Opinion

THURSDAY, MAY 2, 2019

INDIA-IRAN PTA

Mohit Singla, chairman of TPCI

With a carefully designed preferential trade agreement, strategic products such as leather, textiles and readymade garments, which attract very high duties in Iran, can become naturally competitive and India will be able to leverage its export strengths

Sebi lets off NSE, ex-CEOs lightly as it can't prove fraud

Sebi found evidence of NSE helping certain firms but, with no proof of who ordered it, Sebi stuck to a level-playing-field charge

THOUGH NSE OFFICIALS have reacted to Sebi asking it to pay fines of around ₹1,000 crore—including interest payments—by saying they need to study the five orders before deciding on whether to contest them, it does appear the market watchdog let off both NSE lightly as well as its ex-CEOs Ravi Narain and Chitra Ramakrishna. Indeed, news reports suggest NSE has, over the years, kept aside much larger sums for potential penalties, so it will find it easy to pay the penalty should it choose not to contest the order; though its IPO has been pushed back for six months, there is now clarity on when it will take place. Both ex-CEOs have to pay a fourth of the salary they earned during the years when the unfair practices—preferential access to tick-by-tick trading data to a select few trading firms—took place under their watch; between the two of them, this works out to around ₹7 crore and they have both been barred from associating with any listed company or any market intermediary for the next five years.

Economist Ajay Shah, who, along with his wife and sister-in-law, has many dealings with NSE, and is on many of its committees, was found guilty of using NSE's trading data—that he got for developing a liquidity index (LIX)—to develop trading products for market participants. He has not been asked to pay any fines, but has been banned from associating with any listed company for two years. And while NSE claims it gave data to any researcher who wanted it, an e-mail from Shah to his sister-in-law says "you have to swear everyone to silence on the fact that the data that we are getting out of NSE for VIX and LIX is being used for algorithmic trading work—it would be a severe problem if this fact comes to light since NSE has not given anyone else this data".

In light of the whistle-blower complaint and what Sebi's investigations show, the penalties aren't too stiff. While the complaint was that certain trading members got preferential access to NSE's tick-by-tick feed, inputs from various consultants such as EY and Deloitte and other committees made it clear that this had indeed happened; Sebi says that once NSE moved to a more modern multicast—this means everyone got it simultaneously—of the tick-by-tick data instead of the earlier TCP/IP protocol, the business of one of these firms, OPG Securities, "fell off the charts"; OPG's revenues rose dramatically as it got the preferential access and were higher on the days of this access. This priority access took place by allowing OPG to log onto NSE's secondary servers that had less traffic than the primary one; indeed, despite routine requests asking OPG to get off the secondary server—making it clear NSE realised the problem—this was never enforced. While certain hardware, like a 'load balancer' and a 'randomiser' would have mitigated the problem, these were not put in place. Even without this, Sebi says, the tick-by-tick architecture was not in keeping with what NSE's development team had stipulated.

Under normal circumstances, this would have been enough to throw the book at those responsible, but Sebi concludes, "in the absence of any evidence leading to the culpability of any specific employee of NSE or the collusion or connivance from the side of NSE with any (firm), I am compelled to rule against the possibility of existence of a 'fraud'". Sebi then falls back on rules that say NSE had to provide equal access to all players, and since it did not, it had failed to comply with the regulations. Once NSE is pronounced guilty of not having "exercised the requisite due diligence while putting in place the (tick-by-tick) architecture", Sebi then looks at the revenues it earned during the breach and calculates the amount that needs to be disgorged. And while the ex-CEOs expressed their lack of technical knowledge to be able to know there was a problem in the technology that allowed this favoured treatment, Sebi says this is unacceptable. Yet, levying a large fine on a corporate that can afford to pay it, while not holding any employee criminally liable, means the problem can be put down to a 'system failure' and everyone can move on in a general sense.

Gogoi probe going nowhere

Complainant walking out serious; other charges need probe too

AFTER INITIALLY REACTING to the sexual harassment charges against him by saying this was part of a conspiracy to hobble him, Chief Justice Ranjan Gogoi did well to allow the Supreme Court (SC) to appoint former apex court judge AK Patnaik to examine the conspiracy angle while an internal panel examined the other allegations. And when Justice Patnaik said, to the press, that he would probe the conspiracy angle—with the help of Delhi Police, IB and CBI—only after the sexual harassment charges were dealt with, this strengthened the impression that the complainant would get a fair hearing first. But with the complainant walking out of the SC inquiry while saying she was not getting a fair shot, the process has suffered a big setback. For one, she says she is not being allowed to have her lawyer with her, the committee isn't quite a Vishakha one since there is no external member, she hasn't even been given a written copy of her statement, there has been no audio/video recording of the proceedings, etc; she even says that when the told the committee she would not be able to participate till her concerns were dealt with, she was told the committee would proceed *ex parte*.

