Energizer, apart from a clutch of private equity players, for a majority stake in the company. The bids are expected shortly.

The Khaitans, ideally, would like to retain a minority stake. The enterprise valuation is around ₹2,000 crore and a premium on that is expected.

So what would the group look like post-stake sale in Eveready? The substantial focus naturally would be on tea. That would mean a return to the roots.

The Khaitan story started with tea. Or, fertilisers, to be precise. Brij Mohan Khaitan used to supply packaging materials and fertilisers to Williamson Magor & Company, one of India's top managing agency firms, at one point.

In 1961, when one of the Magor tea companies, Bishnauth, was close to becoming a target for a hostile acquisition, Khaitan, was brought in as the white knight. That taken care of, Khaitan

## DEBT OVERHANG

Year end	Total debt (₹ crore)	Net sales (₹ crore)	PAT (₹ crore)
<b>EVEREADY INDS</b>			
FY16	200.4	1,323.7	69.0
FY17	216.1	1,357.2	93.5
FY18	264.0	1,456.4	53.2
9MFY19	319.6	1,146.0	43.2
<b>WILLIAMSON MAGOR</b>			
FY16	378.4	33.9	-8.2
FY17	500.5	51.0	-14.0
FY18	579.1	48.1	-49.9
9MFY19	701.2	30.8	-47.24
<b>WILLIAMSON FIN</b>			
FY16	178.4	29.3	-6.5
FY17	281.0	30.0	-14.6
FY18	458.1	35.3	-29.6
9MFY19	552.7	29.9	-33.5
<b>MCNALLY BHARAT</b>			
FY16	2,497.1	2,693.7	-368.7
FY17	3,095.3	2,171.8	-56.9
FY18	3,510.4	1,682.5	-461.0
9MFY19	1,480.0	1,321.5	-293.66
<b>KILBURN ENGG</b>			
FY16	16.5	135.1	7.9
FY17	132.7	136.0	9.3
FY18	114.4	105.1	3.4
9MFY19	103.6	97.7	4.62
<b>MCLEOD RUSSEL</b>			
FY16	836.0	1,926.3	28.0
FY17	935.8	1,870.8	58.6
FY18	1,090.8	2,055.3	207.9
9MFY19	1,360.3	1,134.2	314.04

Source: Capitaline Compiled by BS Research Bureau



## CHINESE WHISPERS

### Thundery talk

The Congress infighting has just got worse. A group of Congress leaders is accusing another group that it is trying to finish off the career of senior party leader Digvijaya Singh. That's the reason Singh has been asked to contest from the Bhopal Lok Sabha seat, they allege.

Bhopal is a saffron citadel and the Congress had last won the seat in 1984. Singh's son and the cabinet minister of urban administration and housing, Jaivardhan Singh, is there to support his father. Singh (junior) tweeted, "*Falak ko zid hai jahan bijiyam girane ki, hume bhi zid hai wahin aashiyam banane ki! Sarvatra Digvijaya, sarvatra Digvijaya*" (loosely translated, it means "we will build a home where the lightning bolt strikes").

### Apple surprises



Many found it paradoxical that Apple would launch a branded credit card for iPhone users. While Apple said the Apple Card, launched on Monday for the US only at present, was "designed to help customers lead a healthier financial life", some analysts said the launch was aimed primarily to improve the health of Apple's financial life. Interestingly, four years ago the company introduced Apple Pay, a payment service aimed to kill physical cards and wallets. "After mocking credit cards, Apple has launched one. Slowing growth makes companies do surprising things," said a fund manager.

### Family fights



This Lok Sabha elections will see many members of the same families pitted against one another. In Tamil Nadu, the Bharatiya Janata Party's state unit head, Tamilisai Soundararajan (pictured), is campaigning against her uncle (father's brother) Vasanthakumari (representing the Congress) in Kanniyakumari. She is contesting the Thoothukudi seat. For the Andipatti seat, two brothers — Logirajan and Maharajan — are contesting on the Dravida Munnetra Kazhagam and All India Anna Dravida Munnetra Kazhagam tickets, respectively. Vishnu Prasad of the Congress will be taking on his wife's brother-in-law, Anbumani Ramadoss, representing the Pattali Makkal Katchi (part of the National Democratic Alliance) in the Arani constituency.

## INSIGHT

# Digitally-enabled India: 2019 can be the year

The challenge will lie in preparing the new workforce with the skills and work culture they need to participate with the digital natives



GANESH NATARAJAN

Digital India was just a dream a few years ago and given the hype and hoopla in the last few months over farmer stress and loan waivers, anemic industrial growth, banking NPA's, many start-up failures and the alarming rise of joblessness, a cynical citizen could be forgiven for believing that all the missions we have heard about — Skills India, Start-Up India, Make in India and even Digital India — will have to press a reset button to have any hope of succeeding by the time India is 75 years old. But this would not do justice to several successes we have seen in the realm of digital and the real hope that many of us have that a digitally-enabled India could be the secret sauce for cooking up a more optimistic future for many of our countrymen. The year when we see real results could well be 2019.

Research conducted by McKinsey Global Institute in collaboration with the IT ministry a year ago had optimistically projected a trillion-dollar opportunity that beckons if we address

all the possibilities of digital enablement. This will mean not just the tech sector contributing \$300 billion or more by 2025 but many sectors — health care, manufacturing, agriculture, tourism and education — using the enabling power of the national optical fibre network and an array of digital technologies will transform product design, optimise processes and enable new consumer and citizen journeys. The good news is that India's pace of digital adoption has been among the best in the world with more than a quarter billion Indians having gone online in the last five years and smart phone penetration — which grew from six per hundred people in 2013 to 23 in 2017 — is expected to continue its breathtaking growth rate in the foreseeable future.

What gives more confidence is the number of use cases that are emerging in key economic sectors that assure us that digital transformation is real and happening. Our own ecosystem of entrepreneurial investments at 5F World with the thesis of "Digital for India" have seen seven profitable companies emerge. The success of this ecosystem has attracted investments from companies in Tokyo, Los Angeles and New York and is a true representation of the opportunities that lie ahead for players in digital India.

The secret to success in the creation of a digitally-enabled India is not to rush in with digital technologies without preparing the processes and culture for assimilation of new ideas and capabilities. In every manufacturing company, from the very large to the micro SME, it has been seen time



GEARING UP India's pace of digital adoption has been among the best in the world

and time again that spraying IoT sensors on the shop floor is no formula to ensure smart manufacturing. It is important to build a data usage culture and move from a descriptive post-mortem analysis of production and maintenance to a predictive and eventually prescriptive capability for shop floor output, supply and demand chain responsiveness, customer buying behaviour and employee willingness to be digitally responsive. The interplay of cyber with physical, whether it is humans working with robots or artificial intelligence used as an assistive and augmenting tool rather than for autonomous AI replacing humans, mixed reality — augmented and virtual capabilities to enhance production and warehousing productivity and "digital twins" to model every process and simulate outcomes before putting it into large scale deployment are all capabilities which

the fourth industrial revolution is demanding. The very same principles, with some necessary tweaks can transform agriculture, health care, logistics and enable the true creation of e-government and smart cities and villages across the length and breadth of the country. Even the social sector is seeing the value of digital technology deployment and impact investment monies are seeking the intersection of technology and social upliftment to fund new models of development.

The McKinsey report pointed out that while IT and IT-enabled services, electronics manufacturing, e-commerce, telecom services and e-payments would contribute half of the trillion dollar digital economy, the other half would be made up of new and emerging digital ecosystems — digital product and service creation and delivery, smart grids and digital power distribution, e-marketplaces for private and government services and larger participation of shared economy players not just in transportation and hotel rooms but every segment of the services economy. The challenge of course will lie in preparing the new workforces with the skills and work culture they need to participate with the digital natives to create new economic models and benefit from them. The nation is approaching a state of readiness to take up the digital challenge and convert it into national and global opportunities.

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## LETTERS

### Change in narrative

With hyper-nationalism dominating the national narrative since the Balakot airstrike a month ago, other significant issues affecting the livelihood of millions had been pushed into the background. Congress President Rahul Gandhi's (pictured) announcement of ensuring a minimum income of ₹6,000 per month to 20 per cent of the poorest of poor households on Monday has refreshingly shifted the national debate back to those issues.

Amelioration of poverty would now dominate the narrative without compromising the imperatives of national security. Not surprisingly, a rattled Union Finance Minister Arun Jaitley, sensing a possible electoral gain for the Congress in the ensuing Lok Sabha election, was quick to accuse the Congress of "bluffing" the people citing a galaxy of statistics to prove his point. If Rahul Gandhi's promise is indeed a "bluff", what does Jaitley have to say about his party's promise of bringing back black money stashed abroad and to distribute ₹15 lakh to each household in the country? Similarly, how about the tall promises of providing two crore jobs a year? Weren't these promises also election time *jumla*? Those sitting in glass houses should not throw stones at others. The Congress, on its part, must come out with details of its scheme in the days to come for an informed national debate. It would be premature to rubbish the scheme outright.

**S K Choudhury** Bengaluru



implicitly acknowledges every citizen's right to a minimum income to lead a decent life and asserts the state's responsibility to intervene to ensure minimum income to each household.

Additionally, the scheme has shifted the focus from Bharatiya Janata Party's (BJP) nationalism plank and brought back the improvement in the material circumstances as the main election issue. The 25 crore prospective beneficiaries is no small number for anyone to say that it won't pay rich electoral dividends to the Congress.

In dismissing the scheme as a "bluff", the BJP runs the risk of being seen as anti-poor. It cannot afford to be seen as stymieing a sweeping welfare scheme as NYAY. When it comes to the implementation of promises, the reliability quotient of Congress is higher than BJP's. The scheme could prove to be a gamechanger for the Congress. It is an elitist way of looking at the persistence of poverty and to dub the scheme "fiscally irresponsible". When the loans of corporate giants to the tune of thousands of crores of rupees are written off, they are justified as incentives for growth. But when a pro-poor scheme is conceived, it is denounced as populist and economically infeasible. This time the impoverished multitudes might use the power of their vote to improve their lot.

**G David Milton** Maruthanocde

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## Unaffordable welfarism

Congress' NYAY can be a fiscal killer

Congress President Rahul Gandhi has come up with the latest instalment of welfarism with the promise of depositing ₹6,000 per month in the accounts of 20 per cent of the poorest households in the country. The targeted beneficiaries of the proposed Nyuntam Aay Yojana (NYAY) will be 250 million individuals, or roughly 50 million families. The proposed scheme is significantly different from the party's earlier plan of topping up the gap between a poor household's income to bring it to ₹12,000. Instead of a top-up plan, the fresh proposal is a flat allowance of ₹72,000 a year if a family's income is below ₹12,000. The broad assumption is that even the poorest families earn roughly ₹6,000 per month; so by providing another ₹6,000 in the form of government support, such families will be brought up to an income level that alleviates poverty. It is hardly surprising that the Congress's chief political opponent — the ruling Bharatiya Janata Party (BJP) — has sought to rubbish the NYAY scheme. Regardless of the political arguments, the fact is that the NYAY is a very poor policy prescription.

To begin with, the logic of choosing 20 per cent of the poorest families may be faulty since it is clearly not based on the national poverty line. India's own poverty level was 21.9 per cent of the population in 2011, which means it should be under 15 per cent today. The cut-off is way too high and there will be much more than 20 per cent of families below that line, creating selection problems. Second, it has been hinted that this payout will be in substitution for some existing schemes, but this is a non-starter, as it will create a lot of dissonance and protest because the beneficiaries will not completely overlap for different schemes, and there will be losers. This will be true of the scheme per se. An artificial cut-off is problematic, given that very little separates those under it and those unfortunate enough to fall just above that. For instance, someone who earns ₹11,000 will get ₹6,000 but someone who earns ₹12,000 will get nothing. This leaves immense scope for social strife among those who lose out. Another headache will be the identification of the beneficiaries because there is no foolproof method.

Moreover, there is no differentiation for variations in family size, and between urban and rural households even though the cost of living is very different. Lastly, there is the question of fiscal affordability. The Congress claims that the NYAY will cost 1.2 per cent of gross domestic product (GDP). But this calculation seems over-optimistic. On current GDP, the bill will be close to 2 per cent of GDP. Three years down the line, with economic growth, it will be 1.5 per cent of expanded GDP. But even at 1.2 per cent of additional spending, the NYAY will be a fiscal killer.

All such proposals flow from the basic notion of a uniform basic income (UBI), which has simplicity as an advantage but is essentially unaffordable because — no matter what armchair economists may say — in the real world no government can withdraw existing benefits. To keep the costs down, the simple UBI gets distorted with selection criteria, but these, in turn, create identification problems that have no easy solutions and, therefore, lead to messy execution.

## Over the top regulation

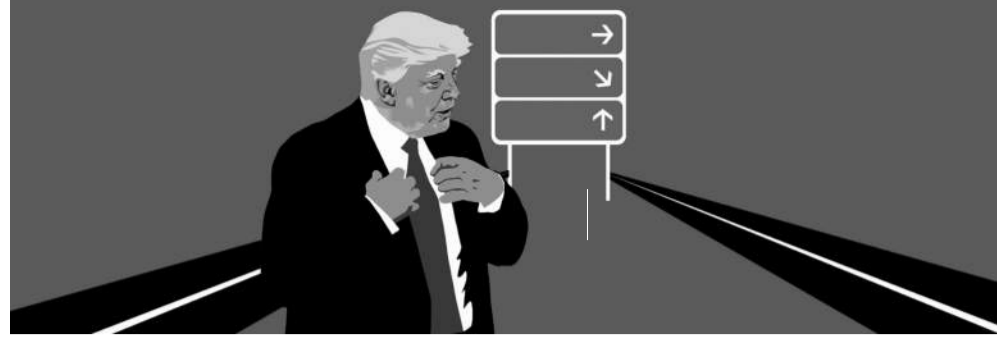
Classifying OTTs as e-commerce firms is a bad idea

Over-the-top (OTT) platforms such as Netflix, Hotstar and Amazon Prime are worried because they may have to scout for ways to comply with the proposed e-commerce policy if the current draft is accepted. At the centre of the problem is the definition of goods and services to be covered by the e-commerce policy as envisaged by the Department for Promotion of Industry and Internal Trade (DPIIT). The recently issued draft policy defines e-commerce as "buying, selling, marketing or distribution of goods, including digital products and services, through electronic network".

Once this definition is taken in conjunction with the foreign direct investment (FDI) rules, the complexity of the situation becomes clear. Press Note 2 of the FDI policy, also issued by the DPIIT, states that an e-commerce platform with FDI cannot exercise ownership or control over the inventory sold on its platform. It is precisely for the reason specified by the FDI rules that Amazon, which is primarily an inventory-based e-commerce company in the US and other big markets, had to change its business model to become a marketplace player in India. Flipkart, also controlled by foreign investors and now majority-owned by American firm Walmart, was also forced to convert from an inventory-based to a marketplace model. The government should look closely at how pure play e-commerce firms have taken the back-door channel to reroute investments and ownership to skirt the complex FDI rules from time to time. That lesson should prevent authorities from imposing similar complex guidelines on OTT players. It's well known what happened in the case of e-commerce firms. They changed their essential business models on paper while finding imaginative ways to bypass the rules. For instance, these firms created sellers, with significant ownership and control, on their marketplace platforms. These sellers emerged to be the dominant ones till the government took note of the aberration and again tweaked the rules.

Distorting well-established business models is not a good idea and policymakers must not repeat the e-commerce mistake in another high-growth area — OTT. At a time when Netflix, Hotstar and Amazon Prime are turning out to be household names, the government should not play spoilsport by micromanaging ownership and control issues in the sector. OTTs may license some content from different production houses, but original content gives them better control over their intellectual property. Classifying OTTs as e-commerce firms will open a Pandora's box, and the DPIIT should be mindful of that. Also, the temptation of protecting a domestic lobby while making and weakening policies must be resisted at all cost. In the case of e-commerce, the government has often been guided by the Indian traders' lobby protesting the deep discounts offered by the foreign-owned online firms. If a similar stance is taken for the digital content streamed by OTTs, it will be a retrograde step. All the OTT majors have planned heavy investments to produce original content focused on Indian audiences. Original content, a concept introduced by Netflix in 2011, has become the key to success in the online video-streaming industry. Any move to stop that would send a wrong signal to the multinationals and also deprive millions in India of their favourite shows. Policymakers would do good to revisit the concept of the inventory model, which was barred to have uniformity between online and offline commerce.

