



The Indian EXPRESS

FOUNDED BY

RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

LAW AND BEYOND

Draft UP law against lynching is a welcome acknowledgement by the state of the gravity of the crime. It is only a first step

IN JULY 2018, a Chief Justice of India-led bench of the Supreme Court delivered a stinging indictment of what it called “horrendous acts of mobocracy”, and warned against violent vigilantism propelled by prejudice and hatred — “lynching” — becoming “the new normal”. The Court directed the Centre to frame a law that dealt specifically with these crimes, and suggested the setting up of fast-track courts, lodging of FIRs without delay and framing of compensation schemes for victims and their families. The draft law submitted to Uttar Pradesh Chief Minister Yogi Adityanath by the UP State Law Commission would appear to take cognisance of the Court’s directive. The Uttar Pradesh Combating of Mob Lynching Bill (2019) proposes imprisonment (upto 10 years for serious injuries and upto life imprisonment in case of death) and stringent fines for perpetrators, as well as those involved in planning and abetting lynchings. Significantly, it also criminalises the “dereliction of duty” by police officers and the district administration.

The draft law is welcome for the much-needed signal it sends out — there must be accountability for hate crime. Far too often, the mob lynching phenomenon, disturbingly ubiquitous since 2014, has been met by the ruling political formation by denial or, at times, with what could be described as tacit and symbolic support. A report by IndiaSpend found that of all “bovine-related deaths” between 2011-2017, 97 per cent occurred after the BJP came to power in 2014. Take the murder of Mohammad Akhlaq in UP in 2015. The case, despite being before a fast-track court, has seen little progress. As on date, the court is yet to take cognisance of the charges framed against the accused. The accused in the case, out on bail, have been celebrated — one of them was even draped in the national flag after dying of natural causes. In fact, in January 2016, then BJP MP Yogi Adityanath said that Akhlaq should be charged (posthumously) for cow slaughter and the compensation his family received should be rescinded. There are incidents, across states, of the victims being charged by the police in cases of lynching, even as the will to arrest and prosecute the perpetrators seems weak. In this context, a state government-appointed commission in BJP-ruled UP does well to propose a law that recognises, first, that mob lynchings require urgent legislative and administrative intervention and, second, that police and administration must also share the blame for the climate that permits such violence.

But a new law can only be a first step. The state must follow it through. Then, in 2018, the apex court had also said “grandstanding of the incident by the perpetrators of the crimes including in the social media aggravates the entire problem”. The political and social sanction for violence, in the name of the cow or accompanied by chants of “Jai Shri Ram”, is integral to the sense of impunity that encourages the lynch mob. These can only be addressed with the active support of the political class and civil society.

THE MIYA VOICE

FIR filed against poets voicing their fears about NRC process in Assam is an outrageous attempt to suppress a debate

THE SCARS OF the ongoing process of updating of the National Register of Citizens (NRC) in Assam are now becoming visible in cultural expressions, in poetry and music. Miya poetry is one such genre, which seeks to voice the concerns of Muslims of Bengali origin, who live in the *chars* (river islands) of the Brahmaputra in Assam. Now Assam police has filed an FIR against 10 persons whose works feature in a video of Miya poetry, *I am Miya: Reclaiming Identity Through Protest Poetry*, on the basis of a complaint filed in Guwahati. The complaint alleges that the intent of the accused is to “hinder the process of the NRC”, “create communal disturbances in the state” and “defame the Assamese people as xenophobic”. The complaint, and the FIR, are a crude attempt to suppress a community from even expressing fears about being singled out on grounds of ethnic identity.

The NRC is a process mandated by the Supreme Court to identify “foreigners” in Assam. It is a legacy of Partition-era politics that saw nationalism through the prism of religious, linguistic and ethnic faultlines. The Assam Movement in the 1970s gave it fresh impetus and it has since found backing from the judiciary. The advent of the BJP, which wants the “foreigner” tag attached only to Bengali Muslims, to office in Assam has given the NRC process a religious twist. The people left out of the NRC — 40 lakh so far — face the threat of being deported to detention camps that have been set up in Assam. Miya poetry is a defiant response to a tragedy unfolding under state supervision. It also signals assertion and resistance by a besieged community that is finally owning up an identity: Miya has been used as a slur to mean a Bangladeshi or an illegal immigrant. The Miya poem that has touched a raw nerve now is a powerful rap at a process that dehumanises people, reduces them to their mere ethnic identity and, thereafter, strips them of their rights. It is no call to arms.

The Miya poetry video is a call to understand the NRC outside a legalistic framework. It should not be suppressed, but actively seen and heard, to understand the human tragedy that underlies the NRC process.