If the charges made are correct, this is unfortunate, and the SC has to find ways to ensure there is a full hearing of the charges; certainly the inquiry has to have external members and all evidence properly recorded. More important, while the SC has divided the inquiry into two parts, the sexual harassment charges and the larger conspiracy—an advocate has added to the mix by alleging he was sought to be bribed to push the sexual harassment charges—there is a third part that also needs to be examined. The complainant has alleged that, after the incident, she was transferred thrice in a matter of weeks, a disciplinary enquiry was initiated against her on various grounds and, when she was admitted to hospital just before it began, *ex parte* proceedings were carried out and she was dismissed from service. Her husband and brother-in-law were suspended from the Delhi police and she was even arrested based on a complaint that she had been paid ₹50,000 to help someone get a job in the SC. It is possible that all of this has been made up, but if justice has to not only be done, but been seen to be done, these charges need to be investigated as well.

SnowmanBOGEY

Army tweets a picture of a mysterious "footprint", dubs it Yeti's, and hilarity ensues

YETI, THE "ABOMINABLE snowman", if it does exist, must have higher intelligence than most humans. British mountaineer Eric Shipton snapped the first "definitive snapshot" of the creature's footprint in the snowy Himalayas in 1951. Since then, fuelled by many sightings—possibly hypothermia playing with the brain?—Yeti-lore has lived on. However, interest in the snowman, at least among the larger public, had waned in the decades since Yeti-mania left its imprint in even the Tintin universe. That is, until the Indian Army tweeted a photograph of a large, mysterious footprint that one of its mountaineering team members came across, captioning it the footprint of the 'mythical beast "Yeti"'.

No sooner had the Army uttered "Yeti", its army of followers on social media went berserk. But a large majority of Indian Twitter was rightly sceptical of the army's claims. Yeti sightings and "footprints" have all been debunked by science so far. So, the probability of the "footprint" sighted by the army men confirming the existence of a hitherto undetected Himalayan ape is next to nil. Various footprints and sightings have been confirmed by scientists to be involving a brown bear and common, known Himalayan bovids like serow and goral, even an extinct bear from the Pleistocene era. The army had stated that it was sharing the picture with the intent of sparking off scientific enquiry into the existence of the animal, but given the overwhelming evidence that there is no such animal, it has earned well-merited mockery. But, it shouldn't get disheartened—it has illustrious company. For instance, in 2004, the editor of *Nature*, a reputed scientific periodical, Henry Gee, had written, "The discovery that *Homo floresiensis* survived until so very recently, in geological terms, makes it more likely that stories of other mythical, human-like creatures such as Yetis are founded on grains of truth". Till the truth outs, take the Army's pic—and its Yeti claims—with a pinch of salt.

NOT A GOOD FIT

HAD THE FED FOLLOWED MOORE'S ADVICE, IT WOULD HAVE TIGHTENED MONETARY POLICY IN 2010, PROLONGING THE RECESSION, AND LOOSENED POLICY IN 2018, WHEN UNEMPLOYMENT WAS BELOW 4%

Moore problems for the Fed?

JEFFREY FRANKEL

Professor of capital formation and growth at Harvard University

ONE OF US president Donald Trump's two intended nominees to fill vacancies on the US Federal Reserve Board of Governors—Herman Cain—has now withdrawn. Trump's other potential pick, Stephen Moore, is also under an ethical cloud, and often gets his economic facts wrong. By contrast, Trump's earlier appointments to the Fed have been sound choices, in particular Jerome Powell, the current chair. Although Moore lacks an economics PhD, that is not a reason to oppose him. Fed appointees have long included people with business experience. Powell, for example, does not have one, either. The big worry, however, is that Moore would be a Trump crony who does whatever the president wants, rather than what is best for the economy. Moreover, Moore's views on the Fed's interest rate policy, and his support for returning America to a gold or commodity standard, are disturbing.

Moore has favoured pro-cyclical monetary policy—opposing stimulus when the economy needed it, and favouring stimulus when it was not required. When the Fed sought to boost the US economy in response to the 2007-2009 recession, Moore initially raised the spectre of hyperinflation, and continued to warn of rising inflation in 2010, even when unemployment exceeded 9%. Needless to say, the bogeyman never showed up. Employment then rose steadily over the following eight years, presumably increasing the risks of the US economy overheating. Yet, Moore switched coats and attacked the Fed for excessively high interest rates. In December, he even suggested that Trump should fire Powell for tightening monetary policy. One is tempted to ask Moore if he turns on the air conditioning at home in winter and the heat in summer. The most plausible explanation for his change of course is that he started favouring stimulus when Trump took office.

Had the Fed followed Moore's advice, it would have tightened monetary policy in 2010, prolonging the recession, and loosened policy in 2018, when unemployment was already below 4%. This would have destabilised the economy. Moore's shift is part of a more general Republican swing in favour of monetary easing. (Trump himself made the same switch in the direction of his attacks on the Fed, from 2011 to 2018.) Some media have portrayed this as a departure from decades of anti-inflation hawkishness. In fact, Republican administrations have been pressuring the Fed to ease monetary policy for half a century.