ILLUSTRATION: BINAY SINHA



## The disuniting of the United States?

There is a deep ideological economic divide between Democrats and Republicans for the first time since the Great Depression

For most of January and February I was in Los Angeles, California. This is the centre of the "Trump resistance" and California played a significant role in the Democrats winning control of the House of Representatives. In his State of the Union address, President Trump gave an emollient account of the US' economic progress — with a higher economic growth rate, the lower unemployment rate for African Americans and Hispanics; the benefits from deregulation and the tax cuts (but not the failure to deal with the burgeoning fiscal deficit) — and his foreign policy successes. But, this was met by stony silence on the Democratic seats, except when he congratulated their white blazered women for being the largest feminine contingent in US congressional history.

But as Joseph Epstein ("The state of the union...", WSJ, 1 February) pointed out, the President's rosy scenario was repudiated by the reality of an utterly divided country, with the "so-called aisle between the two parties in both houses a more effective wall than any the Homeland Security Department could devise". This reflects, he argues, the lack of consensus on fundamental values like family, education, security, fairness and decency on which there was agreement not so long ago. "What union", he concludes, "one might ask about a country so divided within itself, so vastly, so radically, so sadly at loggerheads". How has this come about?

The proximate cause is the post traumatic stress the Trump resistance is still suffering from the loss of the Presidency which they had assumed was in the bag for Hillary Clinton. Nothing illustrates this better than the recent revelations by the former

deputy director of the FBI, Andrew McCabe, that he and the Deputy Attorney General Rod Rosenstein, after President Trump fired James Comey as the FBI director in May 2017, discussed using the 25th amendment of the constitution to depose him. As the WSJ commented ("The FBI's Trump Panic", February 19), "This is extraordinary, and as far as we know unprecedented. A President exercises his constitutional prerogative to fire the FBI director, and Mr Comey's associates immediately talked about deposing him in what amounted to a coup." As McCabe has been fired for lying to FBI investigators, it is difficult to know the truth. The whole mess, including Rosenstein's appointment of Robert Mueller as the special counsel to investigate Trump-Russia ties "after Mr Comey arranged a media leak" after his firing, is now on the desk of the new attorney general William Barr, and we will have to wait and see if, as "Mr Trump's enemies still claim, he is a Russian agent" or "as millions of his supporters think there is a 'deep state' conspiracy against him".

The deeper reason for the current political divide is the growing repudiation by the Democrats of many aspects of what had been the traditional US method of assimilation through the 'melting pot', whereby diverse individual identities were transformed into a distinctive American identity, as observers from De Tocqueville onwards had noted. The only shameful exception were the descendants of the slaves who did not get equal rights as citizens till the Civil Rights movement of the 1960s.

With the accession of a black President one would have thought that Martin Luther King's dream — of individuals not being judged by the colour of their



DEEPAK LAL

## The curse of handout politics

Whatever may be its impact on the forthcoming general elections, Congress President Rahul Gandhi's poll promise on Monday to offer up to ₹72,000 of annual income support to almost 50 million poor families is an inflexion point for India's electoral politics. Make no mistake about it. Just as in February 2006, when the Congress had inaugurated the politics of entitlement with its national rural employment guarantee programme, it has now given a big push to the politics of handouts, triggering a possible chain reaction from other political parties and seriously constraining the state's fiscal capacity.

There is of course a big difference between 2006 and now. Then, the Congress was in power at the Centre while launching the job guarantee scheme (Mahatma Gandhi National Rural Employment Guarantee Act). And now its promise of financial handouts to the poor has come as an instrument for wooing voters in the run-up to the general elections.

The job guarantee scheme was followed up with a couple of more such entitlement schemes, namely the right to food and the right to education, although their real impact — financial or otherwise — was not very significant. And now there is the promise of a cash handout to the bottom 20 per cent households, which could result in as heavy an annual financial burden on the central exchequer as ₹3.6 trillion or about 1.9 per cent of India's gross domestic product or GDP.

But just as the BJP government formed in 2014 saw no merit in rolling back those entitlement schemes and instead endorsed them with increased financial outlays, there is every likelihood that Mr Gandhi's income support scheme, if ever implemented in any form or by anyone else, would get a thumbs up from other political parties, whether in power or not. Such is the charm and power of handout politics.

To be fair, the race for handout politics was started by the Bharatiya Janata Party-led government

of Narendra Modi. In its Budget this year, the Modi government announced that farmers with less than two hectares of cultivable land would be entitled to an annual income support of ₹6,000. This meant an annual financial burden of ₹75,000 crore on the central exchequer. That promise too was to secure votes in the forthcoming elections. What the Congress has promised now is to widen the scope of such an income support scheme.

Why is this bad news for the Indian economy? You might argue that meeting the income needs of the poorest 20 per cent of the population should help address concerns over growing income inequalities. After all, the state must do something to ameliorate the problem of chronic poverty afflicting its people even after 70 years of the country gaining freedom. The simple answer to that is the problem of poverty or income inequality cannot be tackled by just handing out the dole, but by creating necessary state capacity to provide facilities in the areas of health, hygiene, education, water, housing and food.

That the Indian government in the past seven decades failed to create these facilities for all is a shame. But that shame cannot be overcome by providing an income support scheme at this stage of India's economic development for two specific reasons. One, this would constrain the state's capacity to provide basic social welfare facilities to people. Two, it might lull the state into wrongly believing that its responsibilities would be over if it were to provide that dole.

Income support schemes are all right, but having them before creating the basic infrastructure facilities in the country would result in a sequencing flaw. As it happened in many developed countries, the basic ingredients of social and economic infrastructure in India too should be created before the income support schemes are introduced to address concerns of the relatively weaker sections of society.

There are two other adverse outcomes if the politics of handouts gains ascendancy at this stage of

skin but their character — had come to fruition. Ironically, the radical Black Power movement's assertion of different cultural identities had led to the embrace of multiculturalism by many ethnic groups. The Democrats embraced multiculturalism and its identity politics. They "unleashed race, gender, sexual orientation and class as the defining issues of American politics" ("The Democrats' Identity Meltedown", WSJ, 11 February).

The weaponisation of identity issues was shamefully demonstrated in the confirmation hearings of Justice Kavanaugh for the Supreme Court, when he was labelled a gang rapist with no evidence. In January, the tables were turned with the turmoil in Virginia with the Democratic Governor and Attorney General being asked to resign by Democrats for having "blacked" their faces when they were at college, and the Lt Governor (Justin Fairfax) being accused of rape, which he denied. The WSJ commented "imagine the cognitive Democratic dissonance if Mr Fairfax who is black is forced to resign" because of unproven accusations whilst "the two white men survive despite racial offenses they admit".

There is furthermore a new divide which has opened up with the recent Green New Deal promoted by the Democrat's latest star, the 29-year-old New York Rep Alexandria Ocasio-Cortez (AOC), who calls herself a 'democratic socialist'. She is considered by the media as second only to Speaker Pelosi in the House and is already known by her initials. The large number of prospective Democrat Presidential aspirants have all embraced the leftward swing of AOC. She wants to raise the top income tax rate to 70 per cent from 37 per cent. Elizabeth Warren wants a wealth tax on multimillionaires. Bernie Sanders wants the death duty top rate to rise to 77 per cent. But it is AOC's New Green Deal which is the most ambitious socialist measure, which as AOC acknowledges would require massive government intervention. "On one estimate, her proposed new entitlements and public works would cost \$6.6 trillion a year which is two thirds larger than America's \$4 trillion federal budget". (Edward Luce "Green New Deal...", FT, 15 February). Apart from proposals to eliminate air travel, cows (for the methane in their bowel emissions) and of course fossil fuels.

For the first time since the Great Depression there is a deep ideological economic divide between the parties: Socialist Democrats and capitalist Republicans. Mitch McConnell, the Senate majority leader acknowledges this as reopening debates of the 1930s when socialist and communist ideologies were discredited. He has asked for a vote on the New Green Deal in the Senate to smoke out the socialists. He noted that Gallup found for the first time that Democrats have a more "positive view" of socialism than capitalism. (Fred Barnes: "Ocasio-Cortez heralds a new political era", WSJ, 19 February).

The revival of the divide between the supporters of capitalism and socialism will be settled at the 2020 election. If America's character has not changed, I would be very surprised if the newly found socialism of AOC and her Democratic fellow travellers are endorsed by the electorate. Hopefully, this may also end the various forms of identity politics promoted by the Democrats which are disuniting America.



### NEW DELHI DIARY

A K BHATTACHARYA

## Distorted criticisms on GST



### BOOK REVIEW

SUKUMAR MUKHOPADHYAY

The title of the book, the cover photo showing a rupee sign in a tangle of barbed wire and the approving reference to the Congress president's description of "Gabbar Singh Tax" all demonstrate the author's obsessive bias against the Goods and Services Tax (GST). But his logic for opposing it is all too shaky. The author appears to be a typical compulsive contrarian. The major part of this book is devoted to proving that GST is a highly

complicated tax, that it is inflationary, has seriously harmed the unorganised sector, has led to marginalisation of the marginalised and so on. I shall examine each one of his propositions.

Regarding the GST's complexities, the author has made no mention of the degree of complication in the previous tax regime. GST was amalgamated nearly 16 taxes, for which he does not give it any credit. The previous tax regime also had a highly complicated concept of manufacture based on marketability on which there were literally more than a hundred Supreme Court and High Court judgments. The entry tax used to detain trucks carrying goods at state borders made the journey very long. The central sales tax of 4 per cent was not allowed input credit, which had made inter-state trade unprofitable to that extent and encouraged manufacturers to buy from the

same state even though better goods were available in another state. There were many rates of sales tax in the states, which have now been merged into the GST. The zero rating of export was not comprehensive before, but is now possible with the GST. A common market for the whole country has been achieved as a result. Earlier, the definition of a taxable event was complicated because it differed for excise, sales tax and service tax. That controversy no longer exists because under the GST, the new taxable event is the supply of goods and services, not manufacture or sale and so on.

The present tax is so simple to operate. I have made some extensive market enquiries to judge the impact of the GST. If I buy medicine, the shopkeeper simply writes the names of the medicines and the invoice with the appropriate classification, showing 6 per cent Central tax and 6 per

cent state tax, comes out in a jiffy. When I go for a swim, the receptionist presses a button on a small machine, producing a receipt showing 9 per cent central tax and 9 per cent state tax.

There is a high threshold now for small-scale units and a compounded levy for the unorganised sector. The author points out that they do not get input credit. Since the tax is 1 per cent (as he himself says), what is the need for input credit? The unorganised sector must have adopted the new tax because there have been no protests.

The author says the GST is inflationary. Then he admits that the official statistics of wholesale price index and consumer price index do not support this notion. But he doubts the price indices on the ground that services are not included. The only service he could name is school fees, which has not been included in the consumer price index. I cannot comment on this argument if the author does not believe the price indices, which even the Reserve Bank of India accepts.

The author's favourite theory is that black money cannot be removed by the GST. He rightly admits that this can only be solved if politicians, executives and businesspeople change their attitudes. I agree, but the GST cannot be blamed for this. All I can assert is that with the GST the possibility of evasion is much less than before.

The author suggests we scrap the GST and introduce retail sales tax. Had he studied the subject more thoroughly, he would know that states did experiment with this but gave it up because of the high level of evasion. There was no discussion of this beyond a bland statement.

Mr Kumar has not consulted the best authorities on the subject such as Butterworths, Alan A Tait, Richard M Bird and Milka Casanegra De Jantscher, Malcolm Gills, Carl S Shoup, Gerardo P Sicat, and books written by the International Monetary Fund and the World Bank. He has even avoided referring to several authentic reports from the National Institute of Public Finance and Policy by

Raja Chelliah, Amarendra Bagchi or Parthasarathi Shome. He has made no effort to study the world's best magazines on GST, namely, the VAT Monitor and Asia Pacific Tax Bulletin. The result is that his knowledge base is very limited. He has not read what does not suit him. He is given to sloganeering — such as "marginalisation of the marginalised" (echoing the Marxian slogan of immiseration of the proletariat) which he has repeated innumerable times without proving it. This reflects only his entrenched belief. The best part of the book is the appendix, which contains an impressive collection of long-term series on taxes.

The reviewer is former member, Central Board of Excise and Customs

GROUND SCORCHING TAX  
Arun Kumar  
Penguin Portfolio; 295 pages, ₹499

Opinion WEDNESDAY, MARCH 27, 2019



APPROPRIATE BAROMETER Vinay Sahasrabuddhe, BJP national vice president We want people to start thinking and talking about government performance and not about any sentimental issue. It is not beneficial for the country if people vote on the basis of emotional issues

Genuine subsidy reform, or just Rahul jumlas?

Congress's plan unaffordable without scrapping subsidies for the 80% non-poor but it is not going to do that

ON THE FACE OF things, Congress president Rahul Gandhi's election promise to give each of India's poorest 20% families ₹6,000 per month—that is, 12 times what prime minister Narendra Modi has promised to give poor farmers—is an astute political move and, more important, could represent a quantum leap in India's thinking on subsidies. In a single move, as Gandhi has said, it will eliminate poverty completely, but more important, this modified Universal Basic Income (UBI) promises an end to the corruption-ridden subsidy regime India has run for the last 70 years; Modi's Direct Benefits Transfer (DBT) has cut leakages but a large amount still remains. An obvious question, which arose even when Modi was promising the farmers ₹6,000 per year, is how much this is going to cost and how this is to be funded. Simple arithmetic tells you Gandhi's scheme will cost ₹360,000 crore, an amount that is greater than what the Central government spends on all manner of subsidies today, from food to electricity, fertilisers, water, scholarships, rations, etc.

As such, the scheme is unaffordable. If it has to be fiscally responsible, as Gandhi has said it will be, this requires all other subsidies to be removed; otherwise, Gandhi's talking of a near-doubling of the government's subsidy expenditures. So, there must be no fertiliser subsidies, no power subsidies, no subsidised rations, nothing. All of this has to be replaced by a cash transfer and the poor—or the relatively poorer segment of the population—will be free to spend their money on what they want, and because everything will be paid for at market prices, this won't distort the market either. The other possibility is that the scheme, like Modi's Ayushman Bharat cashless medical-treatment one, will be jointly funded along with the states; the states spend roughly the same amount that the Centre does on various welfare schemes.

What is important is the plan for the rest of India, beyond the bottom-most 20%. There is no logical reason to give subsidies to the better-off, but this has always been obvious and, yet, for the last 70 years, most subsidies have been grabbed by the more wealthy; even Modi's farm-income plan was an add-on to existing subsidies, not something to supplant them. Indeed, under Sonia Gandhi's influence, the UPA's National Food Security Act gave two-thirds (yes, two-thirds!) of Indians a 90-95% subsidy on the purchase of 5kg per head of rice and wheat per month. Is Rahul Gandhi saying he is willing to give up subsidies to everyone but the bottom 20%? If he is, then he has to be prepared for a backlash from this powerful group when its sops get taken away.

Also, since the average household in the bottom-most decile (D1) earns ₹129,000 per year today, and the next decile (D2) ₹178,000—D3 earns ₹224,000 and D4 ₹253,000—according to Price's ICE all-India income survey, giving a flat ₹72,000 per family means many of those currently in D3 and D4 will get pushed down in the income ladder as incomes for D1 and D2 rise; this, too, will have implications since they will resent a decline in their relative economic status. In other words, right now, the Congress party's promise is nothing but an election stunt, aimed at neutralising the BJP's gains from its income-transfer for farmers and the Balakot strikes. While it remains to be seen if the BJP will try and better this, ironically, had Modi eliminated wasteful subsidies on food procurement, fertiliser, etc, and moved to an income transfer to the poor, he could have given the poor much larger transfers several years ago; instead of now having to run down Gandhi's plan, the government would have had the upper hand. And while sweeping reform, which is what a modified UBI is, requires a commitment to eliminate all subsidies to anyone but the deserving, Modi could have claimed ownership of that as well. Whoever wins the elections, this has to be the agenda of the next government.

