

# A demographic time bomb



COUNTRY CODE  
RAHUL JACOB

At the beginning of this decade, a series of labour protests broke out at the high profile factories of multinationals such as Foxconn, Honda and Flextronics in Guangdong, China's powerhouse of a province just across the border from Hong Kong. The powerful party secretary then was named Wang Yang. He took a gamble and, in consultation with Beijing, mandated double-digit raises for workers for the next five years, including pay hikes of 20 per cent that year itself. Instead of sanctioning Communist Party led disciplining and beatings at the first sign of worker protests as is paradoxically the norm in other provinces, Wang said it was time to use the crisis to move into higher tech exports and via the wage hike push toy, plastic and shoe manufacturers to move elsewhere. "Empty the cage and let the right birds in," said Wang, drawing criticism from free market economists within China who believed he would upset the export equilibrium that had made Guangdong the factory of the world.

I had just arrived as a correspondent for the *FT* in the region and was skeptical that the liberal party secretary's industrial policy would work. Still, it was an opportune time to write about China's huge demographic transition. Usually referred to as the the Lewis turning point — that moment when factory owners see their returns fall because surplus cheap labour have dried up. Due to the one-child policy, the working-age population peaked earlier than it should have in China in 2015. As businesses began to relocate from Guangdong to other Asian countries, this seemed the moment when India's fabled demographic dividend of an abundant young workforce would surely be reaped.

The rest is history, a familiar Indian story of missed opportunities and own goals. India's exports peaked in 2013 at 25 per cent of GDP before faltering. As Sajjid Chinoy pointed out in a paper for last year's India Policy Forum, India's GDP growth rate surged between 2003 and 2008 because net exports grew by 18 per cent annually between those years. "Exports were driving investment... India had briefly turned Asian," Chinoy noted. By contrast, in the past year or so, the economic research firm I now work for, Wigram Capital Advisors, has calculated that on a compounded five year average India's export growth rate has fallen to the low single digits, comparable in India's history only to the doldrums of the 1950s when the licence raj was being put in place. I recently checked Guangdong's exports tally to see if Wang's bet to move it up the value chain had paid off. Exports grew 4 per cent in 2018 — not a bad showing amid trade tensions — to almost \$650 billion in 2018, or twice India's annual total of manufactured exports.

With Indian companies still tackling the fallout of the triple shocks of demonetisation, a badly implemented GST and India's shadow banking crisis, this trifecta of trouble has ensured that even in the aftermath of a clear victory for the Modi government, companies show little sign of kickstarting investment. Rural spending is yet to pick up fast-moving consumer goods companies tell us, auto sellers are complaining of record drops in sales and the death watch about which shadow bank will go under continues on Dalal Street.

2019 is shaping up not as a new beginning but as a summer and winter of discontent. This week, the new government in what was once globally lauded as business-friendly Andhra Pradesh pushed through a directive that will force private companies to reserve jobs for locals. Also this week, a cross-section of film-makers and writers banded together to call on the Modi government to punish and condemn those accused of mob lynchings. These two seemingly unrelated events are two sides of the same cancelled cheque for India's much hyped demographic dividend that we never succeeded in cashing. Now, our alternatives are grimmer: our leaders will exploit the situation for political gain even if it means encouraging violence or at best resort to reservations and increased subsidies through variations of income support.

Recurrent mob attacks on minorities and the South's newest leader resorting to reservations are examples of what might be called the Thackerayisation of India's politics after the late Shiv Sena leader. After years and years of anemic export and job growth, millions of bored or frustrated young men remain under-employed or unemployed.

Thinking about the seminal events of this disturbing week with the revised Right To Information weakening institutional independence further, I chanced upon an article in *The Economist* that observed, "It is possible that population is destiny, other things being equal, but other things are never equal. A plague here or a fateful decision by a Chinese emperor there can set a region down a path that wipes out the advantages of population. Perhaps those advantages must be harnessed by the right sorts of institutions." With weaker government institutions than most of our Asian neighbours, and myriad looming challenges ranging from water shortages across this unfortunate country to the consequences of picking on minorities in Parliament elevated to a de facto national sport, the ticking of India's demographic time bomb only gets louder.

# Yediyurappa's time has come... again

But one thing is certain: he will head a government that will be in a state of permanent flux and uncertainty



PLAIN POLITICS  
ADITI PHADNIS

Bookanakere Siddalingappa Yediyurappa (he changed the spelling of his last name on astrological advice) is set to become chief minister of Karnataka for a fourth time. He has never been able to complete a full term as CM and this time might be no different.

Here's why.

First, the factual configuration of the Karnataka Assembly. Out of 225 members (224 elected and one nominated), there is one independent MLA, one from the Bahujan Samaj Party (BSP) and one from the Karnataka Pragnyavantha Janatha Party (KPJP).

