

TUESDAY, MAY 14, 2019



WARNING TO CHINA

US president Donald Trump

I say openly to President Xi & all of my many friends in China that China will be hurt very badly if you don't make a deal because companies will be forced to leave China for other countries

RationalExpectations



Now merit is even less about marks!

SC gets over Nagaraj's maintenance-of-efficiency rule by redefining merit as something that delivers 'societal' value

■ ILL NOW, EVEN those opposing reservations for what they did to merit or efficiency were comforted by the 50% cap put in place by the *Indra Sawhney* ruling, the belief that 'efficiency' would be kept in mind, or that reservation would only be for basic college degrees and entry-level jobs. Over time, much of that has been junked; in January, the government announced a 10% reservation for upper castes, over the 50% already in place for SC/ST/OBCs. How slippery the descent has been is best seen in the latest apex court judgment upholding Karnataka's law to allow reservation in promotions for SC/ST. This was rejected by the same court in 2017 on grounds that no data had been given, required after the Nagaraj ruling in 2006, on inadequacy of representation of SC/ST in the civil service and its impact on administrative efficiency.

Given Karnataka has now presented data on inadequacy of representation, the next hurdle, then, related to administrative efficiency. With the judgment viewing merit and efficiency with a totally different prism, the floodgates have been opened for throwing merit out of the window, whether for college admissions, or for jobs, or promotions.

Some part of the descent was obvious when, in 2000, the 82nd amendment added a proviso to Article 335 that dealt with maintaining efficiency while making appointments; the proviso said the government could relax "qualifying marks in any examination or lowering the standards of evaluation" for reservations in promotions.

The latest judgment takes this descent further. So, after invoking the 82nd amendment, it says "efficiency of administration... must be defined in an inclusive sense, where diverse segments of society find representation... Hence, while interpreting Article 335,

it is necessary to liberate the concept of efficiency from a one-sided approach which ignores the need for and the positive effects of the inclusion of diverse segments of society on the efficiency of administration of the Union or of a State".

It adds, "administrative efficiency is an outcome of the actions taken by officials after they have been appointed or promoted and is not tied to the selection method itself". Candidates who "score beyond a particular'cut-off point'are considered'meritorious'and others are 'non-meritorious'. However, this is a distorted understanding of the function 'merit' plays in society".

Sowhat is merit? As the judges explain, "a meritocratic system is one that rewards actions that result in the outcomes that we as a society value". If that isn't clear enough, the judges elaborate by saying "thus, a 'meritorious' candidate is not merely one who is 'talented' or 'successful' but also one whose appointment fulfils the constitutional goals of uplifting members of the SCs and STs and ensuring a diverse and representative administration". Merit is not about performance, it is about correcting social ills regardless of what that does

What backwardness? Number of households (in million) earning > ₹10 lakh p.a 7% of all SC households earn >₹10 lakh p.a. vs 9% for OBC 10.9 4.7 1.3 Number of households with at least one graduate (in mn) 13% of all SC households have at least 21.6 one graduate vs 18% for OBCs 17.3 8.6 2.3 OBC ST ource: ICE 360 survey (2016), PRICE

for performance; indeed, it enhances merit since merit is seen as fixing of societal ills! This is not the first time the apex court has dismissed merit. In 1994, in Ajay Kumar Singh versus the State of Bihar, despite Indra Sawhney ruling against reservations at higher levels of education, it said "(in Sawhney), the Court was speaking of posts in research and development organizations, in specialities and super-specialities in medicines, engineering...The Court was not speaking of admission to specialities and super-specialities. Moreover, M.S. or M.D. are not super-specialities." And, in 1997, in Post-Graduate Institute of Medical Education and Research versus KL Narasimhan, it said that even if the qualifying marks were lowered for a super-speciality, it didn't really matter since the reserved category doctor had passed the same threshold exam anyway. It added, "Securing marks is not the sure proof of higher proficiency, efficiency or excellence... In that behalf, it is common knowledge that marks would be secured in diverse modes... They are awarded in internal examination on the basis of caste, creed, colour, religion, etc."

Apart from what this does to merit in a competitive world, ironically, all of this assumes that since all SC/ST have suffered centuries of discrimination and prejudice, they have real barriers of access to opportunity. Data from the Price's all-India survey (see graphic) for 2016, however, show no such across-the-board backwardness. At a macro level, the 66 mn SC households in the country have an annual income of ₹180,270 as compared to ₹169,222 for 25 mn ST households, ₹197,419 for 120 mn OBC and ₹242,589 for 69 mn upper-caste (UC) households. This doesn't suggest historical backwardness.