PAUSE, PLEASE

An AI-powered prompt to reconsider offensive language offers online abusers a shot at redemption

PICTURE MIGHT be worth a thousand words in so far as those words don’t involve abuse or intimidation. In the face of mounting criticism for its lack of intervention in countering cyber-bullying, social-media platform Instagram — home to idyllic photographs of envy-inducing lives of perfection — has now introduced features designed to iron away crinkles in the user experience. One of them — an AI-powered prompt to reconsider offensive language — has been rolled out, to what company head Adam Mosseri mentioned in a blog post has been a satisfactory start. Early runs have apparently shown a change of heart in some users. Instagram, and its parent company Facebook Inc., have promised more anti-bullying features, including one called Restrict, which allows users a degree of control over their terms of engagement with their abusers.

As the rise and rise of trolls in the last decade has established, anonymity is a powerful and pliant tool in the hands of cyber bullies. It affords them a virile audacity to wound or maim, disinform or disrupt, without running the risk of detection. In short, it offers them an unchecked playing field for their vitriol. By introducing the prompt, what Instagram has done is to offer a moment of pause to malicious intent, giving both potential abusers and their recipients a redemptive shot at a fuller, less confrontational online experience.

Will this be enough, though, to establish equity in an unequal power dynamics? It seems rather unlikely. Technology has reshaped our social consciousness in ways more startling than any other communication upgrades — including from the oral to the written — have effected. Communication in this age of social media has become manipulative, vying as much for the limelight as for authoritarianism. It’s unlikely that a mere cautionary prompt will be deterrent enough to ebb the flow of toxicity that often passes for social exchange on the web.



AMRITA DUTTA

IF YOU HAVE grown up on good, bad and awful Hindi films, you would be familiar with some basic rules of engagement. Girl meets boy. He woos, she shrinks. He sings, she stomps. He lands up at her door, follows her in college corridors, stalks her on streets with his gang of sidekicks — and finally wins her heart.

But *Kabir Singh*, a tale of intense heterosexual love well on its way to becoming a cult, struck me not just for its angry, chain-smoking self-destructive hero. It’s the pristine woman Sandeep Reddy Vanga’s film worships that is an equally troubling fantasy. Kiara Advani’s Preeti Sikka, fresh-faced to the point of being anaemic, made me nostalgic for the way Madhuri Dixit, Raveena Tandon or Juhi Chawla flounced, fumed and rolled their eyes at the serial harassment they suffered in the guise of courtship in films from the 1990s — even if the script did eventually nudge them into love.

As Kabir Singh, a final-year medical student with a violent streak, goes about “picking” Preeti from a line of freshers walking by, and then publicly owning her by declaring to the boys in her class that she “belongs” to him, choosing where she sits in class, and who she is friends with (fat chicks are best for pretty girls, says this upper-caste meritorious topper), Vanga allows not even a twinge of fear, alarm, discomfort on Preeti’s face (since she remains as silent as alabaster in most of the early scenes, it’s hard to know what she’s thinking). Not even when he kisses her in public, without so much as a prelude, a conversation, or permission, does she flinch.

This is a film which seems to say: Alpha males in true, intense, mad love never have to ask, will she mind? Is she saying yes? In 2019, when a tidal wave of conversations about consent has washed over us, this is not a film as much as a balm for bruised male entitlement.

The #MeToo wave has ebbed, leaving behind several damaged reputations and disturbing questions about how various aspects of our culture conspire to give men enormous sexual entitlement and power over women. Some of these questions have been

As the #MeToo wave ebbs, the blockbuster is not a film as much as a balm for bruised male entitlement

This is, of course, a time when all kinds of boorishness ripples with a new cultural pride. The director tore into critics who had problems with his film (they were ‘parasites, pseudos, worse than pirates’). While once filmmakers made regressive films with cynicism, and shrugged off critics as they laughed their way to the bank, Vanga insisted he has made a film about a strong woman, that his intentions were honourable because he worked with rape victims. His is the indignation of the ‘good man’, who cannot imagine why women’s experience would not square with his view of their place in the world.

brushed aside with impunity, silence and indifference of institutions. Indeed, the highest court in the land has come off poorly in appearing to do justice when one of its own was accused. From Tanushree Dutta to Sruthi Hariharan to Chinmayi Sripada, women in Indian cinema have had to pay huge costs for speaking up about sexual violence, while those accused of grievous abuse (Alok Nath, Nana Patekar, Arjun Sarja) have been reinstated. But that is not to say that Indian masculinity hasn’t been challenged by this clamour. That it doesn’t long for a time of innocence, when boys could be boys, and not be held up to scrutiny.