More GST-like Councils needed

These will help iron out political differences on key reforms

FINANCE MINISTER ARUN Jaitley's call for GST Council-like bodies to work on aligning the states' and the Union government's interests on agriculture, rural development and healthcare echoes what former chief economic adviser Arvind Subramanian talked about last January. The GST Council's success lies in how it parcels decision-making powers amongst the states and the Centre, consensus is inevitable for any change to be made. In the process, various interests, sometimes conflicting, are balanced and reform can happen. It helps iron out differences and reins in an overbearing Centre. This is a sea-change from what coordination bodies like the National Development Council and Inter State Council achieved over the past many decades. Consequently, there has been no politicising of the GST, given ruling parties/coalitions of different political persuasions must arrive at a broad consensus.

GST Council-like structures can help the implementation of central schemes like Ayushman Bharat or a PM Kisan Samman Nidhi Yojana overcome adoption-hurdles in Opposition-ruled states like West Bengal, Delhi, Odisha, Madhya Pradesh, Rajasthan. Indeed, the Kisan Samman Nidhi support to farmers could be hiked if the Centre were to move away from MSP-based procurement by the Food Corporation of India and its subsidies, which benefits just a handful of states. The hiked amount could be a compensation for states benefitting from MSP and the incentive for states where significant FCI/subsidiary-led procurement doesn't occur at a scale that would make a marked difference to farmers' income to come to the negotiating table. This would be a massive fillip to rolling out key agricultural reforms. Negotiations on implementing e-NAM, mandi reforms (including allocating land to non-cartelised mandis) wouldn't get stalled by just one or two players. More welcome, as seen in the case of GST negotiations, even Opposition-ruled states will more likely be driven by reason and reform logic instead of narrow political considerations. Key beneficiaries of farm exports can collectively get the Centre to reverse restrictions on exports. They can even make it see reason on allowing GM technology given all farmers will benefit if GM crops that are proven safe are allowed instead of dogmatically, or at the behest of vested interests, blocking seed-tech or other GM technology. Similarly, on healthcare, it would be easier to replicate best practices and roll out schemes such as mohalla clinics if a Delhi can get a critical number of states to join forces with it. Such councils, if created, would help realise cooperative federalism, and there would be less of political volleying on schemes and reforms between the states and the Centre. This could actually be the difference between "lost decades"—a rather enduring trait of India's reforms story—and faster, more widespread development.

ShutUP

Uttar Pradesh suspending teachers for criticising govt, ruling party leaders and challenging party versions reeks of intolerance

MANY GOVERNMENTS, PAST and present, are guilty of mocking the right to freedom of expression and assaults on dissent, but under the present dispensation in Uttar Pradesh, this seems to have become institutional. As per a report in The Indian Express, seven teachers and a school education department officer in the state have been suspended for posts on social media and other internet-enabled platforms that criticised BJP leaders, including chief minister Yogi Adityanath and prime minister Narendra Modi, or questioned the ruling-party endorsed narrative on Pulwama/Balakot or praised Pakistan prime minister Imran Khan for trying to de-escalate tensions with India in the Balakot aftermath. In another case, the district administration in Shahjahanpur has ordered an FIR against an unpaid private college teacher for posting "objectionable comments based on communal, caste, political and religious lines against respectable animals" (emphasis added) and politicians". That is how low the state government has sunk in its attempts to curb unfavourable opinions.

Uttar Pradesh's moves reek not just of politicisation—of Pulwama/Balakot and the armed forces—it also makes the state government look intolerant at best and tyrannical at the worst. The fact that the cases are based on WhatsApp and Facebook posts is perhaps a hint that the government is snooping on citizens and their activity online. What is really worrying, though, is that it won't even brook criticism of governance deficit—one teacher has been slapped with a show-cause notice on why action shouldn't be taken against him under the IT Act for posting "koi bahut badi teer nahi maar diya" (you didn't pull off some spectacular feat) after the government released his salary after six months. The state government must remember its vindictiveness and intolerance won't silence criticism of its failure to uphold its Constitutional duties.

WHILE WE HAVE made enormous progress in 25 years, the world is still running behind climate change. Today, the urgency to address climate change has never been greater. But because of the work begun 25 years ago, we are also better coordinated to take it on. We have the Paris Agreement, and we have the guidelines strengthening that agreement. What we need now are results. This is the summary of the statement that Patricia Espinosa, executive secretary of the United Nations Framework Convention on Climate Change (UNFCCC), put out on the occasion to celebrate the 25th anniversary of the entry into force of the UNFCCC.

While I agree with the sentiments of the above statement, especially the urgency to address climate change, I disagree with two points: one, the progress made by the UNFCCC so far and, two, the potential of the UNFCCC to deliver results in the future.

25 years and little to show

UNFCCC was adopted with an objective to 'stabilise greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system'. Over the past 25 years, GHG concentrations, far from stabilising, have reached record levels. The atmospheric concentration of carbon dioxide (CO2), the main GHG, has increased from 358 parts per million (ppm) in 1994 to 412 ppm in 2018. The amount, 400 ppm, of CO2 was last witnessed on earth about 3 million years ago.

The global temperature, too, has steadily increased from 0.25°C above the pre-industrial era in the early 1990s to an increase of 1.1°C in 2018. Very soon, the temperature increase is likely to hit 1.5°C, declared recently as a guardrail by the Intergovernmental

Even Oprah can't paper over Apple's flaws

The idea of Apple becoming more than just a device company breaks down when the company introduces digital services that are available only to the minority of the world that owns Apple devices

APPLE INC. PRIDES itself on craftsmanship and perfection. Even the desk chairs in Apple's headquarters are worthy of their own article. That is why it was so surprising that Apple's new products for news, television and more feel so half-baked.

Over nearly two hours on Monday, Apple trotted out Oprah Winfrey, Steven Spielberg and Big Bird but left a lot of blanks. The company effectively introduced five products: a subscription to a collection of magazines and other information; an Apple-branded credit card; a subscription service for a bundle of video games; a Netflix-like subscription for Apple entertainment programmes; and a revamped digital hub that pulls in Apple's video service plus those from partners such as HBO.

Only one of those five, the magazine and news subscription, is available now, and it already existed under a different name and guise. It is not unusual for Apple to get people excited about products before it is ready to sell them. For example, Apple announces each year's new iPhone models weeks before they officially go on sale.

Monday's announcements felt different, however. Apple's collection of digital products felt at times like drawings on napkins—sketches that were incomplete, not ready or not thought through to their eventual conclusion. If the bullish investment thesis about Apple rests on its competence to transition to a digital services company, Monday's event put a dent in that notion.

Apple showed only a scant few frames of its coming Netflix-like service, called Apple TV+, even though the company started developing its own entertainment programmes two years ago. The company didn't announce a price for Apple TV+, which may be doesn't matter because the subscription service isn't coming until the fall anyway.

Apple's digital entertainment hub, called "TV," already exists as a single spot to see movies and TV series from companies such as HBO and the Spectrum cable television service—although many iPhone owners are not aware of this app.

THE REAL MAINSTREAM

UNFCCC DOESN'T HAVE THE TOOLS TO DRIVE GLOBAL COLLECTIVE ACTION TO COMBAT CLIMATE CHANGE; WE NEED NEW PLATFORMS AND IDEAS TO DRIVE TRANSFORMATION

UNFCCC @ 25: Little to show

CHANDRA BHUSHAN

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Panel on Climate Change (IPCC) to avoid catastrophic impacts of climate change. All this while the intensity and frequency of extreme weather events have significantly increased, destroying lives and livelihoods. Between 1997 and 2016, extreme weather events caused more than 500,000 deaths and economic losses of around \$3.16 trillion worldwide. And, if we do not heed the warning of the IPCC's special report, Global Warming of 1.5°C, these numbers would seem minuscule 10 years from now.

energy-poor has also remained the same. In 1994, about 2.8 billion people used polluting solid fuels to cook food—this number, too, remains the same in 2018. So, we have neither been able to shift the global energy system away from fossil fuels nor have we been able to provide adequate amounts of clean energy to all. And, this has happened because global cooperation on energy and climate change has weakened, rather than strengthened, over the years.

The fact is that combating climate change now requires actions from all levels of government, private sector and civil society

Future of UNFCCC

IPCC's special report makes it clear that the Paris Agreement cannot limit warming to even 2°C. In fact, global warming is likely to reach 1.5°C between 2030 and 2052. To limit warming at 1.5°C, CO2 emissions will have to be reduced by 45% by 2030 from 2010 levels and reach net-zero by 2050. This means that we have 12 years to turnaround the energy system of the world and cut emissions drastically. Can the UNFCCC deliver on this?

The UNFCCC has moved from a top-down legally binding Kyoto Protocol to a bottom-up 'self-determined' voluntary Paris Agreement. Today, there is a question mark over the survival of the weak Paris Agreement itself. The United States has left the Agreement and, on its way out, it, along with other big polluters, fatally weak-

ened the Paris Rulebook.

Under the Paris Agreement and its Rulebook, all countries are now on their own to mitigate, adapt and pay for the costs of climate impacts. The UNFCCC is now simply a platform to collect, synthesise and disseminate information. It doesn't have the tools to drive global collective action to combat climate change. In such a situation, one needs to seriously question the continuation of the international effort at the UNFCCC.

The fact is that combating climate change now requires actions from all levels of government (national, subnational and local), private sector and civil society. It requires hard targets and a roadmap for rapid transition in all sectors of the economy. This can only happen if we adopt some radically different strategies. Let me propose two strategies:

First, let's create multiple sectoral and regional platforms to drive transformation. We could push for international 'sectoral' treaties to achieve real transitions in energy, transport, agriculture and industrial sectors like steel and cement. To support countries to implement these treaties, regional platforms could be set-up to build capacity and facilitate technology transfer.

Second, climate change is too important an issue to be left to governments alone. We need government-plus strategy, especially concrete actions from the private sector. Many would argue that the Paris Agreement engages the private sector. But private-sector engagement in the Paris Agreement is voluntary and has not added up to much. To push the private sector, we will have to make climate change a fiduciary duty of corporations and hold them accountable for polluting the climate. I know that all these ideas would be considered a non-starter. But it is better we try something different now than regret later.

LETTERS TO THE EDITOR

Encouraging e-vehicles

While larger allocation of funds to expedite the launch of e-vehicles remains a priority, it is the lacking infrastructure, low number of charging points and a high purchase price that has hitherto impeded the implementation of the concept. Authorities are continually improving the policy framework to attain standardisation and uniformly promote e-mobility. It is important to incentivise the manufacturers as well as buyers of electric vehicles. A lower customs duty/GST rate on components can encourage the large-scale production of e-vehicles. Further, differential registration rates and exemption from road tax/parking charges can motivate the consumers. Initiatives to offer charging stations in residential/commercial spaces, improved facilities, on-spot metering and payment services ought to be accomplished at the earliest. A relatively weaker currency valuation, fluctuating oil prices and turbulent global cues demand that alternative fuels be explored to attain operational viability in the longer-run. However, challenges in integration of advanced equipment/accessories, limited seating capacity, questionable safety at high-speed and a high battery replacement cost call for continued efforts towards R&D and innovation — Girish Lalwani, Delhi

Curtains for Goyal

The curtains have finally come down on Naresh Goyal with the Jet Airways founder and chairman yielding to pressure and stepping down from the airline's board. Goyal's wife Anita and Etihad Airways' nominee director Kevin Knight also put in their papers. The banks, led by SBI, have taken control of the airline and will pump in ₹1,500 crore in an effort to bail it out. One hopes that the rescue plan pays off and Jet Airways flies high once again — Ravi Chander, Bengaluru

Write to us at feletters@expressindia.com



ILLUSTRATION: ROHINIT PHORE

**SOUMYA KANTI GHOSH & PULAK GHOSH**

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# Understanding the real story on jobs

We are in an era of stagnant productivity and wage growth, not jobs. It is imperative that we estimate labour productivity to understand the real story on jobs. In the absence of commensurate productivity and wage gains, we must strive to improve the quality of the jobs offered

**T**HE DISCOURSE OVER a jobs debate has never been so shrill. The economy is currently expanding at 6.6% (with a downside bias), but more than other competing economies, and it is only a matter of sheer conjecture whether it is translating into enough jobs or not. The latest leak of the NSSO data has only added to the confusion as it estimates a 10% drop in employment. With the economy growing at 7.5% for the last five years, such a sharp envisaged drop in employment implies close to 20% rise in labour productivity. Thus, it is imperative that we estimate labour productivity to understand the real story on jobs.

Using the KLEMS data, we estimated productivity of various sectors during FY17-19. Our results show the overall productivity growth remains relatively stagnant (9.4% to 9.9%) in the last five years, barring FY15. Let us take up each of the sectors one by one.

Growth in agriculture productivity has been following a downward trend, which is a cause for concern. It thus appears that the agricultural sector has been witnessing growth in output while at the same time people are leaving agriculture as a source of profession, thereby leading to rise in productivity, but only at the margin. The limited rise in agricultural productivity has also an interesting connotation.

Contrary to popular perception, the decline in across-the-board food prices thus cannot be solely attributed to the rise in agricultural productivity. Vegetables, fruits, pulses, eggs and sugar are, in fact, witnessing deflation in the recent months, and it seems that the decline in food prices reflects structural break in food prices over a longer term. This could be the result of prudent supply management or even a change in the behavioural habit of people.

What is more intriguing is that the growth in manufacturing productivity has slowed down in the recent past. However, what is more interesting is that the productivity gains in India were more significant prior to 2008, reflecting in part the exponential growth in global trade. In effect, trade redistributes the allocation of resources and thereby affects the distributive share of labour, specifically when the markets are imperfect. Using the disaggregated data of Indian industries from 1998 to 2008, an ADB study has found that labour bargaining power drops with the interaction of trade. Labour share, measured as a percentage of gross value addition (GVA),

drastically dropped from 28% in 1980 to 10% in 2007-08 in the industrial sector. The drop itself seems to represent the weakening bargaining position of workers and thus productivity gains were significant. Therefore, a drop in bargaining power along with a rise in mark-up of industries explains the gradual decline in labour share, which, in turn, explains a rise in productivity, prior to 2008. Interestingly, post-2008, with slowdown in global trade, labour productivity growth has declined as per our estimation.

We believe that the recent slowdown in manufacturing productivity growth finds ramification in the series of aggressive stock buybacks by Indian corporates, which allows them to boost their earnings without having to invest in productivity gains. This is more possible as corporates have been undergoing deleveraging in the last couple of years, and therefore finding innovative ways to boost earnings. During 2018 and 2019 (till now), Indian companies have bought back 1,952 lakh shares.

The services sector has registered good productivity gains, reflected by its over-7% growth registered in all three quarters of FY19. The services sector has registered a productivity growth of 10.5% in FY18 and is expected to log in a growth of 10.4% in FY19. However, there are worrying signs, too. Within the services sector, real estate, dwelling and professional services—which form the bulk of services—have shown a declining trend in GVA. This is disturbing as the IT services, which are our primary exports, are included in this.

The slow growth in productivity clearly manifests in low wage growth. Our estimates show that wage growth has also been witnessing signs of moderation, on yearly as well as sequential basis. This moderation in wages also implies important lessons that can be deciphered from policy setting. For example, if wage growth is slow, it implies that familiar wage-price nexus is not working and this could result in moderation of inflation expectations. Thus, it is a futile debate to argue regarding jobless growth. We would rather say that in the absence of commensurate productivity and wage gains, we must strive to improve the quality of jobs offered. The current debate should clearly focus on wage growth as a binding constraint.

We would also, however, caution the policymakers of a slower productivity growth. For example, persistent low productivity encourages over-borrowing by corporations and households; in turn, it represents a big risk to economies and fiscal systems. A similar logic applies to the social and political impact of low productivity growth.

