Revisit administration of agri sector

All political parties should support another Constitution amendment to put agriculture on the Concurrent List for the benefit of the farmers

FARM VIEW

SURINDER SUD

A significant recommendation of the MS Swaminathan-headed National Commission on Farmers that has not received the needed attention is to shift agriculture from the State List to the Concurrent List of the Constitution. This would allow the Union government to have a greater and a relatively more decisive say in the matters related to agriculture and farmers without majorly diluting the powers of the state governments. At present, the Centre has to rely on the state governments to implement even those farm development and farmers' welfare schemes that are sponsored and funded by it.

Leaving agriculture in the hands of the states has, indeed, been the legacy of the antiquated Government of India Act, 1935. The logic then was that since agriculture was basically region-specific and depended primarily on local agro-ecological conditions and native natural resources, the provincial administrations would be better placed to look after it. The predominantly subsistence type of agriculture in vogue in those days was, more or less, self-contained with little inter-regional interactions for procuring inputs or selling the output. The problems besetting the farmers, too, were generally location-specific.

The situation is vastly different now. The modern agriculture transgresses regional boundaries with inter-state commercial dealings being part of the game. Agriculture is also getting integrated with other sectors of the economy, notably trade, industry and services. Policy initiatives and regulatory decisions taken by one state can now affect, directly or tacitly, the agri-economy of the other states as well. An unbridled control of the states over the farm sector is, therefore, posing problems and proving counterproductive.

The fifth and final report of the Swaminathan panel released in October 2006, mooting the transfer of agriculture to the Concurrent List, also referred to some of the key aspects of administration of this sector which necessitated a revisit to its constitutional status. The report pointed out that the decisions concerning support prices of crops, institutional credit and agri-commodities trade, both domestic and international, are taken by the Centre. Some important laws having a significant bearing on agriculture have been enacted by Parliament and are being administered by the Centre. The Protection of Plant Varieties and Farmers' Rights Act, the Biological Diversity Act, and the National Food Security law can be the cases in point. Besides, the bulk of the funding for rural infrastructure, irrigation and other farm development programmes comes from the Centre. "By placing agriculture in the Concurrent List, serving farmers and saving farming becomes a joint responsibility of the Centre and the states," the commission said.

There are other pressing reasons for the statutory change as well. Some of the Centre's flagship initiatives to address the farmers' woes and boost their incomes are not delivering the expected results because of non-cooperation of some state governments. The notable ones among these are the crop insurance scheme; the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) scheme to augment farmers' income by direct payment of Rs 6,000 a year; and the Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) to ensure remunerative prices for the farm produce. Moreover, some vital reforms concerning agricultural marketing, land leasing, contract farming and a few others are not making much headway for the same reason.

Little wonder, therefore, that the Dalwai committee, which went into the issue of doubling farmers' income, has also pitched for placing farm marketing in the Concurrent List to enable the Centre to revamp agricultural mandis, improve their functional efficiency and expand the rural marketing infrastructure. This report has further strengthened the case for moving agriculture to the Concurrent List.

In the past, too, the Constitution has been altered to switch items from one List to another. The 42nd amendment, carried out in 1976, for instance, had shifted five subjects, including forests and wildlife protection, from the State List to the Concurrent list. Considering the significance of the issue and the potential gains from it, all political parties should support another Constitution amendment to put agriculture in the Concurrent List for the benefit of the farmers.

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CHINESE WHISPERS

Call for unified leadership

After some All India Anna Dravida Munnetra Kazhagam (AIADMK) MLAs publicly criticised its dual leadership structure — led by Tamil Nadu Chief Minister Edappadi Palaniswami and his Deputy O Panneerselvam — the two leaders have put a gag order on party leaders. A joint statement said: "Whoever wishes to express their views for the welfare of the AIADMK should utilise opportunities in the party — like the general and executive councils, besides consultative sessions." But dual leadership is not new in the AIADMK. When former CM J Jayalalithaa was alive, the state administration was looked after by her, while her friend and close aide V K Sasikala took decisions on party affairs, including the appointment of ministers. After Jayalalithaa's demise, Sasikala tried to take overall control, but Palaniswamy and Panneerselvam joined hands and kept her and her family members, including nephew T T V Dhinakaran, out.

Rare bonhomie

SOURCE: TWITTER

In a rare bonhomie, Uttar Pradesh Chief Minister Adityanath on Monday paid a visit to Samajwadi Party (SP) patriarch Mulayam Singh Yadav at his residence on Vikramaditya Marg, Lucknow. The SP patriarch was admitted to hospital with high blood sugar. Adityanath took stock of Yadav's health and gifted him a book on Kumbh, 2019. Yadav's son and former state Chief Minister Akhilesh Yadav and his estranged uncle Shivpal were also present during Monday's meeting. The latter's presence immediately gave rise to speculation there could be a rapprochement of sorts between Akhilesh and his uncle Shivpal. In any case, after the SP's dismal performance in the recently concluded Lok Sabha election, Yadav had reportedly asked his son to ensure all senior leaders, who had left the party in recent years, must be back to its fold without delay.

