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When media consolidation is good

More screens, consolidation and transparency have been good for India's beleaguered film industry

MEDIASCOPE

VANITA KOHLI-KHANDEKAR

Now here is an industry where consolidation has been a force for good.

In the financial year ending March 2019, the total number of tickets sold by the top three multiplex chains in India — PVR Cinemas, Inox Leisure and Cinepolis — rose 23 per cent over the previous year to more than 200 million. For many years now the cinema going habit has been in decline. The box-office growth you read about has come, largely, from raising ticket prices. Going by back-of-the-envelope calculations Indian films sell close to a billion tickets. But in the absence of any proper numbers, the big three multiplex chains offer a robust sample. Then there is the anecdotal evidence. Across India single screens and smaller multiplex chains are reporting a rise of anywhere from 20-40 per cent in ticket sales in 2018-19.

This rise then is the biggest indicator that the graph is changing — from declining screens and footfalls to a rising one.

Last year was an exceptionally good one with a slew of hits — *Raazi, Sanju, Bharat, Ane Nenu* and *Rangasthalam*, among others. But good films are a cyclical phenomenon. There are three basic reasons why ticket sales have risen and will continue to do so. One, since all theatres have to be goods and service tax or GST compliant, everyone now sells computerised tickets. This has meant more transparency — unaccounted for revenues and tickets are also being counted.

Two, multiplexes have been adding close to 150-odd screens a year. For years the theory was the rate of addition to total screens was way lower than the ones shutting down. And that more screens don't translate into more revenues or tickets. But they do. China's jump from 9,000 screens in 2011 to just over 60,000 currently has made it the second largest film market in the world after the US/Canada. In India new screens are now adding up to impact ticket sales.

And three, streaming video apps such as Netflix or Voot are exposing audiences to different cinemas thereby whetting their appetite for more from theatres. Since these three reasons are not cyclical, I reckon the rise will hold.

The bigger point this much awaited rise in footfalls makes, however, is on the benefits of consolidation. It is a much-needed force in so many segments of India's the ₹1,67,400 crore media and entertainment business — newspapers, television production and cable. Film exhibition is a great case in point.

At the turn of the millennium India had around 12,000 screens each with a different owner. The release and marketing of a film was a nightmare. In those pre-digital print days you needed 12,000 prints at ₹60,000 per copy for an all-India release. Nobody could afford that. The top films released with 400-700 prints. Ticketing was opaque so you really didn't know how many people actually saw the film. Most producers, yes there were individual producers then, sold films for a minimum guarantee or MG. They might have got something over and above the MG if the film was a huge success, but for most average films there was no hope of getting revenue overflows. This fragmented, opaque retail side of the business brought in more than 80 per cent of the measly (and unprofitable) ₹2,500 crore in revenues that the world's largest film-making country made.

When multiplexes came in with a cleaner, better experience, it forced single screens to either refurbish or to become part of a chain. It also brought transparency bringing money back into the business to finance better films. Almost 18 years after the first multiplex opened the industry has grown over seven times, returns are better across films and more importantly there is phenomenal variety.

The ₹3,119 crore PVR, the privately-held Cinepolis and the ₹1,692 crore Inox account for three-fourth of the 2,500 multiplex screens in India. These 2,500 screens, out of a total of 9,000, bring in, on an average, half of the total box office revenues of ₹10,000 crore. The box office, incidentally, brings in roughly two-thirds of the ₹17,500 crore the Indian film industry made in 2018.

It may seem like they have a disproportionately large share of the box office. But moving from the fragmented, broken model and bringing in scale, process and transparency wouldn't have been possible without consolidation. If it was then the remaining 6,500 screens should have brought in a bigger share of revenues.

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CHINESE WHISPERS

About tigers, bears and bulls

The Indian government is earning bouquets for doing well in growing the country's tiger population. However, one set of animals appears unhappy — the bulls, those seen on Dalal Street, to be precise. Many stockbrokers and investors attempted to trend #savethebull amid a continuous downward slide in the equities market. "India is now home to 2,967 tigers, 33 per cent more than the last count. India is now home to just a few bulls, 20.5 million less than the last count," tweeted one broker. To add insult to injury, Discovery TV released a promo of an episode of Man Vs Wild, featuring Prime Minister Narendra Modi with adventurer Bear Grylls, in which they are seen making what appears to be a wooden spear or rafting oar. This prompted another set of memes such as "PM and Bear hunting for any remaining bulls in the market".

