

Elections and the affluent Indian

In this election season, is too much being made of the divisions in our polity? Let some recent reports do the talking



ACROSS THE BOARD

SHAILESH DOBHAL

First the good news. In a recent cross-country comparison on how people feel about political divisions — as positive and healthy for society or as divisive and therefore dangerous — India comes out as a net positive country along with Japan,

Australia and Canada. Over a third of the Indians (37 per cent) polled for the survey believe good comes out of difference in political views, higher than more robust democracies in US (23 per cent), France (24 per cent) and Sweden (35 per cent). Put it down to hope springing eternal in a relatively poor country!

Alas, the good news for India ends there in *A World Apart?*, a recent global report by market research firm Ipsos for the BBC Crossing Divides season. Look deeper and/or elsewhere, and it only gets gloomier. Though a majority (56 per cent) of the Indians in the Ipsos study say it is important to listen to people "different from myself", and a large proportion (42 per cent) feels comfortable to express their political opinions around people who do not necessarily agree with their views, the findings of

another study points to the gulf between talk and walk.

One in two affluent, English-speaking, highly educated Indians is afraid of voicing her political views online for fear of how friends, family, colleagues or acquaintances will view it. Again, over half (55 per cent) avoid sharing their political affiliations on the internet to stay clear of offending any "authority", according to a recent *India Digital News Report* by The Reuters Institute for Study of Journalism.

Before we move ahead, a caveat on both the Ipsos and Reuters reports is in order. The sample for both is skewed towards an English-speaking, male, big city, affluent audience and therefore not representative of the total Indian population.

Are things getting better or worse? A third of the Indians in the Ipsos

report believe that society is in danger because political divisions have gotten sharper in the last 20 years or so. And over half (53 per cent) say they feel more comfortable in groups of people "more similar to me". What's worrying here is that Indians' growing insularity is one of the highest in the world, just lower than one-party systems in China and Russia, or behind two other countries that are hardly the beacon of openness — Turkey and Hungary!

How do Indians view others who hold a different or opposing political view? Sadly, there is little respect for the "other" as a large proportion see people holding views different from theirs as not caring about the country's future (43 per cent) or simply as misled (48 per cent), according to the *A World Apart?* report. Around half say the "other" does not care about them and are inflexible, as they won't change their opinions come what may.

Indian netizens' reluctance to voice their opinion, as brought out by the Reuters report, is also borne out

by the Ipsos study. Almost two-thirds believe social media platforms like Facebook and Twitter are making conversations more divisive than they used to be, even though these platforms are also seen as empowering the voiceless and holding the powerful accountable.

Despite the negativity, another recent Ipsos March study, *What Worries the World*, gives the country some reason for cheer. Almost three-fourths (73 per cent) of the Indians believe the country is going in the right direction, just behind China and Saudi Arabia. In fact, India and Sweden were two countries with the "greatest month-on-month increase in positive sentiment of all 28 countries" surveyed by Ipsos.

And though it may sound counter-intuitive, given the noise around the recent complaint to and about the Election Commission, a Gallup poll shows that confidence in the honesty of India's elections remains high with a two-thirds expressing confidence, the highest that Gallup has recorded in the run-up to Indian elections, and a good 20 percentage points higher than the 2014 elections.

CHINESE WHISPERS

GoTbug

You are not the only one to be bitten by the *Game of Thrones* (GoT) bug. The Election Commission (EC) of India and Press Information Bureau (PIB) are piggybacking on the popularity of the HBO series to urge citizens to go out and vote. Around mid-day yesterday (April 15) the EC sent out a tweet "Is Coming" in an apparent reference to GoT's famous "Winter is Coming" tagline. The tweet urged users to don their "creativity caps" and guess what the tweet was about or wait for the reveal at 1 pm. The PIB tweeted three memes at the appointed time — two showcasing popular GoT characters, and a third resembling a poster similar to a GoT spoiler. "A very small man can cast a very large one," read the first message with an image of Tyrion Lannister. The second one with a picture of Hodor said, "Not all heroes hold weapons... some just vote." A third one simply said: "Festival of Democracy: Phase 2 to 7. Coming soon."