Moore's views on the Fed's interest rate policy, and his support for returning America to a gold or commodity standard, are disturbing

In the early 1970s, president Richard Nixon successfully pushed Fed chair Arthur Burns to loosen monetary policy excessively—leading to high inflation that the administration then tried to suppress with wage and price controls. Nixon also broke the dollar's link with gold in 1971 and devalued the currency, ending the Bretton Woods era of monetary stability. In a similar vein, Republican presidents Ronald Reagan and George HW Bush leant aggressively on Fed chairs Paul Volcker and Alan Greenspan to ease monetary policy, especially in election years—as Bob Woodward documented in his book Maestro.

By contrast, all three Democratic presidents during the past 50 years refrained from pushing the Fed toward a more dovish stance. President Jimmy Carter appointed Volcker as Fed chair in 1979 with a mandate to conquer inflation, even at the cost of a recession that reduced Carter's chances of re-election the following year. And presidents Bill Clinton and Barack Obama scrupulously avoided commenting on US monetary policy, thereby reinforcing the norm of Fed independence.

In addition to his pronouncements on interest rate policy, Moore has repeatedly said in the past that he supports a currency regime under which the dollar would be convertible into a fixed amount of gold. In true Trumpian fashion, Moore recently denied having advocated this, despite clear video evidence to the contrary. He now says he favours a monetary policy that focuses on a basket of commodities, and not only gold.

Although this suggestion has drawn criticism, a price index based on a variety of commodities would at least make the economy less vulnerable to the volatile gold market. After president Franklin D Roosevelt took America off the gold standard in the 1930s, for example, two leading economists, Benjamin Graham and John Maynard Keynes, discussed the merits of a hypothetical commodity basket standard.

In the late 1970s, those who hitched themselves to Reagan's 1980 presidential campaign and famously called for large tax cuts—which, they said, would pay for themselves—also tended to believe that America should consider returning to the gold standard. Representative Jack Kemp and others continued to campaign for a return to gold in the 1980s, arguing that the Fed would then be able to ease its tight monetary policy, which they thought was the only thing that had prevented their supply-side revolution from succeeding.

As some pointed out, the rise of a small-government populist arguing in favour of the gold standard turned the history of American populism on its head. During the deflationary 1890s, Democrat William Jennings Bryan had campaigned for the presidency by memorably declaring that farmers and workers would refuse to be "crucified on a cross of gold". For him, an easier monetary policy required abandoning the gold standard.

On this issue, Bryan was ahead of his time. It would make no more sense to go back to the gold standard than to heating all our homes with coal. In recent times, the Fed has shown that it can fight to achieve monetary stability more effectively on its own, so long as it has competent appointees and institutional independence. The US Senate should keep that in mind if and when it considers Moore's nomination.

Embracing digital tech across industry

Indian vendors are becoming an integral part of the global digital value chain with digital now contributing anywhere between 20-30% of revenue of Deloitte's Tier 1 and Tier 2 service providers

PN SUDARSHAN

Partner and technology leader in Deloitte Touche Tohmatsu India LLP, and also leads M&A transactions in technology sector

THROUGHOUT THE WORLD, there is an increasing adoption of exponential technologies such as artificial intelligence, robotics, blockchain and Internet of Things (IoT) across industries. The mainstream adoption of exponential technologies is not only transforming the way businesses are managed, but is also creating new sources of revenue and business models. Digital-first organisations that have an integrated approach towards technology-driven business operations are more likely to focus on new and emerging business opportunities using tools such as IoT and AI/machine learning (ML) rather than merely using them to optimise their operations. To put it simply, digital is becoming the CEO's agenda rather than CIO's or CTO's agenda. The key challenge for such organisations to harness the real potential of digital tools is to have an integrated strategy and holistic approach towards their entire value chain, across customers, employees, partners, and internal business processes. What they seek from their technology partner is a deep-rooted experience in the domain, strong expertise in digital tools, and the creativity to imagine the possible. This troika is the key to succeed in today's digital world, and we are witnessing design and consulting expertise becoming as much a sought after skill for the technology vendors, ranking high on their investment agenda.

India is becoming an integral part of the global digital value chain, and is also emerging as one of the largest suppliers of digital talent. The industry is steadily responding to this demand through various initiatives such as upskilling and reskilling of the existing talent base, investments in design, consulting, platforms, automation, and start-up engagements. While we are witnessing early successes in this arena, continuous investments in domain skills and digital tools, along with creative design and consulting capabilities become key success factors to thrive in this evolving market, and niche acquisitions and consolidation will continue to augment organic investments in this domain.

For more than two decades, India's technology services industry was at the forefront of driving technology-enabled transformation of businesses around the world. As new age digital technologies disrupt industry value chains, the industry is again at the forefront of driving this change in the global market. As digital transformation moves from "pilot stage" to "industrial scale", Indian vendors are becoming an integral part of the global digital value chain. Digital now contributes anywhere between 20-30% of revenue of our Tier 1 and Tier 2 service providers, and is also the fastest growing practice, amidst secular growth witnessed in traditional services. The recent spate of large deal announcements in the market also points to the important role of Indian vendors in the global arena. While these are complex and structured multi-year deals, which in some cases also include the rebadging of client employees, what is interesting is the transformational nature of such deals, with an increasing share of digital components such as platforms, automation, and analytics services. A combination of factors is driving this change. While maturing digital use cases and successful pilots give enterprises the confidence to implement such large-scale transformational programmes, Indian service providers have also been investing continuously over the years to build capabilities and scale in digital tools, through organic as well as inorganic routes. This combination of "push" from the vendors and "pull" from the market is driving digital transformation at scale, at offshore cost advantages and process adherence.

