

Optimise your LUP strategy

Don't let multi-layer laminate packaging choke up our drainage systems



AMBI PARAMESWARAN

KK Nair of Ahmedabad Management Association had a strong word of praise for Amul. He was pointing to the ₹10 pack of pouch milk that Amul has launched in Gujarat. He said that he saw a woman, a labourer working in a construction project near his house, buy a ₹10 pouch milk for her child while she was sipping the frugal ₹5 cup of tea in the morning, accompanied by the ₹5 pack of Parle G.

It may come as a surprise to readers

that of all the packaged products sold in the country an astonishing 35 per cent are sold in ₹5 packs and yet another 25 per cent are sold in ₹10 packs.

Small sized packs are not new to India or for that matter any developing country. While Indian shampoos have made the sachet packs famous around the world, HLL used to market Red Label tea in what was then a five paise pack. But due to steep cost increase (of packaging) they discontinued the practice. It was then left to Velvette and its "brother" Chik to sell shampoos in sachets. And this got global recognition as Prof C K Prahlad wrote about the "Fortune at the Bottom of the Pyramid". The concept has had its detractors who say that multinationals are just exploiting the gullibility of uninformed Indian buyers by offering unnecessary brands in pouch packs. While those arguments may have their merits, it is true that sachet packs have democratised consumption of products including those

little luxuries that are unaffordable to a bottom of the pyramid consumer.

These smaller sized packs now have a nice acronym: LUP. Or low unit packs.

If it started with tea and shampoo, today you can find almost anything in a pouch pack, often priced at ₹5 or ₹10. Let me try and present a few products. The first to go down the path were biscuits, chips, snacks, pickles, jams. Then came spice mixes, dairy whiteners, milk food drinks, fruit mixes, fairness creams, sanitary pads, diapers and chocolates.

Interestingly, while toilet soaps sell in smaller sized packs, their sales from LUPs are not to the extent of shampoos (80 per cent of volume sales of shampoos come from sachet packs). Hair oils and tooth pastes have not had a great run in sachet packs. And there could be a reason. Sachet packs seem to be more popular when the usage is a bit of a luxury. In the case of biscuits it is a simple case of use and throw. So I sus-

pect a cappuccino may have takers in a sachet form, but not the regular tea.

Marketers have a challenge in managing the cost of an LUP. There is the cost of packaging, which is often a significant share of the total cost in an LUP. Then there is the issue of distribution margin, transportation and damages. Some marketers have even tried tinkering around with the formulation of the product being sold in an LUP. What you get in a 200 ml bottle may actually be a superior version of the product being peddled to the bottom of the pyramid consumer buying a ₹5 LUP.

A few years ago, there was a move to bring LUPs under some control through legislation. Apparently this was triggered by a house help complaining to her employer who was a political heavyweight that there was some hanky-panky in the ₹5 packs. So the government got ready to issue a whip about standard package sizes. Marketers had managed to keep the prices of LUPs at ₹5 and ₹10 by simply adding or reducing the grammage they were packing into LUPs. If the government mandated that the smallest pack of biscuit must contain 25 gram of biscuit then the whole ₹5 and ₹10 LUP strategy will go out of the window.

Fortunately better sense dawned and the government decided to overlook the grammage of packs that sported an MRP of ₹1, ₹2, ₹5 or ₹10.

While many sectors are facing headwinds in 2019, I suspect one of the reasons the FMCG sector is a little better off is that it has been able to open up markets for a variety of products, some that could be termed luxury, by adopting the LUP strategy.

But a new threat looms ahead for LUPs.

As the consumption of these LUPs keep growing we are going to see more and more multilayer laminate packaging choking up our drainage systems, our rivers and more. India's record of recycling plastics is pretty impressive, we recycle almost 60 per cent of all the plastics we use. Multilayer laminates pose a newer challenge. They are difficult to recycle unlike PET or LDPE. As the sales of LUPs increase, companies will need to figure out better ways of packaging, better ways of collection and recycling etc. Then LUP strategy would have been fully optimised.