A village called 'Rafel'



Residents of a small hamlet in Chhattisgarh are in a quandary. The village has no direct or indirect connection with the now infamous "Rafale deal" but its inhabitants have become the butt of jokes for people in neighbouring villages and the many visitors. The reason? The name of this village is Rafel and it rhymes with Rafale, the twin-jet fighter aircraft from Dassault Rafale in the middle of a huge controversy this election season. Rafel residents are now demanding the name of the village be changed — some of them even joke that villagers will face an enquiry if the Congress comes to power.

Maneka's warning

Union minister and Bharatiya Janata Party Lok Sabha member Maneka Gandhi is smarting after her recent speech in Sultanpur — where she told minorities in her constituency that they should not knock on her door seeking help if they don't vote for her — went viral on social media drawing much criticism. On Monday, another clip of hers hit social media in which she can be heard castigating her party's IT cell for not defending her, and even threatening to disband it. In the video clip she points out this is only the beginning of the election campaign and there would be many more occasions when she will become a target of her political rivals. "So if you don't mend your ways, there is no use of an IT cell," Gandhi warned the team.

India among toughest markets for supercars

Manufacturers target small-town millionaires, evaluate private clubs

PAVAN LALL

On the face of it, sports car sales and growing markets appear as if they ought to go hand in hand when an economy rises. Italian manufacturer Ferrari built its model on a simple equation: Make one car less than the market wants but the industry today is faced with daunting realities such as electrification, automation and shared mobility, which is why Ferrari went public after almost 80 years in 2015. Ferrari which generates \$4 billion in revenue has a market cap of \$26 billion — jaw-dropping for a firm that sells barely 9,000 cars annually. Others in the same league that include Lamborghini and Porsche have also evolved by adding cutting edge tech, branching out into sport utility vehicles and increasing their production numbers.

In the subcontinent, however, it's a different tale. Lamborghini leads sales with 45 cars last year, followed by Ferrari with 22. Those sort of numbers even after both companies have been here for around a decade reflect a micro-fraction of their global sales of 5,800 and 9,000, respectively, making this one of the most challenging markets for sport cars. Even Dubai reports higher sales numbers.

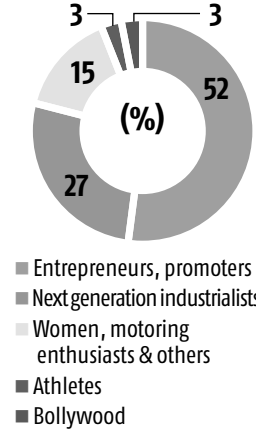
In part, despite its underlying aspirational consumer push, India remains a value conscious society that is uneasy with conspicuous spending. Sharad Agarwal, Lamborghini India's country head, says "Not a single CEO of a large listed company drives a super sports car." That's not because

they can't afford them but high prices are sore point. Mumbai-based Ferrari dealer Sharad Kachalia points to prohibitive duty structures as being half the problem.

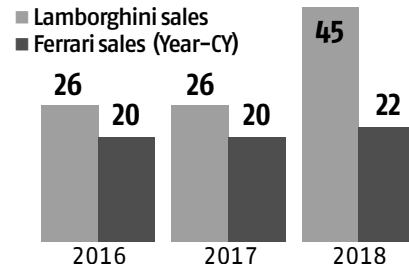
Customs duty for all luxury imports jumped from 193 per cent to 211 per cent in the last two years making cars already more expensive than anywhere else in the world even more so. Sports cars encompass multiple categories but the Italian-origin cars Ferraris, Lamborghinis, Bugattis, typify the top of the heap in terms of positioning, price and performance, boast V8, V10 and V12 engines and are priced between ₹3 crore and ₹5 crore and sometimes more if they are special editions. Price fluctuations irk customer who've paid in advance for a Lamborghini Huracan that costs ₹3.5 crore only to be told a couple months before its scheduled delivery that the price went up by Rs 35 lakh because of

new duties. Agarwal says. True-blue supercars, which include Aston Martin, Lamborghini, Ferrari, and some select models in the Porsche line-up, collectively will account for anywhere between 70 and 100 cars a year, which by all accounts is insignificant. According to Agarwal, the duties are higher in China but so are sales because the auto market there is almost seven times bigger than India's. The question is: Are they profitable? According to Ferdinand Dudenhöffer, professor of automotive economics at the University of Duisberg-Essen, in Germany premium and luxury cars are commonly considered to be profitable. "Big cars,

DRIVER DEMOGRAPHICS



SPEED LIMITS



Source: Companies, *Of the annual sales of the two cars

big profits" was a slogan of the industry 40 years ago but that can also go the other way.

