Time to review GM policy

The government needs to appreciate the potential gains from the gene editing technology

FARM VIEW

SURINDER SUD

If there were any doubts about the genetically modified (GM) genes having already infiltrated into the food chain and environment, these should be dispelled with the recent discovery of widespread cultivation of unapproved GM seeds of crops such as brinjal and mustard, apart from cotton. In fact, in all probability, this might have happened before the advent of the first gene-manipulated crop, Bt-cotton, carrying the alien toxic gene derived from Bacillus thuringiensis (Bt) bacteria. The use of pest-killer Bt genes in agriculture, actually, began far ahead of the development of the genetically-engineered crops. Farmers have been using Bacillus thuringiensis as microbial pest control agent for decades all over the world. It has been a regular practice even in organic farming. This aside, being common soil-dwelling bacteria, Bt tends to be ingested by animals and human beings, even if inadvertently. Many imported food products, especially the processed foods, are also believed to contain GM ingredients without declaring it.

Thus, the proverbial genie — as the Bt seeds are sought to be projected by the anti-GM activists — is already out of the lamp. If it had to do any harm to health, environment or biodiversity, it would have done so by now. But there is hardly any convincing, peer-reviewed, evidence to suggest this. Continuation of the bar on the approval of new GM seeds is, therefore, pointless.

The farmers' support for the GM seeds — and hence for the genetic engineering technology — is evident from the ongoing "civil disobedience" movement marked by planting of unauthorised GM crops in deliberate defiance of law. The emergence of a supply chain of unsanctioned gene-altered seeds, which cannot happen in the absence of demand, is another proof of extensive farming of gene-tweaked crops. Pro-GM farmers believe that such seeds are necessary to boost productivity, reduce costs and improve viability of agriculture.

Starting from Akola in Maharashtra, where the farmers chose to plant the unauthorised herbicide-tolerant Bt-cotton (HTBT-cotton), the farmers' stir has spread to other states and more gene-altered crops like brinjal and mustard as well. Punitive steps, such as filing of criminal cases against the cultivators and seed sellers, uprooting of standing crops and seizure of suspected seeds, have not deterred the participating farmers who prefer to call their agitation as "*Satyagraha*", a term coined by Mahatma Gandhi for non-violent protest.

The government recently conceded in the Lok Sabha that the unapproved HTBT-cotton was being grown in states like Maharashtra, Gujarat and Andhra Pradesh. The field inspection and scientific evaluation committee of the agriculture ministry reckoned the area under the illegal HTBT-cotton at around 15 per cent of the total cotton acreage in 2017-18. Regular supply channels for the GM seeds of cotton and other crops are now known to exist in states such as Haryana, Punjab, Maharashtra, Gujarat, Andhra Pradesh, Telangana and West Bengal.

Thus, the ill-advised policy of denying such useful and sought-after seeds to the farmers under pressure from the detractors of the GM technology needs to be revisited. Though the governments of the states facing the GM Satyagraha have dropped hints about not acting harshly against the agitating farmers, merely a soft stance would not suffice. A firm decision needs to be taken on the overall GM policy. The lingering uncertainty about it has adversely hit the research on the problem-solving biotechnology and has led to the withdrawal of foreign investment from biotech companies. Instead of falling for the misleading propaganda of the small, but vociferous, anti-GM lobby, the government should listen to the sane counsel of scientists, scientific institutions and science academies.

Once the safety aspects of the GM products are ascertained through requisite testing under controlled conditions and in open fields, there seems no reason for withholding permission for their commercialisation. The government needs to appreciate the potential gains from the gene editing technology and start approving GM products on a case by case basis after examining their safety and suitability. Otherwise, the Indian agriculture, as also the other biotechnology-based sectors, notably pharmaceuticals, would remain laggards.

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NBCC: Towering responsibility

Why the public sector builder's new trouble-shooting role may be troublesome

KARAN CHOUDHURY

If the Indian real estate sector can be equated to the billion-dollar churner *Avengers: Endgame*, then NBCC (India) Limited could just be Tony Stark. Played by the magnificent Robert Downey Jr., Stark was the one who finally saved the world. India's apex court and more than 80,000 homebuyers in Delhi NCR, hope NBCC can pull off a similar miracle.

For the government, Supreme Court and thousands of homebuyers, NBCC appears to be the only answer they have for the real estate crisis that Delhi and the National Capital Region (Delhi-NCR) have faced for close to a decade now. The apex court recently ordered the Enforcement Directorate (ED) to probe the alleged money laundering by realtors in the Amrapali Group case and appointed NBCC the project management consultant to complete the unfinished projects.