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CHINESE WHISPERS

Why that seat remains empty



While the Bharatiya Janata Party (BJP) moved quickly to get Om Birla (pictured) elected speaker of the Lok Sabha, the election of the deputy speaker

has been in limbo, with the first session of the new Lok Sabha having concluded. This has been unprecedented in recent years. The BJP was unable to convince any regional party to get an MP for the job. In the previous Lok Sabha, the AIADMK's M Thambi Durai was elected deputy speaker, only after 34 days of the Lok Sabha being convened. Opposition parties have wondered why the BJP, with 303 seats in the Lok Sabha, could not elect a deputy speaker of the House. The BJP had approached the Biju Janata Dal and YSR Congress Party (YSRCP), but their leadership refused. The BJD leadership did not want Bhartruhari Mahtab to occupy the post, while the YSRCP said it could not afford to be seen to be close to the BJP when the Narendra Modi government had not given special category status to Andhra Pradesh.

A course for priests

The Madhya Pradesh government is planning to establish an institute for temple management in Bhopal. This institute will teach priests "better ways" of managing temples and monasteries. The institute will have six branches including engineering, architecture, finance, and history. Priests will learn the history of temples, their functioning, the art of performing rituals, their social and religious responsibilities, and so on. The government is planning to spend ₹50 crore on the infrastructure of the proposed institute.

Two lunches



With the Parliament session having concluded, Raja Sabha Chairman M Venkaiah Naidu and Lok Sabha Speaker Om Birla thought fit to address press

conferences and host journalists for lunch. As the invites were sent on Thursday morning, the Raja Sabha and Lok Sabha secretariats realised that journalists would find it difficult to attend lunches hosted by both Birla and Naidu. The initial invites were for Friday. The Lok Sabha secretariat soon sent a revised invite, shifting Birla's press conference and lunch to Saturday. With Birla being much junior to Naidu, the postponement of his press conference was considered proper. However, officials are now concerned if their boss would get sufficient coverage on a weekend. Naidu, famous for his hospitality and for serving sumptuous Andhra food, is hosting the lunch at his residence, while Birla's will be hosting it in Parliament House.

Interlinking of rivers: A dangerous idea

If completed, the project could endanger the integrity of India's monsoon cycle



WATER: REFORM OR PERISH

MIHIR SHAH

As the water crisis has deepened, so has our desperation and the extent we are prepared to go to violate the basic principles of both science and spirituality. Instead of learning from our errors, we are tempted to go even further in the same mistaken direction.

The proposal for interlinking of India's rivers (ILR) is based on a series of erroneous presumptions. It is claimed that since some parts of India chronically have floods and others have droughts, the solution is to divert water from surplus river basins to deficit ones, so that everyone can live happily ever after! Is it true that some areas in India have too much water? Try telling the north-eastern states that! Did you know that Sohra (previously known as Cherrapunjee), one of the highest rainfall hotspots on the planet, today suffers from an acute shortage of drinking water? The reason for that lies precisely in the old paradigm of water management, where we have failed to protect our catchment areas, destroyed springs and over-exploited groundwater.

Climate change has aggravated the situation. Today, my organisation, Samaj Pragati Sahayog, is working hard to find a solution to this vexed problem but I can tell you in Sohra, with only 70,000 people and as much as 8,000 mm of rain (10 times that of Delhi), we still have no water to spare for anyone else in the country! In the sub-continent, given the dependence on the monsoon, the periods when rivers have "surplus" water are generally synchronous. And a recent study finds a significant decrease in monsoon rainfall over water "surplus" river basins in India, thus raising questions about the basic presumptions of the ILR project.

It was a massive relief that the finance minister did not even make a mention of ILR in her Budget speech last month, hopefully an indicator of the clarity of thinking of the new Jal Shakti minister. But given that the idea keeps popping up from time to time, and how dangerous it is, we must examine it carefully. The Himalayan component of the ILR project plans to store water in dams on the Ganga and the Brahmaputra, in the supposedly surplus northern and eastern states and transfer that water via canals to the water-short central, southern and the western regions. The Peninsular component attempts something similar on peninsular rivers, again transferring supposedly surplus water from the east to the south and west. Overall, the attempt is to connect 44 rivers via 9,600 km of canals at an estimated cost of ₹11 trillion. This is only an approximation of the actual cost, which is likely to be much higher (given expected delays in implementation) and does not include costs of energy, farm and forest sub-



Rivers are not human creations like roads and power lines, to be twisted and turned at will. They are living ecosystems

mergence and human displacement. What is truly ironic is that, given the topography of India and the way the links are envisaged, they might totally bypass the core dryland areas of central and western India, which are located on elevations of 300 to 1,000 metres above mean sea level.