These three are H Nagesh from Mulbagal, N Mahesh from Kollegal and R Shankar from Ranebennur. All three are opposed to HD Kumaraswamy (HDK) and have been disqualified by the Speaker: which means they cannot contest the by elections. For all intents and purposes they have been knocked out of the race. This also means that till the by elections take place, the effective strength of the assembly is down by three to 222 and the halfway mark in 112.

After the 2018 assembly elections, the BJP had 105 MLAs; the Congress 78; the Janata Dal Secular 37. BJP tried to form a government, failed and Congress and JDS cobbled together a precarious majority. The signs of trouble were clear from day 1. Yeddyurappa was clear that he should have been CM. The Congress wanted its pound of flesh for allowing a junior partner to become CM. Outgoing Congress CM Siddaramaiah felt he had been diddled out of his job and had no interest in ensuring HDK stayed in power. Hence Rahul Gandhi's tweet: "From its first day, the Congress-JDS alliance in Karnataka was a target for vested interests, both within and outside, who saw the alliance as a threat and an obstacle in their path to power..." DK Shivakumar (who was one of the few Congress

leaders to speak in English during the trust vote, many feel, because he wanted 10 Janpath to hear his speech) quoted Voltaire: "May God defend me from my friends; I can defend myself from my enemies."

Congress MLA from Basavakalyan, B Narayana Rao said while speaking in the trust vote: "How can you expect to reap mangoes when you sow neem seeds? With folded hands I beseech the sitting Chief Minister, the past Chief Minister and the one who may occupy the chair tomorrow: please surround yourself with good people. You give tickets to real estate agents, builders and excise contractors and expect them to stay loyal to a political ideal?"

When voting day came around, 20 MLAs skipped voting. 14 were from the Congress, three from JDS, one from BSP and two independents

Now there are three problems.

The first is the Speaker. The Speaker may have disqualified three but he is the one who will have to decide whether to accept the resignation of the "rebel" MLAs. He also has to consider the plea of Siddaramaiah and the Congress that those who did not obey the party whip should be disqualified. If the Speaker accepts the resignations, by-elections will be ordered and the BJP will likely get majority. But what if the Speaker disqualifies the errant MLAs instead of accepting their resignations? There is hardly any doubt that they will then knock on the doors of the Supreme Court. And so it will go on...

TÊTE-À-TÊTE WITH BS ▶ PRIYANKA CHOPRA-JONAS | ACTOR, INVESTOR

# Straddling different worlds

Empowering women, celebrating death, cross pollination—these are some of the big ideas swirling in her head, Chopra-Jonas tells Arundhuti Dasgupta and Urvi Malvania

By now we have some experience in the art of celebrity lunches. Having starved our way through a few earlier interactions, we know that the best thing to do is go well stuffed. So we eat earlier, a big sandwich and a juice at Bombay Baking Company, a bakery cum café at the Marriott Hotel where we are to meet with Priyanka Chopra-Jonas.

The meeting has been through a fair amount of shuffle and tweak. In the weeks leading up to it, the time and venue have seen a few changes and on the appointed day, despite some frantic readjustments to our schedule by Chopra-Jonas's efficient schedule assistants, we end up waiting over an hour before we are squeezed into a tight 20-minute engagement. And the only thing on the table is bottled water.

Chopra-Jonas fills the large room that we have been ushered into; in a bright yellow outfit with a delicate mangalsutra (the traditional mark of a married woman in many parts of the country) around her neck, she puts everything and everyone else in the shade. She is wearing the brand colours of Bumble, the dating cum networking app that she is promoting in India and in the manner of a practiced brand ambassador, she admires the Bumble merchandise strewn across the room, gasping at the sheer loveliness of it all.

She points to the Bumble branded pens and notebooks and asks, "Why don't I ever get these?" Her team is indulgent, they tell her she is sure to find some, when she goes back in to her room. Assuaged, she turns her gaze firmly upon us and apologises about how her insane schedule has kept this meeting on hold for so long. So sincere is her contrition that we end up feeling sorry for our imposition.

"I hope I have an understanding to give you an explanation into the business side of my life," Chopra-Jonas says as she leans back into her chair. Her aides stand by, looming over our shoulders. A few sit quietly at the back of the room. This is the most crowded table ever for a lunch with BS, also one where there is no food and all business. But then there is little that one can do — our time is subject to the punishing schedule that Chopra-Jonas has to live with and the army of minders. Well that is the price of global celebrityhood.

Chopra-Jonas's journey from Miss World to Bollywood to a singer and then American television and finally investor in tech businesses and marriage with Nick Jonas has been remark-

able. It is close to eight years since she turned her gaze to the West and she seems to move seamlessly between her many worlds. She is in India promoting Bumble and wrapping up her next film (now ready for release) *The Sky is Pink*. Chopra-Jonas is an investor in Bumble (apart from a few other consumer-facing tech companies) and has become its face in India since bringing it here in December 2018. She also has a production company in India called Purple Pebble Pictures and has said in several interviews that she is minutely involved with the running of all her businesses, from the interns they hire to the look of the final product.