Mallya faces crowd wrath

A video doing the rounds on social media shows beleaguered businessman Vijay Mallya booed with chants of "*chor hai* (you are a thief)" as he watched the World Cup fixture between India and Australia at the Oval on Sunday. In one clip, a small crowd of people could be seen pushing and shoving as Mallya made his way out after the match. He could be seen answering back but his words were inaudible. Mallya is facing extradition — the 63-year-old left India in 2016 after defaulting on loans amounting to ₹9,000 crore.

Why it's tough being a start-up in 2019

Funding has dried up, government initiatives are riddled with problems and the days of copycat ideas are over

KARAN CHOUDHURY

TAKE TWO

Being a digital commerce firm with no backers can be tough. If the bigger players such as ShopClues are trying to merge with players such as Snapdeal to survive. Things are worse for the ones that are bootstrapped.

A tough road ahead for start-ups

Not just private investors or PE funds that have come up short, even the government's initiative to promote start-ups has not done much to help out budding entrepreneurs.

Ask Abhishek Verma, he has a few battle scars to prove it. He is the founder of Quikmile, a tech-enabled logistics ecosystem. The firm has built a vehicle tracking and transport management system for logistics companies and fleet owners via which they can track and manage their assets in real time.

Incorporated in June last year, the company working out of a three-bedroom flat-cum-office in Delhi NCR is at present being funded by Verma's own savings, and loans from friends and family.

It is not like the founders have not been looking out for investors, but no great offer has come their way. Sometime back Verma and his teammates hit upon the idea to register themselves under the incumbent government's flagship Startup India initiative.

They thought a certificate and recognition from the government might open a few closed doors. "See, for us it has been a struggle from Day One. We knew that when we left our jobs to start a company of our own. What we wanted was some help along the way to initially help us survive and may be thrive later. That is why we decided to apply for the start-up certificate. We thought it would help us secure a government loan and also help us raise funds from venture capitalists and angel investors," said Verma.

Armed with the certificate, Verma and his team restarted the process of raising funds. But nothing seems to have changed. "What we found after having extensive talks is that banks do not provide Mudra loans or loans under Startup India schemes to private limited companies that are less than a year old. On the other hand, VCs and angel investors only give funding to private limited companies," Verma said.

What does the certificate promise?

According to the official website of the Startup India initiative, the certificate gives a company income tax exemption for a period of three consecutive years and exemption on capital gains and investments above fair market value. It provides easy winding up of a firm within 90 days and helps fast-track up to 80 per cent rebate on filing patents. Other than that it helps facilitate funds for investments into start-ups through alternate investment funds.

Consolidation a way out for bigger players

It has been tough raising funds for even bigger players as now the e-commerce space in India is getting divided between Amazon India and Walmart-owned Flipkart.

Companies such as ShopClues, according to sources, are in talks with e-commerce firms such as Snapdeal for a merger. Snapdeal reportedly is conducting due diligence, a move that may lead to a potential acquisition of ShopClues. According to the sources, the move would benefit both firms as this might generate some investor interest for a fresh infusion of funds in the new entity.

However, discussions are at an early stage and people in the know said it may be too soon to say if the deal would materialise. PwC is involved in the process, and if the deal goes through, it would be an all-stock transaction, sources said.

Snapdeal has been focusing on unbranded goods in Tier-II and Tier-III towns and cities. Co-founders Kunal Bahl and Rohit Bansal put in place a plan called Snapdeal 2.0 in 2017 when talks for a sale to Flipkart fell flat.

The order volume for Snapdeal has risen from about 35,000 daily orders in August 2017 to over 200,000 new orders a day now.

According to reports, the deal is expected to value ShopClues between \$200 million and \$250 million. ShopClues had an estimated value of \$1.1 billion in 2017. Both companies share Nexus Venture Partners as a common investor.

"If this goes through, it will be a win for ShopClues as it does not have any suitor at the moment," said a person familiar with the ongoing discussions.

Reports of Snapdeal buying out ShopClues, anchored by common investor Nexus, have been doing the rounds for about a year though. ShopClues was also reported to have limited fund reserves.

"There has always been interest in us and these speculations are no exception. We have, in the past, and will continue to in the future, pursue partnerships and commercial relationships with rivals if it helps us serve our consumers better," said a spokeswoman at ShopClues.

Hope of stability ahead

For budding entrepreneurs, hopes are high as they expect renewed investor interest in the next couple of months. The key, they believe, is having a product with a difference.