In recent years, scientists have begun to carefully examine the potential impact of such large interventions in India's river systems. A 2018 study of 29 of these 44 rivers published in the renowned international science journal Elementa finds that ILR will submerge 3,400 sqkm of land and displace approximately 700,000 people, other than the huge additional displacement that would be caused by the vast canal network. It will also decrease river flows for 24 of the 29 rivers (as much as 73 per cent), reducing freshwater deliveries to wetlands and estuaries. Waterways will be exposed to new contaminants, invasive species, and disease-causing agents and the already vulnerable deltas of the Indian subcon-

tinents will be further compromised due to reduced silt deposited by rivers in their deltas by as much as 87 per cent. Reduced stream-flows will likely affect delta salinity conditions and under a future rising sea-level scenario, the salinity of groundwater and river channels is expected to increase. Climate-related salinity incursion in rivers and deltas will be exacerbated by the decrease in river mouth discharge. Rare ecosystems and vital agricultural areas would become more vulnerable to storm surges, river flooding, and heightened salinity.

Already, reduced inflows due to natural and man-made processes have led to shoreline losses in the Krishna, Godavari and Mahanadi rivers. The ILR will only aggravate the problem. This scenario is very much in line with the past experience of the Colorado, Nile, Indus and Yellow (Huang He) river systems, where similar but actually smaller projects have been attempted in the past. As the Elementa study argues, India's ILR is "fifty to one-hundred

times the volume of the largest inter-basin water transfer system in the United States and will likely constitute the largest construction project in human history".

Finally, we must recognise that the ILR could profoundly impact the very integrity of India's monsoon system. The continuous flow of fresh river water into the sea is what helps maintain a low salinity layer of water with low density, in the upper layers of the Bay of Bengal. This is a reason for the maintenance of high sea-surface temperatures (greater than 28 degrees Celsius), which create low-pressure areas and intensify monsoon activity. Rainfall over much of the sub-continent is effectively controlled by this layer of low-salinity water. A disruption in this layer because of massive damming of rivers under the ILR and resultant reduction in fresh water flows into the sea, could have serious long-term consequences for climate and rainfall in the subcontinent, endangering the livelihoods of a vast population.

Rivers are not human creations like roads and power lines, to be twisted and turned at will. They are living ecosystems that have evolved over hundreds of thousands of years. In our arrogance we have already caused them much damage. It is time now for us to urgently come together to regenerate our river basin ecosystems, weaving our interventions into the delicate fabric of nature, with humility and wisdom, heeding both science and spirituality.

The writer is co-founder Samaj Pragati Sahayog. Every fortnight, he outlines multiple dimensions of long overdue reforms in the water sector

INSIGHT

Emergence & economy of coffee shops in India



ATANU BISWAS

The book *The Great Good Place* (1999) by Ray Oldenburg has the subtitle: *Cafés, Coffee Shops, Bookstores, Bars, Hair Salons and Other Hangouts at the Heart of a Community*. Certainly "home" was labelled as the "first place", and "work", be it office or college, as the case may be, was designated as the "second place", and these gathering locations were defined as "third places", a place between home and work where people spend their time as a community. While the French use the term "rendezvous" to describe this third realm, Oldenburg adopted the term "third place" to provide "a generic designation for a great variety of public places that host the regular, voluntary, informal, and happily anticipated gatherings of individuals beyond the realms of home and work". And cafés emerged as an ideal "third place" in the cities, and it is related to globalisation and the creation of urban public space.

The tremendous role of French cafés in the French Revolution or the London coffee houses during the Enlightenment are well-known. The same is true in other parts of the globe, even in India. For example, the Coffee House near Presidency College (now Presidency University) and Calcutta University in Kolkata has played a leading role in the cultural and intellectual flow of the city. There is an emergence of chains of coffee shops during the last few decades or so. Certainly, con-



The expansion of cafés beyond the metros will change social interactions by creating ample opportunities for "third places" in small towns as well

versation is still the main activity at these third places. While modern cafés of the Western world like Starbucks offer a comforting and neutral ground for social interaction, the emergence of coffee shops in a country like India with traditional values might have the additional impetus of finding "privacy in a public place".

People hang out there for relaxation, leisure, romance, negotiations, fixing marriage and divorce, business deals, real estate deals, interviews, counselling, studies, projects, and what not. And often along with laptop, tablets, books, study notes, and newspapers — all over a cup of excellent coffee.