This changing market dynamic is also evidenced in the nature of the acquisitions and consolidation that is driving M&A deals in the technology sector in the last three to four years. Domestic technology vendors, especially the Tier 1 and Tier 2 service providers, have been looking at overseas investments to augment capability and capacity in niche design and consulting skills closer to the target markets such as the US and Europe. On the other hand, global technology vendors have also been active in the deal market, focusing on acquisitions in India to optimise their delivery infrastructure, access large talent base, and also to address emerging market opportunities in India.

Another theme that is playing out in the market is the private equity buyouts and consolidation amongst tier 2 and tier 3 service providers to unlock strategic and operational synergies and stay competitive. While the industry is not new to such phenomena, what is interesting this time is the changing nature of such deals, with a specific focus on digital platforms, rather than the traditional value drivers, to drive scale and profitability. To put it simply, platform is a hybrid between product and service, or a "productised service", in which service delivery is accelerated and augmented through certain product-like tools and technologies. Platforms help bring certain amount of non-linearity to the service delivery, and also help in driving scale and efficiencies in implementation. Platforms are becoming an integral part of digital transformation, especially in domains such as analytics, IoT, etc, where the implementation cycle is shorter and agility becomes a key success factor. For tier 2 and tier 3 service providers, who have traditionally operated in a focused set of industry and service domains, investments in platforms is helping them thrive in the evolving market landscape. Consequently, the deal market is also expected to witness more such investments and acquisitions in the future, where platforms and automation become a key value driver for investments to enable growth and unlock shareholder value.

LETTERS TO THE EDITOR

Getting too big for auditors?

It is important to viably address the larger issue of lacking compliance to ethical business norms and market practices, witnessed by markets, time and again. Competitiveness ought to be preserved in the audit sector in order to preserve investor confidence. Greater accountability, improved market goodwill and due diligence have emerged as pre-requisites, for auditors and fiduciaries to operate. Instances of stringent regulatory probes and enforcement of penal norms have significantly contributed to establishing a business culture where teething troubles are identified, flagged and disclosed more proactively. Non-performing fiduciaries are finding it difficult to thrive in the market. That said, the onus to preserve shareholder sentiment is also on firms operating within the sector. Breakthrough in business-friendly regulations and enforcement of balanced capital market diktats have triggered a revival as markets have exhibited a resilience to recover from losses and regain previous highs. The last thing that stakeholders need is an approach by fiduciaries towards instances of sub-prime lending, data insecurity, opaque corporate actions, trade malpractices and borrower insolvency driven by a wilful default

— Girish Lalwani, Delhi

Rahul in the docks

Congress president Rahul Gandhi finds himself in the dock on two counts. While the Supreme Court insisted on an apology or a brave criminal contempt for attributing to the court the phrase 'chowkidar chor hai', targeting PM Narendra Modi, the Union ministry of home affairs (MHA) has asked the Congress president to provide the "factual position" on his citizenship within two weeks, acting on a complaint by BJP MP Subramanian Swamy who claimed that Rahul Gandhi had declared himself a British national while incorporating a company in the UK. The twin barbs have made Rahul's position dicey