"A stable government always helps get the investor interest back. Also the government would be bringing out the e-commerce policy soon. Now investors do not want to bet on two or three similar products and see which one survives. So we need to work on a product which is completely different from the competition," said Arvind Narang, the founder of a start-up focused on making safety products for women and children.

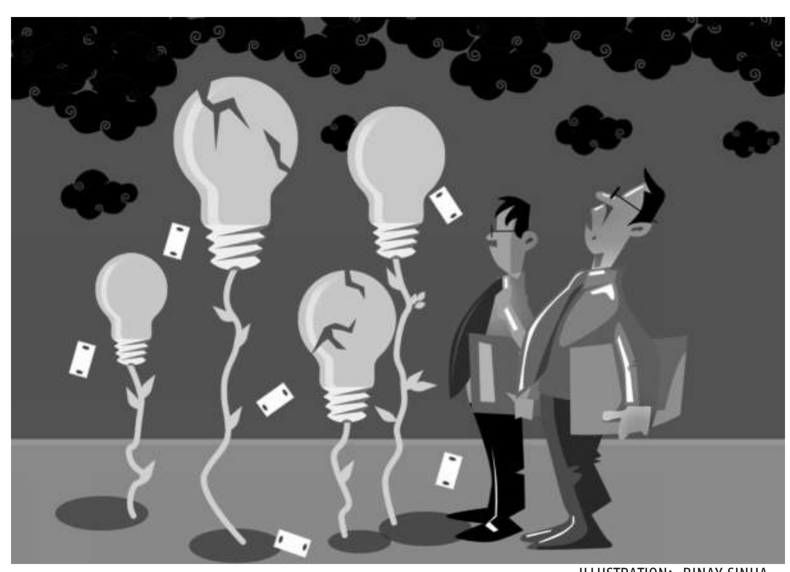

ILLUSTRATION: BINAY SINHA

STANDING STILL

\$12.68 bn Investments raised by Indian start-ups in 2018	864 Number of deals	2,34,715 Number of firms registered under learning and development module	2,92,025 Number of firms registered under Startup India Hub

ON THE JOB

On worker participation rates

MAHESH VYAS

All the data provided in the Periodic Labour Force Survey Quarterly Bulletin is based on the Current Weekly Status (CWS). Under this system, a person is considered to be employed, unemployed or out of the labour force depending upon the activities of the person during the seven days preceding the day of the survey.

This is much better than the more frequently used Usual Status that depends on activities of the person during 365 days preceding the date of survey. The Usual Status is fraught with problems of recall. The CWS is based on much better recall.

However, the CWS definition is still quite relaxed. It is: "A person is considered working (or employed) if he/she worked for at least one hour on at least one day during the seven days preceding the date of survey."

Compare this to CMIE's definition in its CPHS where a person is considered employed if s/he is employed on the day of the survey or, if the status on the day of survey is uncertain, then if the person was employed on the day preceding the day of the survey. The preceding day is conditional upon the status of the first day being uncertain. Such uncertainties arise when a survey is conducted in the morning and, say, a daily wage worker is not sure of whether s/he would get a job on the day. Only in such cases do we rely upon the status of the preceding day. The ambiguity regarding the status in the CPHS is therefore, almost zero. This cannot be said for the PLFS.

Since the reference period in the PLFS is a week, often people are concurrently present in more than one statuses during the week. For example, a person could have worked for an hour and then remained unemployed looking for a job for most of the rest of the six days of the week. In such cases, PLFS uses the priority criterion where the employed status gets priority (arbitrarily) over the unemployed status.

The CPHS does not face this problem because the reference period is just one day and the status of a day is unambiguous. Consequently, there is no need to introduce arbitrary rules of priorities.

As a result, the PLFS-CWS definition of a person being classified as employed allows more people to be called employed than the CMIE-CPHS definition. This should show up in a higher Worker Population ratio than the Employment ratio -- the equivalent ratio in CPHS. And, it does.

The urban worker-population ratio according to PLFS based on CWS in the April-June 2018 quarter was 41.8 per cent. The corresponding value in CPHS was 38.4 per cent. In the July-September 2018 quarter the values were 42.2 per cent and 38.2 per cent and in the October-December 2018 quarter the values were 42.2 per cent and 38 per cent. PLFS estimates of urban worker-population ratio are about four percentage points higher than the CPHS estimates.

The difference persists across gender but it is a lot more pronounced in the case of women workers. The average urban worker-population ratio for men in the PLFS was 66.9 per cent during April-December 2018. The corresponding ratio in CPHS was 65.6 per cent, implying a difference of only 1.3 percentage point. In the case of women, the corresponding values are 16.9 per cent and 8.5 per cent, a difference of nearly 8.5 percentage points.