The US coffee shop chain Starbucks owns and licenses about 30,000 locations in about 78 global markets. While Starbucks, under the nourishment of Coffee King Howard Schultz, has become the global giant in the business of café, many other countries have their own brand, customised according to their culture and social need. For example, while Second Cup is a very

special chain in Canada, they've another popular but less expensive chain, Tim Hortons, with 4,300 outlets globally. One of my Canadian friends told me that whenever he drives to the US, he stops by the last Tim Hortons' outlet before the US border and picks up a cup of coffee as he'll not get it before returning to the country.

Similarly, there is Costa Coffee in the UK, or the Doutor Coffee of Japan. In some cases they are primarily for coffee, and sometimes they are more of eateries accompanied by coffee — as in the case of Dunkin' Donuts. In the countries with a rich heritage of coffee, like Italy or Spain, excellent coffee shops feature in every street corner, even in small towns or rural areas. They are often local, and also enriched locally. In Singapore and Malaysia, there are plenty of kopitiams, the traditional coffee shops that serve as outlets for tea, Milo, and snacks as well. Many Malaysian towns and cities have their own brand, Georgetown White Coffee, a completely different

type of preparation of coffee powder from the seeds.

While coffee shop chains like Barista, Costa Coffee and Tata Starbucks are operative in the Indian market — even by localising their products, Café Coffee Day has undoubtedly emerged as the "Made in India" brand for cafés or "third places" for the Indian urban middle-class. In addition to offering excellent coffee, these cafés offer comfortable seats in air-conditioned environment, music, and clean toilets. Different studies have projected varied growth rate of Indian coffee shops market over the next four-five years — 6 per cent to 18 per cent CAGR — all due to the growing coffee culture among the youth, increasing urbanisation, rising disposable income levels and changing eating and drinking preferences. For example, according to a 2018 report by market researcher Euromonitor International, the Indian café chain market will reach ₹4,540 crore by 2023. Undoubtedly, a big chunk of the demand for coffee is emanating from the metros and big cities, and expanding, of course. Starting from a single café in 1996, CCD now has around 1,750 cafés, across 250 cities, having 20,000 employees, and a brand value of ₹8,000 crore.

In 2018, the US coffee shop market was \$45.4 billion, while the Indian market was less than 1 per cent of that. However, with the emerging economy of trillions of dollars, and tremendous social aspirations, the inclusion of tea and snacks — offering even local Indian items like *samosa* — and the expansion of cafés beyond the metros and Tier I cities can revolutionise the whole café retail business. Needless to say, it will change social interactions by creating ample opportunities for "third places" in small towns as well.

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LETTERS

A self-goal for Pak

This refers to "Pakistan expels Indian envoy, suspends trade" (August 8). Pakistan's mindless act of expelling the Indian High Commissioner Ajay Bisaria, not sending its high commissioner-designate to New Delhi apart from downgrading its diplomatic ties with India, including suspending bilateral trade, may eventually prove to be a self-goal. Further, its wild threats of taking this matter to the United Nations may not come to its immediate rescue as it has no locus standi to poke its nose in India's internal matters. While barking dogs seldom bite, we have to be extremely cautious about Pakistan's nefarious designs and reactionary foolishness in the wake of its dubious past.

S Kumar New Delhi

It's over-fixing

This refers to Mihir Sharma's column "The big GST question" (August 6). I find it difficult to agree with his postulate and conclusions. His first postulate is that the goods and service tax (GST) was supposed to be a single rate tax. It is not so. The government never said anything to that effect. In fact, the former finance minister Arun Jaitley famously said that chappals and refrigerator cannot pay same rate of tax. Let me point out that Belgium, Canada (if you include sale tax), Brazil, China, France, Germany, Sweden, UK and others have multiple tax rates. We cannot have just 16 per cent tax on cigarettes. We should have 5, 16 and 28 per cents. Only 12 and 18 have to



be merged into 16. Collection of revenue is not at all affected by multiple rates. True, a single rate is easy to administer, but it will ruin the character of the tax. Indirect tax is regressive and one rate will make it more regressive.

The reason for under performance of revenues is not evasion. There is audit, anti-evasion and various verification systems which prevent evasion. There is evasion no doubt since there is some collusion but no cottage industry for invoice manufacture. And universal invoice matching is absurdly illogical. Selective matching of suspected companies is the answer that is being done. The real reason for under performance is slowdown in the economy and fixing the target too high keeping fiscal deficit in view. It is nothing new. It is not under performance but over fixing of target.

