Dilemma of the superb CEO

If a CEO insists that executives walk away from the company upon retirement, then that CEO should also practice what he or she preaches

THE WISE LEADER

R GOPALAKRISHNAN

A superb CEO retires from executive position and becomes a non-executive chairman (NEC) of the same company. Is it a good idea or a bad one? Opinions are probably loaded on both sides of the argument, and there is no yes or no answer. It depends on the circumstances and the precautionary processes; while there are examples of success, examples of failure are vastly more. When a superb CEO is appointed as the NEC of the same company, behaviours change.

Why should the superb CEO at all be associated with the company after completing executive tenure? There may be two reasons: First, providing mentoring to the incoming CEO, and, second, to exercise ownership control. These are different contexts and are examined here separately.

Mentoring

The wonderful film, *About Schmidt*, brings out poignantly the universal human desire to hang around, ostensibly to mentor. It is highly undesirable for the superb CEO of a professional company to continue as NEC. Why?

The successor can always seek advice, but it should be his or her call; why does mentoring require a statutory position? Why should mentoring care be made available through a position only on the CEO's successor, why not to the successor of the retiring national sales manager or factory manager? In that case, the company will abound with retirees as mentors to their successor, clearly undesirable. If a CEO insists that executives walk away from the company upon retirement, then that CEO should practice what he or she insists others should do as practiced in HUL, Glaxo, Castrol and other MNCs.

If the new person has not been groomed by the superb CEO till his retirement, then it is the CEO's gross failure, and indeed of the whole board. They should collectively be rapped on the knuckles for failing. India's private sector banks have been culpable in this regard because successful CEOs behave as though their party will never end. It is good to remember that the prospect of a non-executive chairmanship alters the behaviour of the current CEO, who is anyway prone to accept the egregious view of flatterers, that he or she is difficult to replace.

Many a superb CEO argue that the potential successor requires "another two years to be ready" as though the company is trying to bake a cake! Heaven knows where this two-year magical number comes from, but I have noticed that it is the same in many companies. Independent directors should call the bluff by insisting that, if essential for the superb CEO to continue as an NEC, the NEC role should be for no more than two years. See what hell breaks out!

As I have written through past cases in my book, *CRASH: lessons from the rise and exit of CEOs*, some successors may well have benefitted if their predecessors had not been around — John Walter at AT&T, Michael Ovitz at Disney, Richard Thoman at Xerox, and Ramesh Sarin at Voltas.

Ownership control

This is a different context from the first case. An MNC may wish to exercise its ownership control by appointing an outgoing CEO as chairman, while a new appointee settles down and earns his or her laurels. In a family business, the major shareholder may well wish to leave the hustle-bustle of company management to an executive, but retain control of the board. Both are understandable, but require some discipline in execution.

There should be a formal board-level exercise on who does what to determine the line of control (LoC) between the incoming CEO and the former CEO, now the NEC. Further, the independent directors should hold the NEC and the CEO accountable if the LoC is breached. I am aware of one listed company that has creditably drawn the LoC: Harsh Mariwala as non-executive chairman of Marico Limited. There may be more, but I hope there will be many more in the future.

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CHINESE WHISPERS

Puzzle of farm waiver

In Madhya Pradesh, the issue of farm loan waiver is taking a new turn every day. On Wednesday, Congress President Rahul Gandhi *(pictured)* at a public rally announced the names of some of the beneficiaries of the state government's farm loan waiver scheme. Two names were highlighted. One was that of former chief minister Shivraj Singh Chouhan's brother and the other his uncle's son. Gandhi said Chouhan's brother Rohit Singh and his uncle's son Niranjan Singh had also availed of the loan waiver scheme. However, on Thursday Chouhan hit back at the Congress, saying that no member of his family had filled up the form requesting a loan waiver.

Too filmy for politics

Film actors and actresses have added a lot of glamour to election campaigning even when they are not the candidates themselves. But sometimes things can go a little too far. Suresh Gopi, once a super star in Malayalam films and a Bharatiya Janata Party candidate from Thrissur, found himself being trolled mercilessly on social media for his "filmy" mannerisms during his election campaigns. In one of his speeches in Thrissur, imitating a style that solidified his position as a bankable star in the Malayalam film industry, he said, "I want this Thrissur. I am taking this Thrissur". Apart from online criticism, he has also been harangued on the phone, with some callers asking him to leave some land free to bury the dead.

