

The golden rules of doubles

How the IndiGo founders deviated from the flight path



KAVIL RAMACHANDRAN

The story of IndiGo soaring to great heights as a first-generation business set up by two individuals with diverse backgrounds has been amazing. The game the duo played with Rahul Bhatia as the captain and Rakesh Gangwal in a supportive role all these years has given the company a 50 per

cent market share of the Indian aviation sector. IndiGo hit an air pocket when Gangwal raised multiple governance issues. While the operations are intact, thanks to high level of professionalisation, the current imbroglio could lead to a larger crisis that could (and should) have been avoided with some strategic thinking on managing a doubles game.

Basic rules of playing with a partner successfully: Playing a doubles game successfully is difficult. Players need to complement each other on competence and capabilities; they have to not only bring value to the table as subject champions but also have a compassionate mind to support each other. The partners must be able to read each other's minds clearly and

empathise. Mutual trust is fundamental to achieving the same and making the doubles team a winner always.

Any doubles game that is played on a long-term basis is under the influence of both internal and external forces. The players and their priorities undergo changes, often without them realising they have, even as the external environment changes rapidly. That is when the game becomes tricky. While the players are busy with the game and their own other priorities in life, the tarmac itself may change when the environment drives the business into unanticipated success and glory. The scenario may go out of strategic control before the captain realises what is happening. Once trust is lost between the partners, the

fall is fast. This is what happened in IndiGo.

Where did the Indigo founders go wrong?

The Bhatia-Gangwal shareholders' agreement provided for the board constitution and its composition, giving Bhatia the lead role in operations. The fundamental assumption in that was the partners would consciously identify and address all possible concerns that have not been articulated. This includes implications for the company's strategic response to emerging growth opportunities with the market suddenly opening up and the existing players losing competitiveness. The IndiGo founders do not seem to have had identical views on a number of areas covering how, when and where of a new growth strategy. They also do not seem to have thought through a resolution route to addressing such unan-

ticipated situations. While growth is fine, how much one wants to grow and how fast are equally important, raising questions about a number of questions about strategy implementation and resources building.

The challenge seems to have been compounded when the personal priorities of the two individuals concerned also underwent changes. One of the points of governance concern raised by Gangwal is about related party transactions and conflict of interest of Bhatia whose family has a significant presence in the hospitality sector. When they started the journey in 2004, such a scenario did not exist. While it is not explicitly reported, there is every possibility of one partner feeling left out of a lot of discussions covering the grey area where strategy and operations overlap. This normally happens when the dominant player gains greater confidence and starts asserting himself while the other player does not object

initially or clearly!

Tricks to avoid grounding a flight: Doubles players (teams too) must recognise that the destiny of their creation/product depends on two pillars and any of their actions, including inadvertent and involuntary, may lead to the collapse of the empire that took several years and huge effort and sacrifice to create. They have both moral and economic responsibilities to preserve their creation. They need to constantly revisit the background to their coming together to play, changes in their own priorities, aspirations and capabilities and what they want to make the organisation to be in an environment that is undergoing changes rapidly. Regular and structured formal reviews must accompany informal heart to heart dialogues for long-term togetherness.

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CHINESE WHISPERS

How happy are you?



The Kamal Nath-led Congress government in Madhya Pradesh is going to evaluate its performance through a "happiness" index survey. The state government has asked the Indian Institute of Technology (IIT)-Kharagpur to prepare a questionnaire which, apart from happiness-related questions, will seek people's opinion about governance- and administration-related issues. The whole process will be conducted by the happiness department (established by the previous Shivraj Singh Chouhan government) from September 2019 to March 2020. The government will decide its future strategies and programmes based on the findings of the survey.

Will Neeraj switch sides?

Samajwadi Party Rajya Sabha member Neeraj Shekhar resigned from the membership of the House on Monday. Shekhar met Rajya Sabha Chairman M Venkaiah Naidu to explain his decision and handed him the letter, which was accepted. Shekhar, 50, is the son of former prime minister Chandra Shekhar. A two-time Lok Sabha MP from the Ballia Lok Sabha constituency that was once represented by his father, Shekhar was elected to the Rajya Sabha in November 2014, with his six-year term ending on November 25, 2020. While Shekhar did not answer his phone, sources said he quit a year before his term was to end as he was likely to join the Bharatiya Janata Party and hoped to get re-elected to the House from that party. Shekhar had been denied a Lok Sabha ticket from Ballia in the just concluded elections.