Before we end, a word about payroll data. Beginning September 2017, India has been publishing non-farm payroll data every month from EPFO, ESIC and NPS establishments. This is a remarkable upgrade over survey-based quarterly results in terms of data quality and frequency. Although the data from these establishments is still evolving (frequent data revisions), but a similar exercise for other countries shows that it will take time to stabilise. The good thing is that EPFO seems to have now realised that such data revisions could be the result of non-uniform treatment of persons joining and exiting EPFO. Thus, as per EPFO, persons leaving the age band till date included the members who also joined prior to September 2017, but exited only during the period after September 2017. This was strange, as we were using flow data for joining, but stock data for leaving, and hence such drastic revisions. But January figures now look stable after incorporating such changes.

We recommend that EPFO now starts releasing the non-farm productivity (as in the US) at least for those sectors for which we have output data from CSO's GVA database. This will fill a huge lacuna in productivity estimates in India.

**EPFO can start releasing non-farm productivity (as in the US) at least for those sectors for which we have output data from CSO's GVA database. This will fill a huge lacuna in productivity estimates**

● GST COLLECTIONS

## How to ensure a larger haul

**NIRAJ BAGRI**

The author is partner, Dhruva Advisors LLP. Views are personal

### Direct correlation between non-filing of returns and non-payment of taxes

**T**HE BUDGETED GST collections by the central government for the financial year 2018-19 stand at ₹7.43 lakh crore. But so far, the collections have been far from what had been budgeted. Hence, the collections have recently been revised to ₹6.43 lakh crore.

The budgeted GST collections envisaged an increase on the back of economic growth and plugging leakages of revenue. In the last year, several cases of GST tax evasions have been unearthed. According to recent media reports, tax evasion amounting to ₹20,000 crore has been detected between April 2018 and February 2019. Therefore, tax evasion is certainly a big possibility for lower tax collections.

Another area of concern is the increasing number of taxpayers who are not regularly filing GST returns. Although there is a high probability that many of these taxpayers are not in the high-taxpaying bracket, or may be in the nil-tax category, the non-filing of returns and, consequently, non-payment of taxes contributes to lesser collections. Many of these small taxpayers do not have the wherewithal in terms of IT infrastructure, IT awareness, etc, which may lead to avoiding filing of returns. In the absence of in-house capability, the reliance on outsourced service providers is a costly affair for the many. Also, many have been facing issues of transaction credit not appearing in their electronic records. In the absence of transition credit, paying taxes would mean cash outflow, which is a discouraging factor. It may be noted that under the GST laws, returns cannot be filed without payment of taxes. Therefore, there is a direct correlation between the non-filing of returns and non-payment of taxes.

Almost a year ago, e-Waybill was introduced with a view to create a digital trail and curb tax evasion. It has played a role in the detection of several cases of tax evasion.

Now, e-Waybill is familiar to the trade and it may be time to take it a step further. This could be the linking of the e-Waybill with the sales invoices/delivery challans in the GST returns. This would help identify and eliminate the possibility of using the same e-Waybill for multiple sales invoices, which leads to tax evasion.

Another measure that is already in the works is enabling the input tax credit only after the supplier has uploaded the sales invoice that has been accepted/confirmed by the recipient. Linking every sales invoice with a corresponding input tax credit was part of the founding framework of GST. It was discontinued due to complexities arising at the time of introduction of GST. It has now been proposed to launch this framework optionally from April 1 onwards and make it mandatory from July 1.

Apart from the above reasons, progressive reduction in tax rates, especially bringing goods in the highest tax bracket of 28% to 18% or lower, would certainly contribute to the reduction in GST collections. These reductions may not have been factored in when the budget was drawn.

**Apart from the measures taken on the e-Waybill front, it may be time to look at introducing a reverse charge mechanism to a selected class of goods and services that are prone to tax evasion**

### The way forward

Apart from the measures on the e-Waybill front, it may be time to look at introducing a reverse charge mechanism, albeit very selectively, to a selected class of goods and services that are prone to tax evasion.

The GST Council has previously discussed incentivising digital payments by providing a discount to the GST rate. This needs to be reconsidered.

As a parting thought, one radical idea could be to provide set-off of central GST against income tax with appropriate thresholds for transactions that are designated as business to consumer. With the use of IT platforms, integration of reporting details akin to Form 26AS should not be a challenge. The ability to set-off GST against income tax liability could give leverage to the idea of capturing transactions that are susceptible to tax leakages.

### Trends in labour productivity growth (in %)

Sector	FY15	FY16	FY17	FY18	FY19
Agriculture & allied	12.5	10.3	15.1	9.9	6.0
Industry	3.7	4.6	3.1	4.7	7.3
Mining & quarrying	6.1	-3.0	10.5	10.1	20.3
Manufacturing	9.5	14.1	7.6	7.6	10.9
Electricity, gas & water supply	6.7	16.8	2.9	16.7	12.6
Construction	-2.1	-6.7	-0.1	2.6	4.2
Services	12.4	9.2	9.4	10.5	10.4
Trade, hotels, transport & communication	12.2	8.8	9.5	10.0	10.6
Financing, insurance, real estate & bus services	7.6	4.8	3.6	4.3	5.3
Public administration, defence and other services	13.3	10.1	12.0	14.1	11.8
Overall	11.2	9.4	9.8	9.8	9.9

Source: SBI Research. FY17-FY19 are projections based on KLEMS data

## OFFSETTING GST CREDITS

**G**ST IS ALL SET TO mark 2nd anniversary in four months from now. Described as a 'good and simple tax', GST marks a fundamental shift from the way businesses were being done earlier. As the GST journey progressed, there was a growing realisation of its far-reaching impact. Industry faced various challenges, ranging from new and unique concepts, complex documentation, the high tax rates of certain goods and services to complex or unclear treatment of several common transactions. An important area under this new tax regime that benefited the industry the most in almost every segment is free flow of credits.

Unlike erstwhile indirect tax regime, where restricted credits were available to trading and services industry, GST brought a level-playing field for the entire community irrespective of the category of the industry, be it manufacturing, services or trading. Apart from extended credit base (barring few restrictions), the unique offset methodology as covered under section 49(5) of the Central GST Act made the credits fully fungible irrespective of the nature of the credit.

As per section 49(5) of the CGST Act, the IGST credit, which arises on account of interstate procurements or imports from outside India or procurements from SEZs, was allowed to be used for payment of

# A tremor for the industry?

New mechanism can lead to accumulation of CGST credits and, in some cases, cash payment towards output SGST liability

**GAUTAM KHATTAR**

The author is partner, Indirect Tax, PwC India



CGST and SGST output liability once the input credit on account of input CGST and SGST credit was fully utilised. This method allowed companies to utilise the credits to its fullest and cash payouts were required only when the credits are fully exhausted.

The tax payment utility available on the government portal was customised to offset the SGST credit first with the SGST output liability and likewise the CGST credit was first allowed to set off against the CGST output liability. Once the SGST and CGST input balances are fully utilised for payment of respective output taxes, the IGST credit balance was allowed to be used towards the payment of CGST and SGST

output liability in chronological order. Recently, the government amendment to the set-off mechanism of input tax credit to be effective from February 1, 2019. As per the amended set-off mechanism, which is covered under section 49A of the CGST Amendment Act 2018, a GST registered person is required to first utilise its entire IGST credit towards the payment of output IGST liability. The balance of IGST credit will then be used for payment of CGST and SGST liability, respectively. The credit balance available in the SGST and CGST credit pool can be used only when the IGST credit pool is fully utilised. The accompanying table shows the erstwhile

Nature of input credit	Order of utilisation credit for payment of output liability		
	First	Second	Third
<b>Erstwhile set-off mechanism applicable till January 31, 2019</b>			
IGST	IGST	CGST	SGST
CGST	CGST	IGST	-
SGST	SGST	IGST	-
<b>Revised set-off mechanism effective from February 01, 2019</b>			
IGST	IGST	CGST	SGST
CGST	IGST	CGST	-
SGST	IGST	SGST	-

set-off mechanism which was operational till January 31, 2019, and the revised set-off mechanism effective February 1, 2019.

The revised set-off mechanism is applicable for utilisation of credit available on/after February 1, 2019. This means that taxpayers were required to follow the new mechanism while filing their GST 3B for the month of February, which was due on March 20, 2019.

While it seems the new set-off mechanism has been prescribed to minimise the fund settlement amongst central and state governments on account of IGST, the amendment has created an anomaly wherein credit of CGST will get accumulated and SGST output liability will have to be discharged in cash in certain cases.

The importers and companies having

interstate procurement model have CGST credit procuring in their credit pool as on date. A large chunk of credit was transitioned from the erstwhile tax regime through Tran-1. This segment of companies that are heavily reliant on imports or interstate procurements, such as retail stores, may be hit with this new offset mechanism. This will have significant working capital impact to such taxpayers.

The new set-off mechanism is going to result in accumulation of CGST credits and in some cases cash payment towards output SGST liability. Taxpayers whose local procurements are more than interstate procurements will remain unaffected with the new mechanism.

Also, taxpayers enjoying state incentives where the benefits are linked to pay-

ment of SGST (either in cash or through SGST credit) will suffer with this new set-off procedure. For companies with high interstate procurements, with combined credit of IGST and CGST exceeding total liability of IGST and CGST, the new set-off mechanism is going to create challenge in terms of accumulation of CGST credit balance and at the same time cash payout towards SGST liability.

The new set-off mechanism which is already effective but disrupt the fundamental advantage of fungibility of credits. No ability of set-off the available credits can in one way be viewed as tax on tax or cascading of taxes which was the challenge under the erstwhile tax regime.

India Inc expects the government to reconsider these aspects and take course correction or as an alternate companies may need to consider to alter their supply-chain models (move from centralised distribution model to decentralised distribution model) to achieve efficiencies. However, any alternate arrangement at the end of India Inc could lead to various other nuisances such as supply-chain realignment, redefining IT systems to cater to new features, contract disruptions and much more.

(Kishore Kumar, director, and Anubha Aggarwal, associate, contributed to the article.)

The Indian EXPRESS

FOUNDED BY

RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

# If you want to help the poor

There is a way to deliver a minimum income guarantee to India's citizens — but Congress hasn't found it



JAYATI GHOSH

## NOT SO BASIC

Inequality deepens faultlines, but a handout, framed as rich versus poor, is hardly the answer

**F**IRST, IT WAS the PM Kisan Samman Nidhi Yojana targeted at small and marginal farmers by the outgoing NDA government just two months before Lok Sabha elections, with a commitment to pay Rs 6,000 annually. Now it is the Congress that has announced a minimum income guarantee scheme — the Nyuntam Aay Yojana, which promises to provide Rs 6,000 a month or Rs 72,000 annually to 20 per cent of the poorest households in the country. Apart from these, some states, too, have already unveiled similar schemes. There are two features in the schemes announced by the two parties, one of which is that both are clearly driven by electoral opportunism. The other notable fact is that both are silent on what they plan to do with existing welfare schemes. There is no doubt and, as many economists have acknowledged, that cash transfer, especially when it is unconditional, is the way forward. It is seen as less patronising, in step with the market economy and providing the poor a choice. But what is unfortunate is the manner in which Rahul Gandhi frames what he calls a "ground breaking idea." He says if Narendra Modi can give money to the richest, the Congress can give it to the poorest. In juxtaposing the two, he reinforces the demonisation of capital and fails to acknowledge what industry does best — create wealth, jobs and growth for the economy.

The issue is not really about finding additional resources — estimated to be Rs 3.6 lakh crore — for such a scheme. What presents a real political economy challenge is eliminating or phasing out some of the welfare schemes, including inefficient subsidies such as that on urea. Instead, governments find it politically expedient to raise fresh revenues by taxing the rich, which only serves to disincentivise the job creators, rising entrepreneurs and innovators. Economic reforms in India have been slow and it's only over the last two decades that the 7-7.5 per cent growth rate has become the new norm. Poverty levels have been falling but because of poor skills, agrarian distress and glaring gaps in the health-education ecosystem, millions of young men and women are in despair when it comes to earning enough to meet their rising aspirations. This explains why there is a felt need to address the problem of endemic poverty through a Basic Income scheme with experiments underway in many countries to counter the backlash arising from rising inequality.

In a country with a large number of poor, the only antidote to poverty is sustained double-digit growth over the next 20-30 years. This alone will create jobs, helping India reap its demographic dividend, and, in the process, lift millions out of poverty. This will require governments to simultaneously create an enabling environment for the young and for reviving the animal spirits of entrepreneurs and businessmen and women. A handout may be good politics but it's a leg-up that's both good politics and economics.

## LIKE COPENHAGEN

The city's journey to becoming carbon neutral could offer lessons to civic authorities around the world

**L**AST YEAR, IN the run-up to the UNFCCC's summit at Katowice, 18 climate scientists released a report targeted at urban policymakers. The 30-page document was a follow-up to the IPCC's seminal report, which had stressed on the urgency of keeping global warming to less than 1.5°C above pre-industrial levels. Cities, noted the scientists, hold the key — nearly 75 per cent of the global carbon footprint is due to urban activities. Mayors of several cities promised to act on the report's recommendations. And on Monday, Copenhagen became the first city to present a plan to cancel out its carbon footprint by 2025.

The Danish capital has already reduced its GHG emissions by more than 40 per cent compared to 2005. Nearly 45 per cent of people who live in and around Copenhagen use bicycles to commute. The city also has specially-designated roads for cyclists and uses waste to generate electricity. For every unit of fossil fuel it consumes, Copenhagen plans to sell commensurate amounts of renewable energy. By the end of this year, everyone living in the Danish capital will be half-a-mile from a subway station. "Cities can change the way we behave, the way we are living, and go more green. Mayors, more than national politicians, feel the pressure to take action. We are directly responsible for our cities and our citizens, and they expect us to act," Copenhagen's mayor Frank Jensen has said.

Well-connected and pedestrian-friendly cities have a relatively low carbon footprint. The report of the climate scientists, released before the Katowice summit, recommends the use of "information and communication technologies to optimise public transportation efficiency, and enable vehicle sharing". It also advocates the use of "energy-efficient buildings and infrastructure that have low or near zero-emissions". The scientists surmise that all this will require cooperation between local, provincial and national governments. That remains the Achilles heel for cities in most parts of the world. Delhi's never-ending pollution crisis, for example, has produced unsavoury bouts of bickering between the Centre, the city's government, its municipality and other environmental agencies. And Copenhagen's mayor has failed to persuade Denmark's government to impose restrictions on diesel-guzzling vehicles in the city. But it is also becoming increasingly clear that mayors, town planners and other local authorities hold the key to the success of national commitments to mitigate global warming. The Danish capital's experience could hold lessons for civic authorities around the world.

## AYA RAM, SUKH RAM

Former telecom minister returns to Congress. His journey is remarkable and telling

**I**T WAS PAST midnight when the tellers called in by the CBI to count the cash stacked in bags and suitcases in Sukh Ram's palatial bungalow in Mandi completed their task. Rs 3.66 crore, they pencilled in the amount. The CBI claimed that Sukh Ram, a Cabinet minister in the P V Narasimha Rao government, had been paid off for a telecom contract. That day in August 1996, for many, corruption ceased to be an abstract idea, acquired a new face. However, it appears that the taint has not taken the sheen off Sukh Ram, who continues to be courted by the BJP and the Congress. On Monday, the 91-year-old politician rejoined the Congress, his grandson in tow.

Evidently, the weight of corruption allegations didn't sink Sukh Ram's political career. Soon after the CBI raid, the Congress, which Sukh Ram represented as MLA and MP many times since winning his first election from Mandi in 1962, expelled him. Unfazed, he formed the Himachal Vikas Congress and won the Mandi assembly seat in the 1998 assembly election. The HVC, with five MLAs, supported the BJP government. Ahead of the 2004 general election, Sukh Ram wrapped up his outfit and rejoined the Congress. Two years ago, he left the Congress to join the BJP; his son, Anil Sharma, is currently a minister in the Jairam Thakur ministry.

