No holds barred

Sushma Swaraj's connect with the media despite frequent disagreements over policies holds relevance in the current times

NOT FOR PROFIT

NIVEDITA MOOKERJI

She was indeed a powerful orator and a people's leader but what added to Sushma Swaraj's charm and set her apart from most other ministers — past and present — was her connect with the media despite frequent disagreements over policies. It is this connect that holds relevance in the current times when media believes its access to the government has been curtailed.

Some of her trendsetting media outreach was seen during the Atal Bihari Vajpayee government, when she held portfolios ranging from telecom to health and parliamentary affairs to information & broadcasting (I&B). As I&B minister from September 2000 to January 2003, she met the beat reporters every Friday in her office to discuss relevant issues. Quite often, hard core political correspondents also dropped in because Swaraj was an important leader with insights into developments in the Bharatiya Janata Party (BJP) as well as the highest circles in the government including the Prime Minister's Office (PMO).

One recalls how the weekly meetings, which journalists used to jokingly call Sushma's *darbar*, were far from one-way statements from the minister. Whoever had a question got the chance to ask. Unlike some current arrangements, nobody was required to send questions beforehand. Swaraj answered them all. Those were changing times for broadcasting, both in terms of technology and investments from big businesses within India and overseas, and Swaraj conveyed the government message through media quite effectively.

Control and censorship across television and cinema often turned out to be among the contentious issues. But that did not result in a media ban or restricted access to officials. While the weekly *darbar*, always over *dhokla, samosa, gulab jamun* and tea, was meant for an overview of the ministry's workings, reporters were free to meet officials for their exclusive stories. In fact, officers who Swaraj trusted had a free hand in giving out information to the media. On some occasions when she was busy and she realised that media needed her voice in their reports, Swaraj's trusted aides were allowed to give quotes on behalf of the minister.

Swaraj also made it a point to return calls from journalists. So if you called her and didn't get to speak, it was a good idea to sleep with a notebook and pen close by. She was sure to call back the following morning, mostly between 7 and 8 am. Not many other ministers did the same at that point, and certainly not many do it now.

There was no social media in those days, but Swaraj bonded with the media, calling reporters by their names. It's another matter that many years later, she took to social media as external affairs minister in the Narendra Modi government, using Twitter as a diplomacy tool.

Way back in 2003, she was among the key people to encourage Vajpayee to invite all women journalists to the PM's residence on Women's Day. 7, Race Course Road (now Lok Kalyan Marg) would come alive with hundreds of women journalists enjoying high tea and photo ops with the PM. That was Swaraj's way of media diplomacy.

Tired of being chased everywhere by media, she once told this writer after a meeting at the Parliament Annexe, "you should leave me alone sometimes". Even so, she rolled the car window down and stopped to speak. She didn't forget to smile before leaving.

All those who tracked the media sector during Swaraj's tenure as I&B minister would remember all the controversy as well. Conditional access system (CAS) was one such. While passing of the CAS Bill in 2002 was counted among her achievements, it boiled down to a mess because of poor preparation in switching to a "pay for what you watch" model. Pay TV was an alien concept for Indians and the PMO had to be ushered in subsequently to douse the CAS fire the I&B ministry had failed to control. Her showdown with international businesses like Fashion TV was another controversy then. She had summoned the chief of FTV from France as she thought the channel's content was in conflict with Indian culture.

Through all the policy ups and downs, Swaraj kept in touch with media in an endearingly informal way. She never felt the need to install coffee machines for media in any of the ministries she was in charge of. She preferred to call reporters in for a chat. Snacks and tea were sure to follow.

CHINESE WHISPERS

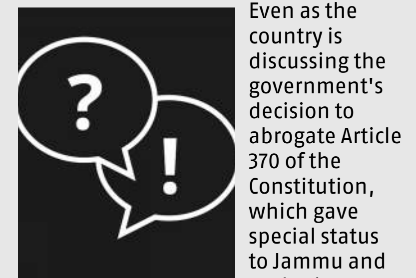
Amma's legacy in the US

Remember the Amma *Unavagams* (canteens), an initiative by the late J Jayalalithaa, or Amma (mother), to offer quality food at affordable prices? What she did as chief minister of Tamil Nadu is being revived by a Tamilian in the United States. Popular in social media as Dinesh *(pictured)*, the hotel management graduate has started his first hotel in New Jersey and named it Amma's Kitchen. Jayalalithaa's pictures are displayed prominently both outside and inside the outlet. Amma's Kitchen offers a plate of idli for a dollar. "I am indebted to Amma," he says in a video circulated on social media.

The password is 'sorry'

The Madhya Pradesh unit of the Congress has decided to give rebels a chance to return to the party. But not without a precondition. According to party sources, those who want a second chance have to give a written apology. Only then will the party consider their re-induction. There is a long list of leaders and workers who left the party just before the Assembly elections in 2018. So the leadership is expecting a neat pile of apology letters in the next few days.

