# 50 years of socialism



TICKER **MIHIR SHARMA** 

to increasing statism, disruption, and authoritarianism in the years after 1969 — and that Indira Gandhi's style of innerparty autocracy, her hawkishness, and her left-wing populism would eclipse her father's social-democratic liberalism as the preferred archetype for Indian political leadership.

But it is easy to imagine how it could have turned out differently. What in my book Restart I called "India's great leap left" was by no means a pre-ordained outcome.

The real reason that the banks had to go was political: the nature of Indira Gandhi's rivals in the Congress. Men like her finance minister, Morarji Desai, were by conviction and background sympathetic to India's embattled capitalists; for the Indira bloc in the Congress, it seemed that there was a dangerous nexus of support and financing that linked the Syndicate, the old corporate houses, and the banks those houses seemingly controlled.

Many in the Syndicate were quite clear about where they stood on economic policy. The growth of the Nehru years had dissipated in the mid 1960s, chased away by the twin spectres of famine and war. The public sector, appropriating an ever greater share of national resources, was no longer above criticism.

So it was at the fateful 72nd Congress session in 1969, at which the party's president, S Nijalingappa, was scathing about the public sector: "We must see that big industries are not established in the public sector without due regard to demand and the capacity to produce... I am told that some industries in the public sector are so badly managed that the full capacity is not utilised and that they are run on very unscientific methods. I believe that industries, by whomsoever established, should be encouraged. If private industries misbehaved or made undue profits they can both be punished and controlled through fiscal measures."

He then produced a much-quoted summary of the dangers of the licence-permit raj: "Where there are controls and licensing, there is always corruption — and the sooner we do away with licensing and controls, the better it will be." When Indira Gandhi replied to her party president's speech, the papers noted that she repeatedly stressed the need for greater state control and for socialism, while Nijalingappa had not used the word "socialism anywhere in his 6,000-word address".

And here were the prime minister's responses. First, the importance of self-reliance through the public sector was "amply demonstrated by the glorious performance of the armed forces during the conflict with Pakistan". Second, private industry was not interested in long-term projects with a doubtful yield. Third, she warned that a few probes into the private sector would reveal a great deal of corruption. Fourth, delayed approvals and inefficiency in the licence-quota raj came only to ensure "nothing was done that compromised India's sovereignty". And, finally, the prime minister insisted we must fight foreign influence.

Really, this speech seems like it could have been delivered by an Indian prime minister yesterday, and it possibly was.

When, after the presidential election that summer brought tensions to a head, the prime minister sought a reason to dismiss Desai, she used the long-standing demand for bank nationalisation as a reason. As late as July 9, P N Haksar in his famous note to the prime minister was still talking about "social control" of banks. But, by the 19th, the banks were nationalised and Desai was out. Later that year, the MRTP Act was passed and our long grey bureacratic nightmare began.

Haksar had warned: "In these conditions, the competitiveness of market economy, the struggle to get the good things of life in education health jobs becomes very into Nationalisation did not solve these problems, nor did the MRTP or any other tyrannical instrument of state control. But Indira Gandhi convinced people they did, and the media helped her. Here's another paragraph that could have been written yesterday: After the prime minister took away 85 per cent of the banking system, the media reported that "poor people danced in the streets. None of them had ever been inside a bank... but they felt that at last something was being done for the poor and the rich were being put in their place. [Inder Malhotra, in *The Times of India*.] Such misunderstanding of the effects of populist policy can continue to be electorally potent for quite a while. David Lockwood quotes C P Bhambhri on the 1971 election: "A cobbler told me that if Mataji had not nationalised the banks, my son would not have become a watchman for the government." Fifty years on, unemployment is as low as it was in the early 1970s, nationalism and self-reliance is still winning elections, and bad policy is still being sold as "at last something being done for the poor". Truly, India is a timeless place.

t is perhaps easy for us today, in a country that has been socialist since independence and which, in spite of a quarter century of liberalisation, seems to be growing more socialist every year — to imagine the alternative possibilities that existed 50 years ago, as we nation-

alised the banks. We

know in retrospect, that

India was condemned

## A welfare state born in India

### How William Beveridge's Bakargunje legacy is safe in modern Britain



SUNANDA K. DATTA-RAY

**uspended** between many uncertainties and nervously awaiting a new government in a matter of days, Britain can still be proud of one prized asset — the welfare state that makes it the world's envy. Not many know, however, that it was born — literally so — in India.