Tagore song in Gujarati

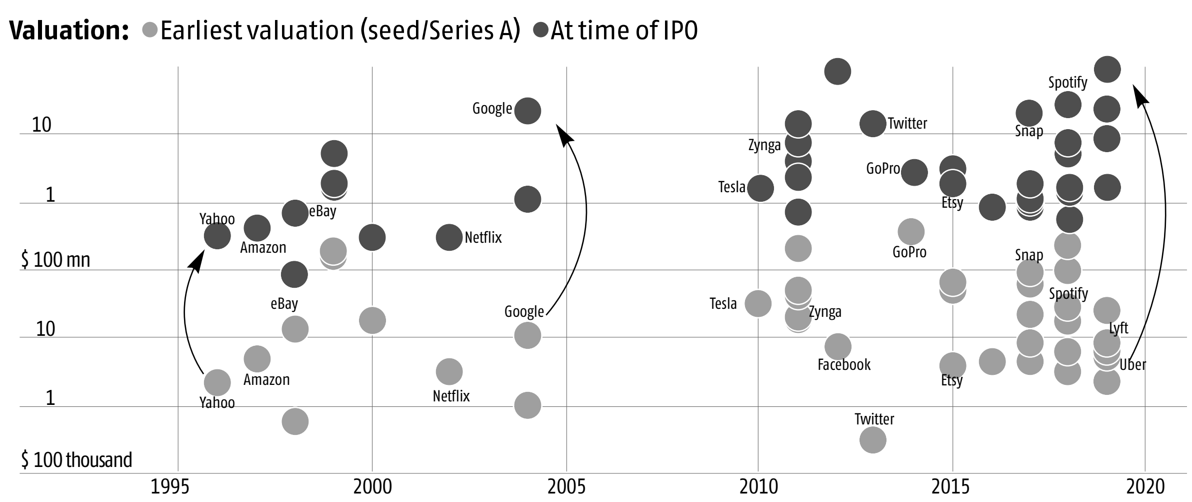
A Trinamool lawmaker found a novel way to strike a chord with Kolkata's Gujarati voters. While campaigning for his party's candidate in Bhawanipore, which falls under the Kolkata South Lok Sabha seat, Ashim Kumar Basu broke into a Tagore song, in Gujarati, before the crowd. He chose the right day, May 9, when Rabindra Jayanti is celebrated to commemorate the birth anniversary of Rabindranath Tagore. The Kolkata South seat is a Trinamool stronghold; it voted for Mamata Banerjee's *(pictured)* party in every election since 1998.

Today's tech IPOs differ from dot-com boom

Many of these companies, including Uber, are going public to provide their founders, early investors and employees an opportunity to cash in at rich valuations

KARL RUSSELL & STEPHEN GROCER

START-UPS GOING PUBLIC HAVE BUILT BIG BUSINESSES AS PRIVATE COMPANIES



Note: Vertical scale is adjusted to orders of magnitude, making percentage differences comparable. •Sources: Dealogic; EquityZen

When Uber begins trading on Friday, it will cap one of the largest ever tech IPOs and join a crowd of big-name start-ups making their stock market debuts this year.

Not since the dot-com boom have so many richly valued tech companies gone public in such short succession: Lyft and Pinterest are now trading shares, and soon Slack, WeWork and Palantir are expected to follow.

But this crop of tech companies is markedly different from those that came up during the late 1990s.

Many rode the rise of mobile connectivity and cloud computing in the last decade to multibillion-dollar valuations. They are more mature, having spent years as private companies building their businesses. But a number remain deeply unprofitable, and the time they spent in the private markets, increasing in size and value, has ultimately raised questions about where they go from here.

When Netscape, Yahoo and Theglobe.com, a now-defunct online network of "virtual communities," went public in the late 1990s, none had been around for more than three years. When Lyft began trading on the Nasdaq in late March, it had been in business for about seven, and it was young compared with others. Uber, PagerDuty and Pinterest have all been operating for at least a decade.

There are a number of explanations why companies are staying private for longer. Some point to increased regulation of public companies. Others note how record-low interest rates after the financial crisis pumped investors into private markets, increasing the amount of money available for funding rounds.

But by relying on venture capitalists and other investors to finance their operations, start-ups have had more runway to figure out sustainable business models while avoiding the public eye.

Not surprisingly, the start-ups in this IPO wave are more valuable.

The average stock market valuation of the companies going public this year is $9.6 billion, according to CB Insights, a company that tracks start-ups. Their combined value could exceed $150 billion by year's end.

Lyft, which raised about $5 billion, went public with a valuation above $20 billion. Investors handed Uber even more — about $15 billion in all — and the company expects to be valued around $86 billion when it prices its public offering on Thursday.

Amazon and Yahoo, by contrast, were worth less than $500 million at the time of their IPOs.

Investors have long made bets on companies that promise to revolutionise how people shop, travel and consume media. Two decades ago, many ignored the relative youth and financial outlook of the start-ups they were backing. For some, the bets paid off: Amazon, eBay and Google trace their roots to the dot-com boom. But the period also produced a number of high-profile flops like Webvan and Pets.com.

Unlike those busts, highly valued tech companies today are more established, and many of them are drawing billions in revenue. Still, not all seem like sure bets.

Sales growth for several of the start-ups appears to be slowing. Last year, for example, Uber's revenue rose 42 per cent from the year before; in 2017, revenue more than doubled from 2016.

By comparison, Netscape, Amazon, eBay and Yahoo combined generated less than $100 million in revenue when they went public. But they were on the upswing, and in the three years after their IPOs, their revenues surged by more than 10 times.

