

To procure a decent takeaway, one must now drive to a market five minutes away, which is too far to ask the driver to fetch a cup that will stay intact as well as warm. Going all the way several times a day, however desirable, isn't feasible. The choice, therefore, is between coffee withdrawal or bad coffee of which the latter is winning right now. To remove the taste of the brew, one must unavoidably replace it with something else, which, here, means a surfeit of the kind of stuff my wife has banned me from eating — pizzas, fries, *samosas*, and in a concession to the rains, *pakodas*. For any foreseeable ill-health, or weight gain, I'm suing the coffee chains.



## WEEKEND RUMINATIONS

T N NINAN

## Beyond the half-century

Half a century after the nationalisation of 14 banks (all those with deposits in 1969 of more than ₹50 crore), many commentators have been debating whether it was a good or bad thing that Indira Gandhi did. That's the wrong question, but its short answer is that it was both good and bad. It helped spread the banks' footprint and boosted the national savings rate, but it has cost the taxpayer a pretty penny because of these banks' constant need for fresh capital. Nor is Indira Gandhi's motive behind nationalisation a relevant question waiting to be settled. Everyone knows it was done for collateral political reasons, but even undisguised populism can have beneficial results. The right question to ask today is, what now?

The starting point has to be that the government-owned banks have a problem. Their lending record is much worse than for the banking system as a whole, they have been left behind in the technological transformation that has overtaken banking, and they remain less customer-focused than their better-run private sector counterparts. Even retail depositors have begun taking their money to the private banks. Losing the retail franchise could be the kiss of death.

But privatisation remains a political no-no, and in any case is not an across-the-board solution. For while private lenders like HDFC Bank have done astonishingly well, there have been failures too. The near-collapse of YES Bank's share price and its desperate need for fresh capital point to some of what used to go on with private banks before nationalisation. Similarly, the defaults by large shadow banks like IL&FS and DHFL, with others perhaps waiting to hit the headlines, are no advertisement for private ownership of financial entities.

That said, the government's solutions so far have not measured up. Providing repeated rounds of fresh capital without taking steps to improve performance is not very different from pouring money into a bottomless pit. And it is not clear that the Reserve Bank of India (RBI) has looked hard enough at its own supervisory processes, which allowed the mess to reach the scale that it has. The solution has to come from elsewhere.

Look, therefore, at what happened in telecom and aviation. The legacy players were left to stew in their own juice while new private players took away the market. No company got privatised, the sector did. Many new private entrants did not survive the competition and folded up (capitalism at work), while the government continues to own and fund the legacy players (state capitalism at work). By the time the government throws its hand in and finally decides to sell, there is usually precious little on offer for prospective buyers.

The banking sector is getting privatised. Just five years ago, the government's banks used to have deposits and advances that were four times those of the private Indian banks. Now the multiple is just 2.2 for deposits and 1.8 for loans. When it comes to incremental deposits and advances, the tables have been turned dramatically. Last year the private banks took in and lent out money on a scale of two to three times what the government banks did. If private banks hold on to their role as growth drivers, it won't be long before they in their totality become as big as the government banks, and then take over the sector.

Meanwhile, it has been true for some time that the most valuable private bank is worth much more than the largest government bank, State Bank of India. The rest of the government banks put together are worth only about as much as a private bank that wasn't yet born in 1991. That's because investors have made their preferences clear: Good private banks are quoting at steadily higher multiples of book value, while the government ones are at embarrassing discounts to book value.

It is not enough for the government to let this process continue to its logical conclusion, because banks are more important than airlines and telecom companies. Whether through merger, selective sale, or by enforcing narrow banking restrictions on weak players, it must deliver a financial sector where health is not determined by ownership.

*Entities controlled by the Kotak family have a significant shareholding in Business Standard Ltd*

## Cities of misery

India's big cities are rotting, growing into massive, self-governing slums. When attempts are made to fix them, coral comes in the way, like in Mumbai

Our cities suck. The latest data from global agencies reminds us that 15 of the 20 most polluted cities are in India. Given how rapidly we are worsening, and urbanising, it is a matter of time when we count, maybe, 25 of the dirtiest 30, and so on.

Traffic in our cities crawls. In Mumbai, it is now at 8 kmph. Bengaluru is worse. My suggestion to Google Maps: Rename it 'Waterloo', its own, of course.