William, Lord Beveridge, its creator, was the son of Henry Beveridge of the Bengal cadre of the Indian Civil Service, a formidable historian and Persian scholar whose sympathy for Indian nationalists cost him the judgeship he hoped for. His scholarly wife, Annette Akroyd, came to India to further female education and ran a girls' school in north Calcutta. But she fell out with Keshub Chandra Sen, married Beveridge and became a surprisingly fierce opponent of the Ilbert Bill establishing judicial parity between Indian and European judges.

Thereby hangs another tale of karmic coincidence. When he returned to India in 1871, the Ilbert Bill's author-to-be, my greatgrandfather, Behari Lal Gupta, the second Indian in the ICS, was posted as assistant magistrate and collector under the senior Beveridge in Bakargunje near Dhaka. Beveridge was full of praise for young Gupta, but I mustn't forget a more recent link with those heroic personalities, the younger Beveridge this time. My old friend Gritta Weil was his secretary in Oxford during World War II (before joining The Observer newspaper where she mentored me) and typed out William Beveridge's massive Social Insurance and Allied Services report that is regarded as the blueprint for Clement Attlee's welfare state.

People are careful not to mention the question mark that may hang over its future in post-Brexit Britain. Nor does anyone breathe a word about Afro-Asians grabbing the lion's share of benefits. Yet the unforgettable image of princely abuse from my younger days is of the Sri Lankan financier, Emil Savundra, leaving his lavish house in London's fashionable St John's Wood in a fur coat, to be driven in his chauffeur-driven Rolls to the employment exchange where he registered as unemployed. It was a legal necessity for someone who was later convicted of swindling a well-known insurance company out of millions of pounds.

Great stories did the rounds in those days. One was of a man who collected disability benefits while competing successfully in bodybuilding contests. Another man - someone I came upon as a reporter - maintained his family in comfort on the allowance for an alleged back injury many years earlier. A woman with a pair of delicately trimmed Pekes said. "It's not worth my while working" as she collected thousands of pounds. No wonder Peter Lilley, the Tory welfare secretary in 1992, adapted the libretto of a Gilbert and Sullivan musical to tell the party conference, "I've got a little list/ Of benefit offenders who I'll soon be rooting out/ And who never would be missed.'

Tory paternalism was never sympathetic to welfare. An old tale had the Tories objecting that the working classes would use bath tubs in state housing to store coal. They complained of a Pakistani immigrant claiming allowances for two wives, one in Karachi and the other with him in the English Midlands. Margaret Thatcher cut benefits and closed

down shelters, driving thousands of jobless men into the streets where some of them can still be seen, with their squalid bedclothes and begging placards. "Today Labour are voting to increase benefits by more than workers' wages", a Tory poster mocked before the 2015 election. The Tories won by promising to cut welfare by £12 billion and balancing the books. "Fairness", said George Osborne who became David Cameron's chancellor of the exchequer, is "about being fair to the person who leaves home every morning to go out to work and sees their neighbour still asleep, living a life on benefits".

But it would be political suicide to try to abolish the welfare state. As Labour party leader, Ed Miliband, promised to crack down on migrants receiving benefits but didn't survive long enough to prove his courage. When Osborne did introduce cuts, Labour MPs chose to abstain rather than oppose them. However, a bunch of left-wing backbenchers ignored the whip and voted against the cuts. One of them, John McDonnell, declared dramatically he would "swim through vomit" to vote against the cuts; another, Jeremy Corbyn, the party leader could in theory succeed Theresa May as prime minister.

With the British Social Attitudes Survey predicting that concern over growing poverty, no doubt fuelled by anxiety over Brexit, is rising, the controversial Corbyn can even claim to have acted astutely. He can cite the finding that 56 per cent of the people think that cutting benefits "would damage too many people's lives". William Beveridge's Bakargunje legacy is safe in modern Britain.

### LUNCH WITH BS > AISHA DE SEQUEIRA | CO-COUNTRY HEAD | MORGAN STANLEY INDIA

# Life lessons from chess

The investment banker talks to **Pavan Lall** about the value of reputation, the power of inner strength, and why business is never just about the deal

orry, I'm running 10 minutes S late," the message flashes on my handphone. Its sender, Aisha de Sequeira, who arrived from New York City around a decade ago to run Morgan Stanley, has raised some \$20 billion of capital for clients in India and provided advisory services for over \$70 billion in M&A deals. Those include investments by Nippon Life into Reliance Life and Reliance Asset Management, the merger of Vodafone India and Idea Cellular, and more recently, the first REIT deal for the Blackstone Groupbacked Embassy Office Parks. She's also fast become the face of the storied American investment banking firm here leading

strategic engagements with key corporate In the months following her cancer clients, and driving strategy for the platdiagnosis and form in India with a treatment, "a lot of core team across insti- people asked 'you're tutional securities, a a good person Aisha, global in-house centre, why you'?". De Sequeira rationalised and a private equity it thus: For 40-odd business years, she'd never