Looking at the fun side



Even as the country is discussing the government's decision to abrogate Article 370 of the Constitution, which gave special status to Jammu and Kashmir, some denizens on social media have decided to focus on the lighter side of it. A user asked: If someone wanted to buy a houseboat in Kashmir, would he be entitled to a housing loan or a vehicle loan? While a tax consultant on the platform replied that the matter had been settled in Kerala, another with an interest in banking said it would be a housing loan with a "floating" interest rate.

India misses the bus on iron ore exports

By failing to extend the zero export duty benefit on higher grade ore, Indian miners could not cash in on supply shocks and rising Chinese demand

KUNAL BOSE

What could be this if not self-harming? Driven by supply shrinkages from accident-struck Brazil and Australia and more than expected demand from Chinese steel mills, world iron ore prices are at a five-year high. But New Delhi continues to drag its feet over rejigging the export duty structure. At present, zero export duty is available on iron ore with iron (fe) content of up to 58 per cent. Local miners have asked that this duty benefit be extended to iron ore with fe content of up to 62 per cent. Without this, India remains outpriced in the global market just as the world is losing appetite for low grades of ore, because their use is damaging to the environment.

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

Because Indian miners are denied the benefit of nil export tax on medium grades of ore, the cut-off point being 62 per cent fe-bearing ore, that their Australian and Brazilian peers have, India could not cash in on the surge in the mineral price since the end of January, which coincided with the rupture of a tailings dam linked to the Brazilian Vale-owned Brumadinho iron ore mine that killed more than 300 people. Yet another disruption in iron ore shipments was soon to occur when tropical cyclone lashed the Pilbara region of Western Australia leading to port closures and slowed mine operations.

The contraction in shipments from Brazil and Australia is a major factor but not the only one to have caused major rallies in iron ore futures for September delivery on China's Dalian Commodity Exchange (DCE). In a quarterly report last year, the Australian government's department of industry said Chinese steel production would top out at 886 million tonnes (mt) in 2018 and then tail off in the next two years. Quite a few consultancies at that point shared Canberra's assessment of China steel outlook. Even as late as last month, China's Iron and Steel Association (CISA) advised steelmakers to "rationally increase output" in the second half of 2019 as steel demand growth will wane in sectors such as property, automobile and energy.

In reality, however, more and more stimulus from Beijing to grease the country's economic wheels continues to support steel demand, particularly from housing and infrastructure. What is to follow is the nearly 10 per cent rise in Chinese steel production in the first half of 2019 at 492.169 mt against 447.825 mt in the same period last year. China's steel capacity use is approaching a high of 75 per cent. Buoyancy in steel demand is ensuring a fall in stocks with dealers. One disturbing feature of China production upsurge is the minnows of steel industry taking advantage of the uneven enforcement of environmental laws continue to ramp up output. Describing the scene, a consultancy says the Chinese steel production and demand are a surprise on the upside and the level of iron ore supply shortfall is a shock on the downside.

According to S&P Global Market Intelligence, the global seaborne iron ore trade this year will be in a 54 mt deficit and it will take three years for the balance to be back. Earlier another consultancy, RBC, estimated a deficit of 83 mt in ore in 2019 caused by an unexpected Chinese demand rise on the back of dislocation in mine operation in the two major producing nations. No wonder, then, in early July the benchmark 62 per cent fe ore for China delivery rallied to a five-year high at $126.50 a tonne. The spot market has somewhat cooled since on reports of production improvement at Australian iron ore majors. That the ore commanded a price of $191.90 a tonne in February 2011 or $160 during the last big rally seven years ago is no relief for steelmakers.

Bloomberg Intelligence estimates that the present iron ore cost alone accounts for about a third of the revenue Chinese steelmakers can hope to get from hot-rolled coil. Add to this the high cost of coking coal and scrap, the margins of steel producers are down to 5.3 per cent. In a situation like this, says Bloomberg, "any steel mills bearing heavy debt loads will be flirting with losses". Remember, steel and coal are among the most indebted sectors in China.

What happens on the DCE futures market is taken as a price benchmark. This is because of the size of Chinese steel industry, which has more than half the share of world steel production and at the same time accounts for over two-thirds of 1.5 billion tonne (bt) seaborne trade in the steelmaking ingredient. The clean environment campaign by Beijing is the reason Chinese steelmakers are showing increasing import preference for better grades of ore. HSBC says in a report that the inevitable fallout in the face of growing demand for quality ore is the continuing shrinkage of extraction in China where the fe content is now unacceptably low. No wonder China's iron ore production is down 40 per cent compared to the 2017 level. "Unfortunately, we could not seize the opportunity available in China because of export tax factor," laments an Indian producer-exporter.