A film like *Kabir Singh* (or its earlier Telugu variant, *Arjun Reddy*) — a slickly-made psychologically realistic portrait of a successful man in free fall, who can threaten a woman with a knife into opening her clothes, who chases his domestic help down the road — is the fantasy that consoles, that showcases the sheer seductive power of male anger and privilege. Or, as Vanga pronounced, in his now-famous interview with film critic Anupama Chopra, “intimidation has its own charm”. He followed it with a dubious theory of attachment — “when you’re deeply in love, deeply connected with a woman and vice versa... if you don’t have the liberty of slapping each other, then I don’t see anything there.”

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which gives freedom to women,” he says, while stopping his wife’s sister from marrying the man of her choice. But while Faasil’s Shammy is a caricature, such doublespeak is too real to be comic.

A man’s ardour is often a fatal burden for the woman — you only have to refer to the stories of men stalking, sometimes killing, women who say no. The NFHS-4 survey revealed that “33 per cent of ever-married women have experienced physical, sexual, or emotional spousal violence” and only 14 per cent sought help. “Of the acts of physical violence committed by the current or most recent husbands, the most common type is slapping, reported by 27 per cent of ever-married women,” the survey said.

Would domestic violence cease if films such as *Kabir Singh* or *Dabangg* or *Tere Naam* were not made? Of course not. But popular cinema is a powerful way in which a society negotiates its rights and wrongs. The question to ask is this: Do films like these make it easier to disregard, to belittle violence in interpersonal relationships as the natural friction between men and women? Going by the many women who felt compelled to counter Vanga’s sophisticated patriarchal spin by baring their personal trauma on social media, the answer is yes.

Cinema reinforces and is reinforced by “real” life, including the inequalities of societies. But, like all art, it is a way to imagine and contest the possibilities of humanity. And to cinema — two recent Malayalam films in particular — we could turn to find new ways of thinking about how to be a man. *Maheshinte Prathikaaram* (Mahesh’s Revenge) beautifully upends ideas of male honour, with a reluctant avenger for a hero. To reimagine new ways in which Indian men can love and heal each other, build and rebuild their homes, turn to the stellar cast of *Kumbalangi Nights* — a story of four unsuccessful oddballs and the women in their life, who create a nurturing community of love. Not all heroes need to raise a hand in love. Some pick up a ladle and enter the kitchen.

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HAZARDS OF IDENTITY

Modern societies are rejecting globalism for exclusionary categories



KHALED AHMED

THE 21ST CENTURY has hardly begun and the great promise of globalisation and “liberal inclusion” of the last century is fading. The world’s powerful states, heretofore wedded to internationalism, are turning inward and seeking their primeval identities. Nations are seeking identities away from multiculturalism and wish to protect themselves by banning immigration. Borders are being closed, and those who had crossed them decades earlier as welcome guests are being treated with intolerance.

Anthropologist Akbar Ahmed has found the rise of identity politics in Europe interesting enough for him to undertake a journey to Europe to experimentally see if his earlier theses on the subject jibe with what is happening now. His *Journey into Europe: Islam, Immigration and Identity* is a kind of culmination to his three earlier examinations of “tribal” identity. As Ahmed surveys the identity-seeking Europe, he is reminded of the “inclusive” state of Abdur Rahman in al-Andalus (Iberia), in the 8th century AD. It was remembered for its “Convivencia”, or the idea of the living together of different identities, which Islam has forsaken today. Rahman was an Umayyad prince from a Berber mother in Syria. He was a descendant of the founder of the dynasty who had married a Christian woman — thus indicating the source of his “Convivencia” in al-Andalus between Muslims, Christians and Jews tolerant of multiple identities.

But, this Convivencia that one puts today in

Today’s European intolerance of the Muslim minorities reminds one of an early warning by a European genius in a different context. Hannah Arendt (1906-1975) in her ‘The Origins of Totalitarianism’ traced the modern state’s internal cleansing to its second project, that of conquering other territories and killing off the population there through genocide. It is the imperialism of the modern state which gets internalised when it purges its own population to eliminate those who are ‘different’.

front of a Europe forsaking the Enlightenment and seeking “identity”, did not last: Ahmed compares it to what is happening today among nations. One is reminded of Jamaludin Afghani too, who opposed Syed Ahmad Khan — an ancestor of Akbar Ahmed — in India, but proposed acceptance of Islam in Europe. Afghani possessed a lot of traditional learning that eased his entry into the Muslim societies of Turkey, India, Iran and Egypt. But he got his comeuppance in France, where orientalist Ernest Renan told him, prophetically, that his claim — that Muslims would ultimately turn to reason and modernity — will never be proved right as the Muslims will defeat his thinking just as they had rejected Ibn Rushd (Averroes) in the 12th century for having learned too much of Aristotle.