Combined with Mumbai's traffic, these are all good reasons to things happened to forgive her tardiness. her, so why be are to meet for

steeped in Catholicism, has 40 cousins and speaks fluent Konkani that she is the quintessential Goa girl. It's also lineage. Her grandfather, Jack de Sequeira, was president of the United Goans Party. Her father Erasmo de Sequeira owned the local Coca-Cola bottling plant and was also a member of Parliament. De Sequeira went to school at Our Lady Of The Rosary High School after which she went to Goa Engineering College. "My childhood defined who I am, and one thing I learned was it takes generations to build a reputation but that can be lost in the blink of an eye, if not careful."

Post college, de Sequeira went to Yale University with the intent to study economics and public policy. She audited several classes — sitting in on law courses and more - before deciding to major in finance, given her head for numbers. Right before she gradasked why fantastic uated, a senior director from Morgan Stanley came to Yale for interviewe It was a Saturday

and learned that a banker's job was beyond just the product. "You have to grow the business, expand the pie and connect with the clients for the long term because it's never about a one-off deal," she says. Along the way, clients — like PepsiCo's former CEO Indra Nooyi - became lifelong mentors and friends. Sometime in 2007, Walid

Chammah, a senior director at Morgan Stanley ran into de Sequeria in an elevator and said, "what do you want to be when you grow up?". "Already an MD, I thought I'd already grown up, but listened," she says. Chammah said, "Do you want go back closer to home?". De Sequeira thought he meant Hong Kong, and said no, but would look at India for the right opportunity. Two months later, she was on a plane to India. She was also engaged at that tim

pump that diffused targeted therapy that was more efficacious than normal chemotherapy. She was determined she would not let the disease define her, de Sequeira tells me taking a bite of her fish.

In the months that followed she took time off when she needed treatment but continued working, calling clients, stakeholders and friends, and updating them on her treatment status. "A lot of people asked 'you're a good person Aisha, why you'?". De Sequeira rationalised it thus: For 40-odd years, she'd never asked why fantastic things happened to her, so why be hypocritical now.

She pauses momentarily, and then adds: "The amount of support I received from the folks in my apartment building was amazing given I'd just moved in there. And the support from Morgan Stanley has always been unwavering." I ask, if she were to look back, would she have done anything

hypocritica lunch at the Asian

restaurant San:Qui at the Four Seasons in Worli — perfect given its reputation as a haven for deal-makers. De Sequeira gets in around 10 minutes later, cheerynatured and smiling as always, and says a big hello. We exchange greetings and get down to ordering. It's a fresh-lime soda to sip on and a Hunan-style sea bass and jasmine rice for her. I opt for a bottle of aerated water and a course of stir fried broccoli and asparagus with vegetarian spring rolls. "Will you have wine?" de Sequeria asks. "I know I'm a girl from Goa but I really don't drink often, which surprised my husband when we first met." In fact, it's not because she is

and he was running late. So when de

Sequiera went into the classroom and saw calculus formulas on the board she started to clean it up when he suddenly entered and asked "what on earth are you doing?". The young woman answered: "I wanted you to focus on me and not be distracted by the blackboard."

The interview, unknown to her, was to be her first and last job interview.

De Sequeira got the internship. and then when she graduated, she segued into a full-time job with Morgan Stanley as an investment banker, where she worked for 20 years. As a single professional, she lived in New York for over a decade 360-degree one. Within a few years, de Sequeira would be mother to three children and would be jug-

the change was a

gling her career and the trials of adjusting to a new market. "It's doable but not easy, you need a supportive spouse and the whole 'lean in' thing works, if you just hang in there," she says.

Things were going well until out of the blue, life threw her a curveball. "I was feeling off for a few months, working and traveling a lot and had gone to Russia for a YPO Young Presidents' (formerly Organisation) event and felt pain in

ILLUSTRATION BY BINAY SINH

my stomach," she says. On her return she got it checked out suspecting kidney stones, and opted for a CT scan. The diagnosis wasn't positive. She had colon cancer. It had spread to the liver. Shocked, de Sequeira went into fire-fighting mode, travelling to New York to see Dr Nancy Kemeny a specialist at the Memorial Sloan Kettering Cancer Clinic, who'd designed an arterial

differently? think lost the connection to a higher being along the way, which I have regained," she savs 'Prayer works."