TAKE TWO

ANALYSIS BEHIND THE HEADLINES

The company has already started some minor work valued at around ₹10 crore in the Amrapali projects in some complexes where people are already living. Over the last few weeks, the "Navratna" company — the label given to public sector companies with a certain degree of autonomy — has been asked by Supreme Court to revive and complete stalled projects of Amrapali Group and possibly Unitech Group. NBCC, meanwhile, had unsuccessfully bid for Jaypee Infratech's stalled projects but the National Company Law Appellate Tribunal has called for fresh bids, a process that has to be completed in the next 90 days.

All of this may underline NBCC's strengths but realty analysts also suggest that these projects might stretch NBCC too much.

NBCC's name began floating on social media almost four years back when anxious home-buyers started demanding the government to take over the stalled Amrapali, Unitech and Jaypee Infratech's projects. Many believed that a government agency would be able to deliver what the companies that actually promised them did not. The belief remains strong.

"We are doing everything possible to make the government realise that NBCC is the right agency," said Manish Gupta, a homebuyer in the Jaypee Project. According to ANAROCK Research, as many as 220 projects equalling 174,000 homes are completely stalled in the top seven cities alone. Launched either in 2013 or before, most of these projects have been grounded owing to either liquidity issues or litigations.

Almost 66 per cent of these stalled units have been sold to buyers who have been left at the mercy of either the developers or the law of the land. ANAROCK further said that NCR has the largest pile-up of stalled units with 1,18,000 homes spread over 67 projects. Of this, nearly 83,470 units were sold out.

While trying to bag the Jaypee Infratech project earlier this year, NBCC also said that it would soon share a tower-wise completion plan and ensure the cost of construction, including amenities, is done in the promised price.

The company also planned to infuse ₹500 crore into Jaypee Infratech — the amount would come from selling the company's assets, including 2,000 acres of land bank and 6,000 unsold flats.

A segment-wise breakup of NBCC's order book shows that close to 95 per cent comprises project management consultancy (PMC), the remaining five per cent is engineering procurement and construction (EPC) and real estate combined. The total order book is around ₹85,000 crore.

Some of the business development projects include construction of Mahatma Gandhi Convention Centres in nine African countries for ₹2,000 crore, AIIMS in Bilaspur, Himachal Pradesh, for ₹1,138 crore, AIIMS in Deoghar, Jharkhand, for ₹902 crore as well as a river front development project in Uttarakhand for ₹750 crore. In FY 2018-19, the company's topline touched ₹10,151 crore against a meagre ₹494 crore in FY 2002-03.

The company also intends to collaborate as a co-developer for project management consultancies on land owned by private firms or government agencies. At the beginning of the year, the company said it targeted minimum growth of 30 per cent. But sources close to the firm say NBCC is finding it difficult to either get requisite permissions for projects or is trying to meet the deadlines of projects it has already started on.

"NBCC at the moment has a lot on its plate. They have their order book which they need to complete plus now the court wants it to finish these projects. The intention is there, but NBCC does not know if it would be able to allocate resources required for the project, as the return on investment in finishing projects such as Amrapali and Unitech is quite low. It might hurt their topline later," said a source close to the company.

Redevelopment projects, specifically Sarojini Nagar, Nauroji Nagar and Netaji Nagar in the capital, which were supposed to be on track are reportedly stalled in the absence of environment clearances.

Other industry experts remain hopeful. "No doubt, it is a challenging task for any entity to take over the task of completion of the stalled projects. However, NBCC's previous track records indicate that it not only has the required expertise but also the manpower to do so. Also, given that the Supreme Court will pass the order (for NBCC to take over incomplete Amrapali projects) it is very likely that the progress of the projects will be monitored at every step," said Anuj Puri, chairman, ANAROCK Property Consultants.

BUILT-UP CRISIS

174,000 Number of stalled units launched in 2013 or before

115,000 Number of stalled units already sold

118,000 Number of stalled units in the National Capital Region

38,060 Number of units stalled in Mumbai metropolitan region

Source: ANAROCK Property Consultants

CHINESE WHISPERS

Scurrying for cover

As the Rajya Sabha took up the debate on Bills related to modifying Article 370 of the Constitution, which grants special status to Jammu and Kashmir, several Bharatiya Janata Party (BJP) MPs of the Lok Sabha came to watch the Rajya Sabha proceedings. The Rajya Sabha has a visitors' gallery for Lok Sabha members. As these members listened to the speeches, the Rajya Sabha briefly took up other business since Home Minister Amit Shah had to speak in the Lok Sabha on another Bill. As soon as Chairman M Venkaiah Naidu announced that Shah was in the other House, the BJP MPs in the visitors' gallery left for the Lok Sabha. Prime Minister Narendra Modi and Shah have repeatedly asked party MPs to ensure their attendance in their respective Houses, which made these MPs nervous enough to leave.