Why is there such a big difference in the ratio for women? A clue lies in Statements 26 and 27 of the PLFS Annual Report, 2017-18. These two tabulations provide data on hours worked. Statement 26 shows that on an average women work for 10 hours less a week compared to men. And, Statement 27 shows that more women work less hours a day than men. 15.5 per cent of rural women and 9 per cent of urban women work less than 24 hours a week which translates to less than 3.4 hours a day. Only 5 per cent of rural men and 2 per cent of urban men work such few hours.

It is likely that such women, who work less than 3 hours a day, do not consider themselves to be employed and therefore do not report themselves to be employed, to CPHS. However, PLFS considers them to be employed because it satisfies their definition and their priority criterion. In CPHS, the respondent's view of her principal status matters. This possibly explains why the CPHS shows a lower employment rate and in particular, a lower female employment rate than the PLFS.

The author is the MD & CEO of CMIE

LETTERS

Spare the depositor

This refers to "How not to waste the NBFC crisis" (June 10). I agree with the writer about the inadvisibility of directing banks to lend to NBFCs in difficulties. The whole system is weighed in favour of the borrowers. The depositors and investors, who are basically people who have put their hard-earned money, and pensioners who have put their life long savings in banks, mutual funds and LIC are not adequately protected. This applies to banks saddled with huge unpaid loans to defaulting corporates or power companies. Power companies are in dire straits on account of low recoveries and transmission losses. This applies equally to banks and mutual funds that have lent to those NBFCs and HFCs who have in turn have lent to high risk borrowers or diverted the funds to front companies or affiliates with no prospect of repayments. Then there is the LIC, the premier life insurance behemoth, which is told to invest in all distressed banks and corporates, at the expense of its policy holders and investors.

It is always the depositors, investors and policy holders who must take a hit in the form of lower returns/interest. Now even some pension funds that have invested in these entities have to write down big losses. At a time when there are low returns on investment in physical assets, the distortions in financial system disincentivises investments in bank deposits and mutual funds. What options does a person have when he reads every other day that either some big corporate borrower has defaulted or some big NBFC or HFC is in dire straits? All the solutions seem to end at the doors of the hapless depositors, investors and policy holders. And now, Union ministers are training their guns on the reserves of the central bank to fund their favourite projects!

Arun Pasricha New Delhi

The way ahead

This refers to your article "Transforming performance" (June 10). It is necessary to go back in time to review the changes on the economic front directly related to employment. The economy before 1991 had socialist leanings with government policies being more employee protective than market competitive. Annual appraisals of employees by superiors were unrealistic and based more on personal prejudices of the reviewing authority. Regardless of reviews, job security overruled performance quality.

Post 1991, a reverse trend occurred, when the economic policies led to capitalist leanings. Intensifying competition meant product quality had to be globally qualitative. Job performance superseded job security. Today both employers and employees are demanding more from the other. Corporate budgets are not annual formalities but closer to reality. Changing market trends require more frequent monitoring and performance appraisals require greater interaction in the interest of both the company and the employee. The frequency in technological change calls for greater market alertness and the younger generation can play a vital role in this regard. Financial incentives to employees should be related to the achievement of budgetary goals. This would help companies retain both talent and experience. The recognition of qualities like leadership ability and group coordination will ensure greater dynamism in performance.

C Gopinath Nair Kochi

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HAMBONE

Business Standard
Volume XXIII Number 213
MUMBAI | TUESDAY, 11 JUNE 2019

Digital tax breakthrough

But the road to a common tax code still has several hurdles

The consensus at the G-20 Summit in Fukuoka, Japan, on levying taxes on digital multinational corporations promises to lead to a tectonic shift in the way the global economy works. The devil will be in the detail before this in-principle agreement can be codified into a common taxation system that is accepted across multiple jurisdictions. In addition, the US, home to most of the world's digital giants, is opposed to the new proposal, which is being championed by the UK and France, among others. In that sense, the proposed deadline of 2020 for stitching together a common digital tax code may be unrealistic. However, this consensus should mean that the tax incidence on large multinational online businesses will rise. This will also limit the comparative advantage of small tax havens in attracting a certain kind of companies.

Global digital companies such as Google, Facebook, Amazon, Apple and others face criticism for cutting their tax bills by booking profits in low-tax countries, regardless of the location of the end customer. Such practices are blatantly unfair. The companies rely on a broad theme of tax avoidance. They tend to locate regional headquarters in countries like Ireland, Botswana and Luxembourg, where tax rates are low. As a result, profits made on revenues derived from doing business in other nations are taxed at lower rates. The G-20 proposal could attempt to impose a common minimum tax on such profits. Or, it may try to achieve an international consensus that such profits should be liable to tax in places where the revenue is generated, regardless of the corporate's physical presence. The other option being considered is to have an agreement to reallocate profits registered in one nation, across all the other nations where that profit may be derived.