The world of telecom has changed beyond recognition since Sukh Ram left the ministry. So, too, has the idea of public corruption. A successor of Sukh Ram in the ministry, Andimuthu Raja, was accused of presiding over a scam estimated at Rs 1.76 lakh crore. The 2G cost the UPA the 2014 election, but Raja's name has since been cleared. While Sukh Ram eyes another battle in Himachal, Raja has hit the campaign trail in the Nilgiri hills. Meanwhile, corruption has taken the name of an aircraft and become a slogan on T-shirts.

THE CONGRESS PARTY'S recent declaration that, if voted to power, it will seek to ensure a minimum income to 20 per cent of the poorest households in the country, is laudable in intent. It also brings back policy attention to the penury and insecurity that continue to plague much of India's population, and particularly the most destitute. But, as presented, it is completely unworkable — and if the Congress is really serious about the goal of eliminating poverty, it will have to think of a different way of reaching it.

Consider the broad outlines of the scheme that was announced. The proposed minimum income has been set at Rs 12,000 per month. This is a remarkably high level, given that minimum wages in most states are well below this and even the remuneration by the central government to anganwadi workers and ASHAs is less than one-third this amount. The bottom 20 per cent of households are to be provided a cash transfer directly into their bank accounts, of a maximum of Rs 6,000 per month (or Rs 72,000 per year) which presumably will bring them up to this level. Around 50 million households are expected to benefit from this.

The fiscal costs of this are not as much as might be imagined. At Rs 3,60,000 crore, the maximum anticipated expenditure amounts to just under 2 per cent of GDP. This is only one-third of the amount that is regularly given away as tax concessions to corporates and rich individuals, and there are many ways of raising such an amount that are available to a committed government. Of course, if this is to replace any other government spending then the matter becomes more problematic, because other welfare schemes (like maternity benefits, scholarships, etc) have different and very specific purposes. That is why the statement of a Congress spokesperson that other schemes will be "rationalised", raises major concerns.

The criticisms of this scheme are not about cost. Rather, they are about its workability and the possibility of other and better ways of using fiscal resources. The identification of households is just the first problem. Contrary to what is being claimed, the Socio-Economic and Caste Census conducted in 2011-12 did not even attempt to measure the incomes of households. Instead, it used a variety of other metrics to estimate multidimensional poverty, which, in turn, became the basis for identifying possible beneficiaries of schemes intended for the poor.

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K P NAYAR

THE PAKISTAN National Day reception at their High Commission in New Delhi had been an irritant in bilateral relations for so long that it is best the Narendra Modi government finally drew the curtains on Indian participation in the celebration last week. For decades, so much thought has been wasted within the Indian government on this one event and successive ministers, foreign secretaries, joint secretaries in the Ministry of External Affairs (MEA) and personnel of intelligence agencies have lost sleep over how to handle this reception year after year.

Twenty-four years ago, while working for this newspaper, I became a collateral casualty of the diplomatic attrition between India and Pakistan at the national day reception hosted by then High Commissioner Riaz Khokhar, who was a notoriously effective India-baiter. A week before the reception, after much thought, the Pakistan division of MEA proposed the name of R L Bhatia, then Minister of State for External Affairs, as the chief guest for the event. Bhatia was actually chosen as an insult to the Pakistanis. In those days, unlike now, the Vice President used to grace the national day receptions of most major countries, certainly of friendly neighbours like Sri Lanka, Bhutan and Bangladesh. Bhatia was only a minister of state. Despite his stellar record in winning successive Lok Sabha elections from Amritsar, it was widely known that he was a non-entity in the P V Narasimha Rao government. By sending

## AN ACT OF REALISM

Why Modi government was right to boycott Pakistan Day celebration in Delhi

Bhatia as the chief guest, Rao's intention was to convey to Pakistan that his government would not waste any of its better talent to rub shoulders with Pakistanis.

The previous year, then foreign secretary, J N Dixit, had got Rao's approval to send A K Antony, the cabinet minister for civil supplies, consumer affairs and public distribution, as the chief guest. The arguments in favour of Antony were somewhat similar to those that favoured Bhatia in 1995. Antony was not yet a heavyweight in the Union Cabinet. Besides, he did not speak Hindi or Punjabi, his conversational English was then not very strong. Most of all, in his trademark Kerala *mundu* and white khadi slack shirt, he would stick out like a sore thumb among the sherwanis and other customary attire that Pakistanis wear to ceremonial functions. The message that Antony's presence was meant to convey was that "we are different from you".

By the time Bhatia arrived at the High Commission, Khokhar had seated a group of Hurriyat Conference leaders in the space reserved for the chief guest from the Indian government. The Indian minister was made to stand on the lawns. Bhatia kept his dignity and left soon after the national anthems of both countries had been played. New Delhi's English media had then been heavily influenced by senior journalists who were born on the other side before Partition. Some of them were also regulars at the Wagah border carrying candles on August 14 every year.

Pakistan's national day receptions held in a hostile environment have not promoted bilateral relations with India. The Modi government has shown realism in calling this spade a spade.

This episode was underplayed by most of the national media. But this newspaper carried my story about the insult to the Indian chief guest by his Pakistani host. After Parliament was in tumult over the incident, Salman Haidar, who had not even completed a month as foreign secretary, was forced to summon Khokhar to MEA for an explanation.

The catch was that I was not present when Bhatia was treated shabbily. Khokhar knew it because he had sent a wreath to the cremation of my mother who died two days earlier. So, instead of being pulled up by the foreign secretary, it was Khokhar who gave Haidar a dressing down. This journalist who wrote a "sensational" story did not even come for my reception, the high commissioner told Haidar. Such stories are being leaked to the media by your officers, Khokhar alleged. Officers in MEA are out of control and you — the foreign secretary — cannot discipline them, he thundered. How do I know this? The note-taker wrote a factual account of the meeting, which I got to see.

Were such contretemps worth the time, energy and resources of the government? Pakistan's national day receptions held in a hostile environment have not promoted bilateral relations with India. The Modi government has shown realism in calling this spade a spade.

The writer is a former diplomatic editor of The Indian Express



## MARCH 27, 1979, FORTY YEARS AGO

**IDI FIGHTS TANZANIA**  
THE UGANDAN PRESIDENT, Idi Amin, said he was surrounded by Tanzanian tanks but was prepared to fight his way out, using only 20 loyal men against 20,000 enemy troops. "I'm looking forward to having breakfast with the enemy," said Amin through a presidential aide who telephoned reporters in Nairobi. The Ugandan radio, monitored in Nairobi, carried a similar report after Amin personally telephoned the newsroom. According to Amin, he could see 12 Tanzanian tanks from the window of his official residence. Amin said the armour had arrived during the night and had cut off his residence in Entebbe from Kampala, the capital 32 km away. The report, if true,

would signify a major blow to Amin's military supply routes. Most of the weapons and soldiers reportedly supplied by Libya this month were flown into Entebbe.

**ISRAEL-EGYPT PEACE**  
PRESIDENT ANWAR SADAT OF Egypt and Prime Minister Menachem Begin of Israel today signed a peace treaty at the White House at a moving ceremony presided over by President Carter. In the next few months Israel will quit all occupied Egyptian territory under arrangements worked out at Camp David, and initiate a process which could lead to Palestinian autonomy and later independence or result in more war.

**ARAB VS ISRAEL-EGYPT**  
ARAB FOES OF the Israeli-Egyptian peace treaty protested the pact with bombs, demonstrations, strikes and raging threats on Monday. Palestinian leader Yasser Arafat vowed to "chop off the hands" of US president Jimmy Carter. Egypt leader Anwar Sadat and Israel PM Menachem Begin, a threat that sent excited guerrillas into Beirut's streets firing their weapons into the air. Caution over the start of an uncertain peace dampened any pre-peace euphoria in Egypt and Israel. Arab governments prepared to mount economic sanctions against Egypt. In Teheran, protesters took over the Egyptian embassy.

# 13 THE IDEAS PAGE

## WHAT THE OTHERS SAY

"Catering to US interests will hurt the EU."

—GLOBAL TIMES CHINA



CR Sasikumar

# Tolerating the corrupt

Definition of corruption is constantly being overtaken as new ways of being corrupt are invented. The need of the hour is great men and women



PALLE NARAYAN

HAS THE CAMPAIGN against corruption succeeded? I am not at all sure it has. Let me tell you why. When talking of corruption, we always make a common mistake — to use the number of laws enacted or convictions obtained as an index of the fight against corruption. Wrong. The only real index is the visible degree of tolerance of corruption amongst people who individually abhor it — or at least that they abhor it. Over the years, it seems to me we have come to tolerate it more and more — not least in general elections I don't think any political party in the country, major or minor, national or regional, has raised the issue of corruption in public life in a big way. In our part of the world, people's expectations were and unfortunately still are: Whatever be the form of government, corruption will ultimately corrode it. An Australian author has criticised a general election in 2013 as a "grass roots organisation which exists in the name of a right-winger" as was evident from his lyrics in *Manikamika*. Literature for the common people of Bharat, standing solidly behind the Sangh, its strength and influence has only increased over time. The Left, on the other hand, has consistently lost popular support. Today, the Left's political dominance is restricted to the state in the south. Now, it is the prerogative of the organisers to decide whom to invite. Two years ago, the festival organisers decided not to retract invitations sent out to Dattatreya Hosabale and me despite opposition to us speaking at the JLF. This year they invited Ramesh Patange, who I consider a positive step. In fact, this year they also invited Praseem Joshi but he could not make it due to ill-health. The observation of the young girl about the "left activists in 2016. The activists wanted to stop was in the same context. Agnihotri from screening his film, *Buddha in Traffic Jam*. Agnihotri simply suggested to the Left. On the one hand, they are self-proclaimed warriors of free speech, consideration, and they were free to not watch it. To even genuine criticism as an assault on their freedom of expression, and, on the other, they do not shy away from forcefully suppressing any viewpoint that is not to their liking. Hence,

Recent events, too close, too embarrassing to recall, have proved it.

I have a book in my library — a fat book of about 800 pages and it is called 'Bribes: The intellectual history of a moral idea', by John T Noonan Jr. Noonan believes that the fight against corruption will succeed ultimately because, as he puts it: "The nature of bribes is antithetical to the nature of human power in its full development". And the author ventures a prediction. It reads as follows: "Just as slavery was once a way of life and now has become obsolete and incomprehensible, so the practice of bribery in the form of exchange of payment for official action will become obsolete."

But then, let me be the Devil's Advocate and tell you that "slavery" did "become obsolete" in the USA by the passing of the 13th amendment (to the US Constitution) — but it was by Abraham Lincoln buying over a couple of Congressmen to make up the two-thirds majority required for passing the 13th amendment to the US Constitution! The anti-corruption laws that have been brought on the statute book in India have so far exhibited a marked tendency to grind slowly: Too slowly for the likes of that great one-time doer: Central Vigilance Commissioner N Vittal (1998-2002). Which of us can forget him? When in office, he had publicly "named" 94 civil servants who were under investigation (that is, who were accused of corruption on the basis of documentary evidence, but not yet charged in any court of law). It was on his instructions that their names were posted on the Internet. "Sue me if you dare", Vittal appeared to say, but no one sued him. His bravado had struck a sympathetic chord amongst many people — myself included! Vittal retired from government service decades ago and has it, it's got so many holes." The same goes for our vigilance commissioners, the CBI and the lot. They are all like colanders (with too many holes in them) to ever forget that in India it is older! In the Arthashastra (4th century BC), it is

written: Just as it is impossible not to taste honey or the poison that one may find at the tip of one's tongue, so it is impossible for one dealing with government funds not to taste a little bit of the king's revenue. Just as it is impossible to know whether a fish moving in the water is drinking it, so it is impossible to find out when government servants employed in government work are taking money for themselves. Beautiful imagery!

"Corruption" is also one of the most elastic of words in the English language. To every individual, it is something of which he or she disapproves.

Some years ago, at a seminar of the International Bar Association held in Berlin, Jeremy Pope (of Transparency International) gave what then struck me as the most comprehensive, and yet the most concise definition. He said: "Corruption is the misuse of public power for private profit." But subsequent events have shown that his definition was not all-embracing, because there are simply no limits to where, when or how corruption rears its ugly head.

Cricketers, footballers, cyclists do not hold any public office, and yet they exercise moral power — the power to instil idealism among millions of sport-loving fans. Such fans feel cheated when a player, due to corrupt motives, plays badly or does not play well. Pope's definition needs restructuring.

The definition of corruption keeps on requiring restructuring as time passes, as more ways to be corrupt are invented, but meanwhile I have a suggestion.

There are two types of people in this world — those who want to be somebody and those who want to do something. As the great book says: "Whatsoever a great man doeth, that other men also do; the standard he setteth up, by that the people go."

The need of the hour, then, is great men (and women). And quite frankly they are, as yet, in extremely short supply.

The writer is a constitutional jurist and a senior Supreme Court advocate

The anti-corruption laws that have been brought on the statute book in India have so far exhibited a marked tendency to grind slowly: Too slowly for the likes of that great one-time doer: Central Vigilance Commissioner N Vittal (1998-2002). Which of us can forget him? When in office, he had publicly 'named' 94 civil servants who were under investigation (that is, who were accused of corruption on the basis of documentary evidence, but not yet charged in any court of law). It was on his instructions that their names were posted on the Internet.

# Dead end on the left

Political parties must understand why people are turning towards RSS, BJP



PANKAJ VAIDYA

A YOUNG GIRL I met at the Jaipur Literature Festival (JLF) this year mentioned that the Left was not at all surprising that two years ago, when the organisers of the JLF invited RSS speakers for the first time ever, the Left was censured. Senior communists leaders like Prasad Yechury boycotted the festival. The Left is a grass roots organisation which exists in the name of a right-winger" as was evident from his lyrics in *Manikamika*. Literature for the common people of Bharat, standing solidly behind the Sangh, its strength and influence has only increased over time. The Left, on the other hand, has consistently lost popular support. Today, the Left's political dominance is restricted to the state in the south. Now, it is the prerogative of the organisers to decide whom to invite. Two years ago, the festival organisers decided not to retract invitations sent out to Dattatreya Hosabale and me despite opposition to us speaking at the JLF. This year they invited Ramesh Patange, who I consider a positive step. In fact, this year they also invited Praseem Joshi but he could not make it due to ill-health. The observation of the young girl about the "left activists in 2016. The activists wanted to stop was in the same context. Agnihotri from screening his film, *Buddha in Traffic Jam*. Agnihotri simply suggested to the Left. On the one hand, they are self-proclaimed warriors of free speech, consideration, and they were free to not watch it. To even genuine criticism as an assault on their freedom of expression, and, on the other, they do not shy away from forcefully suppressing any viewpoint that is not to their liking. Hence,

"Main rahoon ya na rahoon, Bharat rehna chahiye" (I may or may not live, but Bharat must live on). One cannot help but wonder what possible objection anyone could have to lyrics as benign and as moving as this. Not unlike the Semitic religions, the Left, too, insists on only one version of the truth. No other narrative can be allowed to exist. If one chooses to differ, she loses the right to freedom of expression, rather even the right to live. Leftist ideology has been responsible for some of the worst political crimes in the history of the world. In Bharat too, the left bastions (Kerala and West Bengal) have a reputation of carrying out political murders. Such intolerance is against the spirit of Bharat and of Hindu dharma. Spiritual uplift forms the cornerstone of Bharatiya society and hence inclusiveness, freedom of thought and expression are inherent in the Hindu thought. It is this nature of the Hindu dharma that has allowed people of various social, religious and political strands to coexist peacefully in Bharat since time immemorial.

I am reminded of this story of Swami Vivekananda. Having introduced the rich cultural heritage of Bharat and Hindu dharma to the West, Swami Vivekananda was getting ready to depart from London for Bharat. The year was 1897. One of his British friends asked him, "Swamiji, how do you like

your motherland now after four years' experience of the luxurious, glorious, powerful West?" Swamiji replied: "India I loved before I came away. Now the very dust of Bharat has become holy to me, the very air is now to me holy; it is now the holy land, the place of pilgrimage, the tirtha."