How did a girl from the East find her groove in the West, or perhaps more appropriately, manage to keep her feet in both?

"There is no precedent to what has happened with me," says Chopra-Jonas. Her American expedition started with a song, *In my city*, that she recorded with producer Jimmy Iovine (Interscope Records), which featured rapper will.i.am. She had another one featuring Pitbull soon after. She was also the brand ambassador for Guess (besides representing India at the Cannes festival for several years) before finally making it to prime time US TV with *Quantico*. And then it was Hollywood calling with the latest edition of *Baywatch* and a romantic comedy, *Isn't it Romantic*.

"I am a very intuitive person," she says. Her business decisions are always in the moment. She follows her gut and of course, the wisdom of her manager-cum-close friend Anjula Acharia. Acharia is a venture capitalist who lives and works in the US and manages Chopra-Jonas.

Business is not trapped in a silo for Chopra-Jonas, the investments are more than just business decisions, they are an extension of her personality. She explains: "I have this extremely unique position where I can collide my worlds together. I am all about cross pollination. It's my life's dream. Like my movie with Mindy (Kaling) that I am doing with Universal. That's exactly what it is."

She has walked on a bridge that links the US with India and lived to tell the tale, and her businesses and movies must do the same. An honourable idea, but really? Chopra-Jonas is not one to let scepticism get in the way of her words and her confidence stems from the manner in which people have been reacting to her, to her wedding with pop icon, Nick Jonas and the movies she makes. Her wedding she says is an



ILLUSTRATION: BINAY SINHA

example of how the two cultures can come together in a beautiful amalgam.

Her role is to bring down the boundaries between India and the world (read America). "When Nick and his family, they came down to India, they saw the India that I know. It changed them. And I want to show the world the India that I know. The beauty of it. The culture, the inclusiveness, the richness of our history."

She is also moved by the thought of women in positions of power, the power to control their own lives and be independent entities. Bumble, she says fulfils that role. "I was at an event for Bumble with founder Whitney Wolfe Herd in

The second is the state of mind of the "rebels". Uncertain about their future and in the absence of any guarantees whether they will become ministers or not, they are under a lot of pressure. Some could decide to return to their parent party. What happens in that eventuality? Siddaramaiah has declared that on no account will they be allowed to return. But things can change.

The third is the dilemma before the BJP itself. The party knows that if the Speaker accepts the resignation of the MLAs and by elections are ordered, the rebel MLAs will demand they be given the BJP nominations. But they were instrumental in defeating the BJP. Whose claim will the party entertain? Its own defeated MLAs? Or the defectors?

That's not the only issue. BJP's internal stability is in doubt. One of the biggest detractors of Yediyurappa, BL Santhosh, has been shifted to the party's central unit. Those who can't get on with Yediyurappa — and they are in significant numbers — now have a court of appeal in Delhi. There is nothing a chief minister dreads more than this.

Beset with all these problems, one way out for the central party is to acknowledge the reality — that it is a classic hung house, the constitutional machinery has broken down and central rule must be imposed with fresh elections. But that is not an option because the MLAs will have a hysterical hissy fit. Another election within a year of being elected?

That's why whatever might happen in Karnataka, one thing is certain: no matter who heads the government, it will be in a state of permanent flux and uncertainty.

# A world cup with a difference



PEOPLE LIKE THEM  
GEETANJALI KRISHNA

I have long believed in the transformative power of sports. A recent conversation with a 19-year-old Mumbai girl has reinforced this belief.

Sapna has lived all her life in a slum in Malad surrounded by high rises. "As a child, I would play football with a tennis ball with the boys of my slum," she recounts. "Few girls wanted, or were expected, to play." They were never allowed to play with the children in the fancy buildings. "But sports taught me that I could be better than others on my own merit," she says. "And I practised long and hard until I became a better player than any of them."

Sapna's life took a turn for the worse when in 2017, her elder brother, an engineering student, died in an accident. "My father started drinking heavily," she says. "He forced me and my two sisters to stop our studies and sent us to our village." This was the darkest time in her life, she adds, but football came to her aid. Her elder sister started working to support Sapna's passion for the game, even giving tuitions to earn a little extra money. Meanwhile, Sapna had become associated with Slum Soccer, a non-profit that uses football training as a tool for empowerment of slum children, girls in particular. When she was selected to represent India in the 17th Homeless World Cup to be held in Cardiff, Wales, from July 27 to August 3, this year, it was a dream come true.

"I barely knew the world outside my slum," she says. "I'd never dreamt that a day would come when I would board an aircraft and travel out of India." When she went to Nagpur on July 1, 2019, to train on Slum Soccer's Diversity Pitch, Sapna was awed to find herself playing with girls from Manipur, Gujarat, West Bengal and other parts of the country. "I realised for the first time that there were people my age in difficult circumstances across the country, not just in my little

slum in Mumbai," she says. "Initially, we found it hard to communicate with each other but soon we found our common language was football."