Our lunch is almost complete, so we order coffee and ice-cream for dessert. What's that one thing she

wants investment bankers to always remember? "If one company makes a specific move in terms of leadership changes, or captures growth or mergers or acquisitions then other players can't stand still.' she says. The competitive dynamics kick in on both sides. "Strategically, it becomes a chess-board." That's the part de Sequeira says she enjoys the most.

### Universal construction company Good coffee is extinct



**PEOPLE LIKE THEM KEYA SARKAR** 

bout three months ago as we sat down for lunch we heard the tell-Lale noise of tractors go past our house. Used to enhanced real estate activity everywhere we would not have paid them much heed if it was not for the accompanying noise of unloading not too far from our house. After lunch, we went to investigate and saw construction debris being dumped behind a neighbour's house about 200 metres from ours.

On asking where the rubbish was coming from, an underage tractor driver said, the rubble was from some of the old buildings being demolished at Visva Bharati University. My husband contacted the

university's estate department and the officer in charge confirmed the news. The reason being, construction of a road parallel to the train track, right behind our house. The road if built could hardly be a stretch of a kilometer.

We sent an RTI query to the university asking, one, whether an environment impact assessment had been undertaken for such a road and, two, who would benefit from the proposed road. The answer we got after prodding the first appellate authority was, Visva Bharati proposed a road along the western side of the railway line during 2006-08. Preliminary survey was done by the PWD and letters were sent to the Railways and other organisations. Regarding query no 2, the University had another cryptic answer: To divert traffic from the campus.

Divert traffic over just one km? But lately, Visva Bharati's propensity to build buildings and roads has been inversely proportional to the merit of its academic achievements.

Sadly, it doesn't seem to be excelling in construction too, an activity that the university undertakes with a lot of enthusiasm. Recently, the Bangladesh government gave the varsity ₹25 crore to build a Bangladesh Bhavana to house a library, an auditorium and seminar rooms to facil-

itate cultural exchange between the two Banglas. The building was inaugurated in May 2018 by Bangladesh Prime Minster Sheikh Haseena and our Prime Minister Narendra Modi.

What was built, however, resembled a seven star resort (it would fit better in Gurugram) with so many lights in and around that it would warm the heart of any development enthusiast. Not at all in the tradition of Tagore's stress on nature. This year, on July 1, a programme commemorating the Bangladeshi national poet Kazi Nazrul Islam was to be organised at the Bhavana. But days before the programme, according to a press report, 19 of the 44,000sq ft structure's 50 air conditioners were not working. And the one year warranties had just lapsed in May.

So the venue had to be shifted to a small auditorium in the University. What I thought took the cake was the university's inability to fix the ACs in order to be able to host an important programme.

The Bangladesh government has given the University a corpus of ₹10 crore to maintain the building but since the interest on that had not started to kick in, there were no funds to fix the ACs.

If this does not enhance cultural exchange between neighbours you wonder what will.



PEOPLE LIKE US **KISHORE SINGH** 

ow that office begins earlier than it used to, breakfast is a rushed affair, which means the cherished cup of filter coffee must now be carried in a mug in the car to be consumed on the commute to work. The cook likes to fill the mug to the brim, despite requests to be less generous, so it requires expertise and a steady hand to balance as the driver goes over speedbreakers and potholes. Traffic jams cause jerky stops and starts likely to lead to spills perilous to the state of one's office clothes. Therefore, the coffee is often tepid by the time one manages to drain the contents of the mug over a smooth stretch of road. This

means I'm ready for a cappuccino by the time I reach office an hour later.

Office coffee sucks. Whether it is plain hot water and some nasty powder reserved for the underlings, or a mildly offensive, milky brew off a machine intended for the upper echelons, none of it measures up to the benchmark set by Starbucks. The lads in the pantry try hard to match up but have neither the beans nor the machine to up their game. Perforce, one must cast around outside office for one's caffeine fix.

Till some time ago, this was not a problem so long as you didn't mind the sizeable outlay it demanded to keep body and soul in coffee heaven. Dieticians complained the milk was fattening, especially if you needed a cup. or three, daily. Doctors pointed out that too much coffee was bad for your health as well as your sleep. The chartered accountant refused to believe anyone could spend so much on coffee. The office boys summoned to fetch the takeaway bitched about office parsimony when it came to pooling for Diwali tips in comparison to one's spend for coffee-on-the-go.