As his ship approached the shores of Bharat, Swamiji was overcome with emotion. He stood there with hands folded and eyes moist, gazing at the shoreline as if Bharat Mata had literally appeared before him. As soon as the ship pulled up in the harbour, Swami Vivekananda got off the deck and kneeled on the ground, and said, "All my worries have dissolved in the lap of my mother".

How have we come to this point where those born on this land, nurtured by its food, water and air, and, educated by the money of its taxpayers, are somehow okay with Bharat tere tukde honge (India, you will be broken into pieces)? Political parties who nurture this mindset for their narrow vested interests or outsource their intellectual outreach to leftist groups, need to introspect about the fraudulence of their ideological premise. If not, the patriotic citizens of this country will be forced to act.

The writer is joint general secretary of the RSS

# Forecasters of fantasy

RSS must rein in such people in their midst



SUDHEENDRA KULKARNI

RASHTRIYA SWAYAMSEVAK SANGH (RSS), the ideological mother of the Bharatiya Janata Party (BJP) and other Sangh Parivar organisations, has two conceptual and psychological fixities when it comes to the past and future of India. One, it believes that India is a Hindu Rashtra *de facto*, and should become so *de jure*. Two, India was Akhand Bharat yesterday, is not so today because of Partition in 1947, but should become one again tomorrow.

Many great Indians in the pre-1947 era who were opposed to the RSS ideology, were also against India's Partition. Mahatma Gandhi, for example, passionately wanted India to remain united. There was, however, a fundamental difference between the Gandhian and RSS approach to unity which remains even today. Gandhi wanted India to remain one not as a Hindu Rashtra but on the basis of the lofty principle of Hindu-Muslim unity. His "weapon" for achieving this goal was mutual love, fraternity and respect for democratic aspirations. In contrast, the RSS believes in Hindu supremacy and the power of military superiority.

In recent years, the RSS does not advocate "Akhand Bharat" as openly and frequently as it used to do in the past. Because, curiously, a growing section of the support base of the BJP-RSS has come to believe that Partition was actually good for India because it got rid of a large population of Muslims, who, had they remained in united India, would have reduced the Hindus' numerical majority. The creation of Pakistan and Bangladesh as separate nations, they reckon, has made it easier for the post-1947 truncated India to pursue the goal of "Hindu Rashtra". However, even as the Sangh wrestles with its own fixity about Akhand Bharat, some of its leaders, often, become such over-enthusiastic warriors for their cause that they throw all rationality to the wind.

One of them is Indresh Kumar, a senior RSS leader who was deputed by the organisation to establish the Muslim Rashtriya Manch (MRM) in 2002. Consider, for example, a report in this newspaper 'Pakistan to be part of India after 2025: RSS leader Indresh Kumar' (IE, March 17). Speaking at a function in Mumbai, he outlandishly prophesied: "You can take it down that five-seven years later, you will get a chance to buy a house or do business somewhere in Karachi, Lahore, Rawalpindi and Sialkot." The basis of his *bhavishya vani* (forecast)? "A Bharatiya Union of Akhand Bharat on the lines of European Union can take shape." And why does he think this can happen? "The Indian government has taken a tough line on the Kashmir issue for the first time. This is because the Army acts on political willpower, and now, the political willpower has changed."

Some people in the Sangh seem to have been so carried away by Prime Minister

Narendra Modi's "muscular" response to Pulwama that their extrapolation of the future political consequences of IAF's attack on Balakot has reached extreme limits. Kumar's utterances lend themselves to only two interpretations, both of which are irrational. One, Modi, after he returns to power (this unstated part of the forecast is, presumably, not open to question), will show such heightened political willpower that the Indian Armed Forces will strike Pakistan relentlessly for the next five-six years until our western neighbour meekly surrenders, and becomes a part of the Bharatiya Union. Alternatively, Pakistan will be so overjoyed with Modi's return to power that they will immediately offer talks with him on becoming a part of said Bharatiya Union.

Would Bangladesh also willingly come forward to join the Bharatiya Union? Kumar has no doubts because: "We have ensured a government in Dhaka of our liking." He, of course, believes that patriotic Bangladeshis have no reason to be livid at this admission of Indian interference in the elections in their country. Now, look at Kumar's further extrapolation about the military conquest of China. "We will not be needing permission from China to go to Mansarovar." Why? Because even China is now scared of India. "We removed China from Doklam. We defeated it."

After Doklam and Balakot, India does not have to worry about Pakistan, Bangladesh or even mighty China. According to Kumar, India's real "enemies" are inside. Now, how are they to be dealt with? His prescription: India needs new "laws against traitors" so that there is no Naseeruddin Shah, Hamid Ansari or Navjot Sidhu.

Kumar has created a bit of problem here by including former vice president Hamid Ansari in the list of "traitors". He has tarred the reputation of a fellow luminary of the Sangh Parivar, finance minister Arun Jaitley, with the brush of dishonesty. Recall how Jaitley came to the rescue of PM Modi when the latter had egregiously alleged, in a public meeting before the 2017 assembly elections in Gujarat, that both Ansari and Manmohan Singh had held a secret meeting with Pakistanis at Mani Shankar Aiyar's residence in New Delhi. To end the uproar in Parliament, Jaitley had to say in Parliament: "Any such perception [that PM Modi's speech questioned Ansari's and Singh's commitment to India] is erroneous. We hold these leaders in high esteem, as well as their commitment to India." The inference is obvious. Since both Kumar and Jaitley cannot be right about Ansari, the latter has been adjudged as untruthful by the RSS leader.

Albert Einstein was right: "Only two things are infinite, the universe and human stupidity, and I'm not sure about the former." But, in this case, stupidity can also be scary. One hopes the saner elements in the RSS will rein in such forecasters of fantasy in its midst. As for the rest of us, we must fearlessly continue to strive to build a Bharat — and also achieve Bharat-Pakistan-Bangladesh-China co-existence — based on the Gandhian tenets of love, non-violence, equality and friendly cooperation.

The writer was an aide to India's former Prime Minister Atal Bihari Vajpayee

## LETTERS TO THE EDITOR

### EXERCISE CAUTION

THIS REFERS TO the editorial, 'The fall of IS' (IE, March 26). After the military defeat of the ISIS in Syria, there is reason to be relieved, but no reason for complacency. Because the ISIS has just been militarily defeated and not ideologically. Now, it may not assert its existence in a consolidated way as it used to, yet it remains spread across the globe in a few pockets like the IS of Khorasan in Afghanistan. The danger of online mentoring, radicalising the youth and asserting identities individually and violently, looms over the world still.

Nirmal D Kapadia, Gandhinagar

THIS REFERS TO the editorial, 'The fall of IS' (IE, March 26). The ISIS' control over territory in Syria has ended but jihadist fighters are still active in the region. Like the al-Qaeda, IS' tentacles extend far and wide. They are highly radicalised and battle-hardened and can even be expected to introduce new complexities to the Kashmir militancy. India must be on guard in this regard.

SS Paul, Nadia

### LOTUS IN BENGAL

THIS REFERS TO the article, 'Among the believers in Bengal' (IE, March 26). Not only a Bengali, even if one hails from Bengal in general, people say, "you must be a communist". The piece rightly says there is cultural and religious osmosis which is reflected in a changing Bengali culture. However, in a globalised world, this is inevitable.

### LETTER OF THE WEEK AWARD

To encourage quality reader intervention, The Indian Express offers the Letter of the Week award. The letter adjudged the best for the week is published every Saturday. Letters may be e-mailed to [editpage@expressindia.com](mailto:editpage@expressindia.com) or sent to The Indian Express, B-1/B, Sector 10, Noida-UP 201301. Letter writers should mention their postal address and phone number.

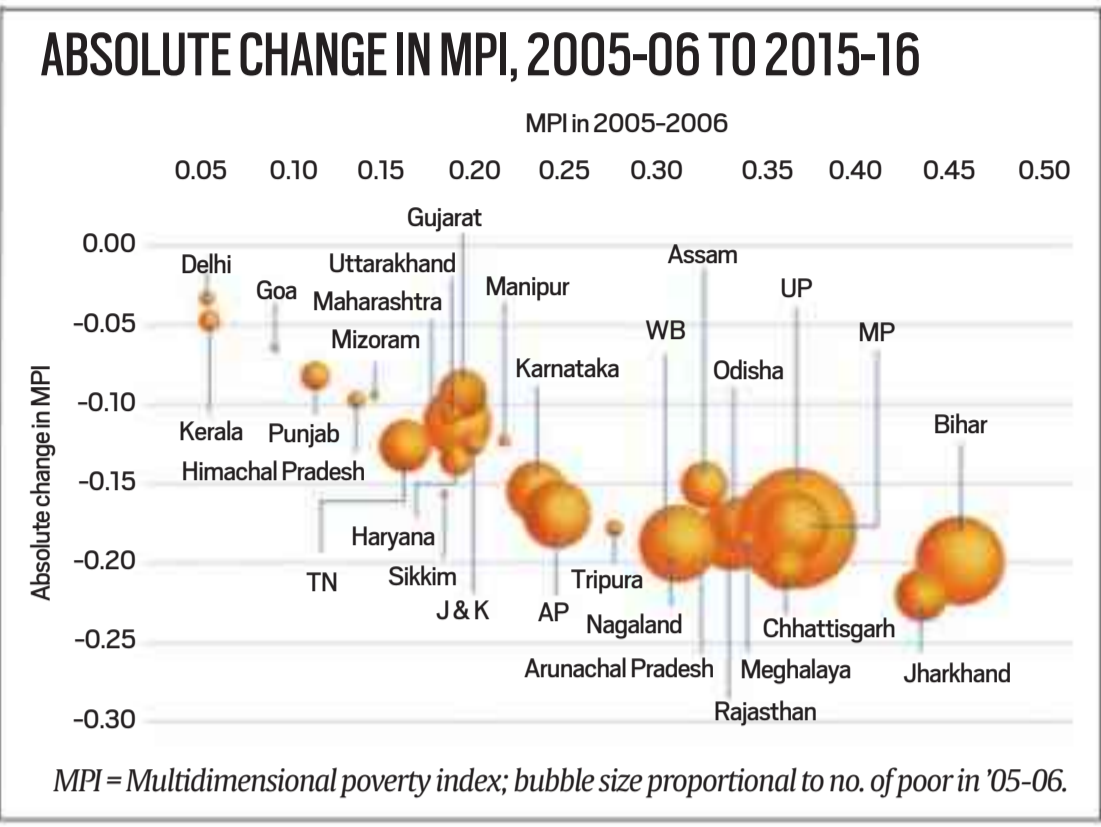
THE WINNER RECEIVES SELECT EXPRESS PUBLICATIONS

The current political problem in Bengal is the two extremes: Muslim vote-bank of Mamata Banerjee and the right-wing Hindutva of the BJP. The Bengali Muslims are among the most backward sections of Muslim population in the country. They need substantive governmental support and empowerment, which have to go beyond symbolic electoral sops. The alternative to TMC's Muslim appeasement should not be the BJP's Hindutva. There is a need to traverse a middle path, that is, religion-neutral development for all.

H Upadhyay, via email

### TELLING NUMBERS

## 27 cr Indians move out of poverty in 10 years, yet country still has highest number of poor: report



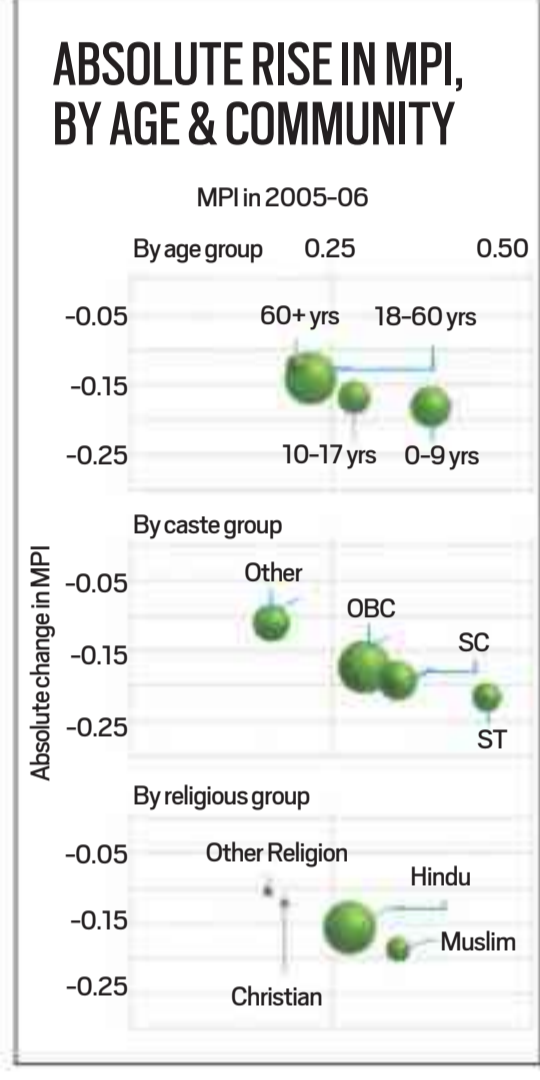
INDIA HAS reduced its poverty rate drastically from 55% to 28% in 10 years, with 271 million people moving out of poverty between 2005-06 and 2015-16, according to the Global MPI 2018 Report prepared by the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative. The report, covering 105 countries, dedicates a chapter to India because of this remarkable progress. However, India still had 364 million poor in 2015-16, the largest for any country, although it is down from 635 million in 2005-06.

The report measures MPI, or multidimensional poverty index, which it says can be broken down to show "who is poor" and "how they are poor". This factors in two measures, poverty rate as a percentage of the population, and intensity as the average share of deprivations that poor people experience. The product of these two is MPI. If someone is deprived in a third or more of 10 weighted indicators, the global index identifies them as "MPI poor".

In India, poverty reduction among children, the poorest states, Scheduled Tribes, and Muslims was fastest, the report says. Of the 364 million people who were MPI poor in 2015-16, 156 million (34.6%) were children. In 2005-06 there were 292 million poor children in India, so the latest figures represent a 47% decrease or 136 million fewer children growing up in multidimensional poverty.

Although Muslims and STs reduced poverty the most over the 10 years, these two groups still had the highest rates of poverty. While 80% of ST members had been poor in 2005-06, 50% of them were still poor in 2015-16. And while 60% of Muslims had been poor in 2005-06, 31% of them were still poor in 2015-16.

Bihar was the poorest state in 2015-16, with more than half its population in poverty. The four poorest states — Bihar, Jharkhand, Uttar Pradesh, and Madhya Pradesh — were still home to 196 million MPI poor people, which was over half of all the MPI poor people in India. Jharkhand had the greatest improvement, followed by Arunachal Pradesh, Bihar, Chhattisgarh, and Nagaland. At the other end, Kerala, one of the least poor regions in 2006, reduced its MPI by around 92%.



**Global findings**

Worldwide, the report found, 1.3 billion people live in multidimensional poverty in the 105 developing countries it covered. This represents 23%, or nearly a quarter, of the population of these countries. These people are deprived in at least one-third of overlapping indicators in health, education, and living standards, it says.

While the study found multidimensional poverty in all developing regions of the world, it was seen to be particularly acute in Sub-Saharan Africa and South Asia. These two regions account together for 83% (more than 1.1 billion) of all multidimensionally poor people in the world.

Additionally, two-thirds of all multidimensionally poor people live in middle-income countries, with 889 million people in these countries experiencing deprivations in nutrition, schooling, and sanitation, just like those in low-income countries.