Where is Opposition unity?

In politics, equations can change quickly. Last week, as many as 16 opposition parties submitted a notice to Rajya Sabha Chariman M Venkaiah Naidu demanding a short duration discussion on media freedom. Nationalist Congress Party chief Sharad Pawar and Bharatiya Janata Party MP Subramanian Swamy were among the signatories. On Monday, senior television journalist Barkha Dutt accused Congress MP Kapil Sibal and his wife on Twitter of threatening to sack 200 employees of a television channel they promote. Opposition sources said they were preparing for a fiery debate with several from the treasury benches likely to attack the MP on the issue. Members of other opposition parties said they were happy that they would get a ringside view of the battle. No Opposition unity here!

A cargo of cash puts logistics in high gear

After a dull couple of years, the industry is witnessing a flurry of interest from start-ups and PEs

T E NARASIMHAN

For logistics companies in India, though still freighted with inefficiencies, many things have started to go right. Investment flow into the sector in the first half of the year has surpassed last year's full-year investment, kicking the industry into high gear.

According to Venture Intelligence data, nearly \$896 million was invested by PEs during the first half of 2019 across 16 deals, as against \$682 million across 18 deals a year ago.

A slew of factors from the implementation of the Goods and Services Tax, emergence of a set of technology-backed start-ups improving efficiency of logistics companies and existing players expanding operation buoyed by the government's massive spending plan for infrastructure has brought the sector into the limelight, making it more attractive than ever to private equity investors.

Underpinning this interest from PEs is the government backing for the sector, starting from the grant of infrastructure status to the logistics and warehousing industry in 2017 and the drafting of an independent national policy framework for the states to ensure uniformity in rules across the country.

The final policy is expected to be notified soon and the National Act will serve as a policy guideline in terms of laying down a common national outlook for states when they draft their respective policies.

Some of the big-ticket fund raising, according to Venture Intelligence Data, are by Delhivery (\$429 million) — which also achieved unicorn status this year — Kribhco Infrastructure (\$195 mil-

lion), Blackbuck (\$160 million), and Locus (\$26 million).

The choice of companies is a testimony to how investors are bullish on start-ups that help bring efficiency, thereby improving asset utilisation, and, in turn, putting more money into the truckers pocket while reducing logistics cost.

The industry is ripe for such a surge in interest, with its size projected to increase to \$215 billion in the next three years from around \$160 billion currently. To a large extent, the need for efficiency is being driven by competition among e-commerce companies to deliver goods ever more quickly.

Tied to this is the focus on bringing down logistics costs for manufacturers.

Currently, logistics costs account for 13-17 per cent of the GDP in India, which is nearly double (6-9 per cent) the logistics costs in developed countries such as France and the US, according to a Knight Frank report. Much of the higher cost could be attributed to the absence of efficient inter-modal and multi-modal transport systems.

But things are changing. One thing that has been completely streamlined for the industry with the implementation of GST is taxation. "Today, with organised players expanding and new technologies coming in, logistics industry is becoming more efficient and GST was an enabler to it," says Rajesh Jaggi, managing partner — real estate, The Everstone Group, a PE and real estate investment firm.

A logical next step the industry is working on is to bring in operational efficiencies. Several companies have started to expand last-mile delivery, for instance. Everstone Group's IndoSpace,



MONEY FLOW

Logistics investments by segments (2019 YTD)

Segment	No. of Deals	Amount (\$mn)
E-commerce & last-mile delivery	3	429
Third-party logistics	2	195
Trucking platforms	5	160
Digital freight shipping	2	27
Warehousing	1	9
Fleet management & asset tracking	2	4
Others	1	72

Source: Venture Intelligence

an industrial real estate developer, has recently raised \$580 million, of which around \$250 million will be deployed in India in expanding operations. Over the next five years, IndoSpace plans to increase its warehousing capacity to 80-100 million sq. ft. from 30-31 million sq. ft. as demand for warehousing is increasing, Jaggi added.

Traditionally, the port sector received the most attention from investors but now e-commerce, last-mile delivery, third-party logistics, trucking platforms, digital freight shipping, fleet management and asset tracking, besides warehousing are gaining favour. (see table)

The focus on last-mile delivery is more than just a cost-saving or profit enhancing strategy for companies. For e-commerce, for instance, this is a matter of life and death as customers are quick to form their opinion about a company based on their delivery experience.