Sukumar Mukhopadhyay New Delhi

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HAMBONE

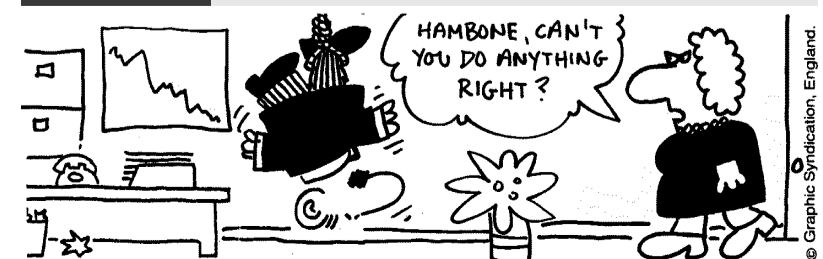
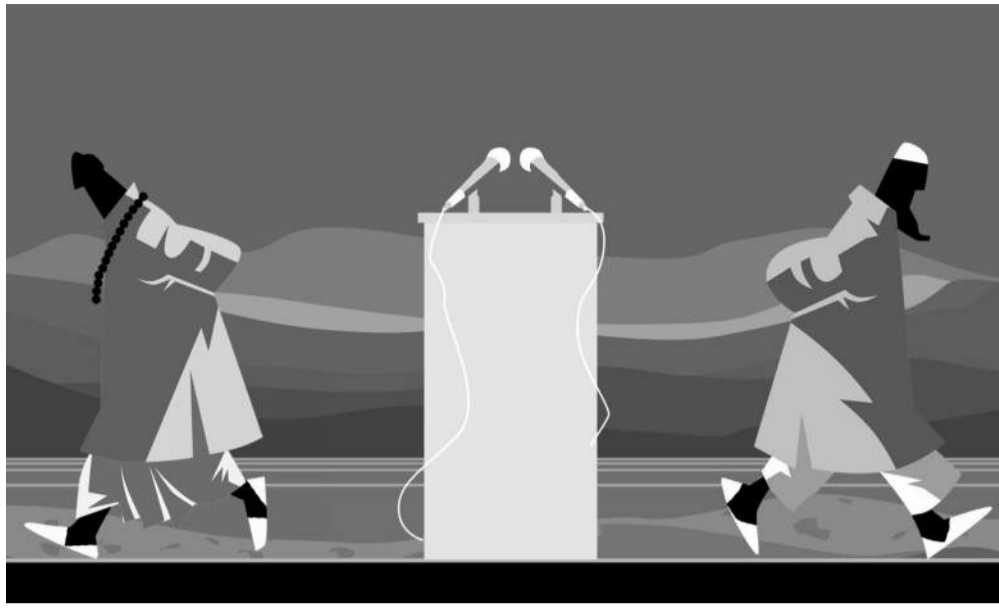


ILLUSTRATION: BINAY SINHA



Misleading fiscal deficit

CAG's view on Budget numbers has merit

Questions about the Union government's borrowing have been increasingly heard over the past few years, and are now reaching a crescendo. As this newspaper has reported, the Comptroller and Auditor General (CAG) has told both Parliament and the Fifteenth Finance Commission that the numbers in the Union Budget fail to include the growing off-Budget liabilities of the Union government. The CAG would like these numbers to be included in the Budget estimates. However, the government contends that it has already gone further than required in the 2019-20 Union Budget to account for these borrowings because "both the provisioning of repayment of principal and of interest of off-Budget borrowings is being made through the Budget".

The government also points out that there is no formal requirement to include off-Budget borrowing in the estimate of the fiscal deficit. On this matter the government is quite correct — but on the other hand, appealing to formal requirements is a weak argument in this context. After all, the Finance Commission has the powers to alter formal definitions used by the government. While the government might well have procedural correctness on its side, the CAG also has good reasons to complain that the fiscal deficit number is not an accurate reflection of the government's spending and borrowing behaviour over the financial year. It pegs the actual fiscal deficit at close to 6 per cent, as distinct from the 3.3 per cent claimed by the government in the Budget numbers for 2019-20. The government can complain correctly that the statement of the fiscal deficit is in line with the currently accepted definition. But then there can be no credible claim that the fiscal deficit is the right number to look at to judge fiscal prudence.