— Ravi Chander, Bengaluru

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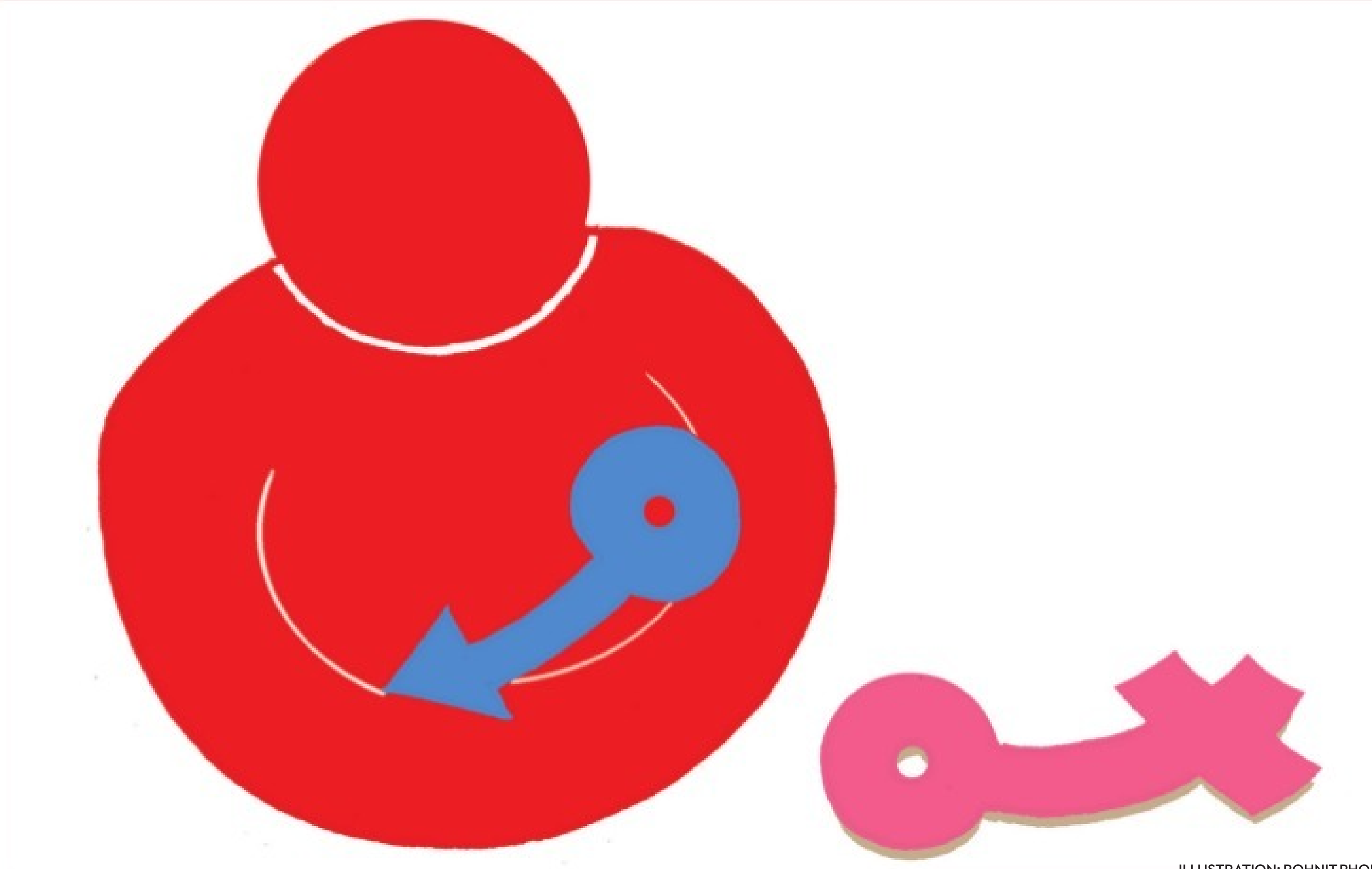

ILLUSTRATION: ROHNIT PHORE

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India's tale of extended infanticide

India's infant mortality rate, as of 2017, is 32 for every 1,000 live births, both for males and females. However, the U5MR is starkly different—at 40.4 and 34.4 for girls and boys, respectively. A major reason for this is gender bias when it comes to breastfeeding—families that have daughters tend to wean them off breast milk relatively sooner in order to have another child, hoping for a son

BACK IN THE 17TH CENTURY, an English statistician and geographer John Graunt studied the population of London and made an interesting discovery. He found that in the absence of any external manipulation, sex ratio at birth marginally favours males vis-à-vis their female counterparts. Studies across all human populations in subsequent years had their findings to be consistent with 105-107 males for every 100 females. On the contrary, throughout their lifetime, females have a higher survival advantage than males owing to their lower morbidity and mortality rates. This means that the average life expectancy of a female at birth and at subsequently higher age cohorts is always higher than males.