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Reading Akbar Ahmed one is reminded of the motto the founding fathers fashioned for Pakistan: Unity, Faith and Discipline — putting unity first to obfuscate the clashing identities of the various communities living

in Pakistan. As the state moved away from Raj-enforced Enlightenment to an Islamist military dominance, the motto, at times, came to be rewritten as Faith, Unity, Discipline — putting faith first, and thus clearly embracing identity that divides in place of the intended “assimilation” of all identities in Pakistan. Similarly, the Urdu “grammatical rule” of writing “marhoom” (blessed) only after the name of the Muslim dead and disallowing it after the name of a non-Muslim Pakistani citizen, sought exclusion rather than inclusion. In India, a constitution put together by an untouchable leader, BR Ambedkar, charted the assimilation of all identities in secular integration. But today, the new consensus reflected in the electoral victory of the BJP seeks to follow the path traced by the state of Pakistan.

Outside Hindutva, all identities are “impure”, just as the non-Muslims of Pakistan have to live under laws that victimise them. Ahmed writes about “tribal” Europe: “Yet the aggressive promotion of German tribalism is far from finished. The emergence of Far Right political movements such as Pegida (Patriotic Europeans against the Islamisation of the West) and Alternative for Germany (AfD), the attacks on foreigners and Muslims, refugee shelters, and mosques, and the disturbing re-emergence of anti-Semitism reflect a deep-seated hostility to all that is ‘impure’.”

The writer is consulting editor, Newsweek Pakistan

JULY 13, 1979, FORTY YEARS AGO

CAPITAL MINUS WATER

THE CAPITAL TODAY went without water as 10,000 workers of the Delhi Water Supply and Sewage Disposal Undertaking, owing allegiance to Bharatiya Mazdoor Sangh, went on strike on a call given by their unions. They are demanding a pay hike and better working conditions. Despite the police alert on the impending strike following the failure of talks in the evening, the workers managed to paralyse the water supply network a little after midnight by causing considerable damage to supply lines. Additional Chief Engineer (Water), J D’cruz, said: “If there is no sabotage to my lines the supply would be fully restored by 9:30 p.m.” Municipal officials, how-

ever, said they apprehended large-scale acts of sabotage by “desperate” striking workers.

JANATA CRISIS

WITH THE EXIT of one cabinet minister, two ministers of state, and four more Lok Sabha members, the Janata crisis remains unabated. The party’s strength has come down to 249 in the 539-member Lok Sabha. More resignations, including Charan Singh’s, are expected in a day or so. However, there was optimism in Morarji Desai’s camp. The Jana Sangh members seemed confident and the Socialists appeared certain after George Fernandes’ speech in the Lok Sabha that not more than a handful would go to the other side.

COW BLINDED

A BURNING OBJECT, suspected to be part of the American spacecraft Skylab which met with a fiery end on its return to earth, fell at Elapakkam village in Chengalpattu district last night, according to multiple reports received in Madras. The black, lemon-sized object fell in an orchard around the same time Skylab reportedly re-entered the earth’s atmosphere. The reports quoted villagers as saying a cow which was nearby when the object fell was blinded. Official sources, however, said a veterinary doctor who examined the cow said there was no connection between the fall of the object and the blinding of the cow.



15 THE IDEAS PAGE

Maximise revenue, minimise tax

India has just one policy option to advance private investment and become a \$5 trillion economy — reduce corporate tax rate for all firms to 22 per cent, reduce misguided rates of personal income tax



BY SURJIT S BHALLA AND KARAN BHASIN

BUDGET 2019-20 CONTAINED major tax changes to direct taxes, both personal and corporate. It may have been the last time that we witnessed such changes. Very likely, when Budget 2020-21 is presented, the government would have accepted the direct tax code report, and direct taxes will go the way of excise taxes — out of the budget.

The budget reduced the corporate tax rate (CTR) from 30 per cent to 25 per cent for all firms with a turnover of Rs 400 crore. Earlier, the 25 per cent slab was applicable for firms with a turnover of Rs 250 crore. The FM stated that this move would cover 99.3 per cent of all firms in India. However, it is unclear as to how much of the total corporate taxes is accounted for by these 99.3 per cent of firms. Speculation abounds - is it as low as 10 per cent? We do not know.