Indeed, there are various UC households that earn less than SC/ST households. A UC household where every member is illiterate, Price's data shows, earns ₹93,756 per annum while an SC household with even primary school education earns ₹138,152; in other words, the issue is not so much of historical backwardness as it is about access to education. Yet, as Price shows, around 18% of all SC households have at least one member who has completed higher secondary education, versus 19% for STs, 23% for OBCs and 25% for UCs. And, as a proportion of households in each caste category, 8.5% of all OBC households earn more than ₹10 lakh per annum, and the number is 7% for SCs and 5.3% for STs. So, historical backwardness is not an issue either. But why worry about facts when the Supreme Court has decided that all SC/ST are backward and that merit is an outdated concept. Now to wait and see how the latest definition of merit and efficiency is extended to OBCs or any other so-called disadvantaged group.

Missing WOMEN

A new book highlights that 21 million eligible women in the country never register to vote, undermining universal suffrage

N EXCERPT FROM The Verdict: Decoding India's Elections by Prannoy Roy and Dorab R Soppariwala, published in Down to Earth, highlights the issue of female disenfranchisement—women missing from the electoral rolls. This means far from being universal, adult franchise in India leaves out a vulnerable lot. In 2019, if enfranchisement among Indian men is considered to be at 100%, the corresponding figure for women stands at 92.7%. While the difference may not seem sharp, in absolute numbers, this means 21 million eligible women are not registered as voters. That amounts to an average of 38,000 women voters missing per constituency. Given polls are often lost or won by slimmer margins, the missing women are significant systemic flaw that needs to be rectified.

Disenfranchisement is rooted in a wide array of factors, some of which may be social as well. For instance, the populous, but largely patriarchal states of Uttar Pradesh, Rajasthan and Madhya Pradesh account for 10 million of the missing 21 million. On the other hand, matrilineal states of the North East and Goa have more women voters than men. If election promises have one leitmotif, it is women's empowerment. Every party talks about. Very little gets translated into action. With women voters missing from the rolls, a women-centric agenda is less likely to receive electoral backing. The Verdict's authors suggest that every woman above 18 be allowed to vote if she can prove her age irrespective of whether she has a voter ID card or not. While that works as a stop gap solution, given the problem is a systemic one, the treatment has to be systemic too.

BREXIT ZOMBIE

NO DEAL HAS BECOME THE LIGHTENING ROD FOR VOTERS' UNHAPPINESS WITH BRITISH POLITICS AND THOUGH EVERYTHING HAS BEEN DONE TO KILL IT, IT RISES UP AGAIN AND AGAIN

The White Walkers of Brexit ride again

TWAS THE moment businesses exhaled and viewers switched the channel. On April 4, the UK parliament voted, by a margin of one, to ensure that the country wouldn't leave the European Union without a deal. Brexit may or may not happen—but there would be no chaotic crashing out because parliament had

Except, like a White Walker, the death-defying creature in *Game of Thrones*, the threat of No Deal keeps coming back. Because it thrives in a leadership vacuum, it is only growing in strength.

Nigel Farage's upstart Brexit Party, which will almost certainly win the most support in the May 23 European parliamentary elections, is campaigning in favour of such an outcome. The former commodities broker has been ubiquitous in the UK media; it's left to trade experts like Peter Ungphakorn to pick through the factual inaccuracies later on Twitter.

Never mind that Farage used to be full of praise for staying in the single market, or a close relationship with the EU like the one Norway enjoys. He has, just as in the 2016 referendum campaign, made a no-deal Brexit a lightning-rod for popular discontent with the entire political establishment. He has even given it an attractive new name: a clean-break Brexit.

His popularity poses, I have argued, a real threat to the Conservative party. Indeed, it is hard to find a Tory Brexitsupporter who plans to vote Conservative rather than for Farage's crew. May's party isn't even bothering to campaign or release a manifesto. What would it say anyhow? We pledge to support a deal most of the party hates, which parliament has refused, the EU won't renegotiate, and to which no alternative has been agreed? Better to hide under a table and hope this goes away.