But there are several hurdles to achieving such a consensus in practice. One is that there is no broadly accepted definition of a digital company. In many cases, the companies in question also have multiple revenue streams from different segments. For example, it may be selling physical goods (which could be sourced either from within a given nation, or imported from elsewhere). Such a company may also be providing cloud-hosting services while running servers located elsewhere, or it may be deriving advertising revenues from nation "A" while displaying content generated in nation "B", and it may be running fintech services across borders as well. All this will further complicate definitions of "digital" businesses.

To properly assess tax incidence across borders, and to prevent either tax evasion by companies, or double taxation by the authorities, there would have to be high levels of cooperation between national tax authorities and, probably, access to cross-border data for verification purposes. This will also be extremely complicated due to demands from many nations (including India, China and Russia) that data collected from their respective citizens should be stored and processed within their national borders. Given wide variations in national privacy legislation and in local digital infrastructure, this could well become a sticking point in negotiations.

Despite the hurdles on the ground, the G20 communique marks an important change in the global attitude to digital businesses. It should, eventually, result in consequent changes to tax codes. It would favour big markets such as India and South Africa, over small tax-havens such as Botswana. This seems to be the fairer option: The nation where the revenue is generated should have the first call in terms of taxing the profits as well.

Stop the violence

Mamata Banerjee has set the state on a perilous course

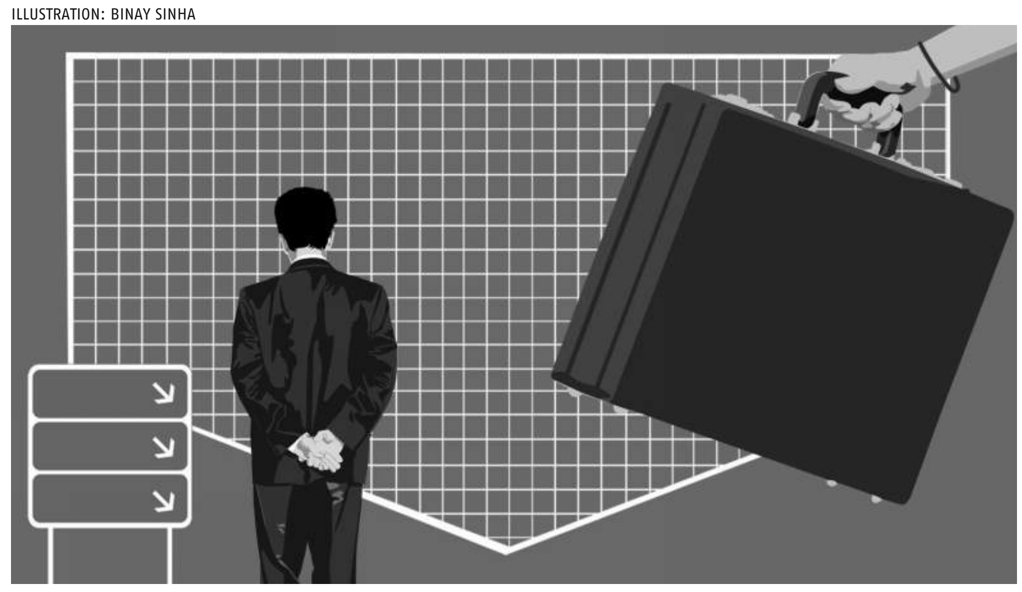
From her days as an opposition activist, West Bengal Chief Minister Mamata Banerjee has worn her reputation for unrelenting feistiness as a badge of honour. Against the tired, old men of the Left Front, her energetic defence of those who lost land to industrial projects propelled her to two terms in power. Against the juggernaut of grassroots mobilisation by the Bharatiya Janata Party (BJP) in the recent parliamentary elections, however, she has played into the hands of her opponents and has created conditions for communally-charged confrontation that the state has not seen since 1947. To be sure, violence has been the leitmotif of political engagement in West Bengal since the sixties. The nature of Left Front rule accentuated this; land redistribution policies, which kept it in power for over three decades, also created a powerful, disaffected class of land losers.

This incipient unrest, coupled with militant trade unionism, compelled business to take its capital elsewhere, making the state a case study on the perils of communist governance. In her eight years in power, Ms Banerjee has not changed this basic feature of local politics, and accentuated and reoriented it. Well-publicised investor summits and scouting trips to Singapore did nothing to allay investor fears about endemic violence. Instead, for no discernible reason, she chose to channel her politics to the Muslim community, which accounts for 27 per cent of the state's population. This in itself was a dangerous route to choose when the wounds of Partition are still to heal; when she chose to appease the community's more fundamentalist elements with subsidies the state could ill afford, she alienated those who saw in her a viable secular alternative to the Left Front.