Making a point

As Home Minister Amit Shah introduced resolutions and Bills in the Rajya Sabha to modify Article 370 and bifurcate Jammu and Kashmir, the leader of the Opposition, Ghulam Nabi Azad, protested vehemently. Azad, a senior Congress leader, then led his party MPs to sit in the well, as did MPs from the Trinamool Congress, the Left parties, and the Dravida Munnetra Kazhagam. However, not all in the Congress were convinced by this strategy. Some seniors argued that the government would "manufacture" a majority and that the Congress should at least put its point across by participating in the debate. A senior Congress leader remarked that Azad, since he hailed from Jammu and Kashmir, had responded emotionally to the situation and eventually saw merit in joining the debate. "It was important for us to protest by sitting in the well of the House, but it was also important to put our point across. We did both," another senior Congress leader said.

Bye bye to 'sinking ship'

Three more Rajya Sabha Opposition members have quit their respective parties, and are expected to join the BJP. While the Samajwadi Party's Surendra Nagar had quit a couple of days ago and his resignation was accepted on Monday, his party colleague Sanjay Seth also gave up Rajya Sabha membership. The shocker for the Congress was its chief whip, Bhubaneswar Kalita (*pictured*), quitting the Rajya Sabha. Until Sunday, Kalita had told journalists that he had given notice, along with some others, demanding a discussion on the situation in Kashmir. After the Rajya Sabha chairman announced he had accepted Kalita's resignation, an unsigned letter purportedly written by Kalita emerged. In the letter he stated he had quit to oppose the party's stand on the abrogation of Article 370 and the bifurcation of the state of Jammu and Kashmir. "I was asked by the party to issue a whip but this is against the mood of the nation. The party is on its way towards destruction and I can't be a contributor to it," he said.

ON THE JOB

Employment increases in July 2019

MAHESH VYAS

July 2019 recorded a sharp increase in employment in India. At 405 million, employment during the month was over 4 million higher than it was a month ago, in June 2019. Even compared to a year ago, it was a substantial 3.9 million higher.

There is a perceptible improvement in the monthly employment time-series data. During 2017, employment estimates varied between a narrow range of 403 million and 409 million. The average monthly employment estimate was 406.5 million. In 2018, employment fell to an average of 401 million. This average improved to 402 million during the first four months of 2019.

In comparison, the 405 million employed for July 2019 is even better. The fall in employment that was witnessed in 2018 has been arrested.

But the composition of the increase in employment witnessed in July is neither sustainable nor even desirable.

The increase in employment during July 2019 is entirely from the rural regions. Urban regions saw a 2.6 million decline in employment from 128.7 million in June 2019 to 126.1 million in July 2019. By the same comparison, rural India saw employment increase by a massive 7 million — from 272 million to 279 million.

This increase in employment in rural India is predominantly among farmers. While overall employment increased by 4 million, employment among farmers increased by 3.2 million. The rest was from small traders.

Such employment is necessarily seasonal and the increase therefore is not part of sustainable growth trajectory. Once the agricultural season is over, these people may be forced to move out of employment again unless other avenues of employment emerge.

Growth in such employment is also not desirable. We need to move jobs out of the low-productivity agricultural sectors into higher productivity and higher wages jobs in the industrial and services sectors. The agricultural sector is already more labour-intensive than desired.

Employment in agriculture during the current kharif season is higher than it was in the previous year. Compared to a year ago, employment among farmers in June and July 2019 was 10 and 13 million higher. This is surprising because rains have been errant this year and sowing was lower than it was in the comparable period last year. The only possible explanation to this is that grown-up people who do not get gainful jobs report themselves as employed in agricultural activities because during a crop season, they could be engaged in at least some preparatory work on the fields.

This happens in the case of grown-ups since the younger generation continues to look for a better jobs outside agriculture. Prima facie, data does lend some weight to this hypothesis.

The increase in employment during July 2019 came largely from the 35-49 year age group. Nearly six million jobs were added in this age-bracket. Much of this was offset though, by job losses in the younger age-brackets. The same holds true for even the year-on-year comparison.

Jobs for middle-aged farmers is not the best form of jobs to be created in an economy with a young working age population bulge, but those are the kinds of jobs that were created in India in July 2019.