"I want to be a role model for slum children," says Sapna. "Slums are a storehouse of untapped talent and many children languish there because of the lack of opportunities." She wants to enable more slum children to play sports and through sports, develop their self-esteem. "On the football field, or any sports arena for that matter, there is no judgement — Dalits, Christians, Muslims and upper castes all play together," she says. "For someone who has grown up being reviled for being a girl, being poor, being low caste, it's an amazing feeling."

Sponsored by BookASmile Foundation (the charity arm of the e-entertainment platform BookMyShow) and supported by Slum Soccer, Sapna, along with 15 teammates, is in Cardiff now playing friendly matches. At the time of writing this column, Slum Soccer has shared images of Sapna and her teammates in Wales. An image of them jubilantly posing with the Indian Tricolour is particularly heart-warming. For these unusual young women have beaten life's odds to earn their place on Team India and that's a well-deserved achievement.

# 'Vegetating' at home



PEOPLE LIKE US  
KISHORE SINGH

Several years ago, my wife and I came to an arrangement regarding her social life. As family care-giver and home-based entrepreneur, she wished to step out in the evenings to experience the city's bright lights and fraternise with the rich and famous, no matter that their pecking order changed frequently. Dear reader, you will know me for my shy and retiring nature, while my wife craved the excessive hedonism of Delhi's jet-set. I acquiesced for two reasons — a) as a loving husband I did not wish to deny her some excitement; b) and, because, why provoke marital discord?

No sooner would I return from work than my wife would say we must get

ready to head out because a) there was a play for which she had passes; b) followed by cocktails at an acquaintance's farmhouse in Chhattarpur to celebrate something or other; c) then a soiree at a celebrity's home where the city's A-listers would be present; d) and if we had the energy, we might stop by at her bestie Sarla's home to apologise for not attending her birthday festivities because we simply couldn't decline the other invitations, "you understand, don't you, darling".

We did not always go to four, or three, or even two, places, but, yes, we did party-hop, and when we weren't going out, friends were coming home, till, well, age — *mine*, dear reader, let me hasten to assure you, my wife remains ageless — began to take its toll. I started to invent excuses to stay home, pleading a) an overload of work and crippling deadlines; b) cooking up false early morning appointments; c) a charade of late night con-calls impossible to take at loud dinner parties; d) inventing fatigue, if not quite ill-health, as pretext for last minute cancellations; e) while telling her to go ahead as planned and on no account ruin her evening for lack of participation from me.

In recent times, my wife has decided to embrace that independence, no

longer bothering me with her social calendar. Nor does she care to share her plans that might include a) doing the rounds of couture week; b) going to parties as a friend's friend; c) taking selfies at openings and lunches, of which there are several each day. At times, she even carries a change in the car, informing me she must attend a "handloom type gig" first, before changing into a "cosmopolitan outfit" for somebody's anniversary bash.

I no more know the friends with whom she ties up for picks and drops and to keep her company en route. Increasingly, now, I return to a quiet house, unsure whether my wife will be in, or have left to join in revelries elsewhere in town. Odd bits and bobs on the bedroom chest provide clues to her social peregrinations. This week alone she has attended luncheons and dinners, been to spiritual thingummies, been glimpsed at cocktails, photographed at college alumni get-togethers and sundry other celebrations. I, meanwhile, have my evenings chalked out too — a) pour myself a drink (or two); b) find a quiet corner; c) curl up with a book; d) have dinner (alone); e) open the door to let my wife in; f) listen to the triumph of her visits while I — her word, dear reader — opt to "vegetate" at home.



WEEKEND RUMINATIONS

T N NINAN

Dream targets

The Modi government does not make life easy for itself when it sets itself ambitious targets that most people would consider unachievable. Among them: Taking up the share of manufacturing in GDP from 17 per cent now to 25 per cent by 2022; doubling farmers’ incomes, also by 2022; doubling exports by 2025; and of course getting GDP from \$2.7 trillion last year to \$5 trillion by 2025 (implying 8 per cent average annual growth on the back of 4 per cent inflation). The government is doubtless encouraged in its ambitions by the fact that it has managed enormous progress on, if not quite achieved, some other stretch targets — to do with cooking gas availability, highway construction, renewable power, banking inclusion, and ending open defecation.

But it is one thing to achieve specific targets, like building toilets (concentrating effort and resources, combined with dedicated project leadership, can deliver a lot). And quite another to deliver on ambitious macro-economic goals that require a loosely controlled system to coordinate phased action within tight deadlines and the right policy framework. The government has been good on the first, not so good on the second.