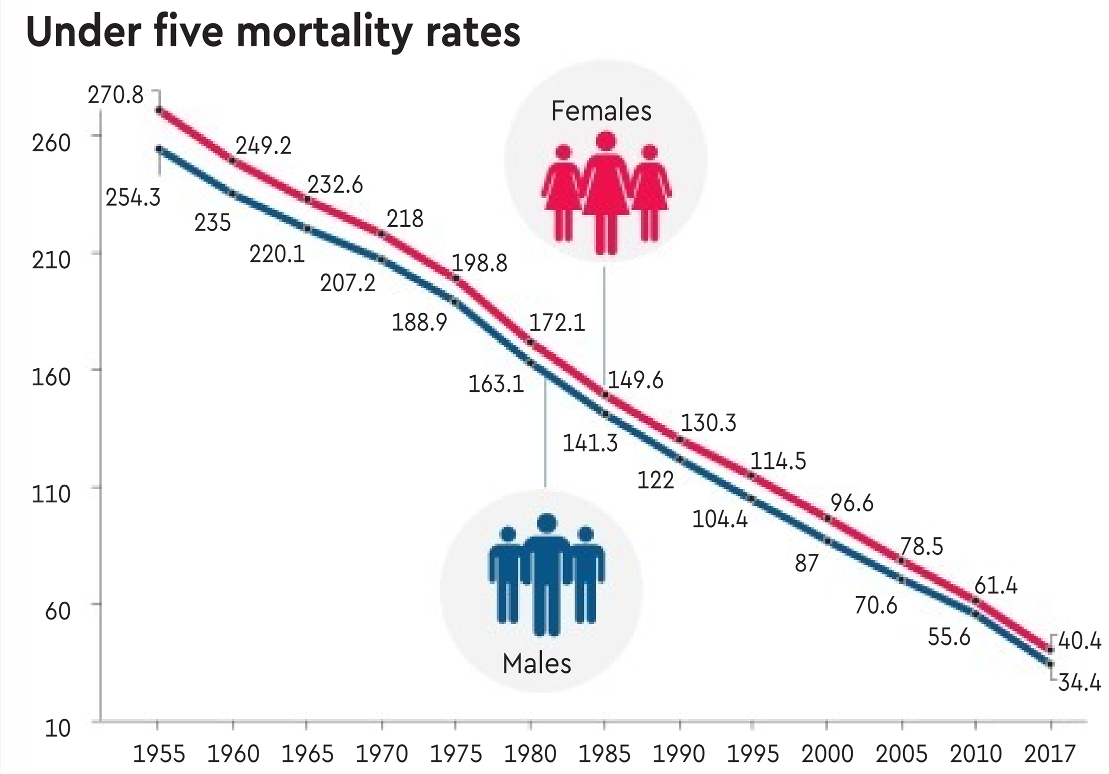
Accordingly, global statistics presented by the World Health Statistics Report 2019—published by the World Health Organisation (WHO)—adhere to this theory. On an average, male children are 11% more likely to die than their female counterparts. Meanwhile, an analysis of India's under-five mortality rates (U5MR) paints a different picture, inconsistent with global trends. Data from the UN shows that boys have a lower U5MR than girls in India as a historical trend with a tardily closing gap. Corresponding figures at 270.8 and 40.4 for boys, and 253.3 and 34.4 for girls, for 1955 and 2017, respectively, confirm this finding. Other South Asian countries like Afghanistan and Pakistan also display such trends.

So, what causes such mortality differentials for girls in India?

In her book '*The Endangered Sex: Neglect of Female Children in North West India*', cultural anthropologist Barbara Miller establishes a strong correlation between culture and female mortality. She shows how culture plays a role in differential treatment of children based on their gender. A substantial difference in survival outcomes for girls and boys can be explained by the concept of 'son meta preference' and 'unwanted girls'. Son meta preference refers to the tendency of Indian families to keep having children till the desired number of sons are born. In his book '*The Inner World: A Psychoanalytic Study of Childhood and Society in India*', Sudhir Kakar talks about how "an Indian bride is not fully accepted in her husband's home till she produces a male child."

The problem is exacerbated by the low reproductive agency of women in India. The Demographic and Health Surveys show that around 47% women do not use any form of contraception. 'Unwanted girls', meanwhile, are girls whose parents wanted a boy, but had a girl instead. Therefore, they keep reproducing in pursuance of their preference for a son. When the family has reproduced the desired number of sons, it results in the creation of a notional segment of 'unwanted girls' in the process. The Economic Survey 2016-17 estimates the number of 'unwanted girls' in India at 21 million. Declining sex-selective abortion statistics is a positive development on one hand. But on the other hand, the number of girls being added to the population is considered no more than 'collateral damage' in the process of giving birth to a male child. These figures highlight the devastating impact of sociocultural factors on gender-based indicators. Differentials in U5MR, deviating from biological norms, are one of the strongest indicators of the prevalent gender-discriminatory practices in India. Admittedly, when the mortality rates for girls are higher than that for boys, despite a natural advantage, it ushers in gender imbalance in the society.

Under five mortality rates



Source: UN Inter-agency Group for Child Mortality Estimation

The prevalence of gender discrimination in the society brings us to what Miller calls in her book 'extended infanticide', or the bias against the girl child—a term she coined after studying the gender differentials in India. Studies assert that this gender bias is most pronounced when it comes to breastfeeding. Public health literature shows the profound impact of breastfeeding on a child's survival, especially in unsanitary environments. Breast milk has immunological benefits and is associated with lower morbidity levels. In fact, the WHO shows that the mortality risk for children between the age of 1-2 years doubles if the child is not breastfed.

Having said that, we must note that breastfeeding by the mother is negatively correlated with her future fertility. As a result, families that have daughters tend to wean them off breast milk relatively sooner in order to have another child—hoping for a son. Literature in the *Journal of Human Ecology* asserted that "birth intervals are shorter if parents have not reached their self-reported ideal number of sons." Shorter period of breastfeeding often leaves female infants at the behest of nursing from insanitary external sources, exposing them to diseases. Besides, a subsequent pregnancy naturally takes a toll on the mother, resulting in neglect towards the girl child. A study conducted by Jean Drèze and Amartya Sen also confirms that daughters are breastfed for a relatively shorter period as compared to boys. This, in turn, is directly linked to a high risk of contracting diarrhoeal infections and acute respiratory infections, even leading to death in many cases. Each additional month of breastfeeding reduces infant mortality by six children per 1,000 live births as per the paper '*Does breastfeeding really save lives, or are apparent benefits due to biases?*'

All these factors together help us understand the impact of premature weaning off of daughters from breastfeeding. Thus, girls tend to be way more vulnerable to morbidity as well as mortality than boys. However, the impact of breastfeeding on a child's health appears one year after birth. This is in confirmation with India's statistics on infant mortality rates—which stand at 32 (for every 1,000 live births as of 2017) both for males and females. The differential, therefore, occurs in the form of starkly different U5MR that stand at 40.4 and 34.4 for girls and boys, respectively.