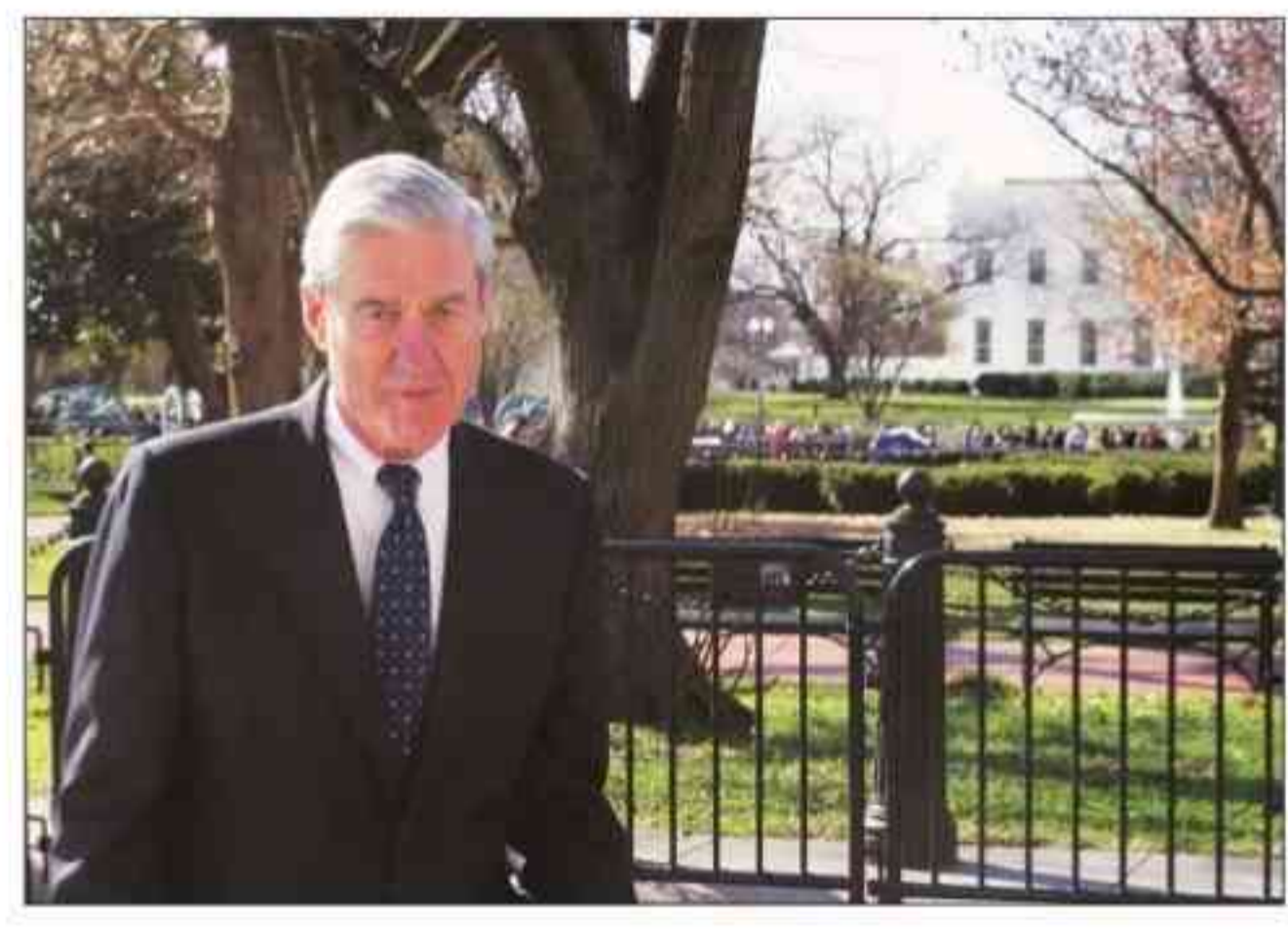
The report describes the level of global child poverty as staggering, with children accounting for virtually half (49.9%) of the world's poor. Worldwide, over 665 million children live in multidimensional poverty. In 35 countries, at least half of all children are MPI poor. In South Sudan and Niger, some 93% of all children are MPI poor.

### SIMPLY PUT QUESTION & ANSWER

# Mueller report: between the lines

## Special Counsel has submitted report after probing alleged Russian interference in US presidential poll. What were these allegations, what else emerged, what does the report mean to Trump, his aides, rivals?

ON SUNDAY, US Attorney General William Barr wrote to lawmakers stating that an investigation conducted by Special Counsel Robert Mueller, who had submitted his investigation report Friday, has not found that President Donald Trump's campaign had conspired with Russia to influence the 2016 presidential election. A look at the events leading to the investigation, how much of its findings are now known and what they mean, and what could happen from here:



With the White House in the background, Special Counsel Robert Mueller walks to church on Sunday, the day a summary of his findings was released. AP

**How is Russia supposed to have influenced a US presidential election?**

Ahead of the election in 2016, reports emerged that Russian military intelligence officers, working for an agency known as GRU, hacked into the Democratic National Committee (DNC) and the Gmail account of John Podesta, Hillary Clinton's campaign manager. Later, WikiLeaks released thousands of emails that Russian operatives had allegedly hacked from the DNC. This led to intelligence agencies probing Russian interference.

According to an indictment cited by *The New York Times*, operatives at Russian private firm Internet Research Agency, which allegedly has Kremlin ties, posed as Americans on Facebook and Twitter to mock Clinton and promote Trump. US intelligence agencies concluded that Russian President Vladimir Putin had ordered these influence campaigns even before Trump announced his run. Putin is seen as anti-Clinton, and is said to have been later drawn to Trump's Russia-friendly stances.

**Why were President Trump's stances seen as Russia-friendly?**

Trump has repeatedly praised Putin, feeding into speculation about his relationship with Russia.

In July 2016, the FBI opened a probe into connections between Trump associates and Russia. It probed one of Trump's campaign advisers, George Papadopoulos — who, the FBI later said, knew in advance about Russia's plans — as well as Trump associates Paul Manafort, Michael Flynn and Carter Page.

Flynn became national security adviser in January 2017. After Trump's victory, Flynn discussed with the Russian ambassador the sanctions that President Barack Obama had imposed on Russia over its alleged election interference, according to *The NYT*, which added that Flynn lied about the conversations to White House officials as well as federal investigators. He was eventually dismissed and criminal charges were pressed.

In March 2017, FBI director James B. Comey testified before a House committee that the FBI was probing possible links between the Trump campaign and the alleged

Russian effort. In May, agitated with the FBI's decision to go ahead with the probe, Trump fired Comey.

Days later, the Justice Department appointed Mueller as Special Counsel.

**What aspects did Mueller probe?**

Mueller's appointment followed demands by Democratic lawmakers after Trump had dismissed Comey. Mueller's brief included investigating the extent of Russian interference, including possible involvement of Trump's associates and Trump himself, and whether Trump had obstructed justice by firing Comey.

Trump was frequently dismissive of the investigation, at times describing it as a "witch hunt". A month after Mueller's appointment, *The NYT* reported that Trump told his White House counsel, Don McGahn, to fire Mueller, but McGahn refused. In a later report, *The NYT* said that McGahn had talked extensively to Mueller's team. Later that year, McGahn stepped down.

**How did the investigation progress?**

Mueller's investigation indicted many in Trump's inner circle. Manafort and another senior campaign official, Rick Gates, were indicted on charges of financial crimes related to their work as consultants for a pro-Russian leader of Ukraine. *The NYT*, citing court papers, reported that Papadopoulos had pleaded guilty to lying to the FBI about his contacts with Russian intermediaries

during the campaign. Later, Flynn also pleaded guilty to lying about his contacts with the Russians and agreed to cooperate with prosecutors.

Referring to court papers in 2018, *The NYT* said Mueller charged 13 Russians and three Russian companies with mounting the fraudulent social media campaign. A second indictment named the Russian military intelligence officers who had hacked and leaked Democratic emails during the campaign.

**Did the probe not lead on to issues beyond the alleged Russian interference?**

Yes, Mueller's team unearthed possible corruption relating to Trump in other matters. In Manhattan, prosecutors raided the residences and office of Trump's longtime lawyer, Michael Cohen, in connection with a probe into potential violations of campaign finance laws. This eventually threw the spotlight on Trump's alleged sexual encounters. In August 2018, Cohen pleaded guilty to paying off two women in 2016 to silence them about such encounters with Trump. While the President himself has denied the affairs, Cohen testified that Trump had directed him to arrange the payments.

On matters relating to Russia, Cohen pleaded guilty to the charge that he had lied to Congress about how long Trump had pursued a real-estate project in Russia during 2016. According to Cohen, Trump had continued to negotiate, deep into the presiden-

tial campaign in 2016, over a proposed Trump Tower Moscow.

In February 2019, appearing before a House committee, Cohen made various other allegations against Trump. Displaying a cheque signed by Trump, Cohen said it was to reimburse him for hush money payments. In another allegation, he said Trump had tweaked the value of his assets to get loans or reduce taxes. He also claimed Trump had hinted that he should lie to Congress.

**So, what's in the Mueller report?**

According to a count by *The NYT*, Mueller charged 34 people with 199 counts leading to the submission of his report. With full details about its contents not made public, the news website Vox assessed what to make of the summary written by Attorney General Barr.

Mueller's report did conclude that the Russians tried to interfere in the campaign. However, it said (as quoted by Barr): "The investigation did not establish that members of the Trump Campaign conspired or coordinated with the Russian government in its election interference activities." That means Mueller at least could not prove Russian government officials worked with the Trump campaign, Vox explained.

On the charge of obstruction of justice, the report was quoted as saying: "While this report does not conclude that the President committed a crime, it also does not exonerate him." Vox notes how Barr and Deputy Attorney General R.J. Rosenstein interpreted this: "In cataloguing the President's actions, much of which took place in public view, the report identifies no actions that, in our judgment, constitute obstructive conduct, had a nexus to a pending or contemplated proceeding, and were done with corrupt intent."

**Does that mean the matter is closed?**

As Barr noted, Mueller has "referred several matters to other offices for further action". Among these, Vox said, are an investigation into Manafort's lobbying associates, while National Public Radio cited matters such as the potential financial fraud as testified by Cohen, besides the alleged tinkering of the value of Trump's assets.

With members of Congress from both camps demanding the full report, and with Barr indicating he would release more details, further revelations could emerge in connection with the alleged Russian effort, including the troll campaign and the hacking.

Bloomberg said "there is likely to be an epic political fight over whether anything from the inquiry directly or indirectly implicates... Trump in wrongdoing that may merit his impeachment, as some Democrats say, or whether it clears him".

# What next in Nirav Modi extradition effort

**RAHUL TRIPATHI**  
NEW DELHI, MARCH 26



Appearing in court Friday. PTI/file

ON FRIDAY, arrested jeweller Nirav Modi will appear in court in London. His counsel is likely to seek his release on bail, while the UK authorities will present India's case against him and the Interpol warrant based on which he was arrested, as a key accused in the Rs 13,500 crore PNB scam case.

The arrest by Scotland Yard officially sets the stage for the beginning of extradition proceedings, although it remains to be seen when and how fast New Delhi will be able to bring him back, if at all.

**India, UK & extradition**

India and the UK have an Extradition Treaty, signed in 1992 and in force since November 1993. To get Nirav Modi sent back to the country, Indian agencies will have to send an extradition request through diplomatic channels, besides sending a team of probe officials to assist the Crown Prosecution.

Interpol had issued a red corner notice on the request of Enforcement Directorate.

extradition was requested. Second, the offence for which extradition is sought should be an offence under the national laws of the requesting country as well as of the requested country. In the current context, Article 2 of the India-UK Extradition Treaty states that an extradition offence is one which, under the laws of each contracting state, is punishable by imprisonment for at least one year. Among the charges pressed in India against Nirav Modi, the CBI FIR includes IPC section 409 for criminal breach of trust, under which the maximum punishment is life imprisonment.

**Previous extradition requests**

India has not yet managed to secure any extradition from the UK under the treaty. The most recent request is for extradition of Vijay Mallya. Eight other requests are pending. These are for Rajesh Kapoor (2011) for forgery and fraud; Tiger Hanif (2004) for alleged involvement in terrorism; Atul Singh (2012) in connection with sex crimes; Raj Kumar Patel (2009) for forgery, Jatinder Kumar Angurala and Asha Rani Angurala (2014) for bank fraud and cheating; Sanjeev Kumar

Chawla (2004) for cricket betting; and Shaik Sadiq (2004) for conspiracy and theft.

In addition, the UK has rejected extradition requests for Raymond Varley, Ravi Shankaran, Velu Boopalan, Ajay Prasad Khaitan, Virendra Kumar Rastogi and Anand Kumar Jain. Varley, wanted for sex crimes, claimed that he was suffering from dementia and he was not the man wanted in India. The UK court rejected India's request on the basis of his claim of dementia. The request for extradition of Shankaran, accused in the Navy war room leak, was rejected by the British court for lack of evidence. The requests for extradition of Boopalan, Khaitan, Rastogi and Jain, too, were rejected by the UK court on grounds of insufficient evidence.

On the other hand, Bangladeshi national Mohammad Abdul Shakur, wanted in the UK on murder charges, was extradited from India recently under the treaty.

A list of 60 fugitives who are wanted by India, and are reportedly hiding in Britain, has been shared between the two countries. The UK, for its part, has provided a list of 17 people whose custody it has sought under the Mutual Legal Assistance Treaty.

# How researchers used science to show Bengal famine was man-made

**RITU SHARMA**  
AHMEDABAD, MARCH 26

RESEARCHERS HAVE used old weather data and modern simulation methods to reach a conclusion long acknowledged by historians — the Bengal famine of 1943-44 was not caused by an agricultural drought but was man-made. The new study, led by Prof Vimal Mishra of IIT Gandhinagar's civil engineering department, has been published in *Geophysical Research Letters*.

**Soil moisture & famine**

Using observations from weather stations and simulations with a hydrological model that estimated soil moisture content, the research reconstructed agricultural

droughts and established a link between famines and agricultural droughts in India in the half-century between 1870-2016.

While precipitation data from 1901 onwards was available from the India Meteorology Department, the scientists developed a compatible product for 1870-1900, using observations from 1,690 stations spread across India. They estimated a measure called soil moisture percentile, or SMP. When the SMP was less than 20, it was categorised as drought.

**Odd one out**

The simulations showed that a majority of famines were caused by large-scale and severe soil moisture droughts that hampered food production. Out of six major famines during the period (1873-74,



A family in Calcutta during the Bengal famine of 1943. Wikipedia/public domain

1876, 1877, 1896-97, 1899, 1943), the researchers concluded that the first five were linked to soil moisture. The Bengal famine was completely due to the failure of policy during the British era, Prof Mishra said, describing the research as "part history and part science".

All but two of the famines were found consistent with the drought periods identified by the analysis. The exceptions were 1873-1874 and 1943-1944. The paper says there could be two reasons why the analysis did not identify these as drought periods — they were too localised, or the famine was caused by factors other than soil moisture deficits. For the 1873-1874 famine, which was localised to Bihar and Bengal, the paper concludes that it was the first of these two reasons. "Since the soil moisture

drought in 1873 was centered on a relatively small domain, it was not identified by the... analysis," it says.

On the other hand, Mishra said: "The 1943 Bengal famine was not caused by drought but rather was a result of a complete policy failure during the British era."

**Known & reinforced**

Between 2 and 3 million are estimated to have died in the Bengal famine of 1943. Previous historical research and literature, as well as Satyajit Ray's *Ashani Sanket* (1973), have described how the Bengal famine was a result of British policy. During World War II, market supplies and transport systems were disrupted. This is attributed to British policies, and prioritisation of distribution of supplies to the military and other select groups.

The new study identified 1937-1945 as a "period under drought based on severity, area, and duration". "We find the drought was most widespread during August and December 1941 — prior to the famine. This was the only famine that does not appear to be linked directly to soil moisture drought and crop failures," Mishra said.

He cited British policies: "We find that the Bengal famine was likely caused by other factors related to at least in part to the ongoing Asian threat of World War II including malaria, starvation, and malnutrition. In early 1943, military and political events adversely affected Bengal's economy, which was exacerbated by refugees from Burma. Additionally, wartime grain import restrictions imposed by the British government played a major role in the famine."





INTERVIEW | KAMAL NATH

# 'The Congress has always been for cow protection and shelters'

The M.P. Chief Minister on undoing 'saffronisation' of institutions, and the Congress's position on cow protection and loan waivers

VARGHESE K. GEORGE

*Madhya Pradesh Chief Minister Kamal Nath is a key player in the Congress's comeback bid in the Lok Sabha elections. Having ended the BJP's 15-year rule in Bhopal, he says the priority of his government is to reverse the "saffronisation" of governance in the State. Excerpts from an interview:*

After the Congress's break of 15 years from power in Madhya Pradesh, you have become the Chief Minister. Is your government in part a continuation of the 15 years of BJP rule in the State?

change its character? ■ We have to. Because it is a blatant misuse of State funds. Are you looking at the school syllabus too?