Take export growth, which in the last five years has been all of 5 per cent. What kind of changes and effort will it take to deliver 100 per cent growth in the next six, when the global trading environment has deteriorated? Manufacturing as a share of GDP has been stagnant through the life of the first Modi government (other than the change in share that followed the re-jigging of GDP numbers), so why should one expect a 50 per cent increase in share in the next few years? As for doubling farmers’ incomes, the government simply does not have the policy tools and the financial wherewithal to deliver.

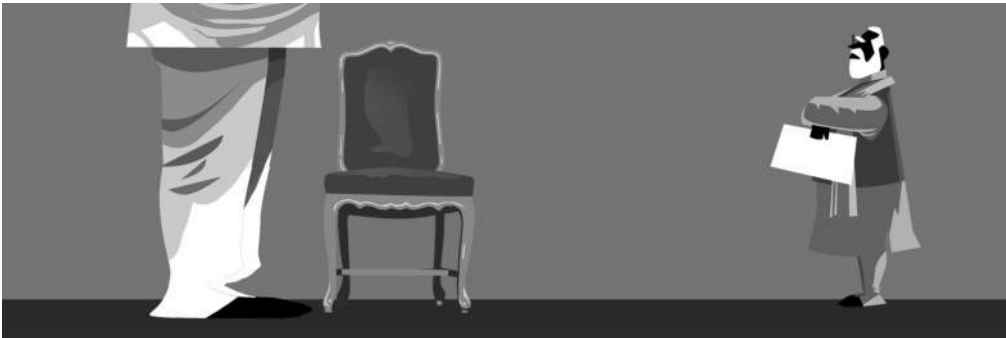
Some of the unreal goal-setting dates back a few years, and is possibly of a piece with the foolish talk in the initial years of the first Modi government that GDP growth would soon be in double digits. In today’s more realistic mood, even if one sets aside the issues raised by Arvind Subramanian and accepts the GDP numbers as officially recorded, growth has dropped to an average of 7 per cent in the last couple of years. Most forecasts say (somewhat optimistically) that growth will stay at or around that level this year and the next. If the goal of \$5 trillion by 2024-25 is taken seriously, subsequent GDP growth will have to accelerate to an average of 8.5 per cent — something that hasn’t happened since the 2008 financial crisis. Those daunted by this could argue that little is lost with a year’s slippage in reaching the target. But then it would be as P Chidambaram said: A mere compounding of the existing growth rate.

The real issue is the direction of government policy. On protectionism and tariff policy, for instance, it is moving in the direction exactly opposite to that recommended by the High Level Advisory Group on exports. Some labour law issues are being addressed through the two labour codes that have been finalised; the core issue of delivering a more flexible labour market remains only partially addressed. And little has been done to achieve greater integration with global supply chains.

That the path ahead won’t be smooth becomes clear from the report last December by the Logistics Advisory Committee of the Economic Advisory Council to the Prime Minister. This spells out the formidable infrastructure constraints and costs imposed on exporters from India, compared to their counterparts in other countries. Port logistics (including shipping) impose an additional cost equal to 7-8 per cent of consignment value, which is crippling enough. Other costs are high, too: Transport, capital, electricity. Much work remains to be done to simplify and streamline procedures and documentation.

It is early days in the new government’s life. While there is talk of 100-day action plans, it is known that the prime minister prefers sustained incrementalism to a big-bang approach. Still, his government will need to show greater purpose quickly if the macro targets set out are not to become embarrassments.

ILLUSTRATION BY BINAY SINHA



The Karnataka exception

Yediyurappa has provided the first challenge to the unfettered, unquestioned authority of Modi & Shah. BJP leaders in other states could take inspiration from him

Karnataka isn’t politically the most important state in India. In terms of its contribution to the Lok Sabha, it is a mid-sized state — in the Kerala (20) to Madhya Pradesh (29) ballpark. Yet, Karnataka has beaten any of these several times over in its domination of the headline space for the past many months.

Now, with the BJP in power again you’d expect a smug sense of victory and calm. Scratch the surface, you will see much disquiet and dissonance instead.

We can go so far as to say that mid-sized Karnataka has provided the first challenge to the unfettered, unquestioned authority of Amit Shah and Narendra Modi.

We should finesse it further. It isn’t Karnataka, but B S Yediyurappa who has brought that unlikely power coup in his own party. For the first time, an individual has forced his high command to make compromises it wouldn’t make to any other in the party.

Defying the age limit of 75 years is only one of these. Mr Yediyurappa is 76, well past the age at which the party under Mr Modi and Mr Shah have insisted everybody go to a Raj Bhawan or to the Margdarshak Mandal. As we run our eyes over the entire BJP star cast since 2014, probably only two leaders may have survived in a cabinet job beyond 75, and that too very briefly. The first, Najma Heptulla, ended up in the Raj Bhawan in Imphal and the second, Kalraj Mishra, has now landed in Shimla after a sizeable quarantine through which he dutifully tweeted praises for Mr Modi until the “call” came.