Naidu cracks the whip

As the Rajya Sabha prepared to vote on whether the Muslim Women (Protection of Rights on Marriage) Bill is to be referred to a select committee of the House, Chairman M Venkaiah Naidu instructed members to remain seated during the voting process. His reference was to last week's vote on the Right to Information (Amendment) Bill when CM Ramesh, who has recently quit the Telugu Desam Party to join the Bharatiya Janata Party, was seen instructing colleagues on how to vote and collected their voting slips. Naidu quipped that everyone — be it C M Ramesh or Jairam Ramesh — should be in his or her assigned seat. Borrowing a word made famous by his former party colleague and actor Shatrughan Sinha, Naidu declared, "*khamosh, khamosh, khamosh* (silence, silence, silence)". While CM Ramesh looked sheepish at the scolding and remained in his seat, Jairam Ramesh of the Congress, one of the most disciplined MPs, gave Naidu an informal salute.

Seat sharing

As Congress Rajya Sabha member Rajeev Gowda on Monday waited for a vacant chair at the MPs' canteen on the Parliament premises to have his lunch, the Bharatiya Janata Party's Alphons Kannanthanam, who was having his food, told Gowda — albeit good-humouredly — that he would vacate his chair if his Congress friend would agree to support the Triple Talaq Bill. Elsewhere, a Union minister met a bunch of journalists for an off-the-record chat. The room was short of chairs. The minister suggested to his staff that they procure chairs on loan from the neighbouring room of a Congress leader because he would not need them, given that his party had only a few MPs.

OTT players opt for creative construction

Original content is the next big bet to expand a modest base of paid subscribers

SURAJEET DAS GUPTA

Last year Netflix founder and CEO Reed Hastings created a flutter when he said he sees the company's next 100 million subscribers coming from India. Wishful thinking, given that Netflix has just 1.3 million subscribers currently in India, according to IHS Markit data. Perhaps, but the US-based company took the first major step to expand its limited consumer base since its 2016 launch last week when it announced a new package, an only-mobile or -tablet subscription for ₹199 per month. Currently subscribers pay between ₹499 and ₹799 for various packs to watch on TV, mobile or laptop. Netflix executives say data showed that more members in India watch the service on mobile phones than anywhere in the world.

TAKE TWO

This is an aggressively competitive move in the nascent but crowded over-the-top or OTT media service industry in India. There are already 32 players (up from 12 in 2012), and Netflix and Amazon Prime are the two principal subscription-based ones – others such as Hotstar, now part of Disney, Zee 5, Sony and Voot from Viacom 18 offer a large part of their content free, supported by only advertisements.

The first challenge is retaining customers. Fifty per cent of users uninstall their OTT apps within the first seven days, according to a report by the Boston Consulting Group (BCG). And with 81 per cent of consumers having a maximum of three OTT apps on their smartphones, the battle for making it to the top three is getting fiercer.

At another level, the big boys are splurging to provide compelling content, the only key differentiator in this business. The problem is this content is five to 10 times more expensive than TV content. The six big players together invested ₹2,700-₹3,000 crore on original content (including sports content such as Hotstar's on IPL) last year. That figure will rise exponentially since most OTT players are expanding the number of original content offerings. "OTT companies that were producing three to five original programmes a year will now do 15 to 20 and the focus will be on quality and innovation," says Rajiv Bakshi, CEO of content producer Big Synergy Media.

This could be a risk. The BCG report says the industry rustled up just $500 million in revenues, of which advertising accounted for 82 per cent. If paid subscription remains the challenge, so do ad revenues. There are 300 million active subscribers every month on OTT platforms. But advertisers look for average *daily* active subscribers — which is 20 to 25 million, according to industry estimates, a fraction of what social media giants rack up.

"OTT platforms have to compete with the Facebooks and Googles, which get the bulk of the digital advertising pie because of huge numbers of daily active users. Until average daily active users go up in OTT, their share will be small," says a senior executive of an advertising agency.

Still, there are upsides to the business for OTT players to tap creatively. One is online consumption habits. "There is no debate that video is the preferred mode of consumption on mobiles, so any consumption increase will always be followed by monetisation," says Gourav Rakshit, COO of Viacom 18 Digital Ventures, which runs the Voot channel.

BCG's reports predicts that over five years (from 2018-2023), revenues will jump tenfold, and subscriptions will account for 32 per cent (almost double its current share). Most companies expect to break even in the next four years, if not earlier.

The potential for growth is robust — currently only 16 per cent of media consumption is on digital (25 per cent among the youth). Smartphone subscriber numbers are also expected to grow and so will data consumption. And the number of annual households with annual income of over $15,400, who can easily afford an OTT subscription, is expected to double from 8 per cent in 2016 to 16 per cent in 2025, BCG says.

But differentiated content will be the key to success. Zee 5, for instance, has focused on regional content and offers options in 12 languages. "We have 76 million active monthly subscribers and half of them see content in regional language. We are among the few to have produced original content in all the languages," says Tarun Katial CEO of Zee 5 India. The company is also expanding its customer base through tie ups — like with Airtel and Vodafone who offer it free to some customers. It has also collaborated with travel portal makemytrip, which offer discounts on member subscriptions.