Hyderabad may be a bit better, Kolkata even improving, which is a gift of its economic decline. Delhi will not catch up with Mumbai or Bengaluru soon, but is a work in progress. Particularly if you are commuting to its twin 'downtown' of Gurugram and Noida.

In these biggest metros, Delhi-Mumbai-Kolkata-Bengaluru-Hyderabad more than 90 million people live. For ease of understanding, since New Zealand is the new liberal El Dorado right now, it is equal to about 20 times the wonderful nation, which gave us icons like Jacinda Ardern and Kane Williamson. And, 150 times that of Luxembourg. Why I bring in that tiny jewel of Europe I shall let you know soon.

Nearly 50 per cent of Mumbai's population live in slums or semi-slums. They make great movie sets and plots for "feel-sorry-for-these-poor-and-lovely-wretches" liberal writing. But, think New Zealand again. Our commercial capital keeps a population two times that country in subhuman living conditions. Kolkata is no better and Bengaluru is making rapid progress. No other city in India, not even that planned sarkari Utopia Chandigarh, is without slums.

What is slum in Mumbai is usually an unauthorised or illegal colony in Delhi. The quality of life may not be as abysmal as in Mumbai, but isn't much better either. In any case, about the same population of Kane Williamson's country lives as "illegals" in our national capital. Our public hospitals, medical care, and education are rotting, overcrowded, and either of sub-Saharan quality or demand Harvard-level scores — check out cut-offs in top "public" colleges in Delhi.

If our cities are so bad, why do millions still keep leaving their supposedly more virtuous villages and moving to the cities? Because our villages, too, suck. On practically every parameter except air quality, they would be worse than the cities.

India may have become the fifth- or even third-largest economy in the world, but our mindset towards our cities is still conditioned by one of the great Gandhian hypocrisies we have perpetuated — the cities are evil, villages virtu-

ous. We've all heard in some context that famous old exchange where Ambedkar apparently responded to Gandhi saying India lives in its villages, by asking: But must it continue to do so forever?

The Union cabinet has always had a rural development ministry. But, for nearly five decades after independence, we didn't quite have a ministry of urban development. It was more like "Works and Housing". The "India lives in its villages" romanticism endures, to the great detriment of India's cities, their poor, and at zero benefit to the villages. Or millions wouldn't be fleeing them.

Even during the tenure of APJ Abdul Kalam in Rashtrapati Bhawan, the mythology was furthered by an idea called PURA, or Providing Urban Amenities in Rural Areas. Everyone applauded his power point presentations on this, and sniggered on the side.

First of all, an Indian village simply did not have the scale or economics to build urban-level infrastructure. Especially as the political class is unwilling to charge the rural Indian for water, power, or any other utilities. And then, what urban facilities was he talking about when our cities are such a disaster?

This mindset has had deeply damaging and far-reaching consequences. Because we think cities are evil and villages are virtuous, Indian cities are never planned. They grow into massive, self-governing slums, along with islands created by individual builders, "audacious" real estate entrepreneurs, and mafias who can work the system.

Our cities therefore grow without infrastructure. It comes later, usually over three generations. Then the millions living there need water, power, roads, rail, and metros, and you have to dig underneath them, build above, or go over the seas.

Yet, millions of cars and two-wheelers have no place to park except sidewalks (where they exist) and public spaces, usually blocking entire roads. It isn't just the poor that are victims of this. Check out the fancy Worli-Parel development in Mumbai.

Scores of fancy apartment- and business-towers have come up in the past two decades, mostly on lands of old textile mills. But most have built their infrastructure, from water to parking to security. They nestle in the middle of old, much poorer populations native to the area, deprived of such comforts. This makes for a very unequal neighbourhood, not just in terms of economic status but also what the state or a city

should give equally to all its residents.

Or you can go to the fanciest buildings in Gurugram. They all float on their individual, giant septic tanks and diesel reservoirs — the first because nobody ever bothered laying down a sewer system for India's fanciest new post-reform development, and the second because nobody trusts state power utilities. You want to know how ridiculous this is?

You'd remember a phase of labour unrest at the Maruti factory a few years ago when unions and activists alleged that a large number of workers had been killed by the police, and their bodies were thrown into the gutter and sewer. The chief minister asserted, in confident, self-righteous defence, that it had to be a lie because no sewer has ever been built in this Gurugram.