Several start-ups have come up focusing on bringing the offline business of truckers online. "We believe technology is transforming logistics in India and across the world. We are excited to partner with BlackBuck, which is India's largest technology enabled logistics system. It's full-stack model is able to add value for both shippers and carriers, said Kabir Narang, general partner and co-head of Asia at B Capital, which serves as a launchpad for entrepreneurs by funding their business.

The fund is backing BlackBuck, a B2B inter-city full truckload marketplace, which raised nearly \$203 million from investors, including B Capital Group, Wellington Management, Accel USA, IFC, Goldman Sachs and others. Ramasubramanian B, co-founder and chief operating officer-strategic initiatives, BlackBuck, said increasing the utilisation of trucks is the main goal of the company.

ON THE JOB

Why it doesn't feel like 7%



MAHESH VYAS

Growth in employment by companies slowed down a tad in 2017-18 to 2.2 per cent compared to the modest 2.6 per cent growth recorded in 2016-17. Nevertheless, the growth in these two years is better than it was in the preceding two years — 2014-15 and 2015-16 when employment by companies had initially contracted by 2.7 per cent and then crawled up by a meagre 0.5 per cent.

While employment growth decelerated from 2.6 per cent in 2016-17 to 2.2 per cent in 2017-18, growth in wages inched up a bit from 9.4 per cent in 2016-17 to 9.5 per cent in 2017-18. As a result, growth in wages per employee accelerated from 6.6 per cent in 2016-17 to 7.1 per cent in 2017-18.

Real growth in wages (adjusted for consumer prices) accelerated from 5.1 per cent to 6.2 per cent and, real wages per employee shot up from 2.4 per cent to 3.9 per cent.

So, while employment growth slowed down in 2017-18, wages and also real wages per capita did improve in the year compared to 2016-17.

Underlying the 2.2 per cent growth in employment in 2017-18 lies much turmoil. Less than half — only 46 per cent of the companies actually registered an increase in employment. 41 per cent of the companies registered a fall in

employment and another 13 per cent did not record any change.

This is not unusual. In the past ten years, on an average only 48 per cent of the companies saw an increase in employment; 43 per cent saw a decline and the remaining recorded no change.

The golden period of employment growth and real wage growth per capita in the corporate sector was the six-year period 2003-04 through 2008-09. During this period, employment grew on an average, at 3.5 per cent per annum and real wages grew at 10.7 per cent per annum. Per capita real wages grew at 7 per cent per annum. Employment grew at a pace that was well above the rate of growth of population. India Inc was absorbing labour in good measure. The rate of absorption was higher than the rate of accretion to the labour force. This led to an increase in real wages. As a result, the 7 per cent real GDP growth was really experienced by a large number of people involved in the growth.

In comparison, the 7 per cent GDP growth estimates presented now by the official agencies do not resonate similarly because employment is growing by only around 2 per cent per annum. And, real wages are growing by less than 4.5 per cent per annum in the relatively larger companies. No wonder, it does not feel like an economy growing at 7 per cent per annum in real terms.

The corporate sector employment series provides an interesting insight into the period 2009-10 through 2013-14 as well. It shows that during this period employment growth continued to remain robust at about 3.6 per cent per annum but, wage growth was eaten by high inflation. Nominal wages grew at 14.7 per cent per annum during this period. But, real wages grew by only 4 per cent per annum and real per capita wages grew by a meagre 0.5 per cent per annum.

The high employment growth during

this period could have contributed to the continued growth in expectations. And, the growing angst of the period could have been fueled by the high inflation which almost entirely ate away the growth in wages of the period.

The employment and wages growth estimates presented above are derived from CMIE's Prowess database that puts together the information from the Annual Reports of companies. The Annual Reports are sourced from the same MCA database that the official agencies use in their GDP calculations. The difference is that the Prowess database is a smaller set of companies than the overall MCA database but arguably, it includes the more relevant set of companies from the MCA database.

All companies do not provide employment data. Only listed companies are mandated to provide this information. Public sector companies do provide such data. Only 3,301 companies provided such data for the year 2017-18.