No other in the BJP, at least none of consequence, has been able to defy that age limit. To the extent that even those BJP leaders who would otherwise demand Mr Modi as India’s prime minister for life

have found it safe to speculate on his likely successor once he crosses 75 in his “third term”. That underlines the special power of Mr Yediyurappa. Of course, it might also mean that the notion of Mr Modi retiring at 75 may also become obsolete. If the rule can be relaxed for a relatively minor state leader, why not for the much fitter and powerful Mr Modi?



NATIONAL INTEREST

SHEKHAR GUPTA

In so many ways, Mr Yediyurappa is everything an ideal Modi-Shah chief minister isn’t. List the chief ministers of important states appointed by them since 2014. None of these was the dominant leader in his state and a natural claimant, or even a front-runner for chief ministership. Not even Yogi Adityanath. None of these was from a dominant caste in the state. Manohar Lal Khattar

was a far-out Punjabi in Haryana where Jats ruled. In Jharkhand, power was denied to the tribals. In Maharashtra, the choice of a young and Brahmin Devendra Fadnavis was like a finger in the eye of the Marathas. Even in Assam, the most powerful leader, Himanta Biswa Sarma, was made to work under a much less powerful Sarbananda Sonowal.

The model so far has been that there are only two leaders needed by the BJP and they live in Delhi. The rest serve faithfully at their sufferance. Mr Yediyurappa has beaten that rule. He has declared himself a leader in his own right.

Not only is he a dominant caste leader, he has been a chronic dissident and defier of his high command. Denied power in the past, he forced the party to appoint his protege Sadananda Gowda in his place, and when he too was destabilised, he rebelled, left the BJP, formed his own regional party, and contested the 2013 assembly election against

example, when she lost in 2013 to AAP’s sweep — she maintained her composure, moving back to the small Nizamuddin flat that she owned, near her sister Romila Dhawan’s home. “It was Arvind Kejriwal’s promises of free water and slashed electricity rates that got her. She knew they were not sustainable,” recalls Ms Dhawan.

Few who knocked on her door were turned away. Although I met her in the course of professional assignments.

I once visited to thank her for the swift dispatch of a corrupt municipal official notorious for his dilatory, money-grubbing ways. On the contrary, she said, she wished to thank me for bringing his misdemeanors, which she had confirmed, to her attention. “How can I hope to clean up the city without such feedback?”

In contrast to the current anti-culture and anti-media environment she was adept at keeping channels wide open. Her media relations were excellent, thanks to aides likes Pawan Kherra, continually on call like his boss. Her interest in the arts was genuine. Occasionally spotted at plays, art shows and book launches, she helped start a series of music and dance festivals. When Laila Tyabji, head of the craftspeople society Dastkar, was denied exhibition space by obdurate officials she turned to Sheila Dikshit. “She tried but couldn’t convince her bureaucrats,” recalls Ms Tyabji. “But she would visit, was appreciative and encouraging — it was the same for anyone in the arts, culture and NGO sphere who asked her.”

Sheila Dikshit received the heartfelt send-off she did because she was truly a daughter of Delhi who never stopped building bridges.

over a vast budget, nothing was proven.

As someone acquainted with her since her first (and only non-Delhi) election from Kannauj in Rajiv Gandhi’s landslide of 1984, her transformation as a force in Delhi sprang from the patronage of the Gandhi family. But she rose above being a mere pawn, and posed no threat, at their court.

It was her adroit handling of vicious Congress factions, outreach to BJP leaders, and ceaseless bridge-building among all sections in the city — the young and old, *bastidwellers* and multiple elites — that cemented her durability. She became a hand-holding nanny, motherly drawing room ornament and shrewd administrator all rolled in one.

“*Mann lagaa key padna, zaroor acchey number aayengey*,” (Concentrate hard, you’ll get good numbers), rang out her convent-tinged voice on radio as children prepped for their exams. Initiatives such as the Metro’s expansion, or converting public transport to clean fuel, were not her ideas. But she pushed for them, and being no pushover, took the laurels. Other important reforms — the painful privatisation of power supply, for example, or empowering neighbourhoods through *bhagidari* or stakeholders’ schemes — were spearheaded by her.

It is a widely accepted truth that political leaders become accessible (and suddenly acquire congenial human attributes) once they lose power. The opposite was true of Sheila Dikshit.

During periods of political eclipse — for

How this diminutive, convent-educated daughter-in-law of an old-style Brahmin Congress Party boss and wife of a 1960 batch IAS officer became a universally loved “Auntiji” to Delhi’s notoriously fickle and demanding electorate offers a master class in political management and governance. Riven with a myriad conflicting class and power interests, the national capital is no melting pot. It is a place that belongs to everybody and to nobody, from its waves of rootless migrants living in pockets of abject squalor to the noblesse oblige of VIP elites that are deeply embedded in its DNA.