This week's National Interest is provoked (or triggered, which millennials prefer) by the Bombay High Court order stopping work on Mumbai's long-delayed coastal road project. The 219-page order written by Chief Justice Pradeep Nandrajog and Justice N M Jamdar is among the best-crafted and comprehensible judgments I have read in some time. The judges have spoken sense on there being no conflict between the environment and development, and the need for balance and adherence to laws.

They have struck down the project not on grounds of feasibility or environmental damage but on a technicality. The project, they say, got its clearance as a road. But it involves reclaiming 90 hectares (about 9.9 million square feet) from the sea. It is, therefore, a building project, never mind that the reclaimed land is to be used only for public spaces like parks, cycle and jogging tracks, and bus parking. So, the government can come back for clearances again, but as a city development project. You can't grudge the activists their celebrations. They've won.

Read the judgment carefully, however, and you may cry. I cannot fault it on law. I only highlight a point where the judges say the project also needs wildlife clearance.

Because the petitioners said coral along the coastline will be destroyed. Studies — presented in the court — have indeed shown coral near Haji Ali and Worli: All of two patches of 0.251 and 0.11 square metres, respectively, or about 4 square feet in all.

The fact is, the project will ultimately be built — a year later and a ₹10 billion costlier. I am not sure the coral would survive, though I'd hope it does — because people, in the condominiums and slums, can wait. Activists can savour victory until then.

This is like living on Cloud 'Coral' Cuckooland. Or, remember one of the arguments advanced in favour of free rides for women in Delhi Metro and buses: Luxembourg has done it. It has 600,000 people, or about 3 per cent of Delhi, and a per capita income of \$1.1 lakh, that is 55 times India's. As long as we have our Luxembourg and "4 square feet of coral are better than 20 million humans" fantasies, our cities will rot. And millions will still keep flocking to them from even more rotten villages.

*By Special Arrangement with ThePrint*

## Barriers to potential demographic dividend



## VIEWPOINT

DEVANGSHU DATTA

I must have been about 15 when I first heard "Demographic dividend". It was the height of the Emergency and the accepted wisdom was in favour of population control. There were rumours about forced sterilisation drives in rural UP and Bihar, and the urban middle-class approved.

Our geography teacher was a brave man. In a class about the economic geography of India, he first parroted the slogan of the day, "We two, our two" extolling population control. Then he drew a deep breath and said, "There's another way of looking at large populations. I heard this brilliant Harvard economist, Subramanian Swamy, explain how it could prove to

be an advantage."

He then pointed out that a larger workforce could generate more output, even if productivity was low. He introduced us to the basic concept of workforce: population ratios, and explained how a young workforce with a "bulge" in the 15-35 age cohorts could generate high gross domestic product (GDP) for decades. It was a revelation in itself. It was also the first, and only time, that I can recall a school-teacher in Calcutta (as it then was) articulating an idea that directly contradicted the "book".

Many years later, looking at the apparent miracle of the Asian "tigers", it became obvious that the demographic dividend worked. Japan, South Korea, Taiwan, the People's Republic of China, Thailand and Indonesia had all turned around economies devastated by war, civil war, famines and natural disasters. The demographic dividend was one thing they had in common.

Post-Emergency the outrages of forced sterilisation made politicians wary about population control. By the 1990s, the demographic dividend had become the mainstream wisdom. It is still being faithfully trotted out every so often as an inevitable historical reason why India will become an economic superpower.

Sadly, this is unlikely. There were many other variables that the "Tigers" had in

place, that enabled them to exploit their respective demographic dividends. One was monetary systems that encouraged investments to flow easily into high-growth areas. In Japan and Korea, for instance, the relevant Ministries ensured private enterprise had access to cheap, abundant capital. India Inc. is capitalstarved and trammelled by regulations that hobble investors.

The second thing was that all these countries created large, globally competitive manufacturing bases and excellent infrastructure. This easily absorbed the workforce. The "Tigers" moved seamlessly from being agricultural economies to becoming manufacturing powerhouses, while Japan revived its formidable industrial complex, which had been ravaged by the Second World War.

India has missed the bus in manufacturing. Almost every other Asian nation has significant competitive advantages in manufacturing. India's physical infrastructure is also barely adequate, if that. The fact that 40 per cent of fruit and vegetable production goes to waste is a big pointer to lacunae in infrastructure. Roads, rail, telecom, airports, ports; you name it, the capacity is inadequate.

The third common factor where India is lacking is education. In every one of the "Tigers" and somewhat later, in the

People's Republic of China, the young workforces were already fairly well-educated by the time the "bulge" came along. The workforce could easily be skilled to take up manufacturing jobs and in time, they could be skilled to enter higher-value services and R&D.