Prominent Conservatives in the media have also thrown their weight





These arguments have a deeply flawed, but seductive, logic. Their premise—that Theresa May's negotiated deal and pretty much any other potential deal are worse than the status quo—is absolutely correct. The conclusion, that a no-deal exit would be an improvement, could not be more wrong.

months ago are moot.

While medicine shortages and gargantuan traffic-jams were alarming possibilities, they were never the main reason a no-deal Brexit was a reckless option to be avoided at all cost. Even if the civil service managed to ensure relative calm the immediate aftermath, the real trouble would only come later a tsunami of regulatory and non-tariff trade barriers that would threaten UK businesses and their suppliers.

When pressed, proponents of No Deal argue that these costs are irrelevant because the EU would quickly move its red lines and negotiations would end up where Brexiters wanted them all along—with a free-trade agreement and the UK at liberty to strike trade deals with other countries, having left the EU's customs union. May's mistake, they argue, was not playing hard-ball.

You have to squint hard (and perhaps have downed a few shots of something strong) to find a glimmer of hope in that. The EU's conditions for starting trade

talks in a No Deal scenario bear a striking resemblance to what is in the divorce deal: payments into the bloc's budget, secured rights for EU citizens and, crucially, a guarantee that the border between Ireland and Northern Ireland will remain open and free from any encumbrances no matter what happens.

to a No Deal exit isn't hard to imagine. Talks between the government and Jeremy Corbyn's Labour Party seem to have run aground, not surprisingly given that many Tories say that giving in to the opposition's demands for a permanent customs union would split the Conservative Party.

Even so, the pathway

A breakdown would leave this parliament deadlocked again. May could try to force through another round of voting, or compel MPs to rank their preferred visions of Brexit. But if the crossparty talks fail, it's hard to see lawmakers having any confidence in that process. A resounding defeat for the Tories at the European elections—as the opinion polls suggest is increasingly likely—will just compound calls for the prime minister to go.

So far, the 1922 Committee of backbench Tory MPs has resisted calls to change its rules to allow a second challenge to May within a calendar year of the last attempted putsch. It wouldn't take much to change that. Indeed, the prime minister is expected to meet the

group this week. The field of candidates vying to replace her is growing by the day. Alongside Boris Johnson, it includes former Brexit Secretary Dominic Raab, as well as remainers and pragmatists like Rory Stewart. If the parliamentary party can't rally behind a single candidate, two are then put to party members. Given that group is squarely in favor of leaving without a deal, it is clear what faction the likely winner would come from.

So far, the EU has preferred repeated delay to forcing Britain out with no deal. Who knows how long that will remain the case? A strong anti-EU showing at the parliamentary elections, a changing of the guard at

the European Commission, and continued pressure from French president Emmanuel Macron to cauterise the Brexit wound could change that when the current extension expires on October 31. It's possible, as

Bloomberg News's Robert remain the case Hutton lays out, that parliament will accept a second referendum long before that happens. Or else there will

be a general election.

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But nobody should feel confident that just because it is a horrible idea with grave consequences, a No Deal Brexit will go away. That's not what happens with the White Walkers of populism. You can destroy a flawed premise, shoot holes in all the factual mistakes, vote the thing down (as parliament did), and yet the idea snaps back to life and charges ahead again. No Deal, like Brexit itself in 2016, has become the lightening rod for voters' unhappiness with British politics.

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Turbocharging India's digital economy

Making data available to entrepreneurs creating useful apps and services would help, though this requires enacting legal provisions for data privacy and consent-based frameworks

ALOK KSHIRSAGAR & ANU MADGAVKAR

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INDIA IS TAKING a great digital leap. Having reaped substantial rewards from building up its core digital sectors, such as information technology and business process management, the country is now seizing new digital opportunities in many more sectors, such as agriculture, education, energy, financial services, health care, and logistics. These opportunities could deliver up to \$500 billion of economic value by 2025.

India's digitisation process has been the second-fastest among the 17 mature and emerging economies we studied. Admittedly, it started from a low base, but in the last five years alone, the number of Internet subscribers has almost doubled, reaching 560 million.

Last year, Indians downloaded 12.3 billion apps, second only to the Chinese, and they spent an average 17 hours per week on social media, more than Americans. As a result, Indians used more than 54 times as much data, on average, in 2018 than in mid-2016.