But, using this data is a tricky business. Companies may sometimes provide employment data corresponding to consolidated business and sometimes corresponding only to the standalone accounts. Sometimes these include contractual labour and sometimes they don't.

We found 3,075 companies that provided comparable employment data for two consecutive years. Only these were used for our analysis above because growth can only be computed by using comparable sets of data for the period over which the growth is computed.

Of these 3,075 companies, 2,814 are listed companies and the remaining 261 companies are either public sector enterprises or are unlisted subsidiaries of listed companies. These companies employed 8.5 million people in 2017-18. And, they tell us a story of India's real GDP growth.

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LETTERS

Make banks efficient



This refers to "Celebrating 50 yrs of bank nationalisation" (July 15). The nationalisation of banks during 1969 and 1980 pushed the economy forward by creating jobs and alleviating poverty to a large extent but these banks failed to succeed as commercial enterprises. The work culture and efficiency of these banks gradually declined as they generated bad loans and received low or negative returns.

Many reforms have been executed to prevent the public sector banks (PSBs) from decay. However, these banks are still in stress and are incapable to deliver results like their counterparts in the private sector. As a consequence, many investors lost faith in the banks resulting in the need for capital infusion by the government intermittently. The PSBs must serve the purpose for which those had been nationalised but not without compromising the commercial nature of banking. The ongoing and future reforms must aim to rejuvenate the PSBs to enable them to play the roles of a social as well as a commercial banker.

These banks must get autonomy and their boards need to be made accountable for inefficiencies. PSBs are not without talent but many a time, the performers are not rewarded. The government failed to make

the nationalised banks performing ones. Instead of privatising the nationalised banks, the government must execute more reforms in the financial sector to enable these banks to be more competitive in the market.

VSK Pillai Kottayam

Waiting for a new dawn

Kudos to Tamal Bandyopadhyay for "Celebrating 50 yrs of bank nationalisation" (July 15). It would not be appropriate to pass judgement on the efficacy of bank nationalisation based on the wisdom of hindsight. We need to look at the ground realities that existed in the late sixties and the vision with which the nationalisation of banks was unfurled. In the pre-nationalisation era, existing banks were more interested in "class banking" with the majority of the population outside the framework of banking. Only after the nationalisation did this "class banking" become "mass banking". More branches were forced to be opened in the interiors of the country which enabled more people to have access to banking facilities.

Government sponsored schemes were routed through these banks' branches. The granting of credit through these government sponsored schemes to generate self-employment and income for the family was a laudable initiative. This also to a great extent freed the rural masses from being strangled by local money

lenders who lent at high rates of interest. That these directed lendings later on became large-scale non-performing assets (NPAs) for the banking sector is a different story.

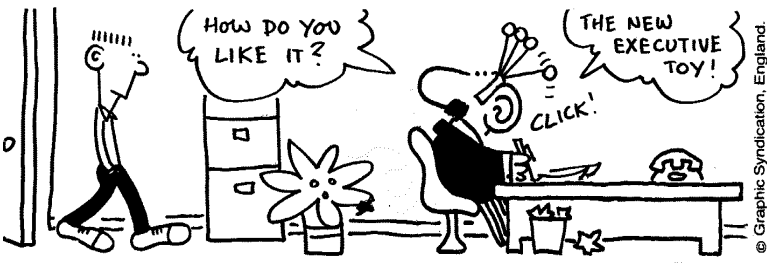
Nationalisation also opened up avenues for large-scale employment. An army of educated people found career opportunities. If these early employees in banks were drilled with a sense of responsibility and customer service, the story could have been far different. Job security was assured. Emoluments were the same for performers and laggards. With new generation banks coming in, customers had a choice and many moved their loyalties to these new entities. The steady loss of business to these newbies did not act as a wake-up call to the nationalised bank as job security and steady emoluments helped continue the lackadaisical approach.

With the new generation banks moving into the hinterland and judicious use of technology, the importance of nationalised banks will diminish. The government also seems to be serious in stemming the rot. One merger has happened. More are in the pipeline.