In India, about 20 per cent of the population still lacks the ability to put signatures on paper. The lack of scale and of quality in primary education makes it very hard to take a boy off the farm, and put him onto an assembly line. To add to the woes, female participation in the workforce is low, and falling. There are multiple socio-economic barriers impeding the deployment of almost half of the potential workforce.

It is possible to erect infrastructure in a hurry, even if it's difficult. It may even be possible to change labour laws, and land-use laws, to improve prospects for manufacturing. But there is no royal road to learning — it takes 8-10 years before a child can read with sufficient fluency to understand basic technical manuals. That bulge won't last forever — it is historically inevitable that people age. It's a moot point if India will ever cash in on the potential of that demographic dividend.

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## Tie-break travesties

## EYE CULTURE

SHREEKANT SAMBRANI

July 14 is Bastille Day. On that day in 1789 Parisians marched on to that infamous jail to start the French Revolution. On the same day 230 years later, the capital across the English Channel, London, witnessed unbelievable sports events which the cognoscenti may someday call equally revolutionary. Or revolting, take your pick.

Last Sunday, at about 7.20 pm, the world's premier cricket tournament, the quadrennial International Cricket Conference World Cup, produced no winner after months of preliminary matches, 52 matches in the Cup proper and 102 overs of the final at Lord's in London NW 8. Just moments before, a few kilometres south, at Wimbledon in London SW 19, the world's premier tennis tournament, the All-England Lawn Tennis Championship, produced no winner either in the men's event after weeks of qualifying rounds, six rounds of the tournament proper comprising 126 matches and five sets (equivalent to six, since the fifth set was an extended 12-all affair). Both these uber prestigious tournaments used tie-breaks they have adopted recently (really works in progress) to decide their respective champions from among the two contestants who laid equal claim to the trophies. The winners were both pre-tournament favourites of the experts and the ubiquitous bookies as well, but the losers won the admiration and hearts of the true lovers of the sport.

If these were not coincidences enough, the twists and turns the finals produced were remarkably similar. Even those Bollywood schlock-meisters, Manmohan Desai and David Dhawan, who built their oeuvres almost entirely on fantastic coincidences, would have found these parallels outrageous.

Things began rather sedately. New Zealand won the toss, elected to bat, and reached 241 for eight in their 50 overs. No fireworks or no collapses in batting, just steady if a tad slow march (we learnt later that Ross Taylor of New Zealand felt 260 would be a challenging score). The tennis match began roughly two-and-a-half hours later. The defending champion Novak Djokovic, and the number two seed and the world number three Roger Federer, played a disciplined, if unexciting, game, holding on to their serves. After almost an hour, Djokovic took the first set on a tie-breaker, 7-5. That was when the New Zealand innings finished. England were expected to overhaul the score easily. A commentator said that while he would love to see Federer win three of the next four sets, he didn't think that would happen.

The underdogs clawed back then. New Zealand reduced England to 86 for four in over 24, with 156 runs still to get, a

tough ask. Federer made easy meat of Djokovic in the second set, winning it 6-1 with three service breaks. But the pendulum swung back. Jos Buttler joined Ben Stokes at Lord's and the duo steadily reconstructed the England innings. The third set at Wimbledon produced long rallies, but no fireworks or breaks (Federer could not convert his one opportunity). Djokovic again won the tie-breaker, 7-4.

Buttler got out in over 45, after a 110-run partnership and New Zealand rightly saw an opening, although the English tail was fully capable of wagging. Federer broke Djokovic in the fourth game of the fourth set, but the latter returned the compliment in the very next game. Federer got another service break in the eighth game and won the set 6-4. Even Stevens so far.

Now to the nail biting suspense. Last over of the scheduled game for England, 3 balls, 9 runs to get. Stokes took two on the next ball and lay spread-eagled as he scrambled home. The throw from Martin Gupit hit the toe of Stokes' outstretched bat and the ball sped to the boundary. England happily took the 6 runs whichever way they came. The perplexed expression on the face of the New Zealand skipper Kane Williamson seemed to acknowledge that the game was slipping away from them. The fifth set at Wimbledon reached 6-all after an exchange of breaks and the tie-breaker was to be applied if the score was still tied at 12-all. Federer got the all important break in the fifteenth game and was two points away from the championship in the next game at 40-15. Djokovic then amazingly won four straight points, handing back the break to Federer. Stoic though the Swiss champion was, he did seem to sense he was not going to make it. These decisive moments were virtually simultaneous.