'*Why Do Mothers Breastfeed Girls Less than Boys?*' in the *Quarterly Journal of Economics* notes that the "differences in breastfeeding could account for 8,000 to 21,000 missing girls each year in India, explaining roughly 9% of the gender gap in child mortality." While breastfeeding is one of the most prominent factors, vaccination and healthcare access also show evidence of son-advantage, albeit not significant. Such gender gap in breastfeeding brings forth the disparity in higher U5MR in India. A shorter period of breastfeeding due to implicit son-preference creates disparity in survival outcomes for girls. Such passive discrimination is tantamount to committing extended infanticide.

The way forward to ensuring a more gender-balanced society would require more than just State intervention. It calls for a far-reaching profound transformation in attitudes, perceptions, human values, social norms and stereotypes. Educating mothers about the importance of continuing breastfeeding during antenatal and postnatal care visits by the Accredited Social Health Activist (ASHA) workers could be the first step in this direction.

The market exerts its power over Google

KARL W SMITH

Bloomberg

Alphabet risks losing future market share if it's not sensitive to its users' and advertisers' current needs

GOOGLE FOUNDERS LARRY Page and Sergey Brin are still among the richest people in the world, but they are worth a lot less this week than they were last. The decline in their fortunes, and that of Google parent company Alphabet after a disappointing earnings report, should sound a note of caution—not just to investors, but to members of Congress. As conservatives and progressives have increasingly complained about the behaviour of Big Tech, Congress has taken the debate over how best to regulate the industry more seriously. There are legitimate gripes to be aired and issues to be discussed. What all sides may want to consider is that some of the industry's unsavoury behaviour represents the growing pains of an industry that is only beginning to come under market discipline.

The contours of the policy debate are clear enough. Many conservatives claim that the "liberal" tech companies systematically discriminate against conservative viewpoints. Many progressives argue that Big Tech abuses its power and wealth, squashing the competition and exploiting its customers' data.

In each of these cases, the core culprit is the presumed market power of tech companies: Consumers have little other choice in finding news and information, and advertisers have little other choice in reaching those consumers. As a result, Big Tech has been free to write its own rules. The solution, then, is for the government to write rules instead.

Google's first-quarter results show that the market's rules may take precedence over anyone else's. Alphabet blamed its revenue shortfall on efforts to cut prices for advertisers and to improve the advertising experience on YouTube. Alphabet risks losing future market share if it's not sensitive to its users' and advertisers' current needs. In other words, its current position of strength is by no means assured.

> IBM in the 1970s and Microsoft in the 1990s seemed unstoppable forces in the market. The government pursued antitrust cases against both, but it was competition that caused them to change behaviour

It's a concern other tech companies have expressed in the past, notably IBM in the 1970s and Microsoft in the 1990s—both of which seemed unstoppable forces in the market right up until the moment they stopped. The government pursued antitrust cases against both, but ultimately it was competition that caused them to change their behaviour; government actions had little significant impact.

Critics point out that Big Tech is more dangerous today because network externalities enable natural monopolies: Everyone using Google for search, for example, gives Google invaluable insight into what people want to buy, find or know. As a result, Google simply has too much power. Even if this theory is correct, however—and there are good reasons to believe it isn't—the standard response to a natural monopoly is to make it into a public utility, as some candidates for president and members of Congress have proposed.

Yet this would insulate the tech companies from exactly the type of consumer and advertiser pressure they are just starting to face. It would replace market discipline with a regulatory board. If the board was wise and well-staffed (not a foregone conclusion), it could force some short-term accountability. But it would snuff out the incentives of companies such as Alphabet to focus on long-term value for users and advertisers. It would also prevent the type of disruptive market discipline that IBM and Microsoft faced.

Big Tech certainly has a lot of power, and (at the very least) it has been careless with it. There is no easy long-term solution here—except to focus on increasing the incentives to foster competition. That means, among other things, cracking down on patent trolls and making it easier for young companies to raise revenue through IPOs. As Google's founders and investors learned this week, the market can just as easily degrade power as bolster it.

RISING UNEMPLOYMENT

Read the tea leaves

Not the data collection methods, but the outcome is really poor

SANTOSH MEHROTRA & JAJATI PARIDA

Mehrotra is professor of Economics, and Chair of Centre for Labour, JNU, Delhi. Parida teaches economics at the Central University of Punjab, Bathinda

INDIAN ECONOMY IS unable to create enough jobs for the increasing number of job aspirants, reflecting in rising unemployment rate. The 'not in employment, education or training' NEET population is growing (84 million in 2011-12; 103 million in 2015-16; 116 million in 2017-18). This is reflected in recent employment and labour force surveys of the government (both the Labour Bureau and the Periodic Labour Force Survey) and private (Centre for Monitoring Indian Economy) organisations. A labour market crisis is in the making, as the number of newly- and better-educated entrants into the labour force will only mount each year, at a rising pace till 2030, and decelerating thereafter till 2040.