As political leaders go, Sheila Dikshit was Exhibit A of the city’s urban elite. She was neither a rabble-rousing street fighter like Mamata Banerjee, nor a caste leader like Mayawati, nor a remote, ruthless Lady Bountiful type like Jayalalithaa. She went to a smart women’s college, Miranda House, and married a Stephanian, a text book romance sealed by a proposal on a “U special” bus to Delhi University. Her anglicised Punjabi father (a civilian officer in the army) had named his three daughters musically, their names ending in “la” — Sheila, Pamela and Romila — and she grew up in the heart of Lutyens’ Delhi, in government bungalows with street names like Rouse Avenue and Duplex Lane. Yet the slur of “Lutyens’ elitist” never stuck to her during her long innings. Later, despite the opposition’s noisy campaign alleging corruption, particularly during the Commonwealth Games when she presided

default if they fail to repay principal, since required interest payments are small or non-existent. As the world has seen in Japan, weakened profitability from negative interest rates discourages banks from trying to collect on bad debts. Instead they count on those negative rates to allow zombie companies to continue operating. Emerging signs of debt distress — including deteriorating credit quality and a weakened ability to service debts, as well as a growing number of problem loans — may thus be less worrying than otherwise.

At the same time, a less-appreciated shift in credit markets should be setting off alarms. Since 2008, banks have become less important as providers of debt. This reflects increased capital charges, lower leverage and consolidation within the banking sector. Investors have replaced them — not just traditional debt providers such as insurance companies and pension funds, but newer participants including mutual funds, exchange-traded funds or ETFs, hedge or private credit funds and foreign investors. ETF holdings of corporate bonds, for instance, have doubled since 2009 to around 20 per cent of outstandings. The banks’ share of US leveraged loans has shrunk to around 8 per cent, whereas collateralised loan obligations, managed by specialist fund managers, have increased to 60 per cent of total issu-



AL FRESCO

SUNIL SETHI

Inaugurating a long-delayed flyover in Delhi on July 16 — the cause of endless traffic jams to the airport — Chief Minister Arvind Kejriwal patted himself on the back and said, in that point-scoring way politicians have, “In 15 years, the Sheila Dikshit government built 70 flyovers. In the last four-and-a-half years, our (AAP) government has built 23 flyovers.”

Four days later he leapt in to order a state funeral and two days’ mourning when Sheila Dikshit, the city-state’s most famous chief minister, quietly passed away. And the prime minister rushed to her house for a condolence visit and paid fulsome tributes.

A Delhi election is due in early 2020 and, as her bitter foes, neither dared not offend the memory of a hugely popular, politically bipartisan figure who ran the city-state for 15 years.



SATYAJIT DAS

Some investors are fretting that the massive global buildup of debt since the financial crisis a decade ago can’t be sustained. It can, at least for a bit longer — but only at the risk of a more severe correction in the future. That’s because this particular credit cycle may not be typical. The current expansion is largely policy-driven. Governments and central banks have actively encouraged debt-driven consumption and investment in order to prop up growth. Abundant liquidity, central bank debt purchases, and zero or negative interest rates have allowed surprisingly high levels of debt to be sustained and serviced.

Such policies fundamentally alter the dynamics of credit markets. For example, under negative rates, borrowers can only

ance. Foreign investors now hold around 30 per cent of the US corporate bond market.

This increased participation of investors in debt markets threatens to worsen any downturn. For one thing, investors typically have little or no capital to cushion losses. Unlike in cases where a bank is the lender, losses will immediately pass through to ultimate investors. This will accelerate the impact of any deterioration in credit conditions.

Moreover, many investment funds operate with an asset-liability mismatch. Investors can redeem on short notice but fund assets usually include a portfolio of longer-dated securities. The problem is exacerbated because the search for yield has encouraged funds to invest in riskier and less-liquid assets which they may not be able to realize fast enough to meet redemptions.

A further problem arises where investments are leveraged. If asset values decline, funds may be forced to sell long-term, often illiquid assets to meet margin calls. And they generally have limited liquidity reserves to draw on instead; unlike banks, they can’t access lender of last resort facilities.

Investors, too, typically follow rule-based strategies. A rating downgrade beyond specified thresholds or a large price decline will often necessitate liquidation or affect fund operation. The bulk of corporate debt is now on the border between investment grade and

non-investment grade. The outstanding stock of BBB-rated bonds has quadrupled since 2009. Any downgrade would result in forced selling as investors limited to investment grade would need to exit. Banks, which generally hold loans on a hold-to-maturity basis, are less affected by such changes.

Finally, investors are poorly equipped to deal with financial distress. Banks can work with borrowers, restructure commitments or convert loans to equity to minimise losses. By contrast, most investors would be forced to sell holdings, sometimes at prices below true value. The problem is that in any future credit downturn, the hand brakes that banks can apply will have less impact than ever before. This will increase volatility and intensify any developing financial crisis.