K V Premraj Mumbai

Letters can be mailed, faxed or e-mailed to: The Editor, Business Standard Nehru House, 4 Bahadur Shah Zafar Marg New Delhi 110 002 Fax: (011) 23720201 • E-mail: letters@bsmail.in All letters must have a postal address and telephone number

HAMBONE



Crisis for IBC

Secured creditors' rights must not be diluted

Two recent judgments relating to the rights of creditors are shaking the financial markets in India. They have the potential to not just stall the working of the Insolvency and Bankruptcy Code (IBC), but also to dry up the pool of potential investors in stressed assets in India —and, indeed, to clog up the working of the credit markets altogether if they go down as a precedent to be followed. These decisions are by the National Company Law Tribunal (NCLT) in relation to the dues to creditors of the troubled Infrastructure Leasing and Financial Services (IL&FS); and by the National Company Law Appellate Tribunal (NCLAT) with respect to the sale of Essar Steel.

The NCLAT has approved ArcelorMittal's bid to buy Essar Steel for ₹42,000 crore — but has overruled the Committee of Creditors (CoC), which had set aside only 10 per cent of that amount for Essar's operational creditors. The NCLAT has instead said that just under 40 per cent should go to the operational creditors. Banks with exposure to Essar Steel have, at one stroke, seen their payout diminish. In effect, the loans given by the banks — secured creditors — have been put on par with operational creditors. Meanwhile, the NCLT directed that provident funds (PFs) that had lent money to IL&FS, even if not secured, should be treated on par with secured creditors, because the beneficiaries of PFs deserve special treatment. Here, secured and unsecured creditors are being treated equally.

This strikes at the very root of modern finance — which is structured so that multiple risk-return profiles are made available to investors. Secured loans receive a lower interest rate, in return for being first in the line for payouts if something goes wrong. The NCLT and NCLAT have refused to abide by this principle. The Essar Steel creditors have appealed to the Supreme Court (SC), and it is to be hoped that the SC will keep this principle, which underlies the letter and spirit of the IBC, in mind. While it is unfortunate that PFs might make a loss on their exposure to IL&FS, for example, it is up to the guarantors of the PFs in question to ensure that the beneficiaries do not suffer.

If the legal system seeks to protect groups of individuals at the cost of undermining the credit architecture more broadly, it would be counterproductive. Already, in relation to various real estate matters, apartment buyers are being treated on par with financial creditors — which has had a predictable negative effect on credit to real estate in India. If such thinking is extended, as it has been under these two decisions, then not only will foreign funds refuse to invest in stressed assets, but the entire IBC system, predicated on the rights of the CoC to make decisions about the future of the company, will break down. Effective interest rates will also skyrocket, which will hurt all future investments. Besides, financial creditors would rather enforce security at the first sign of financial distress in a firm or choose to vote for liquidation, since in both cases they would stand to make higher recoveries as opposed to a resolution plan under the NCLT. This is like incentivising liquidation. Both in terms of natural justice and consequentialist ethics, there is good reason to re-examine these decisions.

Shooting for the moon

It's time ISRO was given more resources

The postponement of the Chandrayaan II launch less than an hour before the scheduled lift-off means yet another delay in the moon exploration plans of the Indian Space Research Organisation (ISRO). This is the seventh time this mission has been postponed, putting it six years behind the original schedule. The underlying reason for that delay, and for previous delays in the development of key technologies, such as the cryogenic engines of the GSLV series is, essentially, lack of resources. That, in turn, points to the misplaced priorities of policymakers.

It is often proudly claimed that ISRO is the most frugal of space agencies, functioning on budgets dwarfed by its competitors. It is seen by policymakers as a cost centre that buttresses India's soft power, and it is budgeted for accordingly. The agency will receive ₹11,538 crore in 2019-20. The Chandrayaan II mission will cost a little less than ₹1,000 crore — that is roughly one-seventh the cost of the failed Israeli Beresheet mission, with comparable objectives.

This parsimonious attitude needs review. ISRO has made very significant contributions to India's communication and navigation systems, and weather forecasting. It could not only contribute more in multiple areas, such as renewable energy, road design and water conservation but also generate large revenue by competing more aggressively in the global satellite market.

ISRO should, therefore, be seen as a potential profit centre, which can more than pay for itself. To that end, it should not only be allocated larger budgetary resources but also be allowed to raise funds from the market like other public sector undertakings. Earlier attempts to monetise ISRO's research & development (R&D) skills through the commercial arm, Antrix, were not very successful and were mired in controversy after the Devas deal. Creating New Space India Limited (NSIL), a PSU to commercially exploit R&D, market satellite launches, and so on, is a welcome development. The NSIL will look at the transfer of small satellite technology to the industry, manufacturing of Small Satellite Launch Vehicles (SSLV) in joint ventures and production of Polar Satellite Launch Vehicle (PSLV). Ideally, the NSIL will be able to identify other sectors where ISRO can contribute to profitably.