Unfortunately, experts like Amitabh Kant and Surjit Bhalla hardly recognise this issue. Rather, they claim—in fact, several times—that the data collection methods of the government are not appropriate. Bhalla particularly appears obsessed with misguiding the government and public with stylised interpretations of his own view of statistics ('Unemployment at 45-year high—a statistical embarrassment', *FE*, April 13, *http://bit.ly/2vvKB0q*).

Unprecedented things are happening. First, the Labour Bureau's fifth annual survey 2016-17 was discarded for seasonality issues, despite the fact that its first four rounds were well accepted for the same methodology. Moreover, PLFS (2017-18) of the NSSO is now being attacked again by them, on methodological grounds.

Systematic efforts seem under way to undermine the credibility of the labour statistics system. First, the five-yearly Employment-Unemployment Survey of the NSSO is discontinued since 2011-12. Second, the quarterly employment survey of the Labour Bureau is discontinued. Third, annual surveys conducted by the Labour Bureau have also been discontinued since 2016. Moreover, the new high frequency PLFS conducted by the NSSO is being questioned by government experts. The current government has not released the results of the last Labour Bureau survey (2016-17), nor the results of PLFS, both of which have been cleared by the concerned authorities for public release. On the other hand, estimating new job creation based on the EPFO data is the most bizarre development in this space ever.

A statistical system, created by PC Mahalanobis, is believed to be the backbone of policy research and development in India. However, demolition of the statistical system would cost India hugely.

The Consumer Pyramids Survey of CMIE with a sample size of 160,000 households and 522,000 individuals too reported 5 million persons lost their jobs between 2016 and 2018, and the overall unemployment rate to be around 6% in 2018. This is comparable with the PLFS data of 6.1%. In addition to rising open unemployment among the higher educated, the less educated (mostly informal) workers have also seen job losses and reduced work opportunities since 2016. Moreover, with the squeezing job opportunities in agriculture and manufacturing because of mechanisation and rising capital intensities, young educated youth preferred to be NEET rather than openly declaring themselves as unemployed.

Although the services sector alone drove employment growth post 2011-12, the failure of a number of start-up projects (increasing every year since 2016), along with employment losses due to airline and other crises, have affected labour market outcomes in the services sector.

Countering Bhalla's claim that PLFS (2017-18) of the NSS is useless because of population and urban sample issues, it seems once again he is innocent about the fact that the NSS-estimated population is always smaller than actual Census population (see table). A readjustment is normally made to the NSS estimates based on actual Census population, and the unadjusted population per se has never been used by anybody in the globe at any point in time. Hence, his argument of underestimation of NSS population is meaningless.

Comparison of NSS estimated population with Census projected population

Employment surveys conducted in various years	Total sample individuals covered (in lakh)	Sample % of urban population covered	Estimated % of urban population from NSS	Estimated NSS population (million)	Projected Census population (million)
1983	6.24	33.49	23.8	519.9	718.1
1987-88	6.68	32.77	22.6	540.6	978.0
1993-94	5.65	36.9	24.8	778.0	893.1
1999-00	5.99	37.76	25.4	921.0	1,004.0
2004-05	6.03	33.97	25.5	971.9	1,093.6
2009-10	4.60	38.81	27.3	1,020.5	1,186.4
2011-12	4.57	38.56	28.8	1,088.3	1,225.7

Source: Author's estimation based on NSS unit data and decadal Census population data

Moreover, he may have totally forgotten the basics of sampling and its relevance in research. The sample sizes in rural and urban areas normally vary slightly across the rounds of the NSS (see table), as these are based on multi-stage, stratified random sampling, the most appropriate sampling method for a geographically large country like India, in which highly socio-economically heterogeneous groups of people live. This sampling method is not only used for the Employment-Unemployment survey, but has also been used for a number of other household surveys including: the Consumer Expenditure, Housing Condition, Migration, Participation in Education, Disabled Persons, Land & Livestock Holdings, Debt & Investment, Drinking Water, Sanitation and Hygiene, Health and Morbidity, Particulars of Slums, Situation Assessment of Agricultural Households etc. Therefore, if we start believing Bhalla, then it could be concluded that all the NSS surveys conducted till date were useless. This would be the most foolish thing we ever did.

Raising these ill-informed questions seems either motivated, or at best smacking of innocence. Because, for its household surveys, the NSSO has been using basically the same sampling design over the years, with some fine-tuning made every year with the objective of improving the accuracy of important estimates. Moreover, labour market experts in India should dig deeper to explore the factors behind these poor employment results, rather than questioning the reliability of data.

If the current belief system of our experts were to continue, India could end up in a situation of high mass unemployment sooner rather than later. This will happen without the knowledge of our professed experts, with grave if not catastrophic consequences for our nation's development.