Slowing revenue growth doesn't necessarily mean investors who buy in at the IPO price will miss out on big gains. Some investors worried about Facebook's slowing revenue growth when it went public in May 2012. But three years after the debut, its revenue had tripled and its share price had more than doubled.

But the slowing growth of this new generation has raised questions about whether some of them will become profitable soon.

Being unprofitable is hardly a new phenomenon. Start-ups have often lost money as they go public, but the losses by some in the current group are particularly steep. Lyft lost nearly $1 billion last year, among the largest by a company in the year before it went public. And Lyft's loss is not the largest of those planning IPOs. WeWork lost $1.9 billion last year, and Uber lost $1.1 billion in the first quarter alone.

Today, regardless of their profitability and with less need to raise cash, many of these companies are going public largely to provide their founders, early investors and employees an opportunity to cash in at what are already very rich valuations.

Those shareholders who got in early stand to reap a windfall. Whether further big gains will continue to materialize for those buying shares in the public markets remains a question.

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INSIGHT

Kra and caution

NITIN PAI

Five years ago, Wang Jing, a tycoon with close links to the Chinese government and Daniel Ortega, Nicaragua's president announced a $50 billion plan to cut a 278-km long canal in the Central American isthmus (see *"The New Cuba?" Business Standard*, November 2014). Despite the scale of environmental damage it would cause, Ortega's government quickly cleared the decks for the project, and counted on China's reputation for rapid execution of big infrastructure projects to have the canal ready by 2020.

Well, not much sand has been dug out of the ground. On the other hand, Wang's infrastructure company quietly moved out of its glamorous office in Hong Kong's tallest skyscraper last year, without even leaving a forwarding address. The Nicaraguan government ran out of money in 2017 after a political crisis in Venezuela, its long time aid provider, closed the tap. Ortega cut social security payments, triggering nationwide protests. A brutal crackdown put down the "Tropical Spring", but Nicaragua now finds itself in the doghouse after the United States imposed sanctions on the Ortega regime. Ironically, the only respite came from Taiwan — in the form of a $100 million loan and port call by a Taiwanese warship — because Nicaragua is among the few countries that still recognise it as the real China.

The Nicaraguan canal project, however, is dead. In the meantime, China and Panama are getting along famously after the latter ditched Taiwan for Beijing in 2017. An unspecified amount of "non-reimbursable aid" was announced during Xi Jinping's visit in December 2018, and Chinese firms are now building a port, a bridge and a convention centre in Panama. Like many other Caribbean and Central American countries, Panama has found Chinese presence and assistance a useful hedge against US dominance.

Was the Nicaraguan canal project a stratagem to win Panama over? It is hard to be sure. Note that Wang's venture with Ortega was opaque. He is now in financial trouble, but certainly has connections to the Chinese government. In recent years, he has tried to buy a port in Crimea, a satellite company in Israel and a key manufacturer of aircraft engines in the Ukraine. Beijing, however, can plausibly claim that he is a private entrepreneur and his projects are his own. Still, the prospect of a China-supported competitor in Nicaragua would have weighed on the minds of the Panamanian authorities, contributing to their decision to switch to Beijing's side.

The question closer to home is whether a similar game is afoot in Thailand, where there is renewed interest in building a canal somewhere near the Isthmus of Kra, creating a direct passage between the Andaman Sea and the South China Sea. Like the Nicaraguan canal, the Thai canal is an alternative to an existing route that is congested, and which China does not control.

The economic case for the Thai canal is at best marginal — the route makes sense only for the largest ships on long haul voyages, when fuel prices are high, if transit fees are low and if the Straits of Malacca are congested. The Thai proponents like it because the canal project will be accompanied by special economic zones that will boost their economy. As in the case of the Nicaraguan project, the Chinese investor is a 'private' firm. It will invest over $28 billion over ten years and bring in 30,000 Chinese workers. The project is entirely dependent on China's willingness and ability to sink tens of billions of dollars into the project.

While such a canal would have dealt a severe blow to the Singapore economy five decades ago, it will, at worst, merely shave off some of its market share in ports and maritime sector today. Malaysia's ports might lose a bigger share, but the Thai canal is no longer an existential threat to the two economies. Indeed, if the sovereign wealth funds of the two countries acquire stakes in the Thai Canal, they will be able to offset some of the losses from the lost marine traffic. Yet, to the extent that Singapore and Malaysia would want to avoid the competition they, like Panama, will be ready to please China. Beijing can squeeze concessions from Singapore and Malaysia instead of building the canal.

What would a Thai Canal mean for India? From an economic perspective, having an alternate route — even one managed by Chinese operators — to the Pacific Ocean is a good thing.

The main concerns are geopolitical and strategic. Chinese firms will have a vantage point in the Bay of Bengal and the PLA Navy will have a faster, friendlier route into the Indian Ocean. However, India is suitably placed, literally, to address these concerns by making appropriate investments in the Andamans and in our naval force structure. Given the convergence of interests, Singapore and even Malaysia will be even more interested in engaging us. Similarly, the United States, Japan and Australia will have stronger reasons to co-operate with us in the Bay of Bengal region.

Ultimately, the canal project cannot move forward until Thai politics gains stability. That will take some time. Furthermore, after observing what happened to Ortega and Nicaragua, Thailand's political leaders are bound to be more careful than enthusiastic.

So should we be worried? Only to the extent that we fail to make use of the opportunities that have arisen.

LETTERS

Never too late

This refers to the edit "Justice denied" (May 9). The way the chief justice of India (CJI) Ranjan Gogoi *(pictured)* and the Supreme Court (SC) have decided on the complaint of sexual harassment against the CJI might lead to unintended consequences. The procedure followed was substantially against the principles of natural justice. It would affect the institutional reputation of the SC, as the last hope of the aggrieved, seeking fair play and equitable justice. Besides, the reputation of the CJI himself as a man of impeccable character in personal and professional dealings might not be salvaged by the decision to keep the report under wraps. It could lead to speculative conclusion in favour of the complainant, the perception being "a staffer would not have complained against the CJI using a frivolous case and there must be some indication of misdemeanour in the report".

This was an unprecedented case requiring a precedent-setting approach to prove an institution's objectivity. The CJI could have asked for the constitution of a complaints committee in which one member could have been chosen with the consent of the complainant. It can be done even now.

Y G Chouksey Pune

Accept and move on

This refers to "Justice denied" (May 9). Allow me to differ with your reasoning. I strongly suspect that we are falling into the trap of always assuming that if the complainant in an alleged sexual harassment case is a woman, she must be right. Let's not forget that the committee that reviewed the complaint consisted of three eminent sitting judges of the country's highest court. A mere technicality that the panel did not pass the "transparency" test is a stretch and questions the integrity of the judges. They may have a "reporting relationship" with the CJI but that doesn't mean they won't apply their mind and arrive at a fair decision.

There's a clear possibility that the complaint is motivated; perhaps influenced by external factors. So why don't we accept the panel's decision gracefully and move on. That's the least we can do to maintain the sanctity of the apex court.

Krishan Kalra Gurugram

Needed: Consistent data

This refers to the editorial "More questions on GDP" (May 9). Data pertaining to various segments of the economy are key deciding factors in arriving at the performance of the economy. The data must be reliable but the authorities concerned are not ensuring that it is. It is not an uncommon practice to change crucial data according to the need and requirements of the government in power for ensuring political mileage. The inconsistent official data relating to the economy is negatively impacting the capital market and the inflow or the outflow of external funds. It is also shattering the confidence of investors. It is adversely affecting the market capitalisation of India Inc leading to the erosion of wealth of the investors. Faulty data will lead to erroneous conclusions and will adversely affect the end results.

The institutions that are responsible for publishing the statistical data must be free from the influence and intervention of the government. Correct, consistent and reliable data is extremely important to exhibit the real position of the different sectors of the economy. As such, people responsible for mining the data should be held accountable if thy publish erroneous data.

V S K Pillai Kottayam

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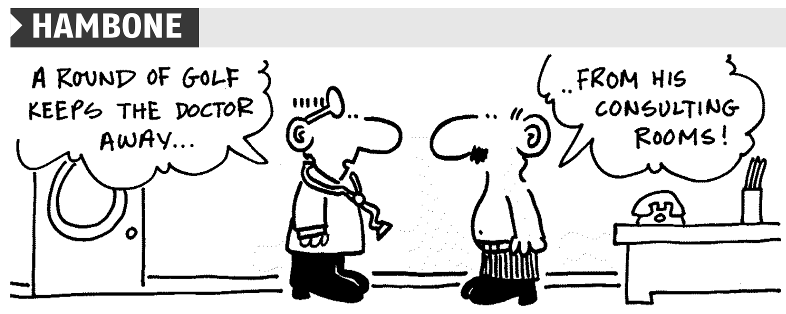
HAMBONE



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Unreal rate

EPFO financing of high payouts can't remain opaque

The Union finance ministry and the labour and employment ministry are at loggerheads yet again on matters related to the finances of the Employees' Provident Fund Organisation (EPFO). The EPFO is one of the world's largest social security organisations, having over 170 million accounts and over 60 million active members. In February this year, the EPFO's apex decision-making body — its Central Board of Trustees — decided that for 2018-19, the EPFO would raise the interest rate to 8.65 per cent — up from 8.55 per cent in 2017-18. This is higher than the returns of other pension products such as the Public Provident Fund. But the finance ministry has now questioned the EPFO about the true status of the surplus funds available in the kitty. To be sure, any decision on the interest rate has a direct bearing on the surplus. For instance, it has been reported that, at 8.65 per cent, the estimated surplus will be ₹152 crore, but if the EPFO leaves its interest rate unchanged at 8.55 per cent, the surplus will be considerably more — ₹771 crore.

The finance ministry is also worried about the true state of EPFO finances. Last week, it asked the labour ministry whether the EPFO had enough funds to pay the higher interest rate for 2018-19. The question that has been raised is why the "surplus" (after payout of the EPF interest rate for previous years) has been shown only in the EPFO's "estimates" and not in the "actuals". Complicating matters further is the EPFO's exposure to firms and investments that could turn bad. One instance of this is the exposure to the securities of Infrastructure Leasing & Financial Services (IL&FS). According to the 57th report of the Standing Committee on Labour, submitted to Parliament in February, the EPFO's investment in IL&FS was estimated at ₹575 crore. At that time, the Standing Committee had alerted the labour ministry that if these investments turned bad, the EPFO's beneficiaries (the formal sector workers) would lose out. The fact is that if the losses can't be covered by the EPFO's surplus, the finance ministry would have to step in and make up for the loss.

Thus, the finance ministry is justified in asking the labour ministry for clarifications, and the EPFO must respond. But the larger issue is whether the EPFO can keep paying a rate that is out of sync with the markets and is unsustainable. The way in which the EPFO financed its high payouts in the past has been opaque, bearing little relation to its earnings. This cannot continue. The second issue is whether the EPFO has the managerial acumen to manage such a large pool of money. While almost half the EPFO funds are invested in securities of the Central and state governments, which are relatively safe if held till maturity, the balance is deployed in debt issuances of banks, financial institutions and companies, with a small portion invested in equities through exchange-traded funds. This requires professional fund managers with the ability to invest a large pool of money across risk classes to minimise risk and maximise returns in a highly volatile market environment. The absence of that can hurt the EPFO badly.

Not an easy prescription

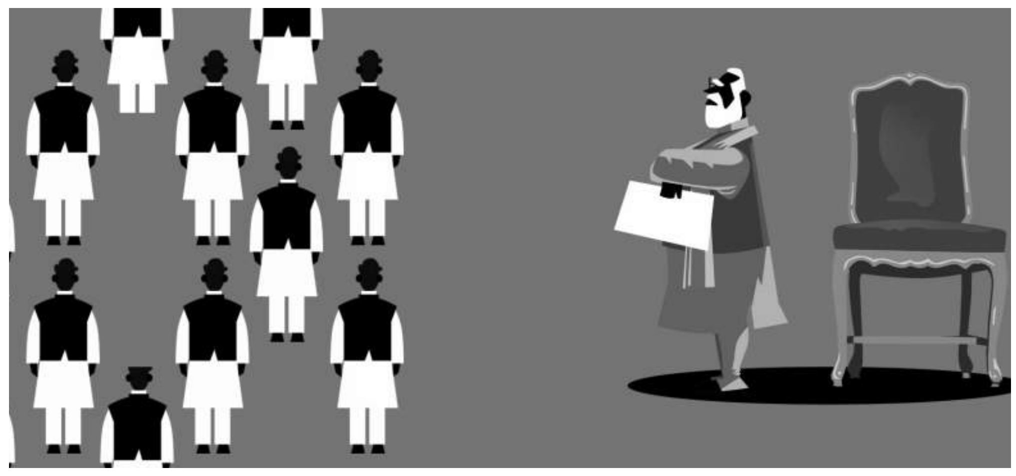
Sectoral caps in indices need careful examination

The Securities and Exchange Board of India (Sebi) has nudged the stock exchanges to bring out discussion papers on sectoral concentration in the Nifty50 and Sensex indices, which has rekindled an age-old debate — whether showcasing a successful sector aggressively in the benchmark index is right, or whether the index should have a more diverse base to reflect the economy. On its part, the market regulator seems worried about the rising concentration of the financial sector (banks and non-banking financial companies), at 37 per cent in the Nifty50 index and 40 per cent in the Sensex. While not strictly comparable, the financial sector's contribution to gross value added (GVA) at basic prices has been just 6-6.5 per cent in the past five years, which is significantly lower than the sector's weight in the two broad-based indices.

Globally, the trend on sector weight is mixed. The Dow Jones Industrial Average in the US and the UK's FTSE 100 have a weight of 25 per cent and 21 per cent, respectively, of technology, but in Japan's Nikkei 225, communications and technology account for nearly 60 per cent. Most global indices including the Nifty and Sensex are calculated based on the free-float methodology, which excludes promoters' holdings and shares held under lock-in to include stocks. The main argument against concentration is the risk to the market when things go awry. For example, when the dot-com bubble burst in 2000, technology had the highest weight, in excess of 30 per cent, in the S&P 500. Similarly, financial stocks' weight was bloated in US indices when the 2008 crisis erupted. And such instances give credence to some fund managers' view that an index representing the entire economy would be more diversified and stable, and insulate investors from any sectoral shock such as the recent NBFC liquidity crisis after the IL&FS default.

But having a better representation of the real economy in key indices is not easy to achieve. First, there aren't enough listed companies of sectors that are the biggest contributors to the economy. For instance, agriculture, forestry and fishing contribute 15 per cent to GVA, but there are hardly any listed stocks available. Besides, Indian companies, unlike in the West, have a large shareholding by promoters, which means their free float, and hence their weight, will be lower. Caps, on their part, will result in a sector not being appropriately represented. For instance, the overall weight of the financial sector is 32 per cent among all NSE-listed stocks, whereas the weight in Nifty50 is 37 per cent. If a sectoral cap of 25 per cent or 30 per cent were to be introduced, the exchange will have to devise a methodology to address the problem. Moreover, the NSE has said the index will be readjusted every quarter to reflect the reality, which could lead to an increase in impact cost, frequent churning and tracking error. This will increase costs for both domestic and global exchange-traded funds, which have seen traction in the past few years. Since these funds operate on wafer-thin margins, they are unlikely to appreciate any additional burden. And, of course, there will be more volatility. Diversifying the benchmark indices is a good idea, but it will need to be thought through well before implementing.

ILLUSTRATION: BINAY SINHA



Breathing fresh air into the next govt

A coalition is India's best hope. It will be slow to move, but will lead to a consensual and collaborative form of governance

Opinion polls, the last of which came about a month ago, have predicted a majority for the National Democratic Alliance, with roughly a 220-seat return for the Bharatiya Janata Party (BJP). The data had been gathered a few weeks before that, and it was apparent that several of the polls were unsure of the direction of the momentum. That is to say, whether the trajectory of the BJP was from 220 towards 272 or away from it. It seems too tight an election in a couple of places, Uttar Pradesh in particular, for there to be conviction that it was a one-horse race as it was in 2014.

But assuming that the original polls are accurate and hold, we should anticipate a return of the National Democratic Alliance (NDA) and almost certainly a return also of Narendra Modi as prime minister. My view is that the BJP would benefit greatly from being in a coalition. Without beating about the bush, the reason is that its tendencies towards extremism will stand tempered. Moves that are touched by non-conformist freethinking (which is a polite word for some of the eccentric policies) will be more difficult to pull off with the restraining hand of allies on the wrist.

AAKAR PATEL

It may be that many of us want to put all Central authority in one individual. But some of us are uncomfortable with a government which believes that nuclear weapons are akin to firecrackers and exist because they are to be used. Others are astonished that we have thrown away any semblance of strategic thinking in our national security and have substituted it with throwing the random kick in the direction of a neighbour. We need not go into details.

We need not pursue other examples, especially on the side of the economy, because they have been discussed here on these pages before. Suffice it to say that it will not be difficult to demonstrate that five years of messianic and strong and decisive leadership has brought its share of headaches. This sort of thing, the coalition, even if it is led by the same individual, will help curb because the interests of several parties and different regions will need to be accommodated in the larger picture.

A coalition will be slow to move, yes, and less decisive, but it will also lead to a consensual and collaborative form of government. What I mean is that ministerial input and resistance to things that are unusual and not necessarily productive are currently missing. If we survey the elite of this government — Jaitley, Goel, Sitharaman, Prabhu — they are creatures of the Rajya Sabha and unable to win elections. They cannot resist the command of strong leadership because they have no popular base and no real political legitimacy and therefore no authority on which to premise the resistance, even though it is well-meaning. A coalition will have fewer such individuals because the factions within the party will also assert themselves and seek a share of the decision-making. These then are the reasons why a coalition will be good not just for the nation but also the party itself, when in government.

On the other hand, the thing that the BJP says it is competent at delivering — governance — is not particularly touched negatively by coalition politics. One can continue doing good governance (with whatever secret sauce is in the possession of the BJP or the prime minister) through interaction with the structure of the administration.

A third reason why a coalition is good for the party is that it will give moderates in the BJP, if they exist, and it is possible that at least a few do, the space to counter the extremists on the question of bludgeoning other Indians because of their faith. And they can do this on the basis of party doctrine. It may interest readers to know that the BJP's membership form requires the taking of a pledge that contains the line: "I subscribe to the concept of a Secular state and Nation not based on religion." No Hindu Rashtra is being promised or being sought here and the BJP claims it does not campaign for a constitutional shift or for a change in the secular contours of the state. In fact, it pledges rigid adherence to the Constitution of India. At the very beginning of its party constitution, the BJP promises it will "bear true faith and allegiance to the Constitution of India as by law established and to the principles of socialism, secularism and democracy..."

The party's membership form also requires the BJP and its members to be "committed to Nationalism, National Integration, Democracy, Gandhian approach to socio-economic issues leading to the establishment of an egalitarian society free from exploitation, positive secularism (*Sarva Dharma Samabhav*) and value-based politics."

This makes it easier for those inside to curb the wilder elements by pointing to the party's stated position. This has been under threat for some time because the cues have been taken from individuals and not the party doctrine (I am sure that the lines above on the BJP's pledge and charter will have surprised quite a few readers).

Indeed a coalition will give many in the BJP and its affiliates and associates the chance to breathe more freely and speak more freely. I was on a television panel the other day, with an RSS man next to me, no doubt to balance my zealotry. During the break, I asked him if he and others in his organisation were comfortable with such concentration of power in one individual as is the case in this government. He said, "I'll speak to you later about this." I informed him that the break was for five minutes and we had plenty of time. He leaned across and whispered, "Not while we are still miked."

This may be paranoia but it exists. Every leader and spook I speak to today wants to communicate only through secure applications. A division of power would bring sunlight into such spaces. At 282 seats, it is easy to be Narendra Modi. It will be interesting to see if at 210, he can be Manmohan Singh.

Don't fear the Eurosceptics

As the European Parliament elections draw closer, most opinion polls predict a strong showing by parties that declare themselves Eurosceptic to varying degrees. But their likely success represents an unsurprising backlash against recent European integration, rather than opposition to the European Union itself.

After all, Eurosceptic or "Euro-hostile" parties are nothing new. They also had a large presence in the first directly elected European Parliament back in 1979, when the EU was known as the European Economic Community (EEC) — or the "Common Market" — and consisted of only nine member states.

In addition to being far smaller than today's 28-member EU, the EEC did much less. Even calling it a common market now seems an exaggeration, because member states had agreed only on a customs union with a common external tariff and external trade policy. Within the EEC, there were still customs checks on goods and passport controls, and many member states prohibited capital exports.

DANIEL GROS

It is testimony to the strides that European integration has made since then that one of the options for a post-Brexit United Kingdom is to remain in the EU's customs union. Fifty years ago, this would have been equivalent to full membership.

Back in 1979, the strongest Eurosceptic parties were on the left. They opposed the Common Market because they disliked market forces in general. More specifically, they believed that further European integration would favour capitalists by lowering the trade barriers that had been erected to protect workers.

In hindsight, the left's opposition to the Common Market seems premature, given that member states' trade, although increasing, then accounted for a much smaller proportion of national income. At the time, the ratio of exports to GDP was below 20 per cent for most of the larger EEC members, compared to nearly 50 per cent today. But the trend toward more economic integration was already clear, and West European communists and hardline socialists were fundamentally opposed to it.

The current rise of Eurosceptic parties, meanwhile, comes at a time when the EU is more popular than ever, according to opinion polls. This is mainly because the flows of asylum seekers have been brought under control, and because Europe's economy is doing better than it has for a long time, with unemployment down to the lowest level this century. As a result, even the most Eurosceptic politicians have backpedaled on their opposition to "Brussels." And in Sweden, France, and Italy, the main Eurosceptic parties have abandoned their demands to leave the euro or the EU.

We should therefore not regard Eurosceptic parties' current strength as reflecting widespread dissatisfaction with what the EU is doing, or with the state of the European economy. Rather, it represents a backlash against the recent pace of European integration. Europe's various crises over the past decade have led to a huge expansion of the EU's powers, and it would have been surprising had national politicians not objected to such a large transfer of sovereignty.

Similarly, the United States is the result of a long process of integration, marked by a constant debate about the extent of states' rights and the remit of the federal government. The US Federal Reserve, for example, was established only after more than a century of frequent banking crises.

Political forces that question the current speed of European integration are part of a healthy democratic process. In fact, one could even argue that the Eurosceptic parties are more honest than their mainstream counterparts. After all, despite their pro-European rhetoric, once mainstream parties come to power at the national level, they, too, are extremely reluctant to transfer any sovereignty to EU institutions.

The real test will come after this month's elections, when the Eurosceptic parties will have to articulate an alternative coherent vision of Europe and the EU's role in it. Such a vision is unlikely to emerge. The key steps in recent years toward further EU integration — including the establishment of the European Stability Mechanism to help financial distressed member states, the EU's banking union, and the European Border and Coast Guard Agency — were clearly necessary, because national efforts in these areas had not worked. Tellingly, even staunchly Eurosceptic parties are not calling for these institutions to be abolished.

Eurosceptics make vague claims that Europe is not working, and that only they can defend the interests of their national electorates. But in practice, it has been impossible to translate this "my country first" into coherent policy within the European Parliament — not least because most of what the EU does benefit member states. Moreover, Eurosceptic parties find it difficult to forge coalitions. Northern European populists, for example, would like to stop all assistance to the EU's periphery, whereas their Southern European counterparts think they are not getting enough support.

It seems that Europeans now love both the EU and populists. Instead of bemoaning this fact, much less viewing it as a threat, pro-Europeans should seize the opportunity to start a necessary debate about the continent's future.

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The single-minded *parivar*

BOOK REVIEW

C P BHAMBHRI

The author has presented a well-documented history of the Rashtriya Swayamsevak Sangh (RSS) built around the life story and ideological and organisational contributions of its four founders — K B Hedgewar, V P Savarkar, M S Golwalkar and Balasahab Deoras — and other foot soldiers from Deendayal Upadhyaya to Bal Thackerey. The 11 chapters of this book provide minute details about the evolution of this unique formation that was firmly devoted to the consolidation of Hindu identity.

All the four founding fathers were focused on strengthening the Hindu community by providing Hindu youth with physical training in the *shakhas* (branches) so that they could physically defend themselves from attacks by their opponents. None of the successors diluted this foundational approach. On the contrary, they strengthened and propagated the organisational structure so that Hindutva ideology now reaches every corner of the country. Following in the founders' footsteps, the foot soldiers created "affiliates" of the RSS (and not just *shakhas*). There are 44 affiliates at present.

The central idea that emerges from this exhaustive study is that the ideology of Hindutva and the RSS's para-military organisational structure are intertwined. The ideology has to be carried forward by the RSS cadres, modelled on the Italian Blackshirts, Benito Mussolini's Fascist organisation. It was Hindu Mahasabha leader B S Moonje who guided Hedgewar to focus on this aspect of the Hindutva organisation after a visit to Mussolini's Italy.

Some salient aspects of ideology of Hindutva deserve mention because the RSS has never deviated from them. First, the founders inculcated the idea of "victimhood" among Hindus and urged them to defend their territory, which was projected as *Punyabhoomi* (holy land) and *Pitrabhoomi* (ancestral land).

Second, the RSS leadership and cadre, whether founders or foot soldiers up to Narendra Modi and Amit Shah, are committed to their anti-Muslim and anti-Christian outlook because these communities are considered "outsiders" rather than children of this holy land that is Bharat Mata. Writing on Upadhyaya's *Integral Humanism*, the author points out that this seminal article for RSS foot soldiers "may not appeal to the adherents of cultural and religious pluralism".

Third, the deification of the Supreme Leader, the Sarsanghchalak, was the norm in the RSS. Starting with Hedgewar, this leader could not be questioned. After Hedgewar, MS Golwalkar was nominated Sarsanghchalak. He occupied this position for 33 years from 1940 to 1973 and his nominee, Balasahab Deoras, remained Sarsanghchalak for 21 years. The author quotes Deoras' observation that the RSS would build an "army of workers which would be the envy of gods"; it still rings in the ears in 2019. Deoras, the author says, "believed in the paradigm of centrality of the RSS...." for Hindu consolidation.

Fourth, the RSS has followed the policy of "catch them young". Deoras focused his attention on education by establishing the Saraswati Shishu Mandir and the RSS now runs thousands of Vidya Bharat Schools.

Fifth, beginning with Hedgewar, the Vedas were to be studied and Vedic Hinduism is the reference point for the RSS and the Bharatiya Janata Party (BJP). Since 2014, both institutions have launched a project to appropriate Gandhi and Sardar Patel to assert their nationalist credentials by propagating that their leaders and cadre participated in the freedom struggle. The author has, however, provided enough evidence to substantiate the fact that neither Gandhi nor Sardar Patel were in any way persuaded by the Sangh Parivar's core ideology.

The RSS has also always taken great pains to distance itself from Nathuram Godse, Gandhi's assassin. However, the author does not give the RSS a clean testimonial on Godse's membership. He has also scrutinised the RSS' claims that it is apolitical organisation that promotes the idea of cultural nationalism. He quotes Golwalkar asking Hindus to "resolutely vote for men and parties dedicated to the Hindu people and Hindu cause" during the 1957 elections. This apart, Golwalkar took up a purely Hindu cause in 1966 when he organised a big demonstration demanding a complete ban on cow slaughter.

Further, beginning with Deoras' 21 years of RSS supreme leadership, the RSS actively participated in politics and penetrated every movement, whether it was the Nav Nirman Samiti struggle in Gujarat, or the Jai Prakash Narayan movement in Bihar or during the formation of the Morarji Desai-led Janata Party government in 1977. The author says during the Vajpayee-led government at the Centre or BJP governments in various states, the RSS expanded under the protective umbrella of benign governments and increased its *shakhas* and affiliates.

Savarkar's *Hindutva: Who is a Hindu?* remains a guide for RSS/BJP till today. Savarkar had exhorted Hindus to "militarise and view Muslims as the dangerous enemy within". It was Savarkar, the author writes, who guided Hedgewar to establish an organisation to "supply the Hindu society with power and pillars". Every foot soldier in seven chapters of the book, whether A B Vajpayee or L K Advani or Ashok Singhal or Mohan Bhagwat (the current Sarsanghchalak), are copybook loyalists.

The author has provided well-documented details of RSS and its style of working, but he fails to evaluate the RSS on the basis of the facts mentioned in his own study. RSS-BJP are two sides of the same coin, so the BJP is not like any other political party in India, whether all-India or regional. The RSS also stands apart from all other party organisations. It has to be evaluated on what it preaches and practises because it is the opposite of all other formations in India. This is a clear message from the book.

THE RSS: Icons of the Indian Right
Nilanjan Mukhopadhyay
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