His research indicates that Ferrari, for example, makes 25 per cent, or on average ₹69,000 profit on each car, but Tesla, also a glamorous badge, loses ₹11,000 per electric car. In India, inventory costs, rent of dealerships, staff salaries and tiny volumes would mean pressure on dealers' profit margins.

The solution? Gautam Singhania, Chairman of textile firm Raymond who owns both Ferraris and



TOP GEAR

States with high sales (%) *

Karnataka	20
Maharashtra	18
NCR/Delhi	11
Andhra Pradesh	10
Tamil Nadu	9
West Bengal	9

Lamborghinis, encourages fraternities. "Here, there's a need for dedicated sports car clubs for specific brands, and country heads ought to drive more activities and events for their respective brands," he says. He may have a point. There are at least 200 owners of each brand — Ferrari, and Lamborghini, sizeable enough for two separate clubs.

When car prices start at a quarter of a million dollars, the buyers are all millionaires and membership comes with benefits. "Being a member of these clubs gives you exclusive status

ON THE JOB

Corporate sector jobs slowdown



MAHESH VYAS

Employment by a big company is, perhaps, the best job a young educated aspirant would look forward to. Government jobs are preferred, in general, to private sector jobs. But the better educated usually prefer jobs in large private companies. Jobs offered by the large private sector companies are always in good demand.

In fact, it matters less whether the company is a public sector undertaking like, say, State Bank of India or Bharat Heavy Electricals or a private sector enterprise like, say, HDFC Bank or Tata Motors. Large companies are usually considered to be the best employers.

We take a look at how good have companies been in increasing their head count in recent years.

All Indian companies are not required to reveal the number of people they employ. Only listed companies are required to disclose this. Even this disclosure was made mandatory only in 2014-15. This is a good beginning and deserves to be extended to be applicable to all companies at the earliest.

A proxy for growth in headcount would be the growth in what the companies spend on compensation to employees. Growth in this would reflect a growth in the headcount and the

growth in wages paid. We find that this growth rate has been falling.

CMIE's Prowess database shows a steady fall in the rate of growth of compensation paid by companies to employees since 2013-14. The Prowess database includes performance information on a large sample of listed and unlisted companies of all sizes and industries.

Compensation to employees grew by 25 per cent in 2013-14. The growth rate halved to 12 per cent in 2014-15 and then fell further to 11 per cent in 2016-17. In 2017-18, the growth rate fell to 8.4 per cent. From this, it wouldn't be entirely wrong to infer that the corporate sector's appetite for new hiring has been declining quite sharply.

2017-18 saw the slowest growth in the past eight years, or since the year after the Lehman crisis of 2008 when the compensation to employees grew by only 7.7 per cent.

The Prowess database also shows that the corporate sector registered a fall in growth in fixed assets to 6.9 per cent in 2017-18. Growth of investments into the job-creating plant and machinery part of fixed assets was even lower at 5.9 per cent. Both were the lowest since 2004-05. Evidently, the two declines in growth rates — plant and machinery and wages go hand-in-hand. The lack of investments into fresh capacities is hurting growth in employment.

We see the same fall in investments in another dataset — capex and the same fall in employment in yet another dataset — the Consumer Pyramids Household Survey.

The evidence of falling growth in investments and employment during the recent past is therefore overwhelming.

Some of the growth in compensation to employees can be explained as a consequence of inflation and given that inflation has been much lower in recent years compared to the past, it would be good to cor-

rect the growth numbers for inflation. We do this using the consumer price index for recent years and the consumer price index for industrial workers for earlier years.

Now we see inflation-adjusted compensation to employees grow by only 4.6 per cent in 2017-18. This is lower than the already-low average growth of 5.5 per cent seen in the preceding three years.

The average real, that is, inflation-adjusted, compensation to employees grew at the rate of 5.3 per cent per annum in the four years between 2014-15 and 2017-18. The industry-wide distribution of this growth in inflation-adjusted compensation to employees show some sharp variations between major sectors.

The services sector has seen a very small growth in compensation to employees in 2017-18. Compared to the overall growth of 4.6 per cent, the services sector saw a growth of only 2.2 per cent. Within services, it was the telecommunications sector that saw a fall, of 3.6 per cent, in real compensation. This was the fifth consecutive year of fall in inflation-adjusted compensation to employees in this industry. Information technology companies saw a less-than 2 per cent growth in real wages. Air transport services was another dampener.