The agenda for Chandrayaan includes a soft landing on the moon's South Pole, followed by exploration by a robotic rover, which will conduct various experiments. If all had gone well with the launch on July 14, the landing would have occurred on September 6-7. However, the ISRO quite wisely now says that it will not announce a new launch date until it has fixed the technical problem that caused the abort.

Delays caused by technical hitches in such complex missions are not unusual. There was also a long delay to the development of cryogenic rocket engines for the GSLV after sanctions kicked in post-Pokhran II. ISRO's intention of undertaking manned missions in future will involve solving even more complex problems to ensure that it keeps human beings healthy in airless, high-radiation environments with variable gravity. These technical challenges will require many man-hours to solve. The payoffs could also help to improve health-care, food/water preservation, and recycling technologies.

Given that India possesses a large pool of scientists with the requisite skill sets, R&D in aerospace can definitely be speeded up by giving ISRO the resources to deploy more skilled manpower to tackle these problems. Faster development of technology would also allow it to become self-sustaining.

ILLUSTRATION: AJAY MOHANTY



India's upcoming G20 presidency

New Delhi must guard against the world's premier multilateral economic forum being hijacked by bilateralism

The G20 is by consensus the premier multilateral forum for global economic cooperation. The 17th G20 Summit will be held in India in 2022, easily the most high-powered summit ever hosted here. Leaders of all systemically important countries — including the full complement of G7 and BRICS — are expected to be present. It would be the Indian prime minister's place in the sun, chairing a meet flanked, inter alia, by the US President, the British Prime Minister, the German Chancellor, the President of the European Union, the Chinese President, the Japanese Prime Minister, the President of Russia, with the chiefs of major multilateral bodies like the International Monetary Fund (IMF), World Bank and the UN in attendance. The leaders are expected to sign up to a document likely to go down in history as the New Delhi Declaration, including a "New Delhi Action Plan".

What does hosting a G20 Summit successfully entail? There is first the logistical and security nightmare of hosting all influential global leaders in one location at the same time. It is understood that the summit would be held in a new convention centre under construction in Delhi. It is, however, not essential that the summit be held in Delhi. After the first few summits, these have been mostly held in convenient resorts, such as Cannes (France), Los Cabos (Mexico), and the last in Osaka. Apart from an appropriate convention complex, security, air and road traffic control, you need adequate numbers of five-star rooms to accommodate so many high-powered delegations.



ALOK SHEEL

The G20 took a conscious decision not to set up its own secretariat, for fear of the institution becoming captive to an international bureaucracy, such as in the IMF and World Bank. It wanted leaders to retain control of the summit process. The annually rotating Chair is expected to inject fresh energy and pilot the summit. Institutional continuity is provided through the troika comprising the current, previous and upcoming Chairs. India will be in the troika between 2021 and 2023. It is the Chair's prerogative to choose two to three special invitees to the summit. Although not a part of the G20 by convention, Spain has attended all G20 Summits. There is also a special invitee from Africa. That still leaves India the discretion of inviting a SAARC country of its choice as part of its outreach.

The G20 was set up in the wake of the Asian Financial Crisis in 1999 at the level of Finance Ministers and Central Bank Governors (FMCBG). This was overlaid with a 'Sherpa' channel when it was elevated to Summit level in 2008. The Sherpa is the Leader's point person responsible for agreement on the summit declaration.

The first three summits — at Washington DC, London and Pittsburgh — were all about firefighting the rampant global financial crisis. After declaring victory in Pittsburgh — "It worked" — the G20 turned its attention to structural, non-crisis related issues, such as reform of financial regulation, global imbalances, and growth. India co-chairs, along with Canada, the G20's flagship working group, the Framework for Strong, Sustainable, Balanced and Equitable Growth,

Trump is slowing US economic growth

For some time, the four horsemen of US macroeconomic policymaking have been taxation, regulation, trade, and infrastructure. Having studied the first in detail, I have found tax cuts to be a positive contributor to economic growth. Though I have considered the second area in less detail, the evidence suggests that regulation is, at best, only a minor contributor to growth. The third area is very important, which is why today's trade tensions are so worrying. The fourth area exists only in rhetoric: an infrastructure programme is currently not a part of the macroeconomic policy repertoire.