Voot, which plans to go the subscription route soon, is producing original content focusing on two segments — women and the youth. "We want to overserve the two segments in which we have a lot of experience. Our conclusion is that it is big enough in the foreseeable future," says Rakshit.

Meanwhile, Netflix and Amazon are betting on Indian content. Netflix has announced nine new original series and 13 new films and Amazon has been a big player in acquiring movie rights – *Gully Boy* is one example.

Jio from the Reliance stable is creating a bouquet of OTT offerings primarily aggregating content in music (it bought Saavn), cinema, TV and news. Most of this content is tied only to its 300 million-plus customer base (except music) and is free. But it is also taking the first cautious steps towards building original content for its subscribers through Jio Studios, say company sources.

Clearly, the next few years will determine the big boys of the game.

APPS AND DOWNS

Annual revenues of OTT players	500 million
% of paid subscribers	18
No. of monthly active subscribers	300 million
No of daily active subscribers	20–25 million
Projection	Five-fold revenue increase between 2018 & 2023
50% of users uninstall apps within first 7 days	

Source: BCG & Industry

INSIGHT

Sovereign bonds & credit ratings

JAIMINI BHAGWATI

The announcement in the latest Budget of the central government's intention to borrow $10 billion from international capital markets through sovereign bonds was a startling revelation. Such off-shore bond issuance would purportedly be in lieu of domestic borrowings. To that extent it would lead to less crowding out of non-government borrowers from domestic financial markets. A number of commentaries have appeared in the media including one on July 26 indicating that perhaps the Prime Minister's Office is opposed to this Ministry of Finance (MoF) proposal to issue sovereign hard currency bonds.

According to some media reports, it was lobbying by investment banks which convinced MoF to take this decision. Investment bankers have lobbied with MoF officials in the past to issue such bonds. I can confirm this from my personal experience as joint secretary (capital markets) in the Department of Economic Affairs in 1999. At that time there was concern about shortage of hard currency in the run up to potential Y2K problems. The arguments against government issuance of hard currency bonds prevailed on the grounds that it may become a habit and could lead to a sovereign debt crisis. The MoF finally decided to authorise State Bank of India to issue five year India Millennium Deposits (IMDs) amounting to $5 billion. The all-in-cost of those hard currency deposits marketed to NRIs was about 100 basis points more than the proposed sovereign bonds of the same maturities.

The logic put out by current proponents of sovereign hard currency bonds is that given the ultra-low interest rates in hard currencies, the government should be able to issue bonds amounting to $10 billion at maturities of up to 30 years at low interest rates. A better benchmark to assess whether India's cost of borrowing abroad would be low would be the spread to a floating rate index such as six month LIBOR not absolute rates of interest. Although $10 billion of debt should be relatively easy to access from international markets, it is less obvious that foreign creditors would be willing to provide 30-year money. And, interest rates on government bonds trading in domestic markets would go up if spreads on proposed sovereign bonds were to rise with respect to bonds issued by developed countries.

At the end June 2019, the RBI's foreign exchange (FX) reserves amounted to about $422 billion. This is around 15 per cent of GDP way below the 26 per cent of GDP level of FX reserves in 2007-08. India's total hard currency debt as of end March 2019 was $543 billion of which $235.7 billion, debt with residual maturity of one year and due for repayment by end March 2020, amounts to 56 per cent of FX reserves. Such a high proportion of short-term debt highlights India's vulnerability to any protracted reduction in FX inflows. This risk metric needs to be kept in mind when considering the issuance of sovereign hard currency bonds.

Multilateral development financial institutions such as IBRD and IFC and Indian sub-sovereigns such as NTPC and HDFC Bank have issued rupee masala bonds to investors based outside India. Foreign investors in such bonds are prepared to take the currency risk of investing in Indian rupee denominated bonds. The Indian sovereign could access this market to borrow rupees from international investors rather than taking the foreign exchange risk of issuing hard currency bonds. On the downside, masala rupee bonds could reduce investments in Indian government debt which comes via foreign portfolio investors (FPIs). Further, the interest rates on masala rupee bonds may need to be higher than on government's domestically issued bonds for the same maturities. Foreign investors would probably want masala bonds to be traded in secondary markets much in the same way as government bonds are traded domestically. Lead managers of masala bonds would need to include the cost for making secondary markets raising the cost of issuing such bonds.

The rupee is currently hugely overvalued. Bringing in hard currency through sovereign bonds would be a net addition since this route has not been used in the past. At the margin this would exacerbate rupee appreciation. The current overvaluation of the rupee is mostly a reflection of India's need to access foreign capital to make up for inadequate domestic savings. Consequently, some may argue that the only way to reduce rupee overvaluation is by compressing consumption and investment and that may not be feasible or appropriate.

Another way to correct rupee overvaluation is to gradually relax controls on capital account convertibility. If the government decides it can borrow from international sources using sovereign bonds, the country should be able to reduce controls on the capital account. An objective yardstick would be a higher sovereign credit rating. The major rating agencies such as Standard & Poor's and Moody's are at arms-length from the Indian government even if they were not with respect to US financial institutions prior to the financial sector meltdown of 2008.