The correct way of resolving this difficulty would be to examine, instead of the fiscal deficit, a public-sector borrowing requirement measure, and a flow variable for the public debt that takes into account not just budgetary spending and off-budget liabilities but all contingent liabilities of the government. This would provide a clear and transparent accounting of the degree to which the choices of the Union government are adding to the debt burden of future generations, as well as how much private investment is being crowded out by public borrowing. After all, it is these latter two that matter from the point of view of sustainability analysis of Indian public finance. This number would undoubtedly be undesirably large at the moment. The government has taken to using public undertakings such as Food Corporation of India in a manner not previously envisaged. Their implicit sovereign guarantee means they can borrow from the markets and help finance the government's spending priorities like food subsidy. In this manner, the fiscal deficit conceals the government's real fiscal imprudence. The Finance Commission will hopefully take this behaviour on board and reconsider how government spending and borrowing statistics are presented. Such a reevaluation would aid both the government in planning public investment and savings as well as the broader investment community, which seeks a clearer understanding of state choices and the future condition of the public debt market.

The Huawei threat

The govt should take an objective decision

Beijing's warning that any move to block Huawei from upcoming 5G operations will have consequences for Indian firms doing business in China should not come in the way of a well-thought-out and independent view on the matter. India is yet to formalise its decision on whether or not to allow Huawei, which is among the world's biggest telecom equipment manufacturers, in the 5G segment. A high-level committee — headed by the government's principal scientific advisor, K Vijay Raghavan — is looking at security aspects vis-a-vis Huawei.

At the same time, India should also not get swayed by the US stand of blacklisting Huawei, which has been caught in a geo-political battle, without evidence of security risk that the Donald Trump administration has cited. In fact, the US itself has begun relaxing the clampdown, allowing American technology companies to sell their products to Huawei on a case-to-case basis. Also, many countries around the world, including those in Europe, are going ahead with Huawei in their 5G operations. The picture is mixed elsewhere. While Australia and Japan have blocked it, South Korea and Thailand have implemented Huawei technology for 5G networks in a limited way.

Significantly, a British Parliament committee recently rejected a proposed ban on British telecom carriers using Huawei gear. It said there were no technical grounds for excluding Huawei entirely from the UK's 5G or other telecommunications networks. However, UK telcos exclude Huawei's gear from "core" parts of wireless networks, as recommended by the committee. While the European Union refused to ban Huawei, it left the decision to member countries.

Apart from overseas influences, India's decision should be free from internal politics too. Reportedly, the Rashtriya Swayamsevak Sangh has raised concerns about the operations of Huawei in the country. In the backdrop of multiple levels of pressure, the government must take a well-informed decision, with the ministries of home affairs and external affairs, along with the Department of Telecom (DoT), playing a key role. Indeed, national security is the most important consideration, weighing much more than business and geopolitical factors. In this context, the Chinese giant has reportedly offered to sign a "no backdoor" agreement with the Indian government to allay concerns that it might use its telecom gear for surveillance. It has also repeatedly told the government that the security concerns raised against it have no foundation. The committee should look into the feasibility of such an agreement.

Huawei is believed to price its products lower than its competitors, but this should obviously not be the sole reason to allow the Chinese firm. The 5G trial guidelines are out and non-commercial pilots will begin soon. Six technology firms including Huawei, Ericsson, and Nokia have submitted their proposals for trials, and there's no indication of any company being blocked. As the guidelines state, Indian entities involved in research and development, and manufacturing; telecom operators; and academia for the purpose of research and experimentation will be given licences for up to two years. In the meantime, telcos have forged partnerships with equipment manufacturers, including Huawei, for the trials. As 5G spectrum auction terms are being finalised for bidding and commercial rollout, an objective and non-discriminatory decision on Huawei will be the right road to take.

How BJP is delivering on its three promises

The party's continued focus on issues concerning Article 370, Uniform Civil Code and Ram temple ensured that it made progress on these

The Bharatiya Janata Party (BJP) has all but delivered the three goals of its ideology. These are the abolition of Article 370, the Ayodhya issue and a Uniform Civil Code. All three of these demands were negative and sought something from India's Muslims. In Ayodhya, the BJP wanted them to give up their mosque; on the issue of the civil code, it was giving up their personal law; and in Kashmir, it was for Muslims to surrender their constitutional autonomy.

It is because the BJP and its leadership have continually thought of ways to deliver these that they have made substantial progress, if not outright victory on each. There is no better indicator of this than the fact that even some in the Congress backed the adventurism in Kashmir. The Opposition has no real opinion or belief and it is why they, like the rest of us, were caught off-guard.