Both the public and private sectors have played an important role in driving digitization. Many public services are now accessible only when linked to the government's Aadhaar biometric digitalidentification program, in which over 1.2 billion people are now enrolled. Aadhaar has thus helped to propel the development of many other digital services. About 80% of Indians now have digital bank accounts, with the vast majority of government benefits paid directly into Aadhaar-linked accounts. The Goods and Services Tax Network—a government platform for taxing wholesale and retail sales—has likewise created a powerful incentive for businesses to digitize their operations. The private sector has facilitated this process, as competition has helped to reduce data costs by 95% from 2013 to 2017 and to make smartphones affordable. Falling costs have fueled rising data use: last year, Indian data subscribers used 8.3 GB of data per month, on average, compared to 5.5 GB used by

Chinese subscribers. Together with rapid growth in telecom infrastructure, lower costs have also helped to reduce the digital divide: in the last four and a half years, India's middle- and low-income states have accounted for 45% of the 293 million new Internet subscribers.

Digital business leaders are now spearheading even more innovative ways to reach and serve customers. New digital ecosystems are springing up across the economy, transforming business models and delivering huge productivity, efficiency, and growth benefits.

Some of the sectors where the most value stands to be created—such as financial services, agriculture, health care, logistics, education, and energy have not traditionally had technology at their core. We estimate that each of these sectors could create between \$10 billion and \$150 billion of incremental economic value in 2025.

In financial services, the surge in digital payments and related data is already enabling flow-based lending, whereby actual patterns of receipts and payments—rather than loan applications are used to evaluate potential borrowers. India's largest bank, the State Bank of India, has recorded a 50% increase in lending to small and medium-size enterprises since switching to an automated flow-based system.

In agriculture, farmers are not only seizing the credit opportunities created by digital financial services; they are also using digital applications to gain specialised knowhow on, say, optimizing fertilizer and pesticide inputs. Moreover, farmers are increasingly selling their produce in online marketplaces, which offer better prices. One such platform, the government's electronic National Agriculture Market (eNAM), is available in 585 locations in 16 states, and could increase the prices realized by farmers by 15%.

In health care, companies like Apollo Hospitals are using telemedicine to improve access in rural areas, where doctors are often few and far between. We estimate that telemedicine could eventually account for half of all outpatient consultations in India, giving rural citizens access to more qualified practitioners than they would be able to reach in person.

In logistics, online freight-forwarding platforms offer services like instant pricing and booking, cargo tracking, and centralized documentation. Such platforms are already reducing costs and boosting efficiency in what has historically been a highly inefficient sector.

The benefits of digitisation may also extend to workers themselves, though this will require retraining, skills upgrading, and redeployment in many cases. We estimate that, by 2025, technology could eliminate between 40-45 million mostly routine jobs in areas such as clerical services and data entry. But it will also help to create some 60-65 million higherquality jobs. Workers will need to be ready to make the shift.

In facilitating this and other digitisation-related processes, India's government still has plenty of work to do. Among other things, it should continue to use digital technology to improve public services, while working with the private sector to develop further the country's digital infrastructure. Making data available to entrepreneurs creating useful apps and services would also help, though this requires enacting legal provisions for data privacy and consentbased frameworks, which in turn rely on improved consumer literacy regarding the risks and benefits of digital technologies.

When it comes to tapping the full potential of digitisation, the early signs are more than encouraging. Between its huge and growing Internet-consumer base and its eagerness to innovate, India seems well positioned to unleash the dynamism of a truly digital economy.

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LETTERS TO THE EDITOR

Modi-Mayawati sparring No doubt the war of words between

Prime Monster Narendra Modi and BSP supremo Mayawati has marked an all-time low in political discourse. It has to be decided whether Modi's poser to Behenji why her party has not withdrawn support to the Congress government in Rajasthan to protest the rape of a Dalit girl in Alwar sprang from his genuine concern for Dalits or his political interest in seeing the Gehlot government fall. Significantly, the same Prime Minister was silent when Dalit women were raped in BJP-ruled states. Modi was ambivalent when Dalit youth were publicly flogged by his party supporters and sympathizers in his home state in the name of cow protection. From the difference between what Modi and Mayawati represent, it must be clear who is really opposed to atrocities (hate crimes) against the Dalits. It is transparently obvious that who sides with the upper castes and who sides with the lower castes. As a leader schooled in RSS, it is not easy or possible for Modi to reject the religious texts that 'sanctify' caste and identify himself with the country's 'lowly' impoverished multitudes. In the Indian context, class and caste are synonymous. Modi's claim that he is of 'garib caste' does not alter the fact that his was a 'suit boot ki sarkar'. — G David Milton, Maruthancode