The spot price of a commodity is usually below that of a futures contract, which captures price expectation at a future point. In the present case, this is borne out by several contracts for September delivery being done at about $135 a tonne on DCE. More recently, futures action has shifted to DCE January delivery where trades are recorded at close to $110 a tonne. Commodity price forecasting is a tricky business where analysts' reputation is always at risk.

After a fairly long bull run, many in the price-anticipation business have started wondering if the news of Australian mines having started putting behind weather-related production disruptions, output and shipments at Vale improving, albeit at a slow pace, and China's port inventories, which are down to 115 mt from the year-high of around 149 mt in early April, growing once again are indicative of ore prices have peaked. What may also put a lid on prices are Chinese steelmakers openly airing their unhappiness about the strong rally in the commodity and their telling the government to look into the role of "non-market factors" in DCE deals. In response, market regulators have promised tightening of supervision of money flows in DCE. However, some analysts still believe that iron ore still has some way to go, riding on Chinese hunger for the commodity.

INSIGHT

The 'invisible' foreign hand

Every time it appears the country will finally produce a successful international airline, a chain of events ensures it doesn't happen

ANJULI BHARGAVA

Despite having a significant and ever growing volume of traffic, one of the disappointing aspects of India's aviation history remains the fact that India is yet to produce a successful international carrier out of the country. Indian traffic has been cornered by airlines like Emirates, Singapore Airlines and a host of other international players, making this one of the biggest failures of India's aviation sector.

In the 1930s, Air India started out with an impeccable service and was well poised to become the first successful carrier out of India. So well run was Air India back then that it is said to have inspired what became Singapore Airlines in 1972. In 1953, Air India was nationalised but the airline was doing well right up to the late 1970s. It is after JRD Tata stepped down as the airline's chairman — and a series of events post this — that the airline began to falter for one reason or the other. The merger of Air India and Indian Airlines was, many argue, the final nail in its coffin and the rest as they say is history.

In 2005, India's premier private airline Jet Airways started international operations. Again, with an excellent product on offer, the airline was well poised for global success. Had the airline's founder Naresh Goyal not been paranoid about competition at home and taken a series of wrong calls to ward it off, he could have made Jet Airways the first successful international airline originating from India. But it was not to be.

Although it has refrained from a formal announcement, it is well known that IndiGo, the country's largest private airline, had intentions of offering long haul routes on its network. In May 2018, news reports said that the airline would soon be adding wide-bodied aircraft (which were expected to be ordered in July 2018) to its fleet and flying to various European cities including France, Germany, Switzerland, Belgium and the UK, among others. It hasn't yet happened. Even at the time, it wasn't clear what kind of service the airline would offer on board. Would the flights to France and the UK be a no frills, joyless rides with passengers purchasing food while jostling for leg-room?

To my mind, the airline has made at least one decision straying from its original path — always a dangerous step as far as low-frills airlines go. Eighteen ATRs have been added to its stable and it no longer remains a single fleet operator. 1,027 flights on ATRs are already being offered weekly to 27 destinations in India.

Jet's closure presents an almost irresistible opportunity to fill the gap by going international. Although so far, international routes have been added using its A320s, it is quite possible that it will add other wide-bodied aircraft to its stable at some stage. In other words, the model will get more and more complicated.

What made IndiGo what it is today — a single fleet, no frills airline — is a partnership that worked perfectly. The American partner Rakesh Gangwal brought into the company his years of experience in aviation, valuable global contacts and a strategic worldview that Rahul Bhatia did not have. Bhatia brought to the table everything Gangwal could not: the team to manage operations at home and the ability to deal with the unique Indian operating environment — be it the aviation ministry or the DGCA.

That's why I believe the spat between the two promoters could not have come at a worse time. Besides the fact that the two owners are too distracted to make its international foray a success — while ensuring the ATR and narrow body operations run smoothly too — the airline would need the strategic inputs that Gangwal brought to the table now more than ever before. Running a good, efficient and profitable airline domestically and running a good, efficient and profitable airline globally are two very different things. The passion, commitment, vision, understanding and drive that the two founders brought to the table may be hard to replicate with hired managers.

I'm not saying it can't still be done but it will be even more of a challenge. The loss is not just for the carrier and its shareholders but the country as a whole. Just when IndiGo looked poised to be the first successful global carrier of Indian origin, a set of circumstances have come in the way. If I was superstitious or an Indian civil servant, I'd say it's the invisible "foreign hand" at play.

LETTERS

All-round development

This refers to "Hope, ambition for India Inc in J&K" (August 7). In addition to the prevailing political and social euphoria over the integration of Jammu & Kashmir (J&K) with the rest of the nation, a string of economic benefits are noteworthy. Restrictive legislations like Article 370 and 35A preventing ownership of property in J&K as also prohibiting employment to "outsiders" (referring to the rest of India) has for long hampered smooth economic movement and social development in the state. Manpower and human skills within J&K have not been effectively tapped as is apparent from its poor economic development. The state is rich in economic resources. However, apart from tourism, its rich natural resources have not been adequately tapped. Investment is now expected to flow in; the retail segment is also expected to grow. Overall there will be improvement in marketing, increase in the inflow of income and employment opportunities. These will, in turn, benefit the state and raise the standard of living of its people.