Having studied the issue, it was concluded by the BJP leadership (by which one means the prime minister and the home minister, because it is apparent that nobody else counts) that though the abolition of Article 370 was tricky if not impossible,

there were ways around it.

Their solution was to hollow out autonomy in a continuation of the way it was done in the 1950s under Jawaharlal Nehru. I cannot think of anyone who anticipated the events in Kashmir or the way in which they were achieved. And this is because, to repeat, only the BJP has continually focussed on its agenda. The rest assumed that things were too complicated, both in the international realm and through constitutional entanglements, for the BJP to make any real progress in Kashmir.

There is not much thought India has given to what Kashmiris are going through in terms of their identity and their everyday lives. They have lived under military rule for three decades, and India is at the bottom of the index of media freedom because for large parts of the year Internet connectivity is cut off in Kashmir. This looking away from the rest of us has helped the Indian state achieve what it wanted to through the jackboot from the 1950s to the developments of recent days. And it is what has helped the BJP deliver on the first of its three political promises.



REPLY TO ALL

AAKAR PATEL

Structural slowdown and home market demand

Many economists are now saying what I have been arguing for some time — the present economic slowdown is structural. It is not caused by a downturn in the business cycle. Therefore, countercyclical policies are not appropriate to address the slowdown.

While this is immediately clarifying for policymakers, a structural slowdown can be variously interpreted depending on one's analytical framework and understanding of the ground situation.

For some, "structural" means that sectors that have contributed to growth in the past face sector-specific impediments. Addressing these would involve sector-level policy interventions, for example, addressing questions of credit access or correcting adverse policies. This is currently the discussion about the automobile sector, for example.

At the macro level, a structural slowdown is typically seen as a supply-side problem. Institutional or other impediments to investment are identified, and corrective actions are undertaken. So, economists advocate factor market (such as land and labour market), financial market (credit or capital market) and regulatory reforms to address the situation. The question of demand deficiency is seen as a cyclical phenomenon.

However, this view has only gathered prominence since the rise to dominance of supply-side economics and has, oddly, persisted even when such dominance has globally withered since 2008. Explicating the structural demand problem is important to address the contemporary India-specific economic situation¹.

I have previously argued² that the Indian economy, since 1991, has grown largely by meeting the consumption demands of the top 10 per cent to 15 per cent of the Indian population. This is reflected in the fact that "leading indicators" of Indian economic growth are largely about what these people consume — automobiles, FMCG, consumer durables, financial services, etc.

Post 1991, there was a shift in relative prices to facilitate this growth. Here's a clarifying illustration. My salary as a young college lecturer in 1988 was ₹36,000 per annum. The cheapest car cost ₹1,50,000 (four years' salary), an air conditioner ₹20,000 (seven

months' salary), and a Bombay-Delhi air ticket ₹3,000 (one month's salary). Today, the same job earns ₹7,50,000 per annum. The same goods can now be purchased with six months', 10 days', and one day's salary, respectively.

This remarkable shift in relative prices fuelled domestic demand. Private investment responded to this spurt. This led to a virtuous cycle of growth with the production structure shifting towards capital-intensive goods consumed by the top 15 per cent. This was buffeted by welfare interventions (like MGNREGS) and a middle-class housing boom, which bolstered construction employment. Exports and agricultural performance, occasionally, complemented domestic demand. High growth expanded fiscal space, which was used to provide universal merit goods and subsidised food, reducing poverty.

This model is unlikely to sustain in the medium term but the current slowdown indicates that its limits seem to have impacted the economy sooner. The demand of the top income deciles is satiating but those earning less (one to three times the minimum wage) are not able to afford the things that the "leading indicators" measure. Sectors that have hitherto been the engine of growth are now plateauing. But investment is depressed because it continues to respond to the demand situation in these sectors.

Other sectors are not picking up the slack despite there being latent demand. This is compounded by poor agricultural performance.

Exports, and increased public investment, are typically proposed to solve a structural demand problem. But India's growth story is not export-led. Exports complement domestic demand but never have been the engine of Indian growth. If this continues, then the structural problem will not go away. Public investment is constrained by limited domestic financial savings. About 65 per cent of the Centre's fiscal deficit is used to finance consumption expenditure. Tax buoyancies cannot realistically be expected to increase sharply when there is a growth slowdown.