Kamal Hassan & BJP

The saffron clan is up in arms against actor Kamal Hassan for saying that Mahatma Gandhi's killer Nathuram Godse was the first Hindu terrorist. BJP leaders have rushed to condemn Kamal for his comment. Given the BJP preferred to field Pragya Singh Thakur, a terror -accused in the Malegaon bomb blast case, from Bhopal, and even the PM defended her nomination, BJP has no moral right to criticise Kamal comment. — Tharcius S Fernand, Chennai

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"It is easier to build strong children than to repair broken men."—Frederick Douglass.

HILDREN ARE THE foundation of a vibrant country like India. Despite efforts to improve the nutritional status, malnutrition continues to be a major health concern in our country. It is still the major cause of morbidity and mortality in children. Of all the Indian children under the age of five, about one in three (36%) is underweight (low weight for age), about one in three (38%) is stunted (low height for age), one in five (21%) is wasted (low weight for height), and only every second child exclusively breastfed for the first six months; 3,000 children die every day from poor diet-related illnesses.

According to the 2018 Global Nutrition Report, India accounts for more than three out of every 10 stunted children globally. The chronic impact of stunting on lifelong learning and adult productivity, in addition to increased disease susceptibility, is well known. Going by the National Family Health Survey-4 results, it appears 40% of our future workforce will be unable to achieve their full physical and cognitive potential. Many children are born to anaemic and malnourished teenage mothers. Indeed, about 34% of Indian women are chronically undernourished and 55% are anaemic.

Mapping of district-level aggregate data from the National and Family Health Survey 2015-16 showed stunting varies greatly from district to district (12% to 65%), with 239 of 604 districts having levels above 40%. Ironically, it is observed that the topmost milk-producing states of the country also happen to be high at incidence of malnutrition. This information necessitates urgent intervention by central and state governments.

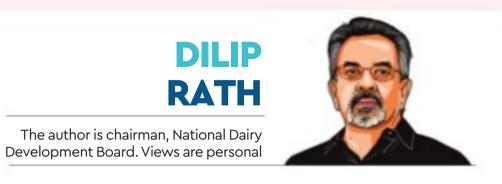
A common cause across all forms of malnutrition is a suboptimal diet. With abundant supply of milk, which will likely to continue in the future, one possible and feasible intervention that can tide over this situation is inclusion of milk in the feeding programmes for children in schools. Nutrient needs increase in adolescences to meet the demands of pubertal growth and brain maturation. Inadequate nutrient intake during childhood leads to undernutrition, which results in growth retardation, reduced work capacity, and poor mental and social development. Addressing nutrition problems and adopting healthy dietary habits during adolescence can be important for potential 'catch up' growth, improved cognition, and reduced risk of both communicable and non-communicable diseases (NCDs) later in life. According to the Food and Agriculture Organisation (FAO), "malnutrition is the single largest contributor to disease in the world." Over the last two decades, there has been a growing body of evidence that *in utero*, infant and young child undernutrition is directly linked to vulnerability to adult nutrition-related NCDs.

Studies endorse that a diet containing milk or dairy products provides 25-33% of the protein requirement and may have a positive effect on weight gain and linear growth in malnutritioned children. Milk is an excellent source of several micronutrients such as calcium, vitamin D, vitamin B12, phosphorous, potassium, etc, which help make bones strong, increase immunity, and improve vision, cognitive and motor functions of the body. Some of these micronutrients are commonly deficient in populations that consume low amounts of animalsourced foods. Therefore, milk, being a wholesome food, can play an important role in reducing malnutrition, if included in regular diets of the population.

India is the largest producer of milk in the world, but people belonging to lower income groups cannot afford milk due to low purchasing power—even though it has been observed there is an increasing incidence of milk consumption over the years. Thus, children from lower income



Illustration: ROHNIT PHORE



can address malnutrition in children

In schools where NDDB-NFN's Giftmilk scheme was run, there was a 7% decrease in the number of stunted children, kids had better BMI for their age and sex compared to control schools, and there was reduced visual impairment among children and marked improvement in IQ levels. In addition, cumulative attendance increased by more than 10% in these intervention schools

strata are deprived of essential nutrients to support their optimal physical and mental growth. Studies on determining association between nutritional statuses with eating habits in schools show a need to increase nutritional counselling regarding healthy eating habits in schools and to conduct appropriate interventions to improve the nutritional status of adolescent girls.

Taking a cue from the benefits of consuming milk, the NDDB Foundation for Nutrition (NFN), a trust/society created by the National Dairy Development Board, has been facilitating distribution of fortified flavoured milk to children in select government/public schools across the country under its Giftmilk scheme. It runs by channelising CSR allocations of corporates. The NFN strives to provide

pasteurised flavoured fortified (with vitamin A and D) milk under robust cold chain logistics to children. The quality of milk is maintained by creating a cold supply chain till it reaches the end-beneficiary. The NFN follows a robust implementation methodology, maintaining high transparency and accountability. Data is shared and monitoring is done at each level using MIS developed for tracking milk consumption.

The NFN has distributed 60 lakh units of milk to about 44,000 schoolchildren covering 94 schools in seven states till March 2019. The response received from students, teachers and parents has been encouraging. Giftmilk for students, mostly tribal, of government schools in Latehar district of Jharkhand started in November 2017, covering 18,000 students of 43 schools. The Rajendra Institute of Medical Sciences, Ranchi, conducted a scientific study to understand the impact of Giftmilk on children in intervention schools of Latehar.

The study revealed promising findings on the benefits of providing 200 millilitres of fortified, flavoured and pasteurised toned milk for one year on a daily basis on all working days to children studying in 1 to 10 standards. It found that consumption of milk helped in fighting infections in children. Also, there was a 7% decrease in the number of stunted children. Kids in intervention schools were better nourished as they had better BMI for their age and sex compared to control schools. Fortification also showed its effect in reducing visual impairment among children. The number of anaemic children decreased after regular consumption of milk, which may be attributed to good quality proteins provided by milk. There was a marked improvement in IQ levels, showing a positive impact on cognitive functions of children. Cumulative attendance increased by more than 10% in intervention schools. The impact study thus testified Giftmilk's positive impact in addressing malnutrition through milk and also recommended to continue the programme for a minimum of three years for sustained benefits to children.

Similar school milk programmes have been running in developed and developing countries. In India such schemes are being implemented by states such as Gujarat, Karnataka, Rajasthan, Madhya Pradesh, etc. Most of them provide powder-based milk to children. Reconstitution of milk in schools from milk powder creates an opportunity for quality variations, safety issues and leakages/misuse of resources. The provision of milk reconstituted from powder also leads to distaste amongst children, decreasing their interest for regular consumption.

The NDDB has been impressing upon state governments of major milk producing states for introduction of school milk programme in their states. The Centre, with the recommendation from the NITI Aayog, may consider announcing a policy and a centrally-sponsored scheme with a fund-sharing system between the Centre and state governments to initiate school milk programmes on a countrywide basis, based on Latehar model. There is a vast network of 214 dairy cooperatives and 31 dairies across India, which can be instrumental in implementing such a scheme. This will have the twin advantages of improving child nutrition on one hand and providing market/livelihood support to dairy farmers, a majority of whom are small/marginal farmers and landless, on the other hand.

With the growing economy and sizeable population below the age of 15 years, we need to ensure that every child is wellnourished. Any initiative in addressing malnutrition through school milk programmes would benefit and transform lives of millions of children and help build a strong India.

"History will judge us by the difference we make in the everyday lives of children."—Nelson Mandela.

Exports key to inclusive growth

JAHANWI

The author is economist, Export-Import Bank of India. Views are personal

Encouraging exports for leveraging the demographic dividend

NDIA HAS A distinct possibility of transitioning to an upper middle-income country in another decade. Key

reforms in areas such as regulatory environment, foreign investment and financial sector are unclogging the wheels of growth, making India's growth story look resolutely positive. But notwithstanding this positive outlook, as the economic pie increases, labour cost advantages will eventually erode and manufacturing would steadily tread towards more capital-intensive processes. Developments in the ICT space with the advent of AI and ML are reducing the human interface in hi-tech manufacturing. In such a scenario, the challenge will be in ensuring that higher capital intensity does not worsen labour market conditions, and inequality doesn't become economically inevitable.

India's human capital is touted as her biggest advantage. While the demographic dividend has started tapering in China, India still has a huge window of opportunity. According to estimates, the proportion of working population in the total population of India is expected to remain high until 2055-56. However, this advantage could easily become an Achilles'heel in the absence of an action plan to increase the employment and employability of the population.