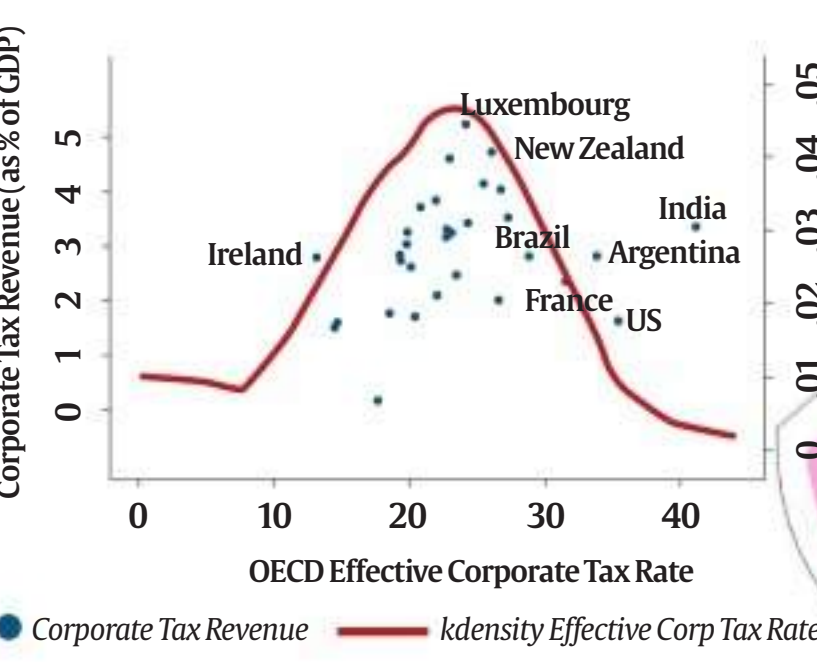
Tax rates are always an item of discussion and debate, and now more so than ever. President Donald Trump lowered the CTR for the US from 35 per cent to 21 per cent in 2018. As shown below, the lower tax rate was well chosen by Trump because that is close to the optimal tax rate. But that is getting ahead of the story.

OECD has recently released a comprehensive set of data on corporate taxes, for close to a 100 economies. [https://stats.oecd.org/Index.aspx?DataSetCode=RS_GBL]. The data reveals what has been feared (and argued) for a long time — India has one of the highest (actually the highest) corporate tax rate in the world. And, according to OECD, it also has the highest effective corporate tax rate (ECTR) — and that to by a huge margin. India's ECTR is estimated by OECD at 44 per cent. Their definition includes all taxes paid by corporates in different countries — for example, corporate tax, dividend tax, capital gains tax. Incidentally, the second-highest ETR is for Argentina and it is 9 ppt (percentage points) lower than India, and third is France, 11 ppt lower. China's ECTR is 20 ppt lower than India at 23.6 per cent! One reason why China has got all the investments, and growth, at least relative to India?

In this age of globalisation, no country is an island. Competitiveness is affected by tax rates, interest rates, exchange rates, and labour costs. However, gone are the days when countries could devalue their way to prosperity. China accomplished this via massive undervaluation for about 20 years, from 1990-2010. Their success ensured that such undervaluation (read currency manipulation) would never again be allowed by the Western powers. It is likely that Trump's trade war would not have occurred if China had been more responsible with the setting of its exchange rate.

What can countries do to improve their competitiveness, given that the mercantilist route is no longer an option? They can reduce its cost of capital, make labour more competitive, make industry more competitive, and rekindle animal spirits. On the first three counts, the budget has moved in the right direction. Sovereign bond borrowing is an idea whose time has definitely come, notwithstanding the perennial naysayers and those

THE LAFFER CURVE: INDIA IS OFF THE CHART



Suvajit Dey

not comprehending the fundamental nature of change in the world. Inflation nowhere (including India) is the bogey it once was. Also naysayers should note, and answer the following question — between fiscal years 2004 and 2011 (the so-called Golden Age of Indian growth) the real repo rate averaged minus 1 per cent. For the fiscal years 2016-2018 real repo rates averaged 2.3 per cent. Go figure the growth implications.

Since Shaktikanta Das assumed governorship of the RBI, there has been considerable improvement in communication and a gradual lowering of policy rates, but this has also been accompanied by a more than equal lowering of inflation, that is, the real repo rate has yet to move below 2.3 per cent. The sovereign bond issue will help, but don't look for a quick acceleration in GDP growth.

Exchange rate change is no longer operational, labour codes are too slow to change, and monetary policy is sluggish in its operation, and impact. The only real growth option for Indian policymakers — cut tax rates to internationally competitive levels. And what might that be? Around 22 per cent for all firms, and we obtain that result from a comparative study (see below — and chart).