In the first area, I estimate that the 2017 tax legislation added 1.1 per cent per year to the United States' GDP growth rate for 2018-19. Of that, 0.9 percentage points reflected the reduced tax rate on individuals, whereas 0.2 percentage points derived from the rate cuts and improved expensing provisions for businesses. While the growth-enhancing effect of the tax cuts for individuals is not expected to continue beyond 2019, the impact of the corporate-tax reform will likely persist for some time to come.

As for the second horseman, there is some indication that the expansion of federal regulations has begun to taper off, after undergoing a long period of growth. As of 2017, RegData, which tracks the number of words relating to constraints on economic activity in the Federal Register, shows that new regulations have plateaued. The regulatory burden on business and economic activity is no longer rising, but it is not diminishing, either.

Likewise, the World Bank's Doing Business profile for the US, which offers a broader measure of government regulation based on an average of 10 indicators, show no recent progress. The US rose from eighth place in 2016 to sixth place in 2017 in the global ranking, only to fall back to eighth in 2018. And, putting aside relative performance, a cardinal representation of the underlying indicators shows

virtually no change in the 2016-2018 period.

As many other economists have noted, US President Donald Trump's trade policies are a major concern. The administration's trade agenda is driven by the discredited mercantilist idea that selling stuff (exports) is good and buying stuff (imports) is bad. The irony is that Trump and some of his top trade advisers share this misguided view with the Chinese.

Indeed, the Trump administration is correct that the Chinese have long restricted imports and foreign investment (while engaging in technology theft, either directly or by compelling transfers). But the tit-for-tat exchange of import tariffs between the US and China over the past year is bad for both countries. Many assume that the trade conflict will hurt China more than the US, given that China exports far more to America than America exports to China.

But the loss of Chinese imports will impose a major burden on the US economy.

Trump's views on tariffs remind me of a speech that Ronald Reagan gave at Stanford's Hoover Institution before he became president. Reagan argued that tariffs on steel and other goods were justified on national-security grounds. His reasoning, criticised by audience members, was almost the same as Trump's today. Yet, to justify his tariffs, Trump has gone even further,

equating national security with economic security. The best way to invalidate that argument on legal grounds, then, is simply to have an economist show in court why tariffs are bad for economic security.

The broader problem is that Trump seems to have a personal affection for tariffs, partly because he thinks they raise revenue, and partly because he thinks they raise GDP (by curbing imports, which are then magically replaced by domestic production). This challenge does not admit of an easy remedy. Some have called on Congress to reassert its authority over tariffs — at least by limiting the national-security argument. But this could have



ROBERT J BARRO

since its inception at the Pittsburgh Summit. Several ministerials were also added, such as those of development ministers, environment ministers, trade ministers, agriculture ministers etc. All these work streams feed into the G20 Summit Declaration. There are also a growing number of non-governmental processes, such as the T (Think Tank) 20, W (Women) 20, Y (Youth) 20, and so on.

The Chair is expected to pilot the multiple work streams that currently drive the G20 through its own secretariat. This includes, inter alia, drawing up the annual work programme and hosting the meetings, culminating with the summit. A summit where all the major world leaders sign up to a consensus document has a long lead time, normally more than a year. Saudi Arabia, the summit host in 2020, set up a secretariat way back in 2018. With a new government now in place, it is time India initiated this process.

It is customary for the Chair to set three or four priorities for the year and inject new work streams to leave its own imprint on the G20 process. India would need to ponder what priorities it needs to set, and what ministerials it wishes to host, under its watch. While these should reflect India's own domestic interests, a successful summit also needs buy-in from at least the biggest players, namely the US, Germany (on behalf of the European Union) and China.

The Indian Sherpa shepherding this process needs the stature that commands respect of the global peer group, apart from the confidence of, and easy access to, the Prime Minister. For such a high-profile summit, the Sherpa should ideally be part of the Prime Minister's Office but could also be in the Ministry of External Affairs (MEA). A serving or retired bureaucrat with the necessary experience is desirable but not essential. Be that as it may, strong dedicated teams are required in the MEA (Sherpa process) and Department of Economic Affairs (FMCBG process). The MEA would need to liaison effectively with the embassies of G20 countries for better communication, and especially for selecting participants for NGO processes.