India needs 5-9 million jobs every year, making it imperative for the country to look beyond the traditional model of domestic demand-led growth. The slipping of unemployment rate from 5.14% in May 2018 to 7.6% in April 2019, as per the CMIE database on employment statistics, highlights the urgency of identifying new nodes of employment growth, such as export manufacturing.

The quantum of jobs is not the only difficulty. According to International Labour Organisation estimates, the share of informal employment in the total employment is 88.2% in India, far higher than the world average of 60%. Workers in the informal economy face higher risk of poverty than

those in the formal economy, and informal economic units face lower productivity and income. There is also a stark disparity in wages across formal and informal sectors, as also across other regional and demographic groups. Therefore, there is an urgent need for reducing informality, improving the quality of jobs, and correcting the relatively unequal income distribution of jobs and earnings across various groups.

Research indicates that \$1 million worth of exports supported 138 jobs in India in 2012-13, far higher than 5.2 jobs supported in the US during 2014

As India looks at meeting the enormous demand for employment while also improving labour conditions, the role of exports in employment will be crucial. Recent research bolsters the case that exports can drive both quantum and quality of employment growth.

In case of India, Exim Bank's research indicates \$1 million worth of exports supported 138 jobs during 2012-13, far higher than 5.2 jobs supported in the US during 2014. In fact, exports accounted for 14.5% of the total employment in India during 2012-13. A recent study by the World Bank-ILO corroborates the positive impact of exports on employment, in terms of wages and reduction in informality. According to the study, an increase of \$1,500 in India's exports per worker increases wages per worker by ₹8,000, and reduces informality by around 12.4 million workers.

These estimates highlight that export-led growth strategies can help improve labour market conditions. But export growth is not a panacea for employment growth, and there is a need for complementary policies to resolve the development conundrum of increasing capital intensity of growth process and concomitant labour market improvements.

The focus should be on eliminating distortions in production by reform in labour market regulations, increasing participation of women in workforce, and increasing worker mobility. We need to prepare the workforce to handle the complexities of globalised production systems. Recognising the need for skill development and training, the government started Skill India in 2015. Such training and skill development efforts should not be a prelude, but a permanent motif of inclusive growth strategies. As the economy grows and its driving forces change, training should also be suitably adapted. This will be important to ensure that wage gaps do not widen, and threaten the objectives of inclusive growth.

HELICOPTER MONEY

O SOONER THE world looks to be settling down, the tranquillity stands *trumped* by politico-economic statements of sorts. That is what the people far west and far east are experiencing. The trade war between China and the US has been a zigzag puzzle with financial markets and global trade bearing the brunt of these decisions. This, at times, raises a scare of moving towards 'protectionism'. A quick movement of funds across nations as a response to this global instability leaves a cascading impact on economies that are the frontrunners in the race to development, including India.

We realise the economies across the world pass through business cycles and require support by an active fiscal and monetary policy mechanism, thereby justifying both Keynesian theory of government intervention as well as Friedman's monetarist viewpoint.

A corollary of this effective economic

dynamism can also be seen in the sudden

change in stance in the US, indicating a pause or reversal on the otherwise continuing Fed rate hikes. While the current economic milieu has turned too dynamic, rather confusing by mixed statements and global rhetoric, the Indian economy reels through its own set of issues, which hold semblance with many counterparts on the other side of the globe. Global liquidity has been one of the vibrant issues that has again taken centre stage, and with interest

rates at relatively lower end of the curve,

there is little room for manipulating the

same. However, ways and means, tradi-

tional as well as new structured ones, are

Is the Helicopter airborne in India?

It's difficult to segregate economic thinking from politico-social objectives

SHARAD KUMAR

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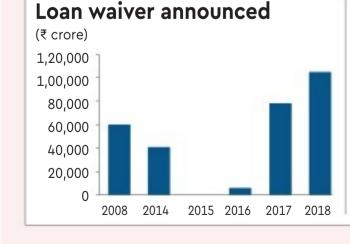
being devised to handle this.