Scrapping Article 370 and 35A will only improve the "ease of doing business". There will be freedom to acquire land and invest in commercial ventures. Similarly, the abundance of raw material will also encourage development of small and medium industries, promoting self employment. The prevailing political scenario has to stabilise to strengthen investor confidence to revive a dormant economy.

C Gopinath Nair Kochi

A great gamble

This refers to the editorial "J&K and its discontents" (August 7). The decision of abrogating Article 370 of the Constitution marks the end of an era in the post-independence history of India. Till now, the problems in Jammu and Kashmir were considered a historical legacy. In hindsight, it was convenient to condemn and criticise actions

of political predecessors, more particularly, the first Prime Minister Jawaharlal Nehru. Now on, the onus of whatever happens in the two newly constituted Union Territories will fall squarely on the present political dispensation at the Centre.

The task of restoring peace and normalcy as well as facilitating faster economic growth in the region is fraught with uncertainties. Display of political wisdom and pacifying disturbed minds is necessary. As rightly argued in the editorial, building of confidence and trust to ensure people's participation in the democratic process is a prerequisite for conducting free and fair elections and for establishing a duly elected government.

Finally, it is thought that the decision suffers from ideological oversimplification and the widely held illusion that removal of Article 370 will pave way for resolving the vexed Kashmir issue. I presume that the apprehension is misplaced. If the BJP succeeds in its endeavour, Prime Minister Narendra Modi would undoubtedly be hailed as a great leader. However, failure would attract unprecedented condemnation. This a great gamble; wishing good luck to our PM.

Pramod Patil Nashik

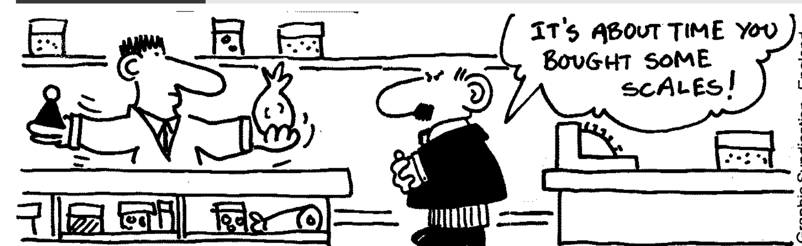
Same difference

This refers to the Chinese Whispers item "Bye bye to 'sinking ship'" (August 6). The MLAs and MPs of opposition parties who are legally or illegally under investigation by investigation agencies are an easy target for the Bharatiya Janata Party (BJP) for defection. Such instances of our law makers shifting loyalty when convenient and the standing ovation accorded to them by their new political masters are tantamount to mockery of democracy and exemplify the sharp decline in ethics and moral values in politics. At this rate, the party "with a difference" will also become a motley conglomeration not different from other parties that believe that it is the end that justifies the means.

Tarsem Singh Hoshiarpur

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 · E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE



© Graphic Syndication, England.

Business Standard
Volume XXIII Number 255
MUMBAI | THURSDAY, 8 AUGUST 2019

Break with convention

There are limits to what monetary policy can achieve

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) on Wednesday surprised many market participants by reducing the policy repo rate by 35 basis points, making it the fourth reduction in a row. The central bank also lowered its growth forecast for the current year to 6.9 per cent from 7 per cent. The MPC doesn't expect inflation based on the consumer price index to cross 4 per cent at least until the first quarter of the next financial year.

The central bank's idea of breaking with the convention of adjusting rates by 25 basis points, or in its multiples, can be traced to a speech delivered by RBI Governor Shaktikanta Das in Washington DC earlier this year, when he had noted: "... in a situation in which the central bank prefers to be accommodative but not overly so, it could announce a cut in the policy rate by 35 basis points if it has judged that the standard 25 basis points is too little, but its multiple, i.e. 50 basis points is too much."

The MPC's decision was explained by similar reasoning. However, the move needs to be debated. For instance, would the action of the central bank not become more unpredictable, and how will anyone benefit from this? Also, it is not clear how an additional 15-basis-point rate reduction would have been excessive, given that the economy is showing clear signs of weakness, inflation is expected to remain muted until at least the first quarter of the next financial year, and when "[A]ddressing growth concerns by boosting aggregate demand, especially private investment, assumes the highest priority..." for the central bank.

Aside from cutting the policy rate, the central bank has sought to free up banks' capital by easing norms that will allow them to lend more to non-banking financial companies. This would not only help these firms but will also improve the flow of credit in the system. However, the big question is: To what extent will the break with convention help revive growth? It is likely that growth in the current year would be significantly lower than the RBI's projection. The global outlook has worsened in recent days with increasing trade tension between the US and China. The ensuing uncertainty will further dampen the outlook for global growth.

Besides global headwinds, internal drivers of the economy are also not indicating a quick revival. The central bank is doing its part by progressively reducing the cost of money. However, it will not be enough simply because there are limits to what monetary policy alone can achieve. Also, the economy is not fully benefiting from lower policy rates because slow transmission remains an issue, partly owing to excessive borrowing by the public sector. The government seems to be on the same page on this and has advised public-sector banks to commensurately transmit rate cut benefits in lending. But the government obviously has to play a larger role. It is important at this stage that policies in the area of fiscal management, trade and exchange rate management are reassessed. Further, a flexible land and labour market remains elusive. The global environment is undoubtedly challenging, but India can only improve its standing by enhancing competitiveness.

Managing India's dams

The proposed national agency should get more teeth

After several vain bids since 2010 to enact Central legislation to ensure that dams are properly maintained, the government has finally managed to get the Dam Safety Bill, 2019, passed by the Lok Sabha. This Bill, yet to be approved by the Rajya Sabha, provides for an elaborate institutional and procedural mechanism for regular inspections, repairs, and other maintenance work to avert disasters related to dam breaches. However, it does not go beyond the structural security to also ensure operational efficiency and judiciously managing water discharges to minimise the threat to the survival of the dams.

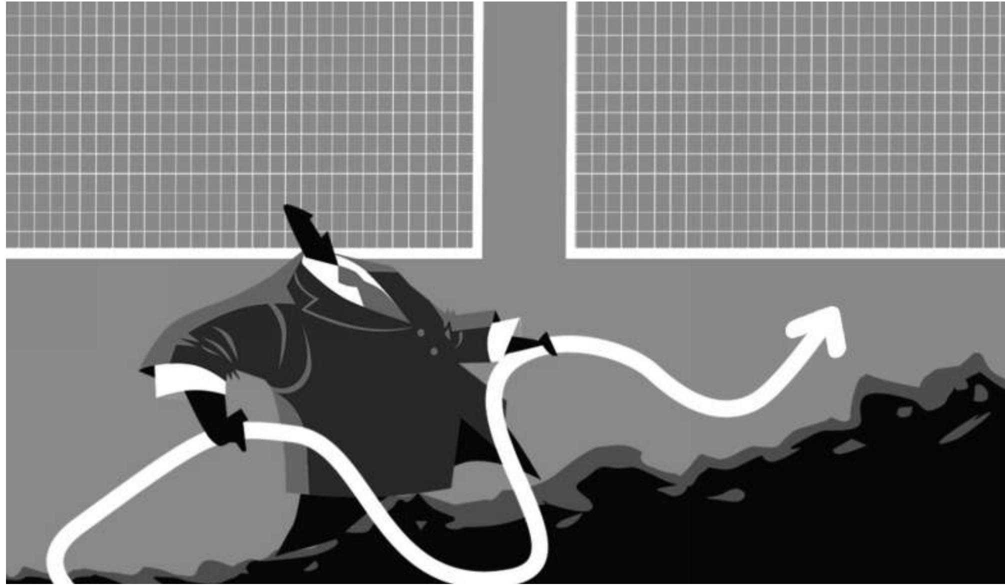
The new law seeks to set up a National Dam Safety Authority with states' representatives and specialists as members to prepare safety manuals and schedules for regular monitoring, emergency action plans, periodic safety reviews, and other related issues. This apex body would also serve as a regulator for this sector. The onus of the upkeep of the dams has been put on their owners.

Though India has the world's third-largest tally of dams, next only to the US and China, it does not have any statutory framework to ensure their safety. The task has been left to the states, which lack the wherewithal to do full justice to the task. The physical health of most dams have been steadily deteriorating due to aging and poor care. Close to 300 of the 5,600-odd large dams are more than 100 years old and over 1,000 others are above 50 years old. Many of the aged dams are earthen structures, made chiefly of locally available material, and, therefore, are vulnerable. Besides, their designs and safety aspects fall woefully short of modern norms. There have already been 37 major dam failures, the latest being that of the Tiware dam in Ratnagiri district of Maharashtra. It caved in last month, sweeping away an entire village and killing 23 people, besides causing other damage.

However, regardless of their inability to provide protection to dams, many states have been opposing a legally mandated Central role in this field on the plea that water is a state subject and the Centre cannot be allowed to usurp their right to manage it. This contention, though technically sound, is not fully tenable in this case. Over 90 per cent of the dams are on inter-state rivers with multiple riparian states as stakeholders. In some cases, a dam located in one state is owned by another one. Tamil Nadu is a typical case in point. Four of the dams owned by it are located in Kerala and are mired in litigation over their upkeep and operation. The law on the anvil seeks to resolve this issue by making the proposed dam safety Authority responsible for protecting such dams. This Authority can be trusted to uphold the legitimate interests of all stake-holding states.

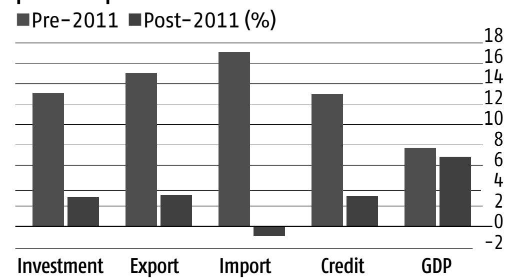
Since this Bill is still in transition to becoming a law, there is an opportunity to amend it to give the Authority a say in the management and release of water from different dams located in the same river basins. This provision would be particularly helpful in coordinating water releases from different dams with an eye on moderating floods of the kind which devastated Kerala last year.

ILLUSTRATION BY BINAY SINHA



THE TRAJECTORY

Growth in macro-indicators and GDP, pre- and post-2011



Source: "Validating India's GDP Growth Estimates" by Arvind Subramanian, July 2019

How fast is India growing?

With corporate earnings not meeting expectations and automobile sales plunging in July 2019, the story could get uglier

The title above repeats the one for my article in this newspaper of April 9, 2015, nearly four-and-a-half years ago, written a couple of months after the Central Statistics Office (CSO) brought out estimates of national income and output based on the new 2011-12 base. Some of the doubts and issues I raised then, along with other analysts and even the Economic Survey for 2014-15, were:

- The sharp upward revision of gross domestic product (GDP) growth in 2013-14 to 6.9 per cent, implying a 2-percentage point acceleration in the GDP growth rate amid prevalent "policy paralysis", a mini balance of payments (BoP) crisis and a 300-basis point hike in the policy interest rate;
- The high average growth rate of 7 per cent for 2013-14 and 2014-15, which correlated poorly with weak performance of high frequency indicators (HFIs) such as the Index of Industrial Production, corporate earnings, bank credit, tax revenues, and investment and exports;
- The major revisions of sectoral shares of manufacturing (upwards) and wholesale/retail trade (downwards) for 2011-12 and 2012-13, along with remarkably high growth of these two sectors in 2013-14 and 2014-15, despite lacklustre trends in HFI;
- Problems emerging with the new MCA-21 database on company accounts;
- The absence of a back-cast series on the 2011-12 base.

With the passage of time, new data releases (and associated anomalies like the peak GDP growth estimate of 8.2 per cent for the year of demonetisation, 2016-17), the publication of two alternative back-cast series last year (one under the auspices of the National Statistical Commission and the other by the CSO) and numerous commentaries on the new series, the controversy has rumbled on. It rose to a crescendo last month in the two-day annual India Policy Forum conference organised by the National Council of Applied Economic Research (NCAER) and the (American) National Bureau of Economic Research. Two full sessions and much of an evening lecture were devoted to the subject. The contributions by stalwarts such as Arvind Subramanian, Sudipto Mundle, N R Bhanumurthy, R Nagaraj, Pranab Bardhan and Sebastian Morris can be readily perused on the NCAER website. Much of the critical questioning of the 2011-12 series and its sources and methods is valid. Particularly compelling is the paper by former chief economic adviser Subramanian (2014-2018). Let me give its flavour.

A PIECE OF MY MIND

SHANKAR ACHARYA

Subramanian's paper is a follow-up of his June 2019 Harvard working paper and includes pretty convincing rebuttals to criticisms of that paper levelled by some analysts, including official sources. He divides India's growth performance (according to the official 2011-12 base series) into two periods: pre-2011, meaning 2002/3-2010/11, and post-2011, meaning 2012/13-2016/17. The cut-off is 2011-12 because that is when the new base started. He, then, focuses on comparing the trend in the growth of output (GDP) to trends in the growth of key aggregate demand variables, notably investment, exports and credit; less persuasively, he also throws in imports.

The comparison between growth trends in these variables over the pre-2011 and post-2011 variables is shown in the figure and is striking. Pre-2011 is the boom period when GDP was growing at nearly 8 per cent, driven by similar buoyancy in real (inflation-adjusted) investment (13 per cent), real exports (15 per cent) and real credit (17 per cent). Everything is hunky-dory. Then come a series of negative shocks: A stalling of global trade after 2011, the UPA government's policy paralysis in 2012-2014, the associated mini-BoP crisis of 2013, the growing twin balance sheet crisis, the droughts of 2014 and 2015, and demonetisation in 2016. These far outweigh the only positive windfall, the oil price decline after 2014 (since partially reversed). As expected, the growth of macro demand indicators collapsed post-2011. Investment, exports and credit as we have experienced plummeted to 3 per cent growth from the high double-digit levels of pre-2011. One would have expected GDP growth post-2011 to have also fallen sharply. It didn't! Subramanian's "central puzzle" is that GDP growth only dipped 0.8 percentage point, from 7.7 per cent to 6.9 per cent.