But first, a comment on the personal income tax (PIT) rate increase in the budget. The move to increase PIT rates to developed country levels is not in the right direction. It seems that there was more old-fashioned morality (tax the rich) than revenue maximisation at play. At best, the government plans to raise Rs 5,000 crore more by socking it to the rich. (Total personal income tax collection is budgeted at Rs 5,00,000 crore). And even that may not happen as tax arbitrage between the much lower corporate tax rate and the near highest individual income tax rate (only 10 per cent of countries have a higher than 43 per cent top PIT rate) will move animal spirits towards payment of corporate tax. And if not tax arbitrage, tax evasion may lower gain in PIT collection.

Obviously, tax rates are set to maximise tax revenue — and tax revenue depends on both income and tax compliance. Tax compliance can either be considered as more firms filing taxes or more firms revealing a closer approximation to true income. Improving compliance alone can ensure greater resource mobilisation through taxation — and without increasing the tax rate (and may indeed occur if the tax rate is reduced).

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The non-linear relationship between tax rate and tax revenue (as per cent of GDP) is revealed by the famous Laffer curve - with zero tax rates, you get zero tax revenue and with 100 per cent tax rate, you get zero tax revenue. In-between, logically, the share of tax revenue increases, before peaking and declining toward zero. Several "truths" become evident from even a cursory glance at the chart. First, that OECD cross-country data for 2017 conforms (fits) the inverted U-shaped curve rather well — and the inverted U is a close approximation to a normal distribution (red line in chart). Second, that the lowest bang for the tax buck is obtained in India, possibly because tax rates are set on the basis of morality rather than revenue maximisation. In India, we tax at 44 per cent to get 3.5 per cent of tax revenue (as percentage of GDP). Both Korea and Israel (and other countries) obtain this same amount of revenue with half of India's taxation levels. As the chart shows, the tax rate level at which revenue is maximised is around 23 per cent — half India's tax level.

Why is the effective tax rate in India so high? In India, firms must pay a corporate tax, which is followed by a surcharge and an additional 15 per cent dividend distribution tax (DDT). The revenue mobilisation from DDT is marginal compared to the overall tax revenue from corporate taxes. Estimates suggest that the resource mobilisation from DDT is just around 8 per cent of the total corporate tax revenue. A steep 15 per cent DDT only dissuades firms from issuing dividends to their shareholders. Forget about double taxation as there's another moral Indian tax icing — if an individual earns more than Rs 10 lakh of dividend income, she must pay an additional 10 per cent tax. So the same income is taxed thrice in India — and only in India.

Both the budget and the Economic Survey focused on revival of private investment to ensure sustained long-term growth. Thus, there is strong case for further and aggressive reduction in tax rates on the grounds of revival of investment, and helping India become a \$5 trillion economy. With another budget just six months down the line, there is hope that the government will realise its mistake and depart from misguided taxation policies.

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WHAT THE OTHERS SAY

"The West's old political and economic tools can no longer solve current problems. There are disagreements on security risks and national interests. The Cold War mentality remains, but globalization demands different considerations."

— GLOBAL TIMES, CHINA

No road to the \$5 trillion economy

The entire contractual structure and regulatory framework in India needs to be revamped



PARTHA MUKHOPADHYAY

THE NDA GOVERNMENT has announced its intention to invest Rs 100 lakh crore in infrastructure over the next five years. If we grow at 12 per cent in current prices, as has been assumed in the Union Budget, the cumulative GDP over the five-year period would be about Rs 1,350 lakh crore. So, we are talking about investing 7.5 per cent of GDP in infrastructure — about the same as in the last five-year plan. And, they did not have a nine, maybe 10-rupee infrastructure cess on fuel. One can thus expect this target to be easily met.

Finance is not always the problem, as in power, where the budget promises to "work with state governments to remove barriers, for industrial and other bulk power consumers". It recognises "considerable reforms are needed in tariff policy". It's music to hear about, "retirement of old and inefficient plants, addressing low utilisation of gas plant capacity". If tariff reform is addressed — reducing industrial and commercial tariffs, and raising agricultural and residential tariffs, while redirecting the subsidy savings from discoms to directly target consumers through cash transfers to insulate them from the tariff increase — it will revive the cash generating end of the sector.

Other actions, for example addressing the carbon-intensity of our electricity, can be taken subsequently, enabling a true transformation. Despite a seven-fold growth in renewable capacity in the last 10 years, the share of thermal sources, primarily coal, remains at nearly 80 per cent — now operating at inefficient plant load factors. Renewables have stepped in to compensate for the stagnant supply from large hydro sources. Finally, can a gas plant perhaps buy spot cargo, land LNG at a convenient terminal, transport it to its plant by paying an access charge to a network operator, and sell it to an industrial consumer? Hopefully.

The good part of the story ends here. Elsewhere, finance obscures problems - such as the large commitments for Indian railways, which is organisationally and financially unprepared and unwilling to be a competitive logistics company. To add to its woes, as if highways weren't bad enough, this budget is promising (sensibly) to invest in another competing mode for bulk cargo — inland waterways. Soon, like BSNL and Air India, Indian railways, without reform, will become another black hole for investment. Instead of megabucks, it is better to begin with smaller high-return investments in signaling to enhance capacity and to make the network high-speed ready, while simultaneously re-organising it to compete in the logistics market.

This institutional story is missing in other sectors too; critically in rural roads, where the budget still seeks to invest, but where the real need is for maintenance, executed

through appropriate state-level institutions. Similarly, "har ghar jal" is unachievable if state institutions, including parastatal agencies and local government, are absent. Will institutions such as NHAI, which has delivered an extensive, if flawed, national highway system, be established in other sectors?

Perhaps the BJP, as a party, expects to exercise more oversight and discipline over its state units and governments to align them with Narendra Modi's vision, much like the Communist Party of China — a country extolled in the Economic Survey — marches to Xi Jinping's thought.

There are other critical omissions too. Waste-water finds mention only in the context of "management of household waste-water for reuse in agriculture". It is not that the capacity for sewers and sewerage treatment plants anyway lies unused in the absence of institutional reform. It is that it obviates the damage caused by the run-off of overused chemicals in agriculture (here, zero-budget farming may help) and industrial injury that continues unchecked by incapacitated pollution control boards. Some of our industrial corridors, for instance from Vatva to Vapi, rival China's worst polluted areas. This is not how we will ensure water security.

Telecom and 5G were missing too, in a two-hour long budget speech which mentioned "digital" 19 times. Emulating Sisyphus, Bharat-Net is still targeting internet connectivity in local bodies. Frankly, our telecom sector is broke, a result of "mispricing" by operators, and spectrum pricing by the government. Without serious attention to spectrum management, including making licenced service areas much smaller, and preventing anti-competitive behaviour, our digital future will not be bright, but bleak.

Port connectivity is mentioned once, but the speech is silent on the regulatory reforms needed to enable public and private ports to compete fairly. Even as Adani's Mundra remains the only serious port SEZ, talk of port-linked industrialisation sits uneasily with plans to turn Mumbai port into a real estate project. Agriculture, instead of cold chains, gets a cold shoulder, rural roads aside.

And, where is the finance that will underpin this effort? A headless IIFCL aside, other infrastructure financiers like IDBI and IDFC have long morphed into banks. Apart from the odd transaction, the bond market is moribund. Public-private partnerships are anathema to banks, and investors have been burnt many times over for reasons described in the Kelkar Committee report. Is there a solution?

The entire contractual structure and regulatory framework needs revamping. We need a wholesale change in approach — from maximising revenue extraction to minimising the cost of provision. Compared to our promise of \$1.5 trillion over five years, China invested about \$2.5 trillion on infrastructure in 2017 alone (and they are growing slower than we are). Some of their investments may be temporarily underutilised, but infrastructure is not allowed to constrain growth. We could do that cheaper and better. But that will require government to sit up and take notice. Will it?

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LETTERS TO THE EDITOR

ON SHAKY GROUND

THIS REFERS TO the editorial, 'A poor show' (IE, July 12). The political drama in Karnataka is unfolding along expected lines. Although the 2018 mandate was a fractured one, the BJP was the single-largest party with 104 seats. Congress with just 80 seats, in order to keep the BJP from assuming power, scrambled to forge a post-election alliance with its political rival JD(S). This ploy did succeed, but it also led to heartburn among a section of the Congress. The current situation has not been engineered. It was destined to happen from the time the government was formed by cobbling together numbers dubiously.

Ravi Mathur, Ghaziabad

THIS REFERS TO the editorial, 'A poor show' (IE, July 12). All along, this marriage between the Congress and JD(S) was one more of convenience than conviction. The tussle between Congress and JD(S) leaders continued even during the recently concluded general elections. But the recent turn of events have shown all three parties — Congress, JD(S) and BJP — in poor light. There is more than mere suspicion that the BJP is behind all this drama. The kind of swiftness the Gandhis showed while forming the government in the state last year, they should have shown the same zeal to not let this crisis happen.

Bal Govind, Noida

PRICE OF FREEDOM

THIS REFERS TO the report, 'Rescued from bonded labour, Kancheepuram's

LETTER OF THE WEEK

FM'S DIKTAT

THIS REFERS TO the editorial, 'May we come in?' (IE, July 11). The finance ministry's decision to bar journalists from entering North Block is autocratic. In a democracy like India, where people get to know about their elected representatives actions through journalists, the Ministry cannot and should not prevent journalists from entering North Block. The Press too has the freedom to access government officials to extract relevant information from them. Moreover, finance minister's action contradicts the prime minister's slogan of "sabka vishwas".

Sanjay Chawla, Amritsar

Kasi still in fear' (IE, July 12). The report made me question the kind of world I am living in. A rich man takes crores from a bank and flees from the country freely, while this man borrowed just Rs 20,000 and, to repay it, he works for five years as labour in a place he doesn't want to work — yet, he has to beg to be free as if he has committed the world's biggest crime. One wonders how many such people are waiting for a miracle like this so that they can be free.

Merlin Thomas, Pune



DAVENDRA VERMA

AN ARTICLE ON the overestimation of GDP in India by Arvind Subramanian ('New evidence for fresh beginnings', IE, June 12) has received widespread criticism. Subramanian is a former CEA, an insider. He is not just any individual or economist. He should have been more careful before bringing out a working paper with a questionable methodology. By doing so, he has done great injustice to the Indian statistical system. He has gone to the extent of saying that he is using only statistics produced outside the central statistics office (CSO) in his analysis, though he has used the index of industrial production (IIP), which is produced by the CSO.

The compilation of GDP is a completely apolitical and complex exercise, much beyond the correlation and regression analysis undertaken by Subramanian. Further, a lot of the analysis carried out by him is based on the CSO's quarterly estimates, data for which is limited and hence no serious scientific study can be based on these estimates. These estimates are good for giving the direction of economic growth in the short term and a broad idea of the quantum of growth.

Subramanian has claimed that "GDP is overestimated by 2 percentage points post 2011-12 with base revision and new methodology". But, he was consulted when the new methodology was finalised in a meeting con-

ducted by the then National Statistical Commission chairman, where he gave no suggestion. Before releasing the new GDP series, a presentation of the new methodology and estimates was made to select officers in the finance ministry, where too he was present.

The former CEA has admitted that there was a need to use the corporate sector data for GDP compilation. He may have some reservations in the way shell companies have been accounted for. But the estimates arrived at after blowing up subscribed capital using MCA data are far superior to what was being done in the earlier series, when the estimates were obtained by blowing up the results from the RBI's study of a much smaller sample of companies. How can a series based on data pertaining to a fewer number of companies be considered to be more reliable than that based on a much larger set of companies? This data was adopted in the new GDP series after proper examination and analysis.

Subramanian has argued that the growth rate (2000-2010) in the manufacturing sector was closer to the IIP growth rate. People familiar with the compilation of GDP in India should be aware that the manufacturing sector estimates in the old series were being compiled using IIP. Prior to the base year 2005-06, data from the annual survey of industries (ASI) was being used for the computation of growth

estimates of the organised manufacturing sector. Later, as it was observed that the estimates from ASI were diverging from the IIP, and it was becoming difficult to defend the revisions of these estimates during the first revised estimates of GDP, it was consciously decided to continue to use the IIP. Thus, the estimates continued to be based on the IIP and were not revised using ASI estimates, which was the practice in the 2000 base series.

Another issue which keeps coming up: IIP is highly volatile, and does not properly capture the growth rate of the manufacturing sector. Both the IIP and ASI were not found to be useful for estimating manufacturing sector growth during 2000 to 2010. Since there was no other source of data available for estimating gross value added by the manufacturing sector, these estimates/growth rates continued to be used.

It has also been argued that high GDP growth is impossible in the absence of a rise in exports and imports. To establish such a causality, one should look at the share of exports and imports in the overall output and input of the Indian economy, especially in the manufacturing sector. If they do not have any major share, it is difficult to establish any causal relationship.

Electricity generation, airline passenger growth, commercial vehicle production, and

petroleum products consumption are closely associated with GDP growth. Any relationship using the quantum of growth in any of these indicators does not have any significant implication. Each of these indicators should be further bifurcated for further understanding their contribution to economic activity.

Subramanian's paper has assumed that the estimates from 2000 to 2011 were correct, and hence the estimates in the 2011 series are overstated. But, a number of improvements were made at the time the 2011 series was introduced. So, any evaluation of this series with not so well estimated past series is invalid.

In the 2011 series, there was a significant shift in the GDP compilation process — from establishment approach to institutional approach. So, the estimates of the manufacturing sector (or any sector) in the 2011 series were not strictly comparable with the previous series.

In conclusion, researchers must have knowledge of the GDP compilation process before undertaking any econometric exercise which only leads to more confusion. There is a serious gap in the availability of the right kind of data. Concerted efforts should be made to fill this gap.

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