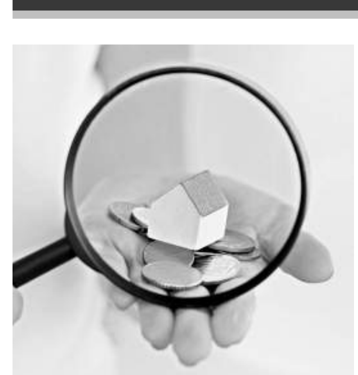
The point repeatedly stressed by several commentators is that if sovereign bonds are issued in limited quantities there is no danger of a hard currency debt crisis at a later date. Dr Y.V. Reddy, former RBI governor, has suggested in a recent column that issuance of sovereign hard currency bonds could be linked to steps towards capital account convertibility. This is an eminently practical and technically appropriate suggestion. $10 billion is neither here nor there in terms of the amounts required to recapitalise public sector banks or fund pending infrastructure projects. In this context, the MoF should provide a white paper to Parliament on where the country is in its glide path towards greater capital account convertibility.

Standard & Poor's current sovereign rating for India is triple BBB minus. To conclude, any future decision to issue sovereign bonds should be linked to an improvement in the India's credit rating to single A along with further opening up of the capital account.

(Series concluded)

The writer is a former government of India and World Bank professional

LETTERS



Act now

This refers to "Slowdown and NBFC crisis pose fresh NPA scare for banks: Moody's" (July 29). It's true that while public sector banks (PSBs) are coming out of stressful situations, a number of NBFCs and HFCs could be slipping into problems. The overall slowdown in the economy plus lending to the now problematic real estate sector will impact the asset quality of the non-banking institutions. Already there are strong indications of a slowdown in auto and FMCG sectors. Besides slower retail loan off-takes, defaults will probably increase as the job markets are contracting and incomes are not rising. MSME loans, especially the NPAs in the Mudra loans, is a cause for concern. The impact of loans stuck in real estate and infrastructure projects will show up in the balance sheets of NBFCs/HFCs and eventually banks since the latter were doing a lot of lending through the former, in the last few years.

Reports about the asset quality and amount of stressed assets of some large NBFCs/HFCs is causing concern. It may be advantageous in the short term to let things lie low, but it may be disastrous in the medium term if the NPAs of these institutions grow uncomfortably high on account of the interconnectedness of lending/investments in banks, NBFCs, HFCs and so on. The time to carry out a asset quality review of NBFCs/HFCs has come. Based on revelations, it may be easier to fix the problem now rather than postponing it.

Arun Pasricha New Delhi

Double standards

The time has come to cut down the huge bureaucracy built up under the CIC and in various arms of the government just to handle RTI queries. RTI not only jams up government work but also that of the courts. And RTI does not result in any improvement in outcomes; be it the "cut money" scandal in Bengal or the premeditated political violence in Kerala or the rampant violence against Dalits in Periyarist Tamil Nadu. RTI has been of no help in addressing these severe social problems. Incidentally, NGOs are strongly against RTI being made applicable to them though they were the first and foremost in criticising its amendment.

G Vijayaraghavan via email

A great start

It is sad that your editorial (30 July) looks at only the dark and negative side of the government's audacious plan to stop production of all petrol and diesel vehicles by 2030. Coming from an opinion making and highly respected economic daily, it is bound to create serious doubts in the thinking of the people and will further erode the chances of success of this programme that promises huge long term benefits of containing pollution and mitigating the deadly march of climate change. A strong media can seriously alter public opinion and you — I am sorry to say —are doing a national disservice by not taking a holistic view in the matter. You seem to be going way beyond mere pragmatism.

A revolutionary switch like this will surely have hurdles; it certainly requires supporting ecosystem as your sub-title itself says. Yet, making only the past performance in case of CNG a benchmark and admitting defeat before the race begins is — let me submit — not the right thing. Major changes require dreaming big and setting the bar higher. It needs support from all stakeholders. It is a doable project. The government has made a great beginning by drastically reducing GST on electric vehicles and chargers. It has also announced exemption from GST for hiring of electric buses. Added to the tax break announced earlier in the Budget — on interest paid on loans for buying EVs — it is virtually bending backwards to incentivise both buyers and manufacturers. Leading auto makers have already lauded the steps. Pradhan's announcement to add 10,000 new CNG stations is yet another positive signal.

We should view the situation from all angles.