Subramanian rightly infers that there is something wrong with the GDP growth estimates post-2011, as measured by the new 2011-12 base. He goes on to show that in no country has periods of 7 per cent economic growth been accompanied by such low growth of investment, exports and credit as we have experienced in the post-2011 period. Conversely, he marshals the international experience to show that when these macro demand indicators are as sluggish as they have been in India post-2011, no country has grown faster than 5.5 per cent, only four have grown at 4.5-5.5 per cent, 13 at 3.5-4.5 and 33 at below 3.5 per cent. There is much more in his paper and in the others presented in the conference. All raise serious doubts about GDP growth estimates post-2011 and call for a major reassessment of national income estimates by the NSO. Among the possible reasons suggested for the systematic and significant upward bias in the current official estimates of GDP growth post-2011 are problems with the MCA-21 database on companies and the choice of price deflators used by the current GDP estimates.

So how fast is the Indian economy growing? Clearly, significantly below the rates shown by the official series. How much below? The truth is one can only make educated guesses based on the kind of detailed analysis carried out by Subramanian in his two recent papers. His papers indicate a "discount" of at least 2.5 percentage points. That is, if official estimates indicate 7 per cent growth, then the "real" growth is likely to be 4.5 per cent or less. My own more conservative guess at the discount would be a trifle less, in the range of 1-2 percentage points. So, if the most recent official estimates (for Q4 of 2018-19) show that India is growing at 5.8 per cent — let's say rounded up to 6 per cent — then the "real" growth rate is more likely to be in the range of 4-5 per cent. Not a pretty story. But with what we know of 2019/2020Q1 developments in HFI and with automobile sales plunging 30 per cent in July 2019, the story could get uglier.

The author is Honorary Professor at ICRIER and former chief economic adviser to the Government of India. Views are personal

J&K: India Inc's premature exuberance

India Inc is seeking to match the warp speed displayed by Narendra Modi and Amit Shah over developments in Jammu & Kashmir (J&K), with the Confederation of Indian Industry planning its first-ever investor summit in the state-turned-Union Territory this October. Irrational exuberance or misplaced optimism? Premature exuberance may describe it better.

The big picture of business prospects in J&K, as presented by the industry lobby, certainly looks enticing: *sans* land and labour major constraints in the pre-Article 370 days, dealerships, food-processing units, small and medium manufacturing and expanded tourism will all transform a state that suffers chronic high unemployment and low development. As a state, J&K has a low internal Ease of Doing Business ranking for obvious reasons. But surprisingly, it outperformed nine others in terms of Human Development Indicators — among them West Bengal and Rajasthan — which suggests there is a reasonably educated and healthy workforce to be tapped.

SWOT

KANIKA DATTA

Still, there are compelling reasons for industry to have followed what Indians are wont to call the "wait and watch approach" — and, no surprise, most businesspeople when asked about their J&K proposals said they planned to do exactly this. An investor summit in J&K may do much to improve the optics for a political initiative that has been deemed so good for the people of J&K that its citizenry needs to be kept under lockdown for the foreseeable future. But such summits themselves are of dubious practical value. They have been in vogue for over a decade, the trend set by Mr Modi as chief minister of Gujarat, though no state has quite matched the rock-concert character of those events.

The Gujarat summits set the pattern. A bunch of potential high-profile investors is invited to attend a jamboree at which the chief minister concerned (and sometimes the bureaucrats) outline the various (mostly illusory) virtues of investing in the state. This includes enticements in the form of tax breaks (greatly restricted post-GST) and assurances of solutions to land and labour issues that routinely bedevil most manufacturing in India. Then some prominent industrialists — Gujarat and West Bengal have been able to mobilise no less than Mukesh Ambani — will make speeches about the (again, mostly imaginary) virtues of the state concerned. Some level of discussion takes place behind the scenes between business people and the bureaucracy. Finally, the state's PR machinery gets into action and announces promised investment commitments (called memorandums of understanding) worth stupendous crores of rupees. Little of this translates into even a shovel in the ground for a variety of familiar reasons.

It is possible that J&K may buck this trend and see a long queue of serious investors actually putting hard cash behind their intentions and transforming the country's newest Union Territory into a developmental paradise. Every Indian — including the curfewed Kashmiris — would be delighted if this were to happen. The problem is this: reading down a constitutional provision may well have corrected a historical mistake; whether it will change the situation on the ground is another matter. J&K's lack of development has less to do with the limitations on land ownership and employment and more to do with the fact that between them, the Central and state leadership has managed the relationship with Pakistan so badly that it has condemned J&K to a state of permanent unrest. Those externalities are unlikely to change anytime soon.

Since investment demands political and social stability, the Centre needs to offer investors something beyond heavy troop concentration and police presence as the sole guarantors of the ease of doing business. Israel, which is often cited as an example of a country that has attained an economic miracle under constant siege, is scarcely the kind of model India should emulate if it is serious about integrating its minorities. Some sort of enlightened plan to counter Pakistan and China's territorial ambitions is a vital part of this exercise. This is not yet in evidence. It is unlikely that those investors who attend the summit in October, one of the best times of the year in that beautiful region, are unaware of these obvious hurdles. No matter, at least they will bump up the embattled state's waning tourism industry for a couple of days.

Saving the world from AI?

BOOK REVIEW

AJIT BALAKRISHNAN

If you are one of those people who jump awake in the middle of a night and tear your hair worrying about a future in which red-eyed robot humanoids march through the world enslaving humans, this book is for you.

It is structured as an account of the work of an American group in the Silicon Valley, California, who call themselves "Rationalists', led by "the strange, irascible and brilliant" Eliezer Yudkowsky, whose mission is to save mankind from the wrong kind of Artificial Intelligence.

This book also opened my eyes to the existence of the many well-funded institutions throughout the world with names such as The Future of Life Institute (at the Massachusetts Institute of Technology), Future of Humanity Institute (at Oxford University), The Center for Applied Rationality and The Machine Intelligence Research Institute (both in Berkeley, California). That is a lot of talent and money being thrown at securing mankind's future!

The biggest fear that this group has is best phrased by Mr Yudkowsky himself: "The AI does not hate you, nor does it love you, but you are made of atoms which it can use for something else." That also, incidentally, is where the author found the title of this book.

The big-picture view of what the Rationalists stand for is their belief that the real danger from machines with Artificial Intelligence is not that they take the shape of destructive humanoid robots but from the various "cognitive biases" that they may be programmed into them, unknowingly, by the scientists who created them. In this sense, this book serves as an excellent recounting of these "biases".

A cognitive bias is a systematic error in *how we think*, the author reminds us. If, for instance, a person living in Britain today is asked what is more likely to kill him: A terrorist attack or having a bath? Our cognitive bias may pick a terrorist attack, but statistics show in the past 10 years, 50 people in Britain have died from terrorist attacks (most in 2017 at the Manchester concert) whereas the average *annual* death rate from drowning in a bath in Britain is 29! Researchers cite this as an example of systemic bias called "the availability heuristic". We think of terrorism when asked that question simply because information about terrorist attacks in more "available" to our mind: Most terrorist acts in the world are reported in headlines whereas deaths by drowning in bathtubs don't make that many headlines.

The author walks us through the many such "cognitive biases" that we as humans have, and which people like the Rationalists believe will be unknowingly programmed into the Artificial Intelligence computer programs that run the robots.

Using this kind of thinking, the Rationalists believe that today's research and innovations in Artificial Intelligence poses a far greater threat to mankind, than, hold your breath, Climate Warming!

This book is also an eye-opening tour of the contemporary method of opinion-formation as used by the Rationalists. In the early 2000s, they made postings on the Internet Relay Chat, a precursor to today's blogs and social media groups. The blog Slate Star Codex ("a blog about science, medicine, philosophy, politics, and futurism") is an example of a blog that they use. Another blog they frequent is "moreRightLessWrong". The author points out the common links between the Rationalists and the alt-right movement in the United States. The author also draws our attention to another contemporary phenomenon called the "one percent rule" — that a hyperactive 1 per cent in any internet community does all the posts (Wikipedia edits, YouTube videos, message board posts). Astonishingly, all these blog sites share common posters and readers.

This book has a pretty well-researched history of the attempts to create Artificial Intelligence. It started immediately after World War II when Alan Turing, who achieved fame and repute by leading a US/British team to crack German coded military communication, joined Dartmouth College. Their efforts were funded by the Ford Foundation. Early attempts to prove the legitimacy of their (and others') efforts often centered on their machines matching the skills of champions in board games. Thus, Deep Blue beat the reigning world chess champion Garry Kasporov was greeted by much acclaim in the media. Such efforts to prove that the machines they create are "human-level" continue to this day: The computer AlphaGo created by the Google-owned AI company, DeepMind, has enthralled media by engaging in a series of contests with world ranking champions of the Chinese/Korean game "Go". Go is a board game many orders-of-magnitude more complex than chess. Yet, DeepMind's tool beat Lee Sedol, a South Korean who is considered the undisputed world champion.

The most revealing part of the book to me was the lengthy end-section, which examines whether the Rationalist movement is a cult. He reminds us that a "cult" normally means "a charismatic figurehead and other high-status inner-circle members... unorthodox sexual practices, a message of impending apocalypse, a promise of eternal life, and a way to donate money to avoid the apocalypse and achieve paradise". His account of the Rationalists and their leader Eliezer Yudkowsky and "his wife and girlfriends" makes you wonder what the anti-Artificial Intelligence movement is truly all about.

THE AI DOES NOT HATE YOU: Superintelligence, Rationality and the Race to Save the World
By Tom Chivers
W&N
Pages: 304; Price: ₹599