The danger is that if there is no strong buy-in from major G20 players, extraneous extant exigencies not on the official agenda could hijack a G20 Summit, especially when hosted by a non-G7 country. The crisis in Syria effectively hijacked the St Petersburg Summit. Brexit, the Khashoggi affair, and bilateral trade issues overshadowed the Buenos Aires Summit. The prospects of a Trump-Xi trade deal dominated the recently concluded Osaka Summit.

With the world's top leaders aggregated in one place, bilaterals and 'pull-ins' have always been a feature of G20 Summits. But the world's premier multilateral economic forum never faced the existential threat from bilateralism as it does today. The litmus test of India's G20 Summit might well be whether it is remembered for the New Delhi Declaration/Action Plan, or for some high-profile bilateral deal/pull-in between superpowers.

The writer is retired IAS officer and currently RBI Chair, ICRIER. He anchored India's G20 delegations during the first seven G20 Summits.

Short shots



KITABKHANA

T C A SRINIVASA-RAGHAVAN

Last month I wrote that book-wish at least, the last six months have been very lucky for me because I have constantly discovered new authors and some very nice books. I am happy to report that my luck hasn't run out, as

I found out earlier this month.

I came across, totally by accident, a book of short stories by none other than the youthful principal economic adviser to the finance ministry, Sanjeev Sanyal. I knew he had written some books on rivers and seas. But I had no idea he has written a book of short stories.

It was while browsing on Amazon that I saw his book on the usual menu of offers. When I saw the price, I decided to take a flutter. It was a good bet, ₹250 well spent because as a connoisseur and writer of short stories, I can say this: Mr Sanyal does a damned good job of it. I hope he continues to write them.

The book is called *Life Over Two Beers*, which is also the title of one of the stories. It could have been called anything else and some very nice books. I am happy to report that my luck hasn't run out, as

Mr Sanyal writes with a smoothness that suggests polishing and re-polishing. There are absolutely no superfluous words. Thus, the sentences are short, which is an absolute *sine qua non* for a short story.

The stories move along until (I think) Mr Sanyal gets bored and decides to stop them. It then comes to a gentle halt. This is as difficult as bringing a Bombay suburban to stop just so.

I would strongly recommend this book to everyone not just for the quality of writing but also for its insights and observations on daily life, especially of the upper middle class in Delhi.

I saw the phrase Khan Market Consensus in one of the stories, and since the book was published last year, I wondered briefly if the prime minister had also read the story. No? Well, never

mind. He is a busy man.

An elite group

Mr Sanyal belongs to an elite group. Economists who write stories are rare. Of the 200,000 or so economists that infest this planet, to the best of my knowledge, only five have written them.

The granddaddy of them all was John Kenneth Galbraith who wrote two I think. I have read one of them. I now plan to get the other.

In the 1970s, two professors, one of them from Harvard, decided to write murder mysteries. They wrote three such novels over the next 20 years under the name Marshall Jevons.

I bought them at considerable expense but my son, who is an economist, has made off with them. As Oscar Wilde said about economists, he

knew their price but I am sure not the value. I will have something to say if he loses them.

Kaushik Basu has also ventured forth in the literary direction. But he has written a play not a novel. But I am sure he will one of these days.

Then there is Bibek Debroy. Apart from all that heavy lifting translating Indian epics, he has also written a novel and a book of limericks. I have not read either. I am now waiting for Surjit Bhalla to write one. He is bound to take up the challenge and come up with a bestseller.

Perfect entertainment

Coming back to short stories, as even Mr Sanyal discovered, the market for them seems to have disappeared, in English at least. There is simply no one who will agree to publish

them unless you are a Bollywood celebrity or, dare I say it, a principal economic adviser.

Mr Sanyal says he wants to revive the art of writing short stories. He can start by recommending mine to a publisher.

Even this newspaper — which happily publishes my other drivel — has refused to publish them. Mr Sanyal is absolutely right and not just for literary reasons. The short story is a brief entertainment that is over in three to thirty minutes. In this age of Twitter, Facebook, news notifications and other distractions, it is perfect for online textual entertainment that should be offered by newspapers and magazines.

You don't think so? Just look at how well English translations of short stories in Indian languages sell.