Krishan Kalra Gurugram

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HAMBONE

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Creating political risk

Andhra Pradesh should maintain the sanctity of contracts

The Andhra Pradesh government, under Chief Minister Y S Jagan Mohan Reddy, wants to renegotiate various agreements decided under the previous Telugu Desam Party government. The government has set up a high-level negotiation committee to "review, negotiate and bring down" the power tariffs agreed upon with various renewable energy power projects in both the wind and solar sectors. The government claims that state distribution companies, or discoms, are in such poor financial health that it cannot honour its agreements. This will affect both private- and public- sector power producers. For now, the Andhra Pradesh High Court has stayed the government's action. But the state has continued to push, writing to the Centre and even reducing the amount of offtake from wind farms unilaterally.

According to ratings agency CRISIL, this review would stress 5.2 gigawatt of renewable energy projects, which had taken a debt of ₹21,000 crore to build this crucial infrastructure. At a time when non-performing assets (NPAs) in the power sector continue to be a problem, the Andhra Pradesh government's decision will make them considerably worse — especially if other states follow suit.

The government has blamed "abnormally priced wind and solar power purchase agreements in recent years" for this status. But a lot of the government's argument does not hold up. For one, the health of utilities like the Andhra Pradesh South discom, while still poor, has improved of late. It is also true that many of the power purchase agreements (PPAs) were signed at an earlier stage of the development in the sector, when the prices were higher across the board in the country. If they have fallen since then, that is a straightforward risk that the government had agreed to bear under the 25-year PPA scheme. What would be the implications of forcing a renegotiation of PPAs when prices have fallen? It would severely increase the uncertainty in the sector. Investors will no longer take the word of a state government seriously if they believe that after an election the successor will come in and force a renegotiation. This is particularly dangerous because in this case the YSR Congress, the ruling party, is clearly playing politics, seeking to imply that these agreements were signed with "malafide intentions". The political risk in this sector would thus increase considerably, with a chilling effect on future investments. Today it the power sector, tomorrow it could be something else.

The sanctity of contracts must be upheld because no one would invest if they can be breached unilaterally. If the Andhra Pradesh government is of the opinion that there is corruption in the signing of previous PPAs, then it must make a case to that effect and prove it in a court of law. Investors might then not take as harsh a lesson from the cancellation of PPAs as they would from this wholesale attempt to rewrite the past. As it stands, the AP government is playing with fire. This decision has the power to completely undermine the Centre's commitment to a renewable energy build-up. Earlier, a number of power distribution utilities in other states had also sought to renege on their PPAs, on the grounds that the tariffs of new renewable power had come down subsequent to signing the PPA. That move was thwarted; the move by Andhra Pradesh should also meet a similar fate.

Detention deficit

Centres to house illegal migrants is a bad idea

The home ministry's order to state governments to set up at least one detention centre in a city or district where an immigration check post is located, as reported by *The Economic Times*, raises afresh discomfiting questions about the government's broader social agenda centred on citizenship. The order in the form of a "Model Detention Manual" comes ahead of the August 31 deadline for the controversial exercise in Assam to finalise its citizens' register and raises the spectre of a nationwide national citizens' register, which the first Modi government had proposed. Home ministry officials say the idea behind the order is to keep alleged illegal aliens readily at hand while their cases are being heard and make it easier for the state to deport them if necessary. But the move has dangers that attend any selective detention policy. Rampant human rights violations at such centres in Assam should raise red signals for state administrations. It places in the hands of the state security apparatus unwarranted powers over the citizenry.

For sure, the government must not tolerate illegal immigration, but as the Assam exercise has demonstrated, incontrovertible proof of citizenship is a problematic exercise. Under the Citizenship Act, somebody is either born in India (or his/her father was) or has become a citizen through a (somewhat long-drawn) application process, having lived in the country for a specified number of years. Millions of Indians born before the mid-eighties do not have birth certificates. They may have other documents – such as a passport or an Aadhaar card or voter ID. None of these can be considered incontrovertible proof of citizenship (the established practice of Bangladeshi immigrants being furnished with voter ID and Aadhaar cards shows why).

That leaves considerable discretion in the hands of the state police to harass people, and the detention centres will amplify that menace. The order also raises misgivings about fanning the embers of communalism. The Citizenship (Amendment) Bill of 2016 had sought to offer a path to Indian citizenship for people from Afghanistan, Pakistan, and Bangladesh so long as they are not Muslim. Though the Bill lapsed, it remains high on the Bharatiya Janata Party's priorities. It is also unlikely that the recommendations for humane conditions specified in the order will be followed in letter or spirit. Indian prison manuals specify similar conditions, which are quite at odds with the medieval squalor that characterises the jails.

Initiatives like this fuel divisiveness. As in the US or Europe, they offer unscrupulous politicians opportunities to raise false bogeys. In fact, this order stirs up suspicions that are belied by the government's own data. Numbers collated from the 2011 census show that the immigration rate has fallen from 0.6 per cent to 0.4 per cent. This rate may be even lower in the next census as Bangladeshis either return to their own fast-growing nation or look to West Asia for better job opportunities. At a time when better- off Indians, too, are looking to leave India in larger numbers than ever before, the government would do well to speedily rescind this order.

ILLUSTRATION: BINAY SINHA

The misuse of language and Brexit

Two words 'populist' and 'illiberal' are being used by those enraged by the words and actions of Trump and Brexiteers

In Lewis Carroll's *Through the Looking Glass*, we read "When *I* use a word", Humpty Dumpty said in a rather scornful voice "it means just what I choose it to mean — neither more nor less". This Humpty Dumpty adage is now rife in what we read in the print media, hear on radio and see on our TV screens. This Newspeak, as I had argued in an earlier column ("Rights, stakes and Newspeak", February 18, 2012) is an avenue (and mask) for sloppy thinking. It has become rampant with the Trump and Brexit traumas in the US and the UK.

It is, therefore, nice to see that in the new Boris Johnson UK government, Jacob Rees-Mogg -- often parodied as the MP for the 18th century -- has been made Leader of the House of Commons. He is renowned for upholding the Queen's English. In his first official action, he has issued a style guide to his ministerial staff. "It's just a list of banned words which are sort of New Labour words like 'unacceptable'," he says. The rules "include referring to all 'non-titled' male MPs as 'Esq.', using imperial measurements and banning words and phrases such as 'meet with' and 'ongoing'. And 'impacted' — unless it's a wisdom tooth ('Minister for Queen's English has last word on style', *Daily Telegraph*, July 25, 2019)." I am only sorry that his reported list does not include the vile world 'stakeholder' discussed in my earlier column.

DEEPAK LAL

In the misuse of language, two words "populist" and "illiberal" are used by those enraged by the words and actions of US President DonaldTrump and Brexiteers. First, consider 'populism'. A recent survey of scholarly books on populism in Europe by Erik Jones (*Survival*, vol. 61 no.4 2019) demonstrates the lack of any academic consensus on the definition, causes and consequences of 'populism'. Any change from the political status quo is labelled as being populist. But as I argued ("On Populism" November 29,.2016) based on S E Finer's *The History of Government*, the enlightenment idea of popular sovereignty as the legitimising principle of all political authority was instituted in two distinct political forms. The first was in the UK and the US constitutions, with representative --not direct -- democracy, with checks and balances to protect citizen's liberties and embodying the classical liberal principle of limited government with the rule of law. The other was the continental European tradition embodying Rousseau's General Will, legitimising direct democracy and the combination of legislative executive and judicial powers in a single person or authority whose will is always legal, and where citizen rights instead of being based on John Stuart Mill's principles of liberty (where citizens are free to do what they like as long as it does not infringe someone else's liberties) are granted as favours in explicit 'bills of rights', with all private actions not included in these forbidden. To consider Brexit as equivalent to the populist antics of Italy's Lega and Five Star Movement or the anti-EU movements in Hungary and Poland is maladroit. For though all these are against the undemocratic centralising bureaucracy of the EU, the Brexit demands are based on the realisation that instead of a free-trade area they thought they had joined, they were being frog-marched into a federal state in which its representative democracy and sovereign liberties as enshrined in its Common Law would be submerged.

The word 'liberal' has been misused since about 1900, and especially since 1930 as Schumpeter pointed out (in his *History of Economic Analysis*) as "the term classical liberal or economic liberalism has acquired a different -- in fact almost opposite meaning -- as a supreme if unintended compliment, the enemies of the system of private enterprise have thought it wise to appropriate the label (p.394)." Ironically, the shift came from what has been called the "manna from heaven" distributivism of Mill, the codifier of the classical liberal principles emanating from Adam Smith and David Hume. Mill argued that whilst these principles applied to production, the resultant wealth could be distributed as the authorities chose. This was, of course, against the classical liberal (and Marxist) claim that production and distribution were parts of a single economic system and could not be separated as Mill claimed. The classical position has been reinstated by the modern theory of institutional economics (see my *Reviving the Invisible Hand*, Chp.2).

But, this move from classical liberalism as the definition of liberalism to what is in effect social-democratic began politically with Otto vonBismarck's social insurance scheme in Germany and the 'liberal' welfare reforms under Lloyd George's government in Britain in 1906-14. Following the Great Depression, it spread to the United States through Franklin D Roosevelt's New Deal. This social democratic system, which has been called 'embedded liberalism', became the dominant ideology, not least because of the scribbling of economists. By the end of the Second World War, the classical liberalism of the 19th century was replaced by the Dirigiste Dogma (see my *Poverty of Development Economics*). It is this social democracy which is the 'liberal' order which is being referred to by those who charge Trump and Brexit as being anti-liberal.