Our government is in no way a continuation of the past. The previous government had different objectives. They were keen to saffronise every institution in the State. It has been 90 days since I took over. My efforts have been to do as much as possible to demonstrate that the policies of this government are based on our manifesto promises. Many items on our manifesto have already been implemented.

Certainly. We have to correct all these things, so that what this country stands for, the ethos of this country, is maintained.

While you're striking a very strident pose on 'saffronisation', your government's decision to use the National Security Act (NSA) in cases of suspected cow slaughter was a continuation of the past, right?

It was not the government's policy. That was the policy of the past. It was done at the local level. I was surprised about it myself. This happened a few days after we took over. I strongly objected to it.

Have you given instructions that the NSA cannot be invoked in such cases?

Absolutely. In any case it cannot be. The objectives of the NSA are very clear. It was the previous government's policy to do this.

It was a misuse of that law?

Yes. It was misuse.

Cow protection has been a key component of BJP politics. Your government is also setting up cow shelters using public money. How does this square with your idea of change and good governance?

The Jan Abhiyan Parishad (a government-funded network intended to improve governance) was used to propagate Hindutva?

Absolutely. The JAP has been used and misused to propagate their ideology, and for elections.

Are you determined to



There will be convergence between the BSP and the Congress at some point, because our objective is the same.

Of course it does. The Congress has always been for cow protection and shelters. The previous government did nothing. And they have been exposed on this. We are only continuing with what we have always believed in. We are promoting *gaushalas* (cow shelters). Cows are revered in Indian ethos, mythology and beliefs.

The ways to give him relief. We have to look at the agriculture sector in a completely different way. Seventy per cent of the people of M.P. are dependent on the agriculture sector, not all of them farmers. Twenty-three years ago, the problem of agriculture was the problem of shortage. Today, the problem is of excess. So, our policies will have to be attuned to this changed situation.

Do you have plans beyond loan waivers?

Yes, we are looking at a holistic plan on how to make the agriculture sector more remunerative so that farmers don't sink into debt again.

You decided to discontinue the pension scheme for MISA (Maintenance of Internal Security Act) detainees (people who were imprisoned during the Emergency). Why?

Cow protection is also linked to agrarian problems – stray cattle destroy crops, for instance. Don't you think that by bringing in this cultural component, the agrarian economy gets distorted?

I don't think so. If we build proper cow shelters, it does not disturb the agrarian economy at all. We respect the sentiments of the people. And at the same time, we protect their rural economy.

How long term do you think will be your relief to the agriculture sector through loan waivers?

A farmer is born into debt and dies in debt. Loan waiver is not the solution to the problem. Loan waiver is one of

ways. He is very sharp. I admire his sense of understanding of so many diverse issues of this country.

Is there any point on which he is different from his mother and father?

I think he is far more impatient for results. He is impatient for achievements. That is good, he goads you on.

Is he impatient with people?

No, he is not impatient with people. He is impatient with the lack of progress.

While you have been vocal against Hindutva, some reports have suggested that you have made a tactical decision to not confront the RSS head on. Is that true? In the case of JAP, you seem to be giving a long rope.

Of course, I have to do the correct thing. I called a meeting with them and I told them that this is what you stand for. I have given them three months. Lot of people are involved, there are students in it. I have to ensure that those who are apolitical do not suffer in the process.

One long-term effect of Hindutva in politics is the progressive decline of Muslim representation in politics. Does your counter-politics to Hindutva account for this? And how?

Everything in society must be equitable. We cannot deny Muslims what are naturally their rights, their aspirations. Everyone, whether Hindu, Muslim, Christian or Sikh, is aspirational. When it comes to representation in a democracy, the question is, how will you win an election? Doing it symbolically can at times be hypocritical.

That is the sad part of our democracy, perhaps.

Fielding a Muslim candidate is not the best way to win an election. As a political tactician, do you face that dilemma?

When we are fielding someone, we have to see to it that he wins. Because we are putting him up to represent the people. But if he goes through the motions of an election without winning, he will not be able to represent anyone, including his community.

How stable is your government? The Congress does not have a majority.

The government is very stable. We demonstrated it in the elections for the Speaker and Deputy Speaker. We got 121 against the BJP's 109.

So, there is no question on the longevity of your government?

The BJP is continuously trying to lure MLAs with all kinds of things. But I have complete confidence in all the MLAs.

Do you think the Centre has been trying to unsettle your government?

The BJP as a whole is trying to unsettle this government.

Would you expect the Governor to be more impartial?

The Governor must stay within the confines of the Constitution. Stepping out of that will not be acceptable.

The BSP's support is critical for your government in M.P., but Mayawati has been hostile to the Congress recently. How do you see BSP-Congress relations going forward?

The objective of the BSP is to oust the BJP and there will

be convergence at some point, because our objective is the same. And everybody takes local situations into account. In U.P., they are dealing with the ground situation in the State. We have our own perceptions. That does not mean that our objectives are divergent.

After the NSA was used in cases of alleged cow slaughter in M.P., Ms. Mayawati said that the Congress and the BJP have the same character. Have you spoken to her after that?

I talk to her from time to time on various issues. They are our supporting party in M.P. They have two MLAs.

You challenged Digvijaya Singh to contest from a difficult seat if he wanted to contest. And he is now contesting from Bhopal. Is this a return of friction between the two of you?

I have no friction with anyone, whether it is Mr. Singh, Mr. [Jyotiraditya] Scindia, or Mr. [Suresh] Pachouri. We all worked together for victory in M.P.

Then why did you challenge Mr. Singh?

Because he has been State party president and Chief Minister. It was not a challenge, but a suggestion. I told him that it would befit his stature if he contested from a seat that the Congress has not won for a long time. He accepted my suggestion.

The Lok Sabha election in the State is on Narendra Modi or Kamal Nath?

Both. The people of M.P. are poor, they are simple, but they are not stupid. Mr. Modi will have to explain to the people of M.P. what happened to all the promises he made in the past.

SINGLE FILE

## The return of the rural

A clutch of new filmmakers is attempting to restore the rural to Hindi cinema

KUNAL RAY



A friend recently expressed his desire to watch Abhishek Chaubey's *Sonchiriya*, set in the once-dacoit-dominated Chambal region of Madhya Pradesh. More than the plot or the misdeeds of the dacoits, he was interested to encounter such a place through a film. Though part of popular folklore, places like Chambal have only recently been reappearing in mainstream Hindi films.

My friend also mentioned how excited he is now to encounter small towns or rural areas in contemporary Hindi cinema.

Earlier, the rural always existed in Hindi films. It was a regular narrative trope: characters from rural areas would always be arriving in the city. Those films created a split between the rural and the urban: the rural was seen as pure and the urban as impure, the rural as innocent and the urban as corrupt. They created a binary between the village and the city.

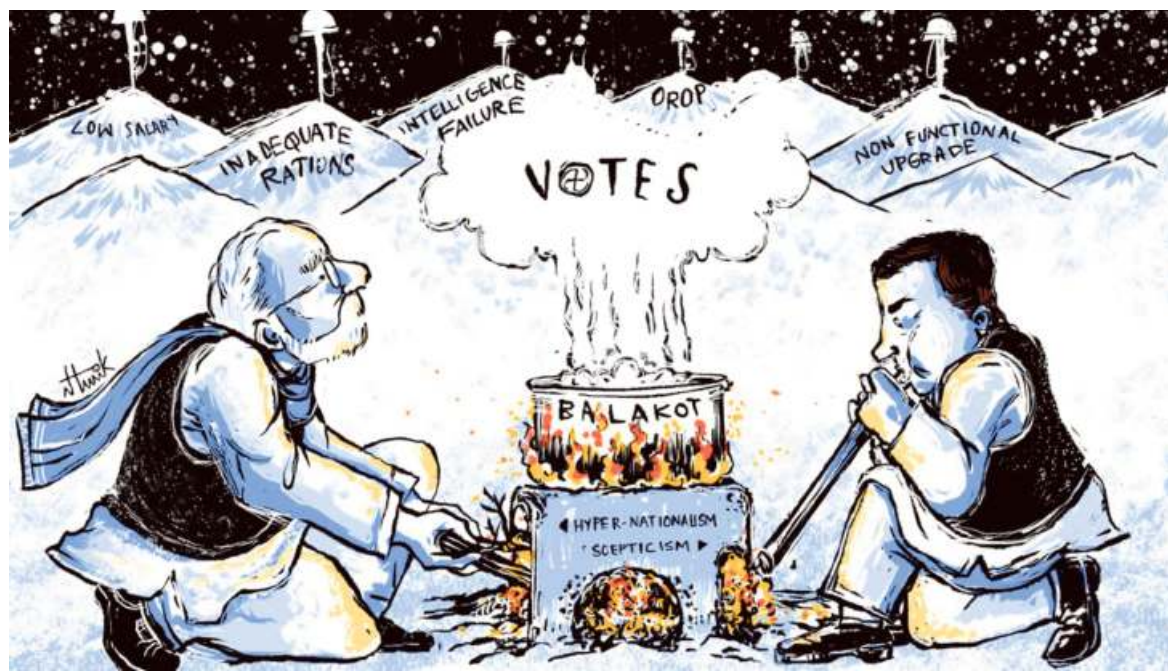
Manoj Kumar furthered this split through his nation-loving films, which cast the West invariably in a poor light, robbing people from the East of their principles. In the 1970s, the Hindi 'new wave' filmmakers also made films set in the rural. However, 1990 onwards, the rural gradually disappeared from Hindi films. The urban took centre stage and, slowly, so did the middle class and the rich.

A clutch of new films and filmmakers is attempting to restore the rural to Hindi cinema. And they are going beyond the idyllic hamlets of Punjab. But what does it mean to encounter a place through film? People make a place. We attribute an identity to a location vis-a-vis its people, who constitute its socio-cultural fabric.

Vishal Bhardwaj's *Omkaara*, set in the badlands of rural Uttar Pradesh, added a new dimension of caste-based politics to the film, thereby rendering it contextually true. *Gangs of Wasseypur* was a trendsetter in this regard. It introduced a range of idiosyncratic characters to Hindi cinema. The rural does not appear as a caricature, as it did in Priyadarshan's *Malaamal Weekly*. *Anarkali of Aarah* took us to the by-lanes of the hinterlands of Bihar. *Newton* was a plunge into the Adivasi settlements in the forests of Chhattisgarh. *Barreilly Ki Barfi* showed us a free-spirited girl who refused to bow down to the pressures of marriage.

All these films have had myriad depictions of the rural – from the oppressed to the celebratory. Through them we recognise people as individuals with wants and desires and not case studies or objects of anthropological lust, as they were at one time.

The writer teaches literary and cultural studies at FLAME University, Pune



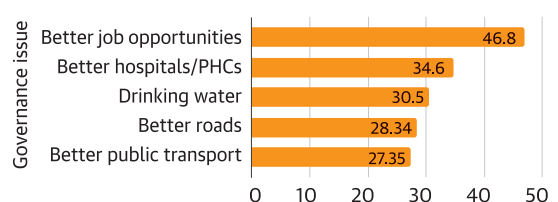
### DATA POINT

## Jobs on people's minds

A national survey of 2.73 lakh people across Lok Sabha constituencies found that getting better jobs was the top concern nationwide. Another recent, independent survey by Pew also came to the same conclusion. The other key concerns are access to better healthcare and drinking water. By Varun B. Krishnan

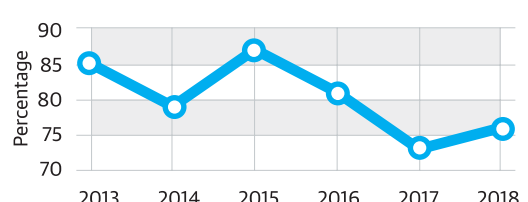
#### What do people worry about?

About 47% of respondents said getting better job opportunities was among their top five priorities. The graph shows the % of people who listed a particular issue as their top priority



#### Corroborating survey

According to another independent survey by Pew, 76% of Indians surveyed said that the lack of employment opportunities was a "very big problem" in 2018

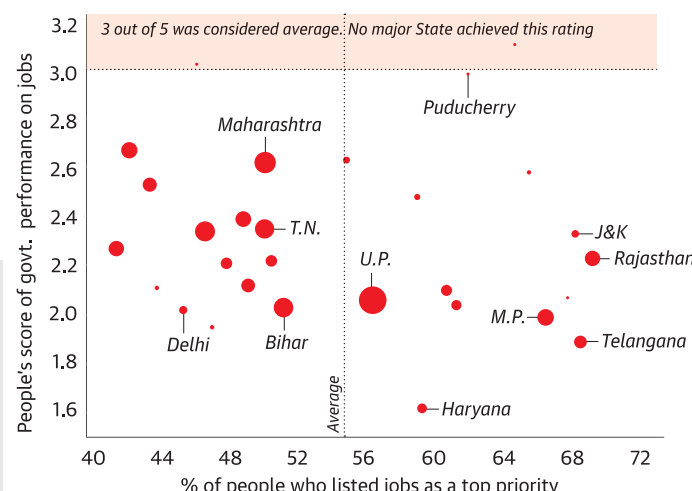


#### State-wise concerns

Getting better jobs was a big concern in the northern and central belt. People in these States also rated the current government as lowest on employment

#### A closer look

The size of each circle (●) represents the number of Lok Sabha seats in the State. The highest % of people who said jobs were a top priority were in Rajasthan, Telangana and J&K



#### Methodology

2.73 lakh voters were interviewed from 534 LS constituencies. 64.84% of the respondents were from rural areas. The survey was done between Oct. and Dec. 2018. Voters' priorities were recorded amongst 31 governance issues, and the performance of the govt. was rated by the respondents on those issues

### FROM The Hindu. ARCHIVES

FIFTY YEARS AGO MARCH 27, 1969

#### Nijalingappa not for Telangana

The Congress President, Mr. S. Nijalingappa, has expressed himself emphatically against a separate Telengana State and the proposal for regional autonomy. He was, however, in favour of Telengana receiving "very high attention and preferential treatment" for its economic development. Mr. Nijalingappa, who was talking to Pressmen to-day [March 26] at Begumpet airport, on his way to Bangalore from New Delhi, appealed to the people to call off the agitation, now that the Centre and the State Government were taking up the matter of strict implementation of Telengana safeguards.

A HUNDRED YEARS AGO MARCH 27, 1919.

#### How Nations Sleep.

What seems indispensable to one nation for a good sleep, another considers the surest means of driving away repose. Europeans require, as a rule, a soft pillow, while the Jap stretches himself on his mat and puts a square wooden block under his head upon which he rests quite comfortably. To the Chinaman his bed is a very important affair. It is low and often adorned with precious carvings, but it never occurs to him that anything could be more comfortable than pleated mats. While the people of northern countries cannot sleep unless they have sufficient space to stretch themselves at full length, the natives of the tropics are often satisfied with a hammock. The inhabitant of Russia Minor loves to sleep on his hot stove, from which on awakening half roasted in the morning he will immediately plunge into cold water so as to re-establish his physical equilibrium. The Lapp sprawls into a sack made of reindeer skins, while the Hindu, who likewise uses a sack, though an airy and light one, does so for the purpose of protecting himself against the mosquitoes.

### POLL CALL

#### Simultaneous elections

This refers to holding elections to the Lok Sabha and State Legislative Assemblies simultaneously, once in five years. Simultaneous elections used to be held in India until 1967. The practice was disrupted when some State Assemblies were dissolved prematurely. Recently, Prime Minister Narendra Modi called for a widespread debate on holding simultaneous elections again. While supporters of the idea argue that such polls would reduce election expenditure and provide governments more time for development work, opponents say that there is no guarantee that it will reduce election expenditure, and that it may relegate local issues to the background. Such a framework also does not provision for legislatures in which no party or coalition commands the confidence of the House.

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