At the same time, the absence of gainful employment opportunities drove the feckless youth, who once provided the muscle power for the Left Front, to divide their allegiance between the Trinamool Congress and the moneyed BJP. West Bengal, thus, became a battleground of competing political thuggery, and the elections saw an unprecedented level of violence and poll-related deaths. Instead of countering the BJP's new-found strength with a cogent campaign as Naveen Patnaik did in neighbouring Odisha, Ms Banerjee escalated the violence, carrying matters to such absurd lengths as preventing BJP President Amit Shah from campaigning and attacking BJP workers, prompting the Election Commission to ban all campaigning 48 hours before the vote.

Voters in this multicultural state responded to Ms Banerjee's inept politics by increasing the BJP's seat-strength from two in 2014 to 18. But she appears not to have learnt any lessons. Oblique post-poll poetry and her personal roadside intervention to prevent BJP workers from chanting slogans made her appear ridiculous. Her failure to rein in her goons resulted in the deaths of BJP workers in Muslim-dominated constituencies. Unabated post-poll violence has provided the BJP's triumphal Home Minister Amit Shah with a useful opportunity to raise the threat of President's rule. With the Assembly elections due in two years, Ms Banerjee has a mountain to climb in terms of altering the deleterious political climate she has done much to foster. In 2011, she created a Left-Front-*mukt* West Bengal. At the moment, she seems to be doing her best to allow the BJP to make it a Trinamool Congress-*mukt* West Bengal in 2021.

ILLUSTRATION: BINAY SINHA



Facing another slowdown

Finance ministry has at last admitted the economy is slowing — so what will govt do?

POLICY RULES
MIHIR SHARMA

In spite of optimistic forecasts about a packed "100-day agenda" for the re-elected government of Prime Minister Narendra Modi, it is unlikely that a new and comprehensive reform agenda will be revealed. This is for three basic reasons. First, the personnel involved do not inspire these expectations. Finance Minister Nirmala Sitharaman, for example, while unquestionably competent, did not distinguish herself as a reformist in her previous stint in an economic ministry, namely the Union ministry of commerce. Second, there is a rhetorical reversal implicit in revealing a reform agenda which this government will struggle with. Over the course of an election campaign, it argued that it had already implemented far-reaching reform and that the economy was therefore prospering. To now inform the nation that major economic reform needed to be instituted would constitute something of a contradiction, and the government's messaging mavens would not be pleased. Finally, it is unlikely that decision-makers see the need for reform in the first place, given that the government's handling of its first term resulted in an increased majority.

In many countries, elections are fought over specific policy programmes. Some parties or candidates wish to address health care or tax evasion through one set of policies; their opponents have a different view on which policies would work, and what the priorities are. Unfortunately, the election that India has just undergone, like the one before it, was in fact relatively free of discussion of these matters. As a consequence, we had no idea in 2014 what Prime Minister Narendra Modi would do, and no idea what he will do now. This is a weakness of India's democratic process that must be accepted. It means not only that there is little scrutiny of a policy agenda before a politician is given power, but also that frequently a policy agenda is only created after the politician gains power — and valuable time is lost in the process.

What is important to note is that the Union finance ministry has at last admitted that growth is slowing in the Indian economy. There have been three successive quarters of slowing economic growth, according to the latest numbers for gross domestic product or GDP. This means that, at the very least, processes must kick in within the government to address this slowdown. The last slowdown under Narendra Modi happened at a politically sensitive time, when the government was trying to manage the narrative, so it was largely denied. This one has a better chance of being addressed. Even if there was no real incentive or desire to reform earlier, the prospect of a slowdown might at least galvanise the government into some moves that could benefit the economy in the long term.

The finance ministry blames the slowdown on three components of GDP: Private consumption, fixed investment and exports. This mirrors the general belief that, while exports and private investment have been in crisis for some years, consumption and state investment was keeping the economy buoyant. That is, however, an unsustainable model over time. Governments run out of money and fiscal space if they try to prop up economies alone; and consumption cannot boom in the absence of other strong fundamentals.

The mistake would be to, at this stage, focus on reviving consumption rather than the other two components named by the finance ministry. It is the long-term structural damage done to investment and to exports that needs to be addressed, not the consequent failure of consumption.

When it comes to private investment, the simplest diagnosis, and the one that many in government continue to believe, is that the problem lies with the financial sector — in particular, banks. Like all governments before it, this one also believes that lower interest rates are a panacea. If only interest rates were lower then all the problems that it has created through its own actions for business would be rendered irrelevant. Unfortunately, banks are slow to lower their interest rates even when the Reserve Bank of India is willing to play along and cut the headline rate. The problem, however, is that cleaning up the banking system, in such a manner that they are able to more easily transmit lower interest rates to their customers, is not a straightforward positive from the point of view of the government. On the one hand lower rates and healthy banks would be good for investment in the long term. But, on the other hand, creating healthy balance sheets for banks would require continued strictness about bad debt. This nobody is prepared to countenance — witness the RBI's decision to relax its requirements for the reporting of bad debts. The long and short-term solutions are at war in this case.