In July 2019, the count of the unemployed who were willing to work and were also actively looking for jobs was 32.9 million. This is lower than the peak count of unemployed recorded in the previous month, at 34.4 million. This decline was entirely in rural India. There was a small, 1.6 per cent increase in the urban unemployed during July.

The urban unemployment rate, at 8.6 per cent was very close to its recent peak value. In rural India, in spite of the increase in employment and the fall in the unemployment rate compared to the earlier month, it was still high at 7 per cent in July 2019.

The overall unemployment rate in July 2019 is 7.5 per cent. This is lower than the 7.9 per cent rate recorded in June 2019. Nevertheless, a 7.5-7.9 unemployment rate is high by any standard. Further, the unemployment rate computed by CMIE always excludes those people who are unemployed, are willing to work but are not actively looking for work. If we include this category as is done in the official statistics, then the unemployment rate (CMIE calls it the Greater Unemployment Rate) works out to 10.6 per cent in June and 10.2 per cent in July 2019.

Therefore, despite the growth in employment in July 2019, the unemployment rate is still quite high. And, the employment rate is very low.

The employment rate is perhaps, the most important labour market statistic. An increase in this indicates that a greater proportion of the working age population is employed. In July 2019, only 39.8 per cent of the working age population was employed. This rate continues to remain on a negatively sloping gradient. In 10 of the last 12 months this ratio was less than 40 per cent.

The increase in employment in July has not helped much in pulling up the employment rate. It is still lower than it was four months ago, in March 2019. The increase in employment in July was of a quality, which is neither sustainable nor desirable, and it was also insufficient.

The author is the MD & CEO of CMIE

LETTERS

Formidable challenge

Instead of addressing the challenges posed by the rapidly deteriorating economy, the government has resorted to yet another diversionary tactics by deciding to scrap Article 370 at a time when the state is still under the central rule. Even though — irrespective of its historical context — the national sentiment was generally against Articles 370 and 35A, divesting this sensitive border state of its status as a full-fledged state and relegating it to that of a Union Territory virtually bringing the state under the central rule, is something that even the antagonists of these Articles had not asked for. This will have far-reaching constitutional, political, economic, social and, above all, security ramifications. The constitutionality of such a measure is certainly questionable. The imperatives of the ongoing massive troop build-up in the state, abruptly ending the Amarnath Yatra midway, directing the tourists to leave the valley and placing top opposition leaders in Kashmir under house arrest are obvious now. While the BJP is certainly going to benefit enormously from such controversial decision in the upcoming elections, maintaining peace in the valley would be a formidable challenge.

S K Choudhury Bengaluru

Right call

One keeps hearing a lot about Article 370 of the Indian Constitution in print, electronic, as well as new media. The government has taken a bold step in scrapping Article 370. Indian citizens have full praise for the government. The main purpose of this Article was to ensure that the distinct identity of Jammu & Kashmir (J&K)'s population was preserved. Though the Article was introduced as a temporary provision that was to be removed in due course of time, that never happened, even after 72 years of independence. Today, the general sentiment in the country is that Article 370 is doing no benefit to the people of J&K, nor is it of any help to others. It has just become a barrier in the path of development of the state and the country, and benefiting only those who are trying to derive selfish benefits out of power they were given to serve people.

S C Dhall Chandigarh

Incentivise growth

This refers to the editorial "Beyond the rate cut" (August 5). Corporates are resorting to lay-offs and turning risk-averse resulting in a low level of investment. This is creating a ripple effect in the economy. Incentivising private investors by lowering the taxes on corporates and high net worth individuals and making available cost-effective credit are paramount to motivate the entrepreneurs to continue investment. A repo rate cut in the ensuing Monetary Policy Committee meeting and action to transmit the same to the end beneficiaries to boost consumption and investment are critical to stimulating economic activities. The flow of credit to non-banking financial institutions needs to be stepped up to ensure uninterrupted delivery of credits from NBFCs to the small borrowers. Confidence-building measures from the government are essential to boost the sentiments of the investors. The risk-averse attitude of the foreign portfolio investors caused a sharp decline in the stock indices causing a significant reduction in the value of equities and finally the market capitalisation of the listed companies. The government and the banking regulator have to act swiftly to achieve the envisaged growth.

V S K Pillai Kottayam

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HAMBONE

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Correcting past blunders

Abrogating J&K's special status may face legal challenge

By moving to revoke by Presidential fiat provisions of Article 370, granting the people of Jammu & Kashmir (J&K) special status, and introducing Bills to bifurcate the state into Union Territories, the Bharatiya Janata Party-led National Democratic Alliance has moved boldly and decisively to fulfil a prominent element of its election manifesto. However, several issues flow from Monday's developments, the principal one being whether the manner in which the government has sought to alter J&K's status will promote the kind of integration that its political project had envisaged. There can be no denying that in seeking to abrogate the 72-year-old statute granting special autonomous status to J&K corrects some historical missteps. When the Maharaja of Kashmir signed the instrument of accession, it was on the same unconditional terms as those of the other princely states that merged with the Union of India. It is unclear why J&K's citizens should have been permitted to live under a separate set of laws, which included a bar on citizens from other states acquiring property in J&K.

In a broad sense, then, the move follows a certain logic. The government's argument is that Section 3 of Article 370 empowers the President to declare the special status granted to Jammu and Kashmir inoperative anytime. Article 370 (3) reads, "Notwithstanding anything in the foregoing provisions of this Article, the President may, by public notification, declare that this Article shall cease to be operative or shall be operative only with such exceptions and modifications and from such date as he may specify." Thus, a Presidential Order was issued using this provision to implement a key promise by the BJP in its election manifesto. Notwithstanding the argument, associated legal intricacies and constitutional questions guarantee that the matter will end up in the Supreme Court, which will have to decide whether taking the consent of the state Constituent Assembly can be taken to mean the Legislative Assembly. In some ways, this is a constitutional coup achieved by having no state assembly and no state government. That has created the space for the governor and Parliament to act on their behalf. What has been done would not have been possible if the assembly and the state government had been functioning. So the decision to delay assembly elections has proved to be a crucial preparatory step.

One of the big concerns is the route the government has taken to implement such momentous changes. A significant alteration in the status of the state could have been preceded by consultation with local leaders or the people of J&K, which Article 370, in fact, stipulated. Instead, the government saw fit to move more troops into the state, impose curfew and an internet blackout, and place under house arrest major political leaders over the weekend. The second question is what precisely this move achieves in political terms. Home Minister Amit Shah suggested in Parliament that Article 370 had hindered development in the state and dried up job-creating investment. This is flawed reasoning. The lack of development is the product of chronic unrest, which has had less to do with the special status of its citizenry than the fact that it remains disputed territory, with Pakistan building its national purpose around fanning the flames of the separatists and terrorists. What was required was confidence-building measures, but successive governments failed in that.

An unnecessary law

Jail term for CSR law violation is a retrograde step

At a time when the Indian economy is in the middle of a slowdown, it is natural for the business community to expect intervention by the government that will help reduce the pain in the system. It is not unsurprising that industry would expect the government to take steps to boost confidence and help revive economic activity. However, contrary to expectations, some of the policy measures that the government has taken in recent times have further dampened business confidence. Aside from raising the income tax rate for the rich, which also affects a class of foreign portfolio investors, increasing tariff on a range of goods and giving more powers to the bureaucracy, the government recently amended the Companies Act to provide for a jail term to officers of a company in case corporate social responsibility (CSR) norms are not followed.

According to Section 135 of the Companies Act, a company with a net worth of at least ₹500 crore, or a turnover of more than ₹1,000 crore, or a net profit of over ₹5 crore has to spend part of its profit on CSR, as specified in Schedule VII of the Act. The amendment to the Act now mandates the company transfer the unspent amount to a specified account. If the money remains unspent for three years, it would have to be transferred to a fund listed in Schedule VII. If a company is found to flout CSR rules, it will have to pay fines and its officers can face imprisonment up to three years. Laws like these will certainly not boost confidence in the business community and are flawed at multiple levels.

To begin with, making CSR spending compulsory for a set of companies, which was introduced by the United Progressive Alliance government, was a bad idea. A lot of companies were spending on CSR activities voluntarily, and this is how it should have remained. Making it compulsory is akin to taxation. Introducing harsh provisions that could lead to a jail term for company executives in the case of non-compliance has made it worse. This has evoked genuine fear in the business community. Also, spending by compulsion is likely to yield suboptimal outcomes because the focus is on expenditure and not on outcome. But this looks like a minor issue in the broader context. Further, the move comes at the wrong time. Compliance is reported to be improving and firms are spending close to what is mandated by the law.

At a broader level, it is incorrect to assume that businesses that don't spend on CSR activities are not contributing to society. Companies provide goods and services, create jobs, and pay taxes, which help the government fulfil its obligations. More goods and services or jobs can only be created when firms have the freedom to produce, spend, and invest. This will also result in higher tax collection, which can be spent on social-sector needs by the government. Laws like compulsory CSR spending, along with the latest amendment, curb such freedom and give the inspector raj one more dimension on which to harass companies.

ILLUSTRATION BY AJAY MOHANTY

The big GST question

GST is clearly underperforming — so what should the govt do now?

If there is one original sin that this government has committed, one which lies underneath the extensive economic malaise we see in the economy today, it is how it has failed to properly structure and implement the goods and services tax or GST.

Let us pause to remember what the GST was supposed to be. It was supposed to be a single-rate tax, which would considerably ease the burden on taxpayers. It would reduce the paperwork that they have to perform. A drastic reduction in compliance costs, together with a greater reliance on electronic tracking, would increase compliance. That, together with the expansion of the tax base and the introduction of taxes on previously excluded items, would raise government revenue permanently. In addition, the efficiency gains brought in through ending the cascading of tax rates would raise gross domestic product, giving a bump to economic growth and living standards.

POLICY RULES

MIHIR SHARMA

Where do we stand today? The most obvious symptom is that GST, as constructed, has underperformed on revenue. Total revenues were about 1 percentage point of gross domestic product short in the last financial year — although the Union Budget seemed to want to hide this fact from the public. This shortfall is almost entirely due to GST bringing in less than was predicted in last year's Budget. This is not a small amount. It represents a serious failure.

What has led to this underperformance? For one, it is likely that evasion is higher than previously envisioned. This is due to the fact that the construction of the GST depended very heavily on invoice matching. But the online platform for such matching was so poorly designed, GST itself so complex, that it simply did not eventually implement invoice matching as planned. This has allowed a cottage industry in fake invoices to build up. As a result, instead of better compliance through increasing the ease of payment and clever technological solutions, the government is now looking at how to give tax officials ever more power —the antithesis of what GST was supposed to do.

Another problem: The tax rates. There are too many, and some of them are too low. We need to be clear about what the revenue-neutral tax rate would have been. If it is 18 per cent, including alcohol and fuel, then we should have stuck to that. If we intend to have many goods and services taxed at a lower rate, and if the GST Council spends all its time tinkering with and/or lowering the rates, then we will naturally not make it to our revenue targets. This is fine if we want to be a low-tax country. But then we have to acknowledge that we are not seeking revenue neutrality with the implementation of GST. And we will have to reduce our spending as a consequence. But that would mean the Indian state would have to change its orientation and make some hard choices. For example, recognising that one of the biggest spending increases over the past decade has been on paramilitary services, it could perhaps avoid stirring up trouble spots like Kashmir in a manner that will permanently increase spending on security going forward. Other such behavioural changes might well be required in order to keep the government spending within its considerably reduced means. What we can't do is spend as much, tax much less, and then misstate the numbers. Or at least, we can't do that in any sustainable way.

Here is the central puzzle. If we are collecting much less GST than we have expected, and if the government is correct that this is due to a reduction in rates rather than anything else, then we have given the public a humongous tax cut. Where is the spurt in economic activity that should result? Where are the resurgent animal spirits? How come this much extra money in the hands of the public is not leading to a consumption boom that stimulates investment in the standard Keynesian manner?

One problem might be that the investment-friendliness of GST is also not achieved. Many improvements have been made to the requirements for businesses to pay GST, and more are in the pipeline. This is fortunate. However, I submit that we still have too unpredictable a tax environment to foster investment. Rates are changed too often — not just of GST, but also of Customs— and tax terrorism is a reality. Tax inspectors have been given too much power in the post-GST era. These all depress investment below what would otherwise have been its normal level. An assumed GST bump in economic activity was always dependent on tax becoming less intrusive, not more. While improvements to the mechanisms of tax payments are planned, perhaps greater ambition is needed. Essentially, for the vast majority of taxpayers, GST forms should be automatically produced and submitted by multiple third-party invoice and bill settlement apps that can be accessed on mobiles. If invoice matching is not to be implemented, then we have to go the whole hog in the other direction and make compliance easy using labour-saving technological innovations. The finance ministry should bring in a wide selection of private sector interlocutors from the financial technology industry to make this happen. Public consultation on increasing the ease of paying taxes should also be stepped up.

Finally, we have to recognise that we cannot stop our attempt to move towards an ideal GST — one with a single tax rate, whether revenue-neutral or not. The government constantly claims that it cannot have high taxes on basic goods. But the concept behind GST is that the best and most efficient way to compensate the poor is not through fiddling with indirect taxes but through direct subsidies. The government has clearly found good ways to do that, and is proud of its efficiency in delivering subsidies. It should thus abandon its defence of multiple rates, and focus on efficiency and dynamic gains — which will give it the resources to keep subsidising India's poor. As we stand today, the government neither has the money for subsidies, nor does the economy have any vim. This is the worst of all worlds.

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What about Rochester?

The rise of megacities as centres of strong job creation is one of the defining characteristics of the twenty-first-century global economy. But it is not always a positive feature.

In the developing world, as staggering as the challenges are (greater New Delhi, for example, has been absorbing 700,000 new inhabitants per year), urbanisation remains the best hope for alleviating poverty. But in advanced economies, far along the so-called Lewis development curve, it is far less obvious that concentrating economic opportunity in ever-larger cities is necessarily the right or only path forward.

The reasons why powerhouses such as New York, San Francisco, and London have become increasingly dominant economically are well known. Large cities offering a huge array of interesting jobs, cultural attractions, and nightlife are a magnet for young unattached workers. And the combination of large masses of highly specialised workers and firms leads to network and agglomeration effects that are difficult for smaller cities to match, particularly in areas like tech, biotech, and finance.

KENNETH ROGOFF

But there are downsides, particularly high living costs — especially for housing — and huge amounts of time lost in traffic congestion. Although architects and city planners are continually offering imaginative new blueprints for large cities, the severe strains on physical infrastructure are increasingly difficult to manage. Meanwhile, many smaller and midsize cities struggle to maintain economic dynamism. Rochester, New York, where I grew up, is mentioned prominently as one of many examples in MIT economists Jonathan Gruber and Simon Johnson's interesting new book, *Jump-Starting America*.

In the decades after World War II, Rochester was one of the wealthiest cities in the United States. Home to Eastman Kodak, Xerox, and Bausch and Lomb, Rochester was a mini-Silicon Valley. Unfortunately, these companies were hammered first by global competition (especially from Japan), and then by technological innovation: digital cameras in the case of Kodak, personal copiers and modular replacement parts in the case of Xerox. Today, at under 1.1 million people, the population of the greater Rochester metropolitan area has grown only marginally since 1990, and the city itself has shrunk to 200,000, from a peak of 300,000.

Although it is home to great universities, a world-class hospital, and a nationally recognised philharmonic orchestra, Rochester struggles to compete with large East Coast cities for dynamic job-producing industries, and increasingly lacks the resources to cope with growing urban problems. For example, East High School (which I attended) has struggled in recent years just to remain open. In general, many small and midsize cities find themselves abandoned by young professionals and left behind to contend with aging populations and insufficient tax revenues.

Is there anything policymakers can do to make these struggling cities more attractive, both to enhance growth and to relieve population pressure in the megacities? Gruber and Johnson suggest, among other things, locating new federally funded basic-research facilities in midsize cities that might serve as talent magnets and hubs for localised growth. Jim O'Neill has argued for creating regional economic powerhouses in the United Kingdom by building high-speed transport links between neighbouring midsize cities, as China has done.

To these ideas I would add better enforcement of anti-trust policies. As matters currently stand, when the next George Eastman (the founder of Eastman Kodak) or Joseph Wilson (the founder of Xerox) comes along, some market-dominant incumbent will most likely persuade or force (or some combination of the two) them to move to an established tech hub. Rochester will receive much less spinoff benefit than it might have otherwise. One advantage to the anti-trust approach is that the government would not be picking winners and losers, just ensuring that the same region does not always win.

A second additional step would be to invest government resources in creating free high-quality online education resources, particularly technical material of all types. Surely, this is a much better and more forward-looking approach than investing in free college for all; for one thing, it recognises that education and re-education in the twenty-first century is a life-long enterprise. One important input would be to provide universal free basic Internet (as legal scholars Ganesh Sitaraman and Anne Alstott advocate in their thought-provoking new book, *The Public Option*).

Perhaps the phenomenon of winner-take-all megacities will not last. After all, until about 1980, the trend had very much been in the other direction, going back to the start of mass production of automobiles, which helped fuel growth in smaller metropolitan areas. That all stopped, of course, with the rise of personal computers and the Internet. At some point, there will likely be an invention or new business model that helps more fully realise the promise of telecommuting — perhaps one that more thoroughly and continuously integrates remote workers into the central office. And perhaps global warming will sharply increase costs in coastal cities and make Rochester's winters milder.

There is much to be celebrated in the rise of modern megacities. But if the trend persists, greater public and private innovation will be required to strike a better regional growth balance. The need to address such development problems is not limited to emerging economies.

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Muslim politics in the age of Hindutva

BOOK REVIEW

TALMIZ AHMAD

At a time when the political order in India seems obsessed with its Muslims, this book is a significant attempt at correcting the myths, misrepresentations and outright falsehoods that surround the national Muslim discourse.

Muslims are widely viewed as an undifferentiated monolithic collective, defined entirely by their faith, interested only in "Muslim" issues, and having a very doubtful commitment to the national interest.

Each of these perceptions is wrong.

Muslims number over 180 million in India, about 14 per cent of the population. They differ widely in terms of caste, class and region, and share the same concerns and anxieties relating to poverty, unemployment and education as their compatriots do. They are not more religious than other Indians and have little interest in the details of Shariat, the law of their faith that is believed to suffuse their outlook and daily life.

In the face of these realities, why are misperceptions about the community so pervasive? Their origins lie in the views and actions of British administrators and commentators at home in the 19th century who saw India as a region made up of diverse peoples, chief among which were two homogenous, collective groups called "Hindus", the majority, and "Muslims", the largest minority. This approach gave little consideration to pervasive local practices and diversities or cross-communal interactions that had shaped the multi-chrome tapestry of India's composite culture over several centuries.

Whatever their shortcomings, these British writings influenced the self-perception of Indians: The sages sought to revive their faith on modern lines; the reformers responded to British critiques by advocating wide-ranging social reform, and the political activists agitated for a British-style democratic order.

Partition has, however, left behind two mutually exclusive ideas of India — one, accommodative, inclusive and secular; the other founded on the majority population's identity as "Hindu". The competition between these two visions, muted in earlier times, is now central to the national political scenario.

The ruling Bharatiya Janata Party (BJP) and the head of its family, the RSS, today affirm Hindutva as their informing ideology. Hilal Ahmed notes how difficult it has been for its votaries to understand it, explain it, or even to accept it as their guiding principle. Savarkar, who coined the term in 1923, described it in terms of the cultural affinity that conjoined all Hindus, and excluded those of other faiths. Golwarkar, however, rejected it in favour of "*Bharatiyakarn* (Indianisation)".

It was accepted by the RSS as its ideology only in 1998. However, the BJP's constitution does not include Hindutva, but instead accepts "Integral Humanism" as its party philosophy, which is the concept of "nationalism, democracy, and the Gandhian approach to socio-economic issues" that was expounded by party president Deen Dayal Upadhyaya in the 1960s.

But whatever the convoluted words proffered by Sangh Parivar stalwarts, their definition invariably "revolves around Muslims" – the Muslim as the collective, alien "Other" who, in their view, should become part of the national mainstream and prove his loyalty to his Hindu ancestry and to India.

Hilal Ahmed explains that Hindutva needs the Muslim for two reasons: One, to always keep alive the vision of the source of Hindu defeat and humiliation, and, two, to camouflage the ambivalence (and possibly the shallowness) of its own ideological moorings. Both these have resulted in promoting political mobilisation of Hindus across caste and region, with references to "vote banks", "appeasement" and "good" versus "bad" Muslims.

On the basis of actual polling, Hilal Ahmed provides some much-needed facts that fly in the face of Hindutva obsessions. In regard to religiosity, 29 per cent Muslims and 30 per cent Hindus described themselves as "very religious", while 57 per cent Muslims and 59 per cent Hindus saw themselves as "somewhat religious". On Babri Masjid, 40 per cent Muslims and 43 per cent Hindus favour settlement through the Supreme Court.

In May 2018, 63 per cent Muslims felt the country was not going in the right direction; they were joined by 41 per cent Hindus, 58 per cent Sikhs and 61 per cent Christians. Again, 63 per cent Muslims trust public institutions, the same as their Hindu brethren, while Muslim participation in elections, at 59 per cent in 2014, compares well with the national average of 66 per cent.

Hilal Ahmed asks why Muslims have remained silent in the face of Hindutva provocations. He suggests two answers: One, on some issues, such as beef consumption, Muslims are not particularly agitated; this is perhaps what has impelled recourse to lynching by Hindutva cohorts to keep cow politics vibrant. Two, the author suggests that on matters of national policies, where the Modi government can be found wanting, Muslim silence merely reflects the pervasive national indifference and inertness.

Muslims, like all other communities in the country, are concerned about issues of national development and personal betterment rather than religious identity, and it is here that alternative initiatives in terms of ideas and activism are required from the political class to respond to Hindutva assertions. This is the principal challenge the nation faces today.

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Hilal Ahmed
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