But classical liberalism was kept alive by the Republicans in the US under Regan and by Margaret Thatcher in the UK. She asked her cabinet to read Hayek's *The Constitution of Liberty* for the basis of the programme called Thatcherism. Her enemies and those of classical liberalism in the US, instead of calling this return to classical liberalism by its proper name, called it 'neo-liberalism'. But as Polonius would have said: "That's an ill phrase a vile phrase." It is a meaningless phrase. As the Peruvian novelist and politician Mario Vargas Llosa has argued: "To say neo-liberal is the same as saying 'semi-liberal' or 'pseudo-liberal'. It is pure nonsense. Either one is in favour of liberty or against it, but one cannot be semi-in-favour or pseudo -in-favour of liberty, just as one cannot be 'semi-pregnant', 'semi-living', or 'semi-dead'. The term has not been invented to express a conceptual reality, but rather as a corrosive weapon of derision, it has been designed to semantically devalue the doctrine of liberalism (p.16) ('Liberalism in New Millennium' in I. Vasquez (ed): *Global Fortune*, Cato, 2000)."

The transfer of a bureaucrat

Transferring a finance secretary to another ministry, which is relatively less important, is unusual. For any government official, in particular, an Indian Administrative Service (IAS) officer, becoming a finance secretary is considered to be a hard-earned achievement. The finance ministry has five secretaries. Only one of them becomes the finance secretary, who is the first among equals. Most finance secretaries don't end their careers with superannuation; their services are used in various capacities as heads of committees or regulatory bodies and sometimes as members of other government institutions.

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A K BHATTACHARYA

Not surprisingly, therefore, the Narendra Modi government's decision on July 24 to transfer Subhash Garg, who was then the finance secretary, to the power ministry as its secretary became a talking point in government and political circles. The obvious question was what went wrong for Mr Garg all of a sudden after having served the finance ministry for about two years?

Mr Garg was known for his comments, which his critics would often describe as bold but also irresponsible. His relation with the Reserve Bank of India (RBI) was stressful. Regulators like the RBI and even the Securities and Exchange Board of India (Sebi) were reportedly apprehensive of how Mr Garg would moot ideas that would dilute their jurisdictional power. The markets, too, were concerned about Mr Garg's announcements on the government's borrowing plans in the middle of the year.

But as in the case of most senior bureaucrats, there was never any doubt that Mr Garg was not sticking to his brief. He appeared to be all the time carrying out instructions that the government had issued to him. So, if Mr Garg appeared to be keen on securing a large share of the RBI's surplus reserves or upset the RBI governor through his statements or tweets, nobody concluded that his actions did not have the tacit backing of the government. In the government system, bureaucrats don't do things on their own. They do what the political leadership wants them to do. Mr Garg was no exception. Even when Mr Garg outlined the action plan to implement the Budget idea of the government floating sovereign bonds to borrow from external markets, the finance secretary was following the government brief.

So, why did the government think it was necessary to shift Mr Garg from the finance ministry to the power ministry? More importantly, why did Mr Garg let it be known a day after his transfer that he had sought voluntary retirement from government service? These developments make it clear that the government had a purpose in mind when it decided to transfer Mr Garg to the power ministry. And equally important, these developments show that Mr Garg had no hesitation in making public his decision to leave the government. Was Mr Garg lodging his protests against the government's transfer move?

Two dates are important to note in this context. On July 17, a committee, headed by former RBI Governor Bimal Jalan, met to discuss the manner in which the central bank's surplus reserves could be shared with the government. One of the members of this committee was Mr Garg, who, according to reports, declined to sign on the report and its recommendations. The very next day, July 18, Mr Garg had a meeting at the Prime Minister's Office, where, according to him, he discussed his voluntary retirement plans. Mr Garg himself revealed that he discussed his plan to retire early — more than a year before he would turn 60 — at the PMO on July 18.

The answer to the question on why Mr Garg was shifted to the power ministry and why he later made public his decision on seeking early retirement has to be found in the meetings that took place on July 17 and 18. It appears that Mr Garg's approach to the Jalan Committee's deliberations did not win him any friends either among its members or in the government. Indeed, his tough line was not appreciated by even the government. Most likely, Mr Garg's transfer was a consequence of what happened on these two days.

There was yet another factor that complicated the situation for Mr Garg. The Indian economy was slowing, facing many headwinds. Many of the provisions in the Budget had upset the markets and industry. In such a situation, the government deciding to send its finance secretary to the power ministry was also construed as a signal to those who were worried about the economic situation and the Budget provisions. So, the departure of Mr Garg was seen as a punishment for the officer in charge of the economy's management. And Mr Garg's announcement of having sought voluntary retirement was seen as his protest against his transfer.

In the last two decades, only three finance secretaries have been transferred to less important ministries. In 2000, Piyush Mankad was sent off to the ministry of industry. In 2014, Arvind Mayaram was sent to the tourism ministry, initially, and later to the minority affairs ministry. And now Mr Garg has been sent to the power ministry. All the transfers were ordered when the government was led by the Bharatiya Janata Party. Neither Mr Mankad nor Mr Mayaram chose to seek voluntary retirement from service and completed their remaining months in service. But Mr Garg has followed a different path and hence speculation over why the government shifted him and why he has sought voluntary retirement will remain intense.