Exports also might suffer from a misdiagnosis of the structural problem. Commerce Minister Piyush Goyal is absolutely right to declare that the central problem for exports is that they are uncompetitive. But the question is: Why? Mr Goyal further argued that interest cost issues were a problem for exporters. No doubt the price of capital is high for many of them, especially when compared to those from places with non-market financial structures like the People's Republic of China. So, also, are the prices of other basics: Land and skilled labour. The government has done well to improve the supply of power, and of basic infrastructure. But this has clearly not been enough to revive exports, which have been largely flat in real terms through the National Democratic Alliance's tenure. A revival in exports could be sufficient to push the incentive to invest higher as well, and permanently pull India out of its current slowdown. But that will need competitiveness-boosting reform that helps all tradeable sectors — not some tinkering around the edges with subsidies, interest or tax rates for exporters. India has waited too long for central reform of land and labour law. It cannot afford to wait much longer.

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Modi 2.0's new clothes

ET CETERA
SHREEKANT SAMBRANI

Less than 24 hours after the swearing-in of the new Narendra Modi government was all it took for the Sanskrit saying, "the daydreams of the desperate dissolve no sooner than they form", to sink in. Hopes of radical approaches to some of the daunting problems of India, kindled by the massive electoral endorsement Mr Modi received, were belied by the choice of ministers heading some key tasks.

The economy has been slowing down for over a year now, but Mr Modi and his government had been in (election-induced) denial. All bad news was met with rejection, spin or worse still, suppression. But you can do it only so long before reality catches up, as it did the day after the poll results came out.

Private consumption, for long the principle engine of Indian growth, is sputtering. Those who can afford to, have had their fill of cars, bikes, refrigerators, washing machines and kitchen gadgets. Those who can't, have satisfied themselves with mobile phones. We do not believe in creative destruction and flog our gizmos and doodads until they die. The industry, facing mostly just a replacement demand, thus has excess capacity, even in automotives, something that hasn't happened in over two decades. With relatively high effective real interest rates, it is none too keen to invest. Infrastructure creation is constrained by government funds stretched to meet wage (and increasing pension) bills, interest payments and various subsidy/welfare schemes. A slowdown was inevitable, no matter how deeply in the sand the Modi Sarkar buried its head *phir ek bar*!

A debutant batter can hardly be expected to hit boundaries right from the time of stepping up to the crease in a key match. That is what poor Nirmala Sitharaman is supposed to be doing. With all due respect to her demonstrated administrative acumen, she has to learn on the job, but this is not quite the time to do so.

The newly formed Jal Shakti ministry has a catchy title (Mr Modi's hallmark) and brings under one roof all the concerns regarding water. They are formidable and fiercely challenging. Mihir Shah has just begun a column detailing these in these pages. To summarise, we face uncertain monsoons, our major renewable source of water. Ground water has been mercilessly exploited over time without adequate replenishment. It is now at alarmingly low levels in most of the country. Agriculturists waste water unmindful of its scarcity, yet no policy measures are in place to stop this. Most waterways, including the holiest of all, the Ganga, are polluted beyond belief. Most dams regularly dry up every summer. Riparian states believe in beggar-thy-neighbour, ready to go to war for water. *Nal se jal* is an attractive vote-catching motto, but is fraught. The *nal* (piping) part is easy. Surely we shall soon see impressive completion statistics. But what about the *jal*? When cities with long history of piped water supply are going dry, where will far-flung villages get it from? Gajendra Singh Shekhawat, the minister in charge, is doubtless an honourable man, but what we know of his domain expertise and experience is as scanty as precipitation in this summer of our discontent.

The human resources development ministry was given to someone who was articulate but only tangentially connected with education and then an earnest but unimaginative *pracharak* in Modi 1.0. We now have a self-satisfied poet-politician, Ramesh Pokhriyal, heading it, which should cause us all the greatest concern regarding not just our immediate but long-term future as well. He extolled the virtues of astrology as a premier science in a parliamentary speech in December 2014. In the follow-up interview with NDTV's Nidhi Kulpati, he was quite aggressive in claiming our ancient knowledge of plastic surgery, nuclear science and all other things the world discovered much, much later. Ergo, we shall soon leapfrog into vanguard positions in robotics, artificial intelligence and all the other fields that the world is making great strides in. Why waste years on sustained research, when we have unimpeachable ancient lores?

Education not only does not receive adequate resources but has been treated as the parking slot for inconvenient politicians for more than three decades. We have turned out whole generations of millions of students with zero skill or analytical abilities, as Harvard Professor Lant Pritchett has repeatedly observed. The new education policy document warns of a severe learning crisis, but does the good Dr Ramesh Pokhriyal, obviously blissed at his appointment, see it as such?