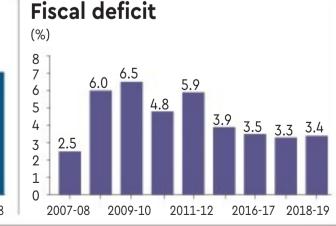
Economists are largely known to coin unorthodox nomenclature for financial and economic events and situations taking place in a not so complex but integrated network of financial system. The colloquy on quantitative easing across the globe as well as in Indian economy reminds one of 'Helicopter Money', an interesting terminology coined by monetarist Milton Friedman way back in 1969. One does not know whether it would be right to use it in the current situation, but the ex-Fed Chairman Ben Bernanke's advocation of the same in 2002, and having a reference of the same later in his biography 'The Courage to Act', gives courage to use this in the current situation.

India has been grappling with the issue of liquidity. The announcement of increasing the exemption limit for GST and a probable reduction in the GST rates in FY19 and the series of OMOs done by the

central bank draw parallel to the situation, which led Bernanke to recall Friedman's 'Helicopter Money' in 2002, suggesting a broad-based tax cut accommodated by a programme of open-market purchases.

In India, though the macro numbers seem to provide comfort, liquidity continues to remain an issue. The Indian economy is facing liquidity problems of a different nature, wherein it is needed to bring comfort to banks and the financial sector. The QE in other countries was done with the objective of reviving those economies out of a cycle of depression. In India, the growth numbers are still good and are not yet a major concern, but the regulator's intent is to provide liquidity to the banking system, which is passing through a paradox of lower deposits and higher credit growth. The CD ratio of the banking system indicates liquidity pressure on banks, which, in due course, may stall the growth by restricting credit availability,





especially when the credit flow from the NBFC segment faces immense problems.

RBI is committed upon its twin objectives of managing the short-term liquidity and supplying the long-term durable liquidity in the system. However, as against the past decade, where RBI's liquidity comfort zone was +/-1% of NDTL, RBI now prefers to have a neutral stance.

The economy is in the midst of first quarter, where credit drawdowns are relatively less (the reason why the CD ratio has eased). Although the deposit growth has reached double-digit levels, it is not enough to meet the credit demand, which may see pick-up once the election process is over. RBI managed the long-term liquidity issues by OMOs (announced even now in May 2019) and bought securities worth ₹2,985 billion in FY19 to give comfort to the liquidity conditions of the economy. This, however, may not compensate the escalating liquidity requirements, which have breached the erstwhile comfort zone of RBI on numerous occasions in the month of December 2018 and other occasions too. RBI was expected to come

out with other options to improve the liquidity and thus came the forex swap announcement, by which RBI has mopped up \$5 billion in two tranches, on March 26 and April 23, pushing in around ₹70,000

crore of liquidity in the system. An equilibrium can be achieved with an efficient mix of fiscal and monetary policy. It is quite difficult to keep economic thinking segregated from politico-social objectives. The announcement of income support scheme Pradhan Mantri Kisan Samman Nidhi, or other similar schemes, points towards such objectives. Although from a social perspective the benefits of the scheme deserve applause, a solution with sustained benefit to the farm community is a better option. This could be by way of an effective marketing mechanism, removal of intermediaries in the agri-marketing process, development of warehouse facilities and giving easy access to farmers. But we believe these solutions would also be coming up in the near term.

It leads to a rather intriguing economic situation, where on the one hand the banking system facing liquidity shortfall is

being supported by the regulator adding up systemic liquidity, while politico-economic situation stares towards announcements such as those of tax cuts, farm loan waivers, income support or other ways of providing benefits, which are like double edged sword, denting the already precarious fiscal situation on one hand and impacting the credit culture on the other.

The accompanying graph gives an idea about the farm loan waiver announced in past few years. Even if no fresh guesswork is done for these farm loan waivers and income support, it would be enough to disturb fiscal arithmetic of the government. It may also be recalled that the debt waiver announcement of 2008 had little impact on the growth but took the fiscal deficit to unsustainable levels as against FRBMA which in its original form aimed at reducing fiscal deficit to 3% of GDP by 2008.

The elections usually lead to opening of floodgates. If not timely checked, these can lead to doling out of benefits, which though short-term in nature may leave a longer impact on the fiscal discipline of the economy, without accruing a sustained benefit and permanent solution to issues such as farm distress.

While on the monetary front RBI is fulfilling the task of providing liquidity as well as the banker of last resort, the fiscal initiatives are to be keenly watched. It is by no measures that the government can avoid these situations in a democratic setup, but the skills of think tanks will come for a test as to how they create a balance between revenue and expenses in this situation and emerge successful, without compromising 'much' on fiscal discipline.