To address an evaporation of investor demand and potential forced selling, policymakers would have to increase their intervention in markets by mandating minimum capital and liquidity reserves, similar to those applicable to banks, for these vehicles. If they didn’t, then they’d risk having to use public funds to bail out investors to prevent a major financial crisis. The dilemma illustrates a fundamental aspect of markets: Risk never disappears, it just moves to the least-regulated corner it can find.

Beware digital promise

EYE CULTURE

AMOL AGRAWAL

This year marks 70 years of George Orwell’s evergreen book: 1984. Published in 1949, the book has tremendous appeal today. The premise of the book is based on dystopia where the central authority controls everything related to how people think and act. The authority gives instructions to people from a head mounted on the wall making people think that they are being watched from all corners. Least did Orwell realise how 70 years later, his dystopian vision of the world is close to realisation, thanks to sheer digitisation of world economy.

With digitisation, people leave a trail of their choices which can be used by the State, making Orwellian world a close reality. This trail was always present in the digital world, but was not considered a problem until now. However, two developments have made this a danger which should make us weary.

First, the earlier form of digitisation was limited to information seeking but is now gradually including all walks of life. By knowing the payment trail, the State can pretty much manipulate and pressurise its citizens in following its orders. While discussing economics of money, we narrowly focus just on the value of money. However, two highly important attributes of money but least discussed aspects are privacy and anonymity.

Privacy means how much money one has in the wallet is known only to that person. Anonymity means that in a transaction what matters is the payments are honoured but the identity of the persons remain anonymous.

In a cash-driven economy, both attributes are present. This explains the huge success of the humble notes and coins. However, in a digital world, not only are both factors missing, but also exposes the holder of money.

Second, the digital trail captured by many small players is now increasingly being captured by a few large ones. These large players, also called FAANG (Facebook, Apple, Amazon, Netflix and Google), have become the centre of our economic and social world. A more worrying issue, connected to the first point, is that they are entering the payments world too.

With these big firms keeping data of whatever we do and increasingly of our spending as well, the society is becoming more vulnerable.

Coming back to Orwell. It is not clear who will be the big boss here, the

it. He won only six seats, but took away much of the Lingayat vote, reducing the BJP to a humiliating 40 in a house of 224.

He has also forced his party to break the other key principle it claims to live by: Zero tolerance for corruption. In his first term, he lost power because of corruption allegations and an adverse Lokayukta report, spent some time in jail, and was exonerated later. But because he was made to step down, nobody could live in peace and the BJP ended up having three chief ministers in the 2008-13 term of its rule.

This mess greatly contributed to a clear Congress win even in 2013. But not only was he taken back, but restored to his old position as a regional satrap, which is anathema to the Modi-Shah BJP. For comparisons, think of Shankarsinh Vaghela in Gujarat, the tallest BJP leader and a diehard RSS man who quit to form his own party and become chief minister of Gujarat with Congress support. Could the BJP have ever handed the state back over to him?

Defying age, caste, corruption and the test of loyalty, Mr Yediyurappa has also forced his party’s hand in pulling down the Congress-JD(S) government and replacing it immediately with its own. The BJP may not have minded giving the coalition a little more time to self-destruct, but we cannot say that for sure.

It is quite likely, however, that Mr Modi and Mr Shah may have preferred to let the state be under President’s Rule for some time and install their government after mopping up the stragglers. The haste with which they were forced to swear-in Mr Yediyurappa was uncharacteristic and ungainly.

Because, the “tamasha” isn’t over yet if the speaker takes his mission to disqualify all defectors to a logical conclusion, barring them from contesting in the term of this assembly and leaves everybody to wait as the courts take their time. This game has not yet ended. At least not as neatly as this BJP prefers.

What is it that gives this grand old man (by the standards of today’s BJP) such power, and what does his victory mean for the BJP and national politics? First of all, it shows that the BJP has failed to build a younger leadership in the state. That his key detractor, Ananth Kumar, died prematurely helped Mr Yediyurappa. But most importantly, the BJP realised that in Karnataka, they can’t swing the Assembly purely on Mr Modi’s strength. It’s the only state yet where the BJP has faced the challenge of its own leader’s caste vote bank within its Hindu vote bank.

BJP leaders in other states will also note this. If you look around, you do not see anybody in the other states in the same league as Mr Yediyurappa. Vasundhara Raje in Rajasthan must be seething seeing her loyalists cornered and detractors elevated. Shivraj Singh Chouhan has not been given the leeway or the resources, at least not yet, to pull down Kamal Nath. But there are leaders, we can be sure, especially in Maharashtra and Jharkhand and, why, even Yogi Adityanath who might take inspiration from the Karnataka exception.

Postscript: If you’ve noted the unfamiliar new spelling of “Yediyurappa”, it is just that he had changed it to Yeddyurappa during his bad days for reasons of numerology. But since it didn’t work, he has restored the original. I am not sure, though, that he has become any less superstitious than before.

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