Then market dynamics came into play. First, the lovely tea shop which served great French press coffees moved elsewhere. But there was still

Starbucks, till it shut down too, the neighbourhood attracting visitors whose preference was alcohol over coffee. A tiny patisserie found itself unable to cope with maintenance and despite entreaties to stay in business, reluctantly downed its shutters. Another coffee chain that survives has unfriendly, noisy staff that spends the better part of its time arguing among themselves. Most restaurants that feature coffee on their menu seem to have included it as an afterthought, and the indifference shows. From plenty, one is faced with a drought. Good coffee has gone extinct in the office hood.

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.

### **OPINION 9**

### Weekend Business Standard

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### WEEKEND RUMINATIONS

T N NINAN

## Beyond the half-century

alf 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 acrossthe-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

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 mat-ter of time when we count, maybe, 25 of the dirtiest 30, and so on

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-

lion 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 SHEKHAR GUPTA great movie sets and plots for "feel-sorry-for-these-poor-and-

lovely-wretches" liberal writing. But, think New are evil and villages are virtuous, Indian cities are 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 cutoffs in top "public" colleges in Delhi.

I four 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-

ur cities suck. The latest data from global 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 Traffic in our cities crawls. In Mumbai, it is 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 Kolkata-Bengaluru-Hyderabad more than 90 mil- Urban Amenities in Rural Areas. Everyone applauded his power point presen-

tations 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

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 Nearly 50 per cent over three generations. Then the milof Mumbai's lions living there need water, power, roads, rail, and metros, and you have population live in to dig underneath them, build above, slums or semi-slums. They or go over the seas.

Yet, millions of cars and twomake great movie wheelers have no place to park except sets and plots for sidewalks (where they exist) and pubfeel-sorry-forthese-poor-andlic spaces, usually blocking entire roads. It isn't just the poor that are viclovely-wretches" tims of this. Check out the fancy Worliliberal writing Parel development in Mumbai.

Scores of fancy apartment- and business-towers have come up in the past two Delhi, and a per capita income of \$1.1 lakh, that is decades, mostly on lands of old textile mills. But 55 times India's. As long as we have our most have built their infrastructure, from water to Luxembourg and "4 square feet of coral are better 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 By Special Arrangement with ThePrint

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 Nandraiog 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

than 20 million humans" fantasies, our cities will rot. And millions will still keep flocking to them from even more rotten villages.

**Tie-break travesties** 

## Barriers to potential demographic dividend



### 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 deca s. 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".

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 capital starved and trammelled by regulations that hobble investor

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 popation still lacks the lity to put

**EYE CULTURE** 

### SHREEKANT SAMBRANI

Channel, London, witnessed unbeliev-

tough ask. Federer made easy meat of Djokovic in the second set, winning it 6-1 with three service breaks. But the penduuly 14 is Bastille Day. On that day in lum swung back. Jos Buttler joined Ben 1789 Parisians marched on to that Stokes at Lord's and the duo steadily infamous jail to start the French reconstructed the England innings. The Revolution. On the same day 230 years third set at Wimbledon produced long rallater, the capital across the English lies, 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 110run 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 Guptil 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. Diokovic 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.





### VIEWPOINT **DEVANGSHU DATTA**

 must have been about 15 when I first heard "Demographic dividend". It was L 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

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

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

tures 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 landuse 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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### able 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 œuvrés 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-ahalf 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.

New Zealand reduced England to 86 for an entertaining critical take on art, music, four in over 24, with 156 runs still to get, a dance, film and sport

The underdogs clawed back then. Every week, Eye Culture features writers with

## **Defection:** A Ricardian view

a legislature.

from that party.



### LINE AND LENGTH T C A SRINIVASA-RAGHAVAN

veryone 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.

"Meri Marzi". But the fact is that This would not have mattered so much if what I call "conthere is huge conceptual confustrained morality" - like what sion about the issues involved. economic theory calls "bounded rationality" - not been introhas allowed all strong central duced in India by the 1985 antigovernments to play ducks and defection law. It constrained drakes with weak state governmorality, first to 33 per cent and ments. Karnataka is the best and latest example of this. then to 66 per cent, of the strength of a party's strength in

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 anoth-

er party by a set of rebels, pro-

vided their number came to 66

per cent of the MLAs and MPs

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 practicali-

ties, moralities, and hypocrisies.

tive weights of each ingredient

and come to different conclu-

sions about our preferences.

reminiscent of the Govinda song

We can argue about the rela-

#### 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.

This conceptual confusion

The basic question a thinking economist, and not a datadriven 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 antidefection 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 -

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.

parties, members, and MPs and MLAs — has been viewed in every way except the one in which it must be viewed, name-

ly, 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