The England innings ended at 241 all out, requiring a super over. The Wimbledon match reached its predestined 12-all score, calling for a tie-break. The super over also ended in a tie. England won because they had scored more boundaries than their opponents. The flagging Federer lost the tie-break 7-3 and Djokovic defended his title successfully.

Aficionados like this writer were deeply dismayed by these outcomes. Federer won more rallies, more points, more games, and yet lost. New Zealand were victims of an arbitrary ploy to break the tie. Why not declare joint winners in such rarest of rare cases?

After Westminster Abbey and Buckingham Castle, Wimbledon and Lord's are the two most iconic bastions of living English heritage. They tried to buck tradition last Sunday and ended up causing grave dissatisfaction to die-hard fans.

*Every week, Eye Culture features writers with an entertaining critical take on art, music, dance, film and sport*

## Defection: A Ricardian view



## LINE AND LENGTH

T C A SRINIVASA-RAGHAVAN

Everyone knows that if you ask the wrong question, you will not get the right answer. Nowhere is this truer than of political parties, their members, their MPs and MLAs and, that very Indian thing, the anti-defection law.

The tradition, at least in the Westminster type of democracies, has been to focus on the moral aspects of a political party, namely, what social and economic values it stands for. Views have tended to differ on this, which is why we get two broad types of parties: Left and Right.

This would not have mattered so much if what I call "constrained morality" — like what economic theory calls "bounded rationality" — not been introduced in India by the 1985 anti-defection law. It constrained morality, first to 33 per cent and then to 66 per cent, of the strength of a party's strength in a legislature.

This, if I may be allowed to stretch the analogy further, was the "strict" constraint. Later, a "weaker" version was permitted to allow for mergers into another party by a set of rebels, provided their number came to 66 per cent of the MLAs and MPs from that party.

Then the courts got into the game and mucked about in their usual way. So in the end what we have today, in conceptual terms, is a dog's breakfast of practicalities, moralities, and hypocrisies.

We can argue about the relative weights of each ingredient and come to different conclusions about our preferences, reminiscent of the Govinda song

"Meri Marzi". But the fact is that there is huge conceptual confusion about the issues involved.

This conceptual confusion has allowed all strong central governments to play ducks and drakes with weak state governments. Karnataka is the best and latest example of this.

## The basics

I therefore think the time has come to take the help of good old economics, which, like religion, has been mixing practicalities, moralities, and hypocrisies for a very long time. And it has been doing this very successfully.

The basic question a thinking economist, and not a data-driven AI type, would ask is this: Are political parties, their members, and the MPs and MLAs factors of production? What do they actually produce?

I would say that a political party produces policy alternatives, which are the essence of democracy. Its members produce its strength. And the MPs and MLAs produce the laws that

are give effect to the alternative ideas and help realise the preferences of the members.

If you think carefully about this, you will get a very strange Ricardian answer: They produce whatever yields the highest returns. And don't dismiss this as a joke just because you didn't think of it.

So for the political party, the return is measured in terms of power. For the members of the party it is measured by their sense of community, of "being in power". And for the MPs and MLAs, it is measured by their preference for pecuniary returns and/or status.

Thus, in purely Ricardian terms, each will adjust itself accordingly to maximise its return. It is perfectly natural.

For those who have forgotten their Ricardo — or, as is more likely these days, were never taught it — David Ricardo was a 19th century English economist who sought to analyse resource allocation in terms of returns to each factor of production. He broke these returns into two parts.

One part was the minimum it needed to earn in order to stay in

its current use. The other part was what it would take to lure it to another use.

## What this means

If this test is applied to the anti-defection law — which was the very anti-thesis of what classical liberalism would demand, namely, the expression of free will and choice by an individual — we can explain the sense of bewilderment that has prevailed since it was introduced.

The fact is this: The third factor in the bundle of the three factors of political production — parties, members, and MPs and MLAs — has been viewed in every way except the one in which it must be viewed, namely, in the Ricardian way.

It is not surprising that the result has been exactly like imposing a moral constraint on, say, a professional sportsman, like a footballer or a jockey. It is a futile attempt at control in a game where the incentive structure is completely Ricardian.

Finally, remember: Fairness and morality are two separate notions and it is foolish to mix them up as the anti-defection law does.