In contrast, financial markets showed a healthy 8.1 per cent growth in inflation-adjusted wages in 2017-18. Banks recorded a growth of 6.5 per cent and most non-banking financial services industries recorded double-digit growth rates. However, we know that the non-banking finance companies fell into problems in 2018-19.

The weak growth in real wages in the IT sector and the apparent implosion in the NBFCs are possibly symptomatic of the despondency over decent jobs in recent times.

The author is the MD & CEO of CMIE

LETTERS

Points of disagreement

I refer to the leading editorial "Output vs outcomes" (April 13), written by Mr T N Ninan. The distinction made by him between these two terminologies, output and outcome, is actually pedantic. It is not a philosophy book but a party manifesto. Output leads to outcome inevitably. To use the example of Mr Ninan, once a certain number of railway lines are electrified, automatically there will be impact on speed and volume of railway traffic. It does not have to be stated, nor can it be cardinally quantified in advance. The utilisation coefficient will vary over time. Similarly, the other example is the number of Jan Dhan accounts. He says that it is the output while the number of transactions is the outcome. I do not agree that it is any different. It is not necessary that there should be more transactions. I have made extensive enquiry with the rickshaw-walas in Delhi as I travel by rickshaw for short distances. Having an account is enough for them. They save about ₹1,000 per month and that, they say, they will spend for making a house in future or marry their daughter. Having the saving is enough for them as it is even for the middle class.

Next example is of highway construction. It is the output and the resulting outcome will follow in terms of facilitation of trade and industry automatically. One cannot calculate it. Again, if agriculture has moved from shortage to surplus, as admitted by the author, how can he say that it is a distress story? Food processing and diversification in a capitalistic economy is taken care of by the market forces. Producing surplus is the first step and the utilisation of the surplus is the second step. It will automatically follow, or may be with a helping hand by bank loan. It is certainly not a distress story but a success story.

Sukumar Mukhopadhyay via email

T N Ninan responds:

Sorry, Mr Mukhopadhyay, output does not lead to outcome "inevitably". Freight traffic has not increased "automatically". The figure for net tonne km has increased at a cumulative rate of less than 1 percentage point per year. Nor have average train speeds increased. Agriculture moving from shortage to surplus is a distress story because supply has overtaken demand, depressing agricultural prices. So increased output has led to lower incomes. Finally, an amateur sample survey of Delhi's rickshaw drivers must yield to the World Bank study which said last year that India leads the world in inactive bank accounts, at 48 per cent — twice the average for developing countries. The reason, said the Bank, is Jan Dhan accounts.

The UN's Sustainable Development Goals are not "a philosophy book" but a global manifesto adopted by the General Assembly. The focus is on outcomes, like No Poverty, Zero Hunger and Quality Education.

Being "pedantic" can be enlightening.

Make norms realistic

This refers to "Let's find a new way to deal with bad loans" (April 15) by Tamal Bandyopadhyay. The sluggish progress in the resolution of the big-ticket bad loans and the recovery of other medium- and small-sized bad

HAMBONE



loans need more effective measures to save the rising credit costs as well as to benefit the lenders from the loss arising out of the time value of the money. Reforms in the definitions of the prudential norms on income recognition and asset classification — which should inter alia be based on the capacities and time consumed by the various segments of the economy to generate revenue — are paramount to make the guidelines more realistic and applicable to the dynamic economy. The dependence of the banking sector on other sectors must reflect in the prudential norms.

VSK Pillai Kottayam

Letters can be mailed, faxed or e-mailed to: The Editor, Business Standard, Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi 110 002. Fax: (011) 2372-0201. E-mail: letters@bsmail.in. All letters must have a postal address and telephone number.

Happy tidings, but...

IMD's track record on monsoon forecast has been patchy

By predicting near-normal rainfall in the coming monsoon season, the India Meteorological Department (IMD) has opted to toe a line distinctly different from the other domestic and international weather forecasters, most of which foresee below-normal rainfall this year. The IMD expects the total rainfall in the 2019 monsoon season (June to September) to be 96 per cent of the long-period average. This is in contrast to the prediction of below normal (93 per cent) rainfall by the private weather agency, Skymet, and similar projections made by some foreign weather bureaus. The dissimilarity in outlook is due largely to the difference in the perception of the monsoon-inimical El Nino and its consequences for the south-west monsoon. While most weather watchers believe that this phenomenon, caused by the warming up of the equatorial Pacific Ocean, would last till August, even though it may start waning after May, the IMD feels that it may weaken around June and may not hurt the monsoon from July. However, all weather-gazers concur on the probability of sub-par rainfall in the initial period and, perhaps, even delayed onset of the monsoon due to the El Nino factor.