Water and education are two areas where India, like some dissolute millionaire heirs, has recklessly drawn on its future riches for dubious present gains. After the last cabinet reshuffle in Modi1.0, this column had observed, "Mr Modi has shown an enormous penchant for risks that would deter most other politicians and emerge the winner," ("Reading Mr Modi's mind," *Business Standard*, September 12, 2017). He has done so again by choosing S Jaishankar for the sensitive external affairs ministry. That he did not care to show the same serendipity in tapping the large pool of talented non-partisan persons to help him deal with these concerns at their crisis points is cause to worry.

Critics galore, including yours truly, but no knights in shining armour with proven competence are on the horizon. So we are out on a limb, on a wing and a prayer.

The writer is an economist

The art of happiness

BOOK REVIEW
VIKRAM JOHRI

In *The Subtle Art of Not Giving a F*uck*, author Mark Manson evaluated the connections between hope, pain and suffering and how those emotions tie in with success. In the book under review, he takes those discussions up a notch by distilling these ideas on a largely philosophical plane.

Mr Manson starts off by presenting a generalised view of human psychology, dividing our consciousness into a Thinking Brain, the rational mind that takes logical decisions, and the Feeling Brain, its emotional complement that governs our feelings. He dovetails this distinction into a thoughtful discussion about the mechanism of hope and its place in our world.

One of Mr Manson's main arguments is the paradox of prosperity. He argues that over the past century, the West has experienced material progress of an order that was historically unimaginable. From physical security to the fruits of modernity, most Westerners now enjoy an existence that is far better than anything experienced by previous generations.

Yet, despair is on the rise. As communities break down and the pull of religion loosens, there is greater atomisation in society, which has people scampering for meaning and purpose in their lives. Mr Manson argues that the promises of modernity have made the West materially richer but have also left it spiritually wanting.

The way out of this conundrum, he suggests, is to live an examined life. He speaks of meditation as a mechanism to broaden our consciousness, to let the full force of the past and the current moment wash over us, and help us reach a place of quiet where our need to be constantly on the run for the next thing to buy or consume dissipates.

In making his case, Mr Manson enlists the help of a bevy of philosophers. A chapter called "The Formula of Humanity" comes from the Kantian idea that the driving force behind our actions should be other people and their welfare. He also flips Newton's three laws of mechanics into rules of well-being.

None of this is to say that the book is a soft touch, asking us to abandon our lives in pursuit of a nebulous idea of personal welfare. Mr Manson brings up Nissim Nicholas Taleb's idea of "antifragility" to show how certain systems, such a loving relationship or an army unit, get stronger under stress. He stresses repeatedly that life is made of, and defined by, obstacles, and the reason the West is struggling spiritually is that it has weaponised the idea of painlessness. In so doing, it has robbed itself of that which gives life meaning.

To Mr Manson, meditation is not a time-bound exercise performed to bolster well-being. Halfway through the book, he quotes Nietzsche to warn against the idea of a passive hope, one that revolves around the architecture of our current life, our dreams of bettering our lot. Rather, "hope for the infinite opportunity and oppression present in every moment." This is a somewhat distinct outlook on hope from one that Mr Manson introduced us to at the beginning of the book: The meta-idea of seeking it out by giving up on it.

As for the way forward, Mr Manson is an unabashed Artificial Intelligence advocate who believes that we are entering an age of automation that will witness ever-greater advances until we reach a stage where our consciousness fuses with those of machines. The book is perhaps the weakest at this point since the tone of the argument shifts abruptly from spiritual awakening to singing hosannas to AI.

Thus far, the book relied on experiences of leaders as well as the author's personal examples to narrate what is essentially a deeply human condition: Our spiritual need for struggle. But with AI, Mr Manson reverts to a lazier argument: Once AI takes over most human endeavours, it will be left to us to figure out what to do with ourselves. Mr Manson characterises such a world as strikingly similar to one inhabited by our ancestors, where most things were unknown and unknowable.

In truth, the scope of AI thus developed leads less to such outcomes than it does to an ecosystem where repetitive tasks will be increasingly taken over by software, leaving humans to apply their creativity — of which consciousness is an essential part, something AI lacks — to new and as yet unexplored frontiers.

*Everything is F*cked* is, like its predecessor, a book that slyly subverts the brio of its title to present arguments and offer solutions that call for a greater, ever-present and active engagement with a rapidly changing world. Mr Manson is an optimistic writer with a deep belief in humanity's myriad gifts and no amount of irony, literary or otherwise, can challenge this basic claim.

EVERYTHING IS F*CKED: A Book about Hope
Mark Manson
HarperCollins
Price: ₹499, 273 pages