RSS' selective world view

BOOK REVIEW

C P BHAMBHRI

Raosaheb Kasbe's critique of the Rashtriya Swayamsevak Sangh (RSS) was published in Marathi in 1978, and this translated version was published this year. The book lacks, therefore, the stigma of western elitism that the Sangh Parivar invariably mobilises to discredit criticism against it. No less importantly, Mr Kasbe, a political scientist and scholar of Ambedkar and Dalit movements, challenges the organisation's ideology not from the standpoint of western liberalism — another bone of Parivar contention — but within the framework of Hinduism and India's cultural history.

The author needs just six chapters to substantiate his basic argument that the RSS' vision of Hinduism is Brahmanical, anti-Dalit and anti-women, and that its claim to appropriate Hinduism in its totality is deceptive. This clinical demystification includes a close analysis for the writings of the RSS' pre-eminent ideologue and longest-serving supreme leader or Sarsanghchalak (between 1940 and 1973) M S Golwalkar, especially his well-known treatise *Bunch of Thoughts* (1966).

The essence of these six chapters in the words of the author is to show that "the RSS does not stand for an egalitarian India but a Hindustan (Hindu Nation) under Brahmanical hegemony, (which) harks back to the times of (the) Peshwas". Baji Rao II, Mr Kasbe writes, was regarded by the votaries of Hindutva as "the ideal Peshwa" because he adopted the policy of helping only Brahmins during the drought of 1803-04 and "openly denied his responsibility towards the welfare of non-Brahmins".

The author, thus, contextualises the RSS' ideology and politics by connecting it with the intellectual and political developments of Maharashtra. On one hand, there was a resurgence of the Shudra challenge to Brahmanism spearheaded by activists such as Jyotiba Phule and Sahuji Maharaj, and on the other, K B Hedgewar talked only of Hindu mobilisation. This mobilisation was led by a closed caste that sought to control society and politics. The foundational philosophy of the Sangh's nationalism, therefore, was casteist.

On Golwalkar's *Bunch of Thoughts*, Mr Kasbe's contention is that the ideologue's thinking was essentially political. This becomes clearer from Chapter 5 titled "Enemies" that shows how Golwalkar identifies Muslims, Christians and Communists as the Other. This exposes the claim -- heard with increasing frequency these days -- that the RSS is a cultural, not a political organisation. When an organisation targets "enemies", isn't that a political agenda? In 1948, Sardar Vallabhbhai Patel called the RSS' bluff and asked it to write its constitution if its leaders wanted to be released from jail.

The RSS uses an emotive core message to mobilise Hindus to target non-Hindus: That Hindus have been "victims" of history. The RSS mission was, as Mr Kasbe explains, "reorganising the Hindu people on the lines of their unique national genius," which the broader Sangh Parivar has taken up. "This is not only a great process of true national regeneration of Bharat but also the precondition to realise the dream of world unity and human welfare," he writes. Hindus have to be made courageous and assertive. In the debate over materialism and idealism, Golwalkar opts for the dubious idea of spiritualism.

This apart, says Mr Kasbe, Golwalkar attaches great importance to the earth in the form of Mother India and ignores the fact that the earth is inhabited by people. According to Golwalkar, "every particle of the geographical region of India, even dust, contains godliness and so the land is holy to us… nothing can be holier to us than this holy land". If the land is holy, then Hinduism is nationalism, that is Golwalkar's logic. By using Hindu and Bharatiya interchangeably in the context of Indian nationalism, Mr Kasbe says, the Sangh organisations implicitly define Hinduism as nationalism. The author also scrutinises the RSS' role during the freedom struggle and comes to the conclusion that the RSS had nothing to do with it.

If the RSS talks of Hindu traditions, Mr Kasbe says, then what about Charvaka, which is said to be the first school of materialist philosophy in Indian history? This leads him to observe that the perceptions of history encapsulated in *Bunch of Thoughts* is deceptive. Which era of history was glorious? Without mentioning specific dates, Golwalkar selectively glorifies the culture, customs and traditions of India's past. If Golwalkar had critically examined India's past, Mr Kasbe says, he would have had to defend Shankaracharya's philosophy prohibiting the Shudras from studying the Vedas.

Underlining the innately inequitable nature of its philosophy and the deliberate falsification of Indian history and culture is the structure of the organisation. Mr Kasbe completes the picture of this influential organisation with a chapter on the para-military, hierarchical secretive structure of the RSS and its affiliates. The organisation reflects its idea of Hindu Rashtra by indoctrinating the Hindu youth and making them hate the "enemies". The concern, perhaps, is that in the four decades since Mr Kasbe wrote this book, the RSS' ideology has been amplified.

DECODING THE RSS: Its Tradition and Politics
Raosaheb Kasbe (translated by Deepak Borgave)
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