The truth that cannot be disregarded is that the long-range monsoon predictions, regardless of their source, are not too reliable. In four of the last five years (barring 2017), the preliminary prognoses of both the IMD and Skymet missed the mark. Both failed to foresee the back-to-back drought of 2014 and 2015. The surprising part is that though the IMD's short- to medium-term weather prediction capabilities have considerably improved thanks to the expansion of data-gathering infrastructure and induction of better computation facilities, the same is not true of its long-run monsoon forecasting skills.

Although the IMD has made it a point to assert that monsoon rainfall this year would be well-distributed and that it would be beneficial for the crops in the ensuing kharif season, this claim, too, seems to be premature. It also does not tally with Skymet's prognosis. The IMD normally talks about the spread of the rains over time and space in its updated forecasts issued when the rainy season is well underway. For agriculture, the spacing of rains matters more than the amount of precipitation. However, where the country's overall economy is concerned, the impact of the monsoon seems to be gradually moderating. The reasons for this are several. For one, the farm sector now accounts only for 14 to 15 per cent of gross domestic product (GDP). Even within the broad farm sector, the share of crop farming — which is affected directly by the monsoon's behaviour — is steadily shrinking. The share of agriculture's allied activities in agricultural GDP, especially gross value added (GVA), has outstripped that of crop farming. Besides, inflation, particularly food inflation, too, has been seen to remain stable despite the drought in 2014 and 2015 and below normal rainfall in the subsequent years, expect 2016. This apart, even the equity markets, which normally react sharply to the monsoon forecasts, tend to take it in their stride subsequently. Thus, it is yet premature to read too much into the IMD's monsoon prediction.

Vanishing decorum

Election campaign speeches are hitting a new low

India is bang in the midst of the Lok Sabha elections and the tradition of abusive language with communal overtones during campaigns continues. On Monday, the Election Commission prohibited Uttar Pradesh Chief Minister Yogi Adityanath and Bahujan Samaj Party (BSP) supremo Mayawati from election campaigning for 72 hours and 48 hours, respectively, for violating the Model Code of Conduct. Referring to Mr Adityanath's comments at a rally that "his Bajrangbali is mightier than Ali", the EC said the speech was "provocative", and the chief minister of a state should bear the responsibility of upholding secularism. Similarly, Ms Mayawati has been pulled up for an appeal she made to Muslim voters only. There are many other violators as well: BJP Member of Parliament Maneka Gandhi threatened Muslims to vote for her, or else they would regret it. Samajwadi Party leader Azam Khan made objectionable remarks against film actor and BJP candidate Jaya Prada, fighting the Lok Sabha polls from Rampur against him. Indeed, even the prime minister has been remiss by talking of "Hindu awakening". He also said that Rahul Gandhi had run away to Wayanad where "the majority is in a minority". At another speech, Mr Modi exhorted first-time voters to dedicate their ballot to those who died in the Pulwama terrorist attack and those who took part in the Balakot offensive against Pakistan.

Politicians across party lines are guilty of using objectionable language with alarming regularity while on the campaign trail. On Monday, the Supreme Court (SC) sought an explanation from Congress President Rahul Gandhi for his alleged contemptuous remarks on the recent Rafale verdict. While filing his nomination papers from the Amethi Lok Sabha constituency, Mr Gandhi had referred to the SC ruling on the Rafale aircraft purchase and said: "Now the SC has made it clear that 'chowkidarji' (watchman/referring to the prime minister) has committed a theft." In response, Bharatiya Janata Party MP Meenakshi Lekhi moved the SC, seeking contempt action against Mr Gandhi for misrepresenting the SC's remarks. On Monday, the SC said the views or representation attributed to the court in the alleged address made by the respondent (Mr Gandhi) to the media and public at large had been incorrectly attributed to the court. The court said it did not make any such comment during the hearing. Of course, misrepresentation is in itself a serious breach. What is equally worrying is the poor choice of words used repeatedly by the Congress president against the prime minister in this regard.

Lok Sabha elections are the time when the whole country expects to hear from its leaders their vision for the nation. It is a great opportunity for those in government to showcase their achievements, and for the Opposition to elaborate on why they might be better suited to come to power. Political leaders are squandering this opportunity and resorting to dog-whistle politics that seeks to appeal to the baser emotions. What is worse is that the EC has fallen short of arresting this trend and admitted before the Supreme Court that it is "toothless". It is sad that the court had to remind the EC that it was duty-bound to take action and cannot "sleep over" such issues. Hopefully, things will change as Chief Justice Ranjan Gogoi agreed to examine the poll panel's contention that it has limited legal powers to deal with hate speeches by politicians during electioneering.

ILLUSTRATION: AJAY MOHANTY



Indians and their unhappiness

Indians are deeply unhappy on a global lineup and getting unhappier

Indians have emerged as one of the unhappiest peoples on earth in the UN's 2019 annual Happiness Report. And their unhappiness has been worsening in recent years. This comes on top of the distressing record on poverty and income distribution (my columns dated October 17, 2017, October 16, 2018, November 13, 2018, January 16, 2019, February 20, 2019, among others). Even aspects that as Indians we have had confidence in, such as strong social/family support, come out poorly in the happiness rankings. The Report has to be perused with a fine-toothed comb. Comprising 156 countries, the range of findings is wide and deep, putting together data from 2005. Space allows me to merely take a quick dip with India as the primary focus.

The reader may take umbrage with the happiness concept as I originally did. But I found the wider literature to possess content which held my attention. I shall address that discussion on another occasion and confine myself here to selected quantitative indicators.

A sample of individuals (find sample sizes in Report Chapter 2A, Appendix 1, Table 1) is taken every year in each country and they are asked to score their happiness on a 1-10 scale. The variation in country scores is then attempted to be explained statistically with six variables comprising social support, freedom, absence of corruption, generosity, per-capita GDP and life expectancy. The first four variables are measured through binary (yes/no) responses to questions such as: Do you have relatives you can count on whenever you need them? Are you satisfied with the freedom to

choose what you do with your life? Is corruption widespread in government? And have you donated money last month? Per capita GDP is in PPP \$ terms. Life expectancy weights itself with disability to reflect a "healthy" life picture. Obviously the six variables cannot explain the reported happiness score fully — for surely other aspects of life also affect happiness — but they come close. I shall refrain from further finer details of the estimation process.

Table 1 ranks selected countries pertinent to India for happiness and its underlying factors. Note that the 2019 reported information reflects 2016-18 average data (a procedure common to every annual report). Examining India first, it ranks itself at 140 in happiness out of 156 countries or at the bottom 90th percentile. So India is at the bottom 10 per cent of all countries in unhappiness. In terms of its components, it is even worse for social support, which appears to be the driving force. India is just at the 50 per cent

rank for corruption, and at the bottom 58 per cent for generosity. It ranks better for freedom, being within the top 27 per cent. It is not surprising that it is at the bottom 25 per cent for per-capita GDP and longevity.

Second, India's unhappiness is considerably worse in the ranking than other countries of South Asia and China, and South Africa, and far worse than Latin America. A revelation comprises the closest countries to India's unhappiness — slightly happier Zambia and Togo, and slightly unhappier Liberia and Comoros.

Table 2 moves from ranking the countries on their



PARTHASARATHI SHOME

Making China's tax cuts fiscally sustainable

China is about to slash the employer contribution rate to the social-security fund from 18-20 per cent (with some variation across regions) to 16 per cent, and cut the value-added tax (VAT) rate from 16 per cent to 13 per cent (for most enterprises). This is on top of a previously announced reduction in the corporate income tax charged on the first CNY3 million (\$447,000) of taxable income. These policy moves are timely and useful in combating the downward pressure on economic growth, but they also raise the risk of a future debt crisis.

The loss of government revenue will not be entirely proportional to these rate reductions, as the government can also tighten enforcement to reduce tax evasion. Still, the government expects the tax reform package to lead to a substantial reduction in revenue of some CNY2 trillion, or about 2.1 per cent of GDP, this year alone. The policy package would likely raise the central government's fiscal deficit from 2.8 per cent of GDP to about 5 per cent, and increase central-government debt from about 47 per cent of GDP to perhaps 70 per cent over the medium term. Add to that the liabilities implicit in closing the funding gap in the social security system, as well as massive local-government debts, and overall public debt could grow much larger, potentially exceeding 150 per cent of GDP in a few years.

International experience from developing countries shows that large and growing government debt is unsustainable and often leads to a major economic crisis down the road. To avoid such an outcome, China can consider three additional reforms.

First, the authorities should make the VAT reduction temporary, announcing that the 2018 rate will be restored in 2021 (with a possible extension, if the economy is still not meeting its growth potential). A temporary cut would not only put less pressure on the long-run value of government debt; it would actually

boost growth more powerfully than a permanent cut of the same magnitude, because households and firms would have an incentive to spend and invest sooner.

Second, China should replace administrative restrictions on greenhouse-gas emissions and other pollution with new taxes. The scope for doing so is large, given that China is the world's largest polluter and CO2 emitter on an annual basis. (In cumulative emissions, the United States remains in the lead.) And public demand for environmentally friendly policies is growing stronger.

While China has a modest tradable-permit programme for certain pollutants, most of the control takes the form of administrative restrictions targeting certain activities by certain firms. While such restrictions reduce emissions by raising the costs for firms, as a tax would, they generate no revenue for the government. They can also undermine efficiency, by creating disparities in marginal production costs among producers in similar industries.

A better approach would replace most or all administrative restrictions with taxes on emissions and pollution — the two are not the same, as some pollution does not involve greenhouse-gas emissions — and broaden the coverage to other offending activities not currently restricted. This includes ramping up the tradable-permit programme by lowering the threshold beyond which firms have to pay, and eliminating exemptions from permits for firms or industries. Such actions would not only boost fiscal sustainability — the additional revenues could total 2 per cent of GDP — but also improve the efficiency of overall resource allocation.

Finally, China can lower government spending (in the medium term) by streamlining its vast administrative hierarchy. In recent decades, many of the largest global companies have taken advantage of new technologies to reduce the number of employee layers, from top executives to factory workers, thereby reduc-



SHANG-JIN WEI

TABLE 1: RANKING HAPPINESS AND COMPONENTS, 2019

Country*	Happiness	Social support	Freedom	Corruption	Generosity	Longevity	GDP per capita
Finland	1	2	5	4	47	27	22
Brazil	32	43	84	71	108	72	70
China	93	108	31	--	133	34	68
Bhutan	95	68	59	25	13	104	95
Nepal	100	87	67	65	46	95	127
South Africa	106	63	85	102	89	123	77
Bangladesh	125	126	27	36	107	90	119
Sri Lanka	130	80	55	111	35	54	79
India	140	142	41	73	65	105	103

*Number of countries varies between 155 and 158 over different annual reports. Source: World Happiness Report, 2015 & 2019, United Nations.

TABLE 2: CHANGE IN HAPPINESS

Country	Happiness score (2019)*	Change in happiness score (2015-19)**
Finland	7.77	0.36
Brazil	6.30	-0.68
China	5.19	0.05
Bhutan	5.08	-0.17
Nepal	4.91	0.40
South Africa	4.72	0.08
Bangladesh	4.46	-0.24
Sri Lanka	4.37	0.09
India	4.02	-0.55

*2019 Report presents happiness score as average over 2016-18. **Each entry shows the difference in average scores reported in 2015 and 2019 reports (that is between 2012-14 and 2016-18 average data).

TABLE 3: INDIA: HAPPINESS RANKINGS AND SCORES, 2013-19

Year of report	Happiness rank	Happiness score (1-10)*
2013	111	4.77
2015	117	4.57
2016	118	4.51
2017	122	4.32
2018	133	4.19
2019	140	4.02

Note: No report was issued in 2014. *In 2019 report, happiest was Finland at 7.77 and least happy was South Sudan at 2.85.

self-declared scale as described above to ranking their statistically derived happiness scores. Again India comes out at the bottom in South Asia in the 2019 report (average of 2016-18 data). Table 2 also shows change in the happiness score over 2015-19; again, India's score deteriorated the most in South Asia. An examination of Table 3 further reveals there has been a steady deterioration in Indians' happiness scores in recent years.

Over the month, almost a crore of India's population will vote but will their elected representatives alleviate their worsening state of unhappiness?

China's government, by contrast, has retained the same six-layer administrative structure — starting with the central government, and moving down through provinces, prefectures, counties, townships, and villages — since the founding of the People's Republic 70 years ago. This vast administrative apparatus employs over 14 million civil servants, and millions more who work for government agencies but do not fall under that classification.

China is already a global leader in e-commerce and digital payment; it has all the physical infrastructure to become a leader in e-governance. Using digital technologies, the country could eliminate one or two layers of its administrative apparatus. This would reduce overall government spending, while improving the delivery of government services. It would also help reduce corruption.

One concern may be that downsizing government employment would exacerbate the effects of slowing economic growth. But the cuts need not be abrupt. A longer-term attrition plan could be put in place that takes advantage of retirement and normal resignations to reduce the overall size of the government over time. Additional voluntary separations could be encouraged by modest inducements to subsidise job searches. In this manner, the government could be made 15-20 per cent smaller — and considerably more efficient — within, say, eight years.

China's latest tax cuts serve an important purpose — to combat downward pressure on economic growth. The risk of a future debt crisis should be addressed by a few complementary actions — making the VAT rate cut temporary, broadening taxes on greenhouse-gas emissions and other pollution, and downsizing the government. These reforms would make China more efficient and prosperous.

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Mysteries of mystery writing



KITABKHANA

T C A SRINIVASA-RAGHAVAN

One of the nicest things that happens in life is the unexpected discovery of a new author who has not been hyped by reviewers and LitFests. It doesn't happen often but enough times to keep one in a state of pleasant anticipation. I have

been lucky in this regard because I have come across one every few years.

I discovered another such writer three weeks ago. Her name is Sujata Massey and I found her book, called *Murder on Malabar Hill*. It was earlier published under a different title.

It had come to my sister, actually. She edits a semi-academic journal called *The Book Review* which doesn't review fiction. I frequently forage there and occasionally strike what Americans call pay dirt.

Ms Massey's book was at the very top of a huge pile of discards. I read the first page and was immediately hooked because, well, if there's one thing I can do quite well by now is to detect class writing when I see it.

Ms Massey, Google told me, was born

in England and has been living in those parts ever since. But she has written this book about early 20th century Bombay, now Mumbai. It reminds me of Kiran Doshi's *Jinnah Often Came to Our House* another under-rated book by a class writer.

I had had a similar pleasant experience some years ago when my son introduced me to a writer called Shamini Singh, a woman of Indian, Sikh descent who lives in Singapore or used to. She has created a character called Inspector Singh of the Singapore police. Her sardonic style is superb and the skirmishes between Mrs Singh and her husband genuinely Indian.

Bombay and its minor parts

It's not just about Bombay. The main characters are from two minority com-

munities — Parsis and Muslims. The leading character is a young Parsi woman called Parveen Mistry, India's first female solicitor who starts to solve a murder mystery involving the Muslim family that was a client of her father's law firm.

But the mystery alone is not the chief attraction of the book. It is also the writing, which is calm and unhurried and the attention to details. The story just moves along quietly like a Chinese meal of dozens of courses till you suddenly realise that you have reached the end.

Sometimes, though, you wonder which the main aspect is or should be — the mystery or the description of how Parsis and Muslims lived in Bombay in the first quarter of the 20th century. This is where the little details enrich

the book and make it a marvellous read. So it is good to know that the second Parveen mystery is due in May.

It will be interesting to find out how Ms Massey, who has won many awards, evolved as a writer of crime fiction. She made her name writing a series of mysteries where the detector, if not detective, is a Japanese-American woman called Rei Shimura. I have yet to read those but I shall.

Pale shadows

After reading these two writers it is hard not to wonder about a few other foreigners who have created Indian detectives. The first, at least as far as I know, was HRF Keating with his Inspector Ghote series.

There are two other foreigners whose crime mystery books I have read. Neither is particularly good, possibly

because of the inability to suppress the patronising tone. Keating also had that difficulty.

To these three writers Indians are somehow slightly ludicrous figures who, so to speak, talk in sing-song voices and shake their heads when they want to say yes. So while those books are good for a very quick afternoon or late night read, the quality of writing is just so-so.

For me, that is a major shortcoming in any book. It's like listening to music that isn't done well and therefore lacking.

That said, I am not a great fan of Indians who write crime thrillers. Their numbers are growing. I have done my best to read them but always given up after about 50 pages. Again, the reason is the same — very indifferent writing.

Which brings me to the main question: What do people look for in crime mysteries? A good story, never mind the bad writing? Or good writing, never mind the insipid mystery?

You can take your pick.