Faced with a structural demand problem, the cornerstone of growth policy should be to harness the demand at affordable prices of those earning at



RATHIN ROY

Recollecting a massacre



BOOK REVIEW

UTTARAN DAS GUPTA

From May 14 to 16, 1979, about 10,000 Partition refugees who had settled in the island of Marichjhapi in the Sundarbans were evicted by the West Bengal government, then run by the Communist Party of India (Marxist)-led Left Front. These were people who had crossed over from East Pakistan at the time of Partition or Bangladesh during the 1971 war, and had been packed off by the state government to Dandakaranya

in central India, to refugee settlement camps. But they returned to West Bengal, drawn by the fertile land which they hoped they were able to cultivate.

According to some sources — and they are very few — about 7,000 people died in the eviction drive in which excessive force, including poisoning and rape, was used. There are very few documented histories of this "massacre", often described as one of the worst human rights violations in post-Independence India. The Left Front government not only managed to effectively cut off all flow of information from the besieged island, but also corrupted the investigation and allegedly influenced the judicial process, denying justice to those who were affected. Senior journalist Deep Halder's book is perhaps the first full-length study of this incident in such detail.

Mr Halder has used the tool of oral narratives, which is becoming more and more popular among journalists and historians, especially for documenting atrocities against the disenfranchised. For this

book, he has interviewed nine people, such as activist Jyotirmoy Mondal, who worked with the survivors and provides eyewitness accounts; lawyer Sakya Sen, who challenged the state in court for its overreach; survivor Mana Goldar; and Dalit writer Manoranjan Byapari, who has also written about Marichjhapi in his acclaimed autobiography. The personal narratives are put together to knit a patchwork of the event, documenting the atrocities and the cover-up by the state.

Even before the eviction, the government enforced an economic blockade around the island. Survivor Santosh Sarkar recollects the suffering of the denizens of the island because of food shortage: "Death knocked on our doors... Naked bodies of children were strewn around the bank of Karankhali river as their mothers wailed." Those trying to get

to neighbouring islands to get food would have their boats drowned by the river police; even women were not spared. "Around 9 am, women volunteers from Marichjhapi set out on three boats... Those b*****s in police uniforms... rammed their launches into the boats and drowned all three..." While the Marichjhapi residents managed to save some of the women, others drowned. "...[A] few women were picked up by the policemen... They were taken to the nearest police station,

gangraped for days..."

Some scholars have argued that the Left Front government used such force against the settlers at Marichjhapi because they were mostly Dalit. "Most of Marichjhapi islanders belonged to lower castes and were given the short shift by the Left Front government, which was predominantly upper caste even though it espoused a classless, casteless," writes Mr Halder in the Preface to his book, quoting scholar Annu Jalais who has studied the "massacre" from a Dalit perspective.

Mr Byapari, who also survived the "massacre", later becoming a famous writer, has also made similar claims. "Caste hatred led to Marichjhapi massacre," he tells Mr Halder. "Even in temporary refugee camps... there was caste discrimination. The upper castes didn't want to stay at the same camps as the Namasudras... If the settlers (in Marichjhapis) were Brahmins, Kayasthas and Baidyas, there would have been no action." He minces no

words in his criticism of the then chief minister Jyoti Basu. "He was a *shuorer bachcha*, son of a pig. He was... the chief architect of the massacre."

In the Preface to his book, Mr Halder recounts a personal link of the story: "It came to me as a story through Mana... Mana herself came unannounced as a distant cousin to look after me and tell me stories... Stories from Marichjhapi." Later, while recording Mana's story, he writes: "Marichjhapi remains the reason I took to journalism — to tell stories the powerful want hidden. Marichjhapi is why I decided, early on in my own career, that being critical of power should be a journalist's default setting." This book provides ample evidence that he has remained true to that calling.

BLOOD ISLAND: An Oral History of the Marichjhapi Massacre

Deep Halder
HarperCollins, 176 pages, ₹399 (paperback)

¹ Sukhamoy Chakravarty drew attention to the possibility of a structural demand constraint in 1979 ("On the Question of Home Market and Prospects for Indian Growth", EPW, August; For an analytical exposition see Taylor L and Bacha, E 1976 "A First Growth Model For Belindia", Quarterly Journal of Economics)
² Business Standard: Piketty and the middle income trap (August 9, 2018); A common economic programme for India (May 3, 2019)
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