

Leadership during slowdown

Great CEOs see opportunity even when the general mood is gloomy



HUMAN FACTOR

SHYAMAL MAJUMDAR

Leadership, especially during a downturn, throws up many challenges. One of the lesser discussed impacts of an economic crisis is the psychological toll it often takes on a significant number of employees. Management experts have a name for it: Psychological recession, which is a feeling of economic and psychological vul-

nerability and a growing sense that the employer gives a damn about them.

Studies worldwide have found evidence that a slowdown has significant psychological repercussions on the workforce because of the fear of unemployment, having to work more and salary cuts, leading to anxiety and depression. The cost of such fears can be heavy since even in normal times, distractions consume as much as a third of the average worker's day and sap productivity.

That is when true leadership comes in. Able leaders would make sure that they create an ecosystem to help people break through hopelessness and channel their anxieties into results. That requires engaging with employees more, especially with the talent they need to stay on.

But if history is any guide, many companies prepare too little, too late, and too defensively. A majority of employees say they have not heard from their leaders how their company will be

impacted by the slowdown, leading to harmful gossip that helps nobody. Pink slips may become inevitable in periods of slowdown, but the pain can be reduced if they are done in a way that those who stay back feel those who had to go have been fairly treated.

Great leaders, however, continue to operate in the long term as well as the short term, and maintain focus on people as well as on results so that the company can be positioned for recovery. They focus on maintaining loyalty among high-value customers. Think of examples like Hyundai's Assurance programme, which allowed customers to return cars if they lost their jobs.

One of the most celebrated examples of leadership during a crisis is Honeywell, which experienced a sharp drop in new orders in 2008. There was little room left to cut costs through additional efficiency improvements and the task before CEO Dave Cote was to make

a choice of whether and how to cut the workforce costs. While layoff was the most obvious choice, Cote decided to opt for furloughs (temporary unpaid leave) in the belief that downturns don't last forever and because they instilled a sense of "we're all in this together". The move paid off handsomely as Honeywell was ready for the growth phase with an army of loyal employees.

Companies like Apple have succeeded because they have chosen to act reactively rather than proactively. For example, Apple released its first iPod in 2001 — the same year the US economy experienced a recession, contributing to a sharp drop in the company's total revenue. Its long term focus prompted Apple to keep investing in transforming its product portfolio through constant innovation and increased spending on research. These strategic bets have made Apple what it is today.

Ford's dramatic turnaround following the financial crisis of 2007-08 happened because of one man — Alan Mulally who took over as Ford's CEO in September 2006 at a time when the expectation was that the company would have to file for bankruptcy after a crush-

ing \$12.7 billion loss. By the time Mulally retired in 2014, Ford had achieved an incredible turnaround.

Mulally realised soon enough that Ford had a toxic, macho culture that was ruthless to outsiders, had forgotten its customers, and had an outdated and bloated product lineup of vehicles that fewer and fewer customers wanted. On top of this, it was running out of money.

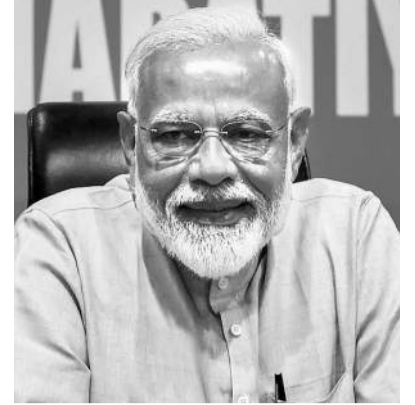
At the centre of Mulally's plan was people. That explained his "One Ford" vision which was to bring suppliers, customers, and even the unions into the fold as partners. He created "One Team" to eliminate pre-existing silos and turf battles, and set up a simplified leadership structure that aligned with his vision to get people to work together across the company as a global team.

In one of his interviews, Mulally summed up his leadership strategy during the crisis beautifully: "All of us want to know that we are doing great things, that we are touching a lot of people, and that what we are doing is something bigger than ourselves."

Any leader who can manage to spread this feeling of togetherness will be a winner.

CHINESE WHISPERS

Eco-friendly campaign



Campaigning for the Haryana Assembly polls is set to begin with Prime Minister Narendra Modi's (pictured) public meeting in Rohtak on September 8. It is being billed as his first eco-friendly public rally where the use of "single-use plastic" would be kept to a minimum. The Bharatiya Janata Party (BJP) flags will be made of cloth. No plastic bottles will be used to carry/distribute water; as many as 10,000 *matkas*, or earthen pots, have been arranged for the purpose. The use of plastic to erect the stage will also be minimal. The BJP won all the 10 Lok Sabha seats in Haryana in the Lok Sabha election and hopes to repeat the performance in the Assembly polls. Modi's rally will mark the culmination of Chief Minister Manohar Lal Khattar's 22-day campaign across the state. Rohtak is the stronghold of Congress leader Bhupinder Singh Hooda.

Basking in wife's glory

Uttar Pradesh minister Sidharth Nath Singh, who has served as the national spokesperson of the Bharatiya Janata Party (BJP) in an earlier stint, has a way with words. He chose to keep the record intact while sharing an anecdote at an MSME conclave in Lucknow. Singh, who recently shifted from the state health to the MSME ministry, said just because he was the head of the state health ministry, people had started prefixing "Dr" to his name. While he wasn't a doctor, the bespectacled Singh observed that he was nonetheless happy to bask in reflected glory. His wife is a physician.

Battle-ready in Bihar

The Assembly polls in Bihar are a year away. There is speculation in Patna and Delhi whether the alliance between the Janata Dal (United), or JD(U), and the Bharatiya Janata Party (BJP) will remain until then. Recent comments by election strategist Prashant Kishor, who is also vice-president of the JD(U), on the National Register of Citizens have further roiled the waters. The BJP's Nityanand Rai, currently a minister of state at the Centre, could be its face for the polls if Kumar were to exit. Sources in the BJP, however, reject the possibility of Kumar walking out of the alliance. On the other side of the spectrum, there is much jousting within the Opposition ranks to be designated the chief ministerial candidate. Leaders like Tejashwi Yadav, Upendra Kushwaha and Jitan Ram Manjhi are all aspirants. On its part, the Congress is playing the wait and watch game.

A link among inequality, conflict and cooperation

In the concluding part of the series, the author explores the variety of reasons why inequality can have serious inefficiency consequences



PRANAB BARDHAN

The link between inequality and crime has often been pointed out both in scholarly and popular discussion. There is empirical confirmation of the association between inequality of visible or conspicuous expenditure and violent crime, as there is also evidence from several countries of a positive relation between income inequality and property crimes and violent crimes like robbery, homicide and murder. A visit to cities like Nairobi, Johannesburg and Rio de Janeiro, to take the cities in three highly unequal countries, often makes it plain even for the most casual observer.

Similarly, the link between inequality and social and political conflicts (and hence, economic disorder and instability) is also often suggested. Here the evidence is more mixed. There are several reasons for this. Firstly, one is not always clear about the nature of conflict one wants to study — conflicts can range from industrial strikes and agitations all the way to violent civil wars. Secondly, for most of these conflicts grievance arising out of economic disparity is not enough; one needs resources, organisation, agency, initiative and leadership to mobilise action that takes the form of conflict, and, more importantly, to sustain it, as the long history of failed rebellions and suppressed popular resent-

ment would testify. Thirdly, when group conflict arises out of inter-group disparity, the measure of disparity that may be more relevant than that of usual inequality is what some scholars measure as polarisation, which takes into account the depth of cleavage or distance between the groups, as well as their size. Fourthly, conflict may originate in the tension that may grow more from the change in the relative income status of two even similar groups rather than the overall level of inequality. Then there is what is called the Tocqueville paradox — in his words: "The hatred that men bear to privilege increases in proportion as privileges become fewer and less considerable, so that democratic passions would seem to burn most fiercely just when they have least fuel".

Just as the evidence on the relation between inequality and conflict is mixed, that between inequality and the obverse of conflict, that is, cooperation (whether in team production efforts, or in resolving disputes in collective action, or in the management of the local commons like forestry, fishery or irrigation water) is also not straightforward. I have a co-edited book, *Inequality, Cooperation, and Environmental Sustainability* (Princeton University Press, 2007) on this subject.

A review of the empirical literature on, for example, the relation between inequality and cooperation in management of water resources for irrigation in developing countries shows the complexity of the relation. There are sometimes important initial set-up costs in an irrigation management regime, which the rich and powerful people in the village often provide or take the leadership in mobilising and sustaining. On the other hand, there is quite a bit of evidence that relative equality helps in the formation and maintenance of water user associations, in the following of

water allocation rules and in the broad-based resolution of water disputes. There is also similar evidence in the community management of forests, fisheries and grazing lands.

The empirical evidence is, however, often deficient in providing sufficiently refined data to discern among varied theoretical hypotheses about norms, bargaining power and perceptions of fairness under situations of inequality. Experimental evidence suggests that people whose fallback positions are very different are less likely to come to agreements than are more equally-situated ones. Also, under inequality, bargaining failures may occur because inequality heightens informational asymmetries among the bargaining partners, or because very unequal offers based on disparities in initial wealth or bargaining power are likely to be perceived as unfair and rejected (as one usually finds in experimental play of what are called "ultimatum games").

It is quite common to observe in the labour market (which is qualitatively different from markets in say, vegetables, as it more directly involves social institutions and norms) that perceived inequality may disrupt norms of individual dignity and autonomy of the worker, and thus affect labour discipline, loyalty, turnover, and ultimately productivity. Looking particularly to the future patterns of work, as the nature of human work is likely to involve more personalised or customised (including care giving) services and more of production and dissemination of knowledge, the role of intrinsic motivation (i.e. when you do something largely for your own satisfaction/esteem not just for external rewards) and of shared norms inherent in these lines of work will be increasingly important — perceived inequality palpably affects these motivations and norms.



ILLUSTRATION: AJAYA KUMAR MOHANTY

It has been widely observed and commented upon that economic inequality enables the rich and the corporate sector to pour resources in the political influence machine to get the system to work in their favour, particularly through lobbying (not just in improving access, but in the US the lobbyists now actually develop and draft the legislation in some cases, and even are put in charge of its implementation) and election finance. This often results in laws and regulations in favour of wealth concentration and perpetuation of plutocratic power and away from efficient outcomes, apart from undermining democracy. Corporate power in lobbying, bribing, election-funding and media-shaping is rampant in many developing countries as well.

Another political mechanism through which inequality can affect efficiency in the delivery of public services is what is called "secession of the rich": Rising inequality is usually associated with the rich opting out of public services and turning to private providers (private schools, nursing homes, gated communities for safety, etc.); this "exit" results in a lowering of the general quality of public services as they lose influential political support ("voice").

Social inequalities also have adverse economic efficiency effects. In countries of acute gender inequality women's edu-

cation, health and work participation suffer, and this has negative consequences not merely for the women themselves, but also for the children that these women bring up. Thus society pays the price of gender inequality across generations.

Similarly, if there are serious inequalities across neighborhoods and localities, a child born in a backward area will have inferior schools, roads and other facilities, and less exposure to good networks, peer groups, and role models in the neighbourhood and other forms of social capital. This has obvious effects on future economic performance of the child.

We have thus considered several reasons why inequality can have serious inefficiency consequences even from the narrow point of view of economists, belying their traditional dogma of equality-efficiency trade-off. Inequality is thus not just ethically distasteful, it can be economically harmful, even ignoring problems of absolute poverty. (Series concluded)

The writer is professor of Graduate School at University of California, Berkeley. His most recent two books are *Awakening Giants, Feet of Clay: Assessing the Economic Rise of China and India*, and *Globalisation, Democracy and Corruption: An Indian Perspective*; the article was first published in the international blog *3 Quarks Daily*

INSIGHT

How the states are doing post GST



HASMUKH ADHIA

The goods and services tax (GST) completed two years recently. It has been the biggest reform of the indirect tax system in India. There were anxieties expressed initially by all the industrialised states like Maharashtra, Tamil Nadu, Gujarat, Karnataka that they would have major shortfalls in their revenue post the implementation of GST. It is now time to look at the data and see which are the states that are losing and which are the states that are facing a shortfall.

We have data available for 2017-18 and 2018-19. The year 2017-18 is not representative because a large amount of the ₹1.76 trillion of IGST was lying undistributed at the end of that year. But in 2018-19, most of the IGST was distributed either by way of regular settlement or provisional settlement. So we can take the figures of 2018-19 to see who is gaining and who is trailing.

First let us understand how the figures for revenue shortfall or revenue surplus were derived for this article. The revenue of 2015-16 of all the states was frozen as the base revenue. On top of that, a yearly increase of 14 per cent was calculated for 2016-17, 2017-18 and 2018-19. This gave us the revenue to be protected in 2018-19 for each state. We deducted from this the SGST earned by the state as well as the IGST settled, both regular and provisional, to arrive at the figure of revenue shortfall or deficit in

terms of percentage of revenue to be protected. The average revenue shortfall of all the states put together was 16 per cent in 2017-18, which came down to 12 per cent in 2018-19.

Here are the headlines from this data analysis. The north-eastern states are the biggest gainers. Mizoram was the biggest gainer, getting 62 per cent more revenue compared to protected revenue. Also Arunachal Pradesh gained a surplus of 58 per cent, Manipur 35 per cent, Nagaland 24 per cent and Sikkim 12 per cent. Apart from the north-east, the only two states that gained a surplus in 2018-19 were Andhra Pradesh at 4 per cent and Telangana 1 per cent. The reason for the gain by the north-east states is that their own tax collection mechanism was weak before GST and hence the revenue base was low. They gained also because they get tax for all the goods imported from other states and consumed locally.

The states that had excessive shortfall in 2018-19 were Puducherry (43 per cent), Punjab (37 per cent), Himachal Pradesh (36 per cent), Uttarakhand (34 per cent), Jammu and Kashmir (27 per cent). These states have some issues with their tax structure that caused this shortfall.

If we look at some of the big industrialised states, the position is not as bad as was expected. The revenue shortfall of Maharashtra was only 4 per cent, that of Tamil Nadu only 5 per cent, West Bengal was 8 per cent only, Gujarat 14 per cent, Haryana 16 per cent, while Telangana and Andhra Pradesh were in surplus. The only surprise in this list was Delhi and Karnataka that had a shortfall of 22 per cent and 20 per cent respectively. The reason why most industrialised states had a minor shortfall is that their

consumption base is large, and they also have a share in the service tax income.

Let us look at the position of some of the big consuming states. Uttar Pradesh has a shortfall of only 6 per cent, Rajasthan 8 per cent, Madhya Pradesh 14 per cent, Jharkhand 14 per cent, Bihar 18 per cent, Odisha 24 per cent, and Chhattisgarh 25 per cent. The expectation that the consumption states would gain post GST has come largely true, except in the case of Orissa and Jharkhand.

There are some common trends observed among states with a large shortfall. These include natural and structural factors such as geographical location, size of the economy, smaller and skewed taxable base and low domestic consumption. For most of these states, the contribution of CST or purchase tax or cesses was very high in the subsumed taxes. The share of CST in subsumed taxes was as high as 29.5 per cent in Uttarakhand, 27 per cent in Puducherry, 14 per cent in Himachal Pradesh as against the national average of 8 per cent. These were therefore the highest shortfall states.

One of the main reasons for the decline in revenue in Punjab was the loss of revenue from agriculture produce. During 2015-16, Punjab got ₹2,000 crore from purchase tax and ₹1,041.75 crore from infrastructure development fee (ID fee) on the procurement of food grains, which was lost post-GST. The revenue under these two heads constitutes about 21 per cent of the protected revenue. Uttarakhand and Himachal Pradesh had industries set up because of central excise exemption, from which the state got huge CST income, which stopped with GST. Also, with no tax exemption,

some of the units may have shifted their production base, thus impacting their revenue further.

One more reason was that the overall growth rate of taxes subsumed during the four-year period prior to the implementation of GST was much lower as compared to the growth rate of 14 per cent which was promised. It was 5.88 per cent in Puducherry, 5.45 per cent in Punjab, 11 per cent in Himachal Pradesh. This indicates the potential to grow revenue was missing prior to GST. And hence the revenue gap is bound to remain if the 14 per cent growth rate is taken for granted. Unless these states buck up their revenue efforts, this gap of 5-10 per cent will remain after the compensation period is over.

Bihar's revenue shortfall is mainly because of the fact that its revenues had grown at the rate of more than 17 per cent in the four years preceding GST which became the base. The revenue pre-GST was high because it had increased VAT on many items to counteract loss of alcohol revenue after prohibition. Also it got a windfall of entry tax after the judgement of the Supreme Court. Odisha and Chhattisgarh might have lost CST revenue on minerals exported to other states.

Of course, the entire shortfall of all the states is being met out of the revenue of approximately ₹1 trillion being collected as compensation cess, which will continue till June 2022. Once the economy picks up, we can expect shortfalls to reduce. A major increase in revenue will come when the new system of filing of tax returns is brought in, in which there will be no possibility of false input tax claims. Even after 2022, the taxes collected as compensation cess will be an additional source of revenue for both the Centre and the states. So we can expect that revenue shortfall will be significantly reduced by then. Some states with large shortfalls will have to put in extra efforts for revenue mobilisation.

The writer is former Union finance and revenue secretary

LETTERS

Leave people free



This refers to "Strong government, weak reform" (SWOT, September 5) by Kanika Datta. India needs a government which gives freedom to people — even freedom from the nationalist rhetoric from Kashmir to Kanyakumari and from Gujarat to Arunachal Pradesh. Is it possible? The answer is yes, provided all the dogmas of so-called glorious history to the Nehruvian thinking are kept in cold storage and the focus is kept on the present times.

The government should be so strong that it has the courage to leave people alone and free. The government should get out of the banking sector, agriculture, aviation and so on so forth completely. That requires courage and India needs such a courageous government. The government should have the courage to pursue policies even if it is defeated in the state as well as the national elections. India needs strong government which helps people feel free.

Chandrashekar G Ranade
Washington DC

PC fails litmus test

This refers to "SC rejects P Chidambaram's plea for anticipatory bail in INX Media case" (September 5). The Supreme Court's refusal to grant the pre-arrest bail to former Union minister P Chidambaram in the INX Media money laundering case, registered by the Enforcement Directorate (ED), could not have come at a worse time. Significantly, the apex court's candid observations — pointing out that "it is not a fit case to grant anticipatory bail (as a matter of right) and that economic offences have to be dealt with differently as it affects economy of the country — speak volumes about the gravity of this case.

As far as the Supreme Court asking Chidambaram, who has held key portfolios such as finance and home during his tenure as minister, to approach the court concerned for grant of regular bail in the case is concerned, his plea is highly unlikely to be accepted by the trial court for obvious reasons. However, one earnestly hopes that the Congress party would now realise the folly of playing the political victim card aimed at gaining some false public sympathy for him.

S Kumar New Delhi

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HAMBONE



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The benchmark problem

RBI's move can have unintended consequences

The Reserve Bank of India (RBI) on Wednesday made it mandatory for all banks to link new floating-rate loans — to retail customers and micro, small and medium enterprises (MSMEs) — to an external benchmark from October 1. The external benchmark could be the policy repo rate, yields on three- and six-month treasury bills, as published by the Financial Benchmarks India Private Ltd (FBIL), or any other benchmark rate published by FBIL. Borrowers with a floating rate loan who are eligible to prepay without pre-payment charges can also switch to the external benchmark. Evidently, the move is aimed at ensuring a better transmission of monetary policy. Theoretically, the RBI diktat should lead to better transmission because banks would be required to reset rates at least once in three months.

However, the move could have unintended consequences. For instance, it may not translate into a big relief for borrowers in the immediate short run. Since banks have rightly been allowed to charge a spread over the benchmark, they would want to cover all risks and costs associated with lending. If the spread is high, though it would reflect the change in the benchmark over time, lending rates could remain at reasonably higher levels. To be sure, the issue of slow transmission is not new. In 2003, the system was moved from the prime lending rate, which was introduced in 1994, to the benchmark prime lending rate. Then in 2010 to the base rate system and, later, to the marginal cost of funds-based lending rate system in 2016. Since internal benchmarks did not help improve transmission as desired, the RBI has now moved to external benchmarks.

However, in the present context, it is important to understand why transmission is weak. The Indian banking system is struggling with high non-performing assets and intends to protect margins. In a competitive environment, with a reduction in the cost of funds, banks should reduce rates to attract borrowers and expand their balance sheets. It is not that banks are making excessive profits by charging higher rates of interest. Poor transmission, therefore, reflects friction and inefficiency in the system. Also, a higher fiscal deficit and a large borrowing by the government affect the transmission of policy rates. The central bank, for instance, did open market operations worth about ₹3 trillion in the last fiscal year to ease liquidity in the system.

Nonetheless, now that the regulator has imposed external benchmarking, the banking sector might face additional pressure, at least in the short term. It is possible that banks will also have to link deposit rates to an external benchmark to protect their interest margins. It is not clear how Indian depositors would react to, say, a reset of fixed deposit rates every three months. The move to an external benchmark will increase interest rate risk for both the customer and banks. There can be situations when policy rates are set high—if banks automatically move up rates in tandem, borrowers can find themselves in serious difficulty. The RBI needs to keep in mind that rates can go both ways. While banks would be in a better position to hedge, risk-averse retail depositors may look for other avenues, such as small saving instruments, which may not allow banks to freely set deposit rates. Consequently, margins can come under pressure and, since the bulk of the banking system is state-owned, it would have fiscal implications. It is not obvious that these unintended consequences have been thought through. A better option would have been to allow banks to freely move to an external benchmark that would have given them the time for necessary adjustments.

Valley of discontent

Normalcy is elusive even a month after Article 370 decision

It has been one month since the government fulfilled a key agenda of the Bharatiya Janata Party (BJP) by abolishing Jammu & Kashmir's (J&K's) special status by reading down Article 370 of the Constitution and bifurcating it into two Union Territories of J&K and Ladakh. In that period, it is fair to say that there has been little sign of the peace and prosperity that the government had promised for the region as a result of these moves. On the contrary, the state continues to be under lockdown, with shortages of food and medicine, curfew, and a communication blackout in place and local leaders under house arrest. On September 4, Union Home Minister Amit Shah promised a group of sarpanches and local businesspeople that communications would be restored in 25 days and the state would pay local fruit growers insurance for their inability to sell their produce.

This is encouraging news, and it is true that the situation is transitory and final judgments on whether the government move will deliver the promised results must wait for normalcy to return. But it is unclear why it should require one more month to restore normalcy for a move that was deemed to be the best thing that happened to the Kashmiri people. In the month since, in fact, J&K bears little resemblance to the visions of sunlit uplands that Mr Shah outlined in his speech in the Rajya Sabha on August 5. The move has undeniably strengthened the BJP's standing within its base in mainland India. In J&K, however, the Article 370 decision has been experienced as unending hardship and the arbitrary arrests of people, including minors, under a highly controversial Public Safety Act. Many of them have been spirited out of the state and incarcerated in jails elsewhere. The presence of the security forces — which has been a reality of the region for the past three decades — has compelled Kashmiris to stay away from schools and places of work even when curfew is lifted for some hours every day. It speaks volumes for the economic outlook of the state that youths from Muslim-dominated areas in the state are rushing to sign up in the army's first recruitment drive since August 5. The much-vaunted "investor summit", which was scheduled for October 31, has been indefinitely postponed, suggesting that the "development" that Mr Shah assured everyone is unlikely to materialise anytime soon.

It was also said that Article 370 was the root of terrorism in the state and the biggest hurdle to normalcy. Ironically, terrorism does not appear to have abated despite the heavy presence of the central security forces. Prime Minister Narendra Modi's diplomatic offensive may have encouraged some prominent world leaders to view J&K as an internal matter but Pakistan appears not to have received that memo. The army is reporting that the Laskhar-e-Taiba appears to be pushing infiltrators into the Valley to carry out terrorist activities, just as it did in years gone by. In the one month since Article 370 became history, the new normal in J&K is little different from the old, in which terrorism remained a perennial threat. Therefore, it is important for the government to take the locals into its confidence and restore normalcy in the Valley. Continuing with the present situation will not only alienate the people of Kashmir but will also affect India's international standing.

ILLUSTRATION: AJAY MOHANTY



Why India should take dissent seriously

A country cannot self-correct if it sees dissent as treason

Powerful nations need to be self-correcting if they are to undo the harm that all nations do to themselves.

The United States was built on two crimes against humanity. The first was the extermination of the native populations of the regions now known as America. The European invasion wiped out 90 per cent of the original inhabitants. The second was slavery, which kept millions in bondage. Slavery ended after horrific violence in which hundreds of thousands of Americans died.

More American soldiers were killed in their civil war fighting one another than all of India's dead in all of our wars, all of our insurgencies and all the wars on Her Majesty's behalf that India's mercenary army fought.

There was no interest for the winning side, the North, led by Abraham Lincoln, but the cause of humanity and the human rights and freedoms of all Americans, no matter their colour. They were sufficiently invested in these to say they could not look away from the suffering of other humans. The military losses in terms of lives were greater for the North but it prevailed because it was backed.

India doesn't have this element of uninterested action taken on behalf of values and humanity. This is observable. The Mumbaikar and the Surti have zero visible interest in what is being done today to

Kashmiri children and women in the name of nationalism. And, of course, what is being done to them today by the Indian state has been going on for three decades.

This is not the sign of a self-correcting nation and there is little pressure on the state in India to stop continuing its practices. The relationship between the Indian citizen and, especially the military arm of the state, is that of a supplicant who must unquestioningly offer devotion and obedience.

This is unhealthy and it prevents the state from properly weighing its choices. Any form of military action India will take, whether against its own people or others, must be applauded.

Some of the most dogged resistance to the Vietnam War, fought 50 years ago, came from young Americans in universities and the actions of celebrities like the great Muhammad Ali.

America lost 50,000 of its soldiers in that lost war, which should never have been prosecuted, but it is fair to say that one reason it finally ended was public opposition to it inside America.

Our history shows that it is difficult for India to exit conflict. Where there is a clean victory (1971) or a clean defeat (1962) it becomes easy to accept or hand out terms. Where there is a draw (1965) the Indian state must depend on external powers to sort out its mess.



AAKAR PATEL

Urban water: A formidable challenge

It is my considered view that problems of urban water are going to prove the most difficult India has faced so far. The number of people living in urban India is expected to grow to around 800 million by 2050. But access to safe drinking water has already become a fearsome challenge for the vast majority.

There are four unique elements of the urban water conundrum. One, the problem of wastewater. In India, cities produce nearly 40,000 million litres of sewage every day and barely 20 per cent of it is treated. Only 33 per cent urban Indians are connected to a piped sewer system and roughly 50 million still defecate in the open. The country has installed capacity to treat only 30 per cent of the excreta it generates. Just two cities, Delhi and Mumbai, which generate around 17 per cent of the country's sewage, have nearly 40 per cent of the country's installed capacity. As a result, many urban stretches of rivers and lakes, as also groundwater, have untreated effluents and sewage dumped into them, which are poisoning sources of water with toxic chemicals and wastes.

Two, the "unaccounted" groundwater. Averaged for 71 cities and towns, groundwater constitutes 48 per cent of water supply. More than half, or 56 per cent, of metropolitan, class-I and class-II cities are dependent on groundwater, either fully or partially. This groundwater has filled out the gaps in public water supply. But it has also led to simultaneous depletion and contamination of aquifers.

Three, the dependence on "distant" water to meet needs of cities, which involves high capital and energy costs. And four, the problem of exclusion. Large parts of cities remain unconnected to the sewage system as they live in "unauthorised" areas. They also get excluded from piped water supply. The good news, however, is that each of these elements also potentially enables us to design new 21st century solutions that can help leapfrog the exorbitant, unsustainable options of the mid-20th century.

The first priority for cities when planning water supply should be the restoration, protection and recharge of their traditional water-bodies. Cities must get funds for water projects only when they have accounted for the water supply from local lakes and

ponds. This would reduce costs of supply from a distance, promote inclusion and preserve the ecology of the city, while also protecting regions whose water, cities are currently poaching on.

Second, the demands of inclusion and sustainability require a groundwater management plan for urban India, sensitive to the diversity of aquifers found in our towns and cities. As a first step in this direction, Himanshu Kulkarni, India's foremost scholar of groundwater and I, have classified 150 key towns and cities into a 6x4 matrix, which captures both the stage of urban expansion (four stages) and their aquifer type (six types). We also show how the strategy to address the problem of urban water would need to be different in each of the 24 cells of this matrix.

Across this diversity, there are some common building blocks: One, identify status of existing groundwater resources through participatory mechanisms; two, demarcate natural recharge and discharge zones, quantify transmissivity and storativity of aquifers and estimate groundwater quality; three, register stakeholders, including users, tanker operators and drilling agencies and their water sources; four, build hydrogeology into waste-disposal, sewage and sullage management and design of sewerage and sewage-treatment systems; five, develop a framework of regulatory norms around urban groundwater use and protection of urban aquifers; six, understand the relationship between aquifer systems and rivers flowing through the city; and seven, develop an institutional structure required for managing the aquifers.

Perhaps, the most important lesson from urban water work is the imperative to tackle water and wastewater together. In most cities, settlements have grown without underground sewerage infrastructure. Fitting in the sewage lines into already built, crowded and haphazard construction is a difficult task. This challenge is compounded by the fact that even where sewerage lines exist, they are already buried, broken or choked. Decentralised, at times even mobile, wastewater management systems can overcome many of these problems by catering to the un-served areas, reducing cost of treatment,

Internal conflicts, which have been going on in some cases for the entire length of independent India's existence, can continue to drag on because there is no pressure on the state to end the killing of civilians and soldiers. Once the magical mantra of "national interest" has been uttered, we must all cower and surrender to it.

The question is: How do nations self-correct? It is clear that from within the state there is not much resistance. The Supreme Court, tasked to be the guardian of the Constitution, has been busy in utterly irrelevant things like the national anthem in cinema halls or damaging ones like the National Register of Citizens. It cannot be relied upon to uphold fundamental rights on principle and I am hardly saying something scandalous. This is visible today. The apex court has been co-opted into this "national security/national interest above all" way of thinking.

There is actually only one way in which nations and especially powerful ones can self-correct. And that is to encourage a diversity of views. The primary reason America can self-correct and India cannot is the first amendment of both nations' constitutions. Theirs insists on absolute freedom of expression and the right to peaceful assembly. Our first amendment takes away these freedoms from the citizens and upholds the rights of the state.

If one doesn't have the freedom to express dissent freely, will that dissent be taken and debated seriously? It will not. This is why we live in a nation where all dissent is treason and where change will continue to be difficult unless externally enforced.

In America, the dissenter is celebrated. He may have his detractors and they might even outnumber his supporters, but he is allowed to speak and to write. We seem to lack the capacity to produce a Noam Chomsky, to promote and publish a Chomsky and to listen to her.

Freethinking gives another advantage to civilised nations and it is economic. Even if one is a hardened and unthinking nationalist, this is one reason to consider being more tolerant.

There is a specific reason India doesn't invent much and it is that Indians are not allowed to explore ideas. Powerful nations have the capacity to harm their own citizens and their neighbours more than weak states. They require maturity and openness and debate to be able to guide their strength in the right direction. India shows little sign that it is able to do this.



WATER: REFORM OR PERISH

MIHIR SHAH

Dalits' Harlem moment



BOOK REVIEW

UTTARAN DAS GUPTA

Early in the book under review, the writer recalls an incident from his childhood when his grandmother, who used to work as a domestic help, took him to the house of her employers. "One day, a curious 10-year-old, I... followed her to see where she worked. She was mortified... [that] I was each individual's caste-consciousness is there, watching her clean a toilet. I suddenly got the urge to pee." Initially hesi-

tant to let him use the toilet she had cleaned, Mr Yengde's grandmother did finally allow him. But, caught in the act both he and his grandmother were subjected to generous abuse by the woman of the house. "This incident brought home to me my beingness as a Dalit," writes Mr Yengde.

A little later, he espouses the central question of the book: "What does it mean to be a living Dalit in today's caste-capitalist India?" For Mr Yengde, India is not yet a nation, but an improvisation, somewhat like a jazz band, held together by nothing more than its Constitution. He quotes Ambedkar to argue that each caste is a nation in itself and the purpose of worked. She was mortified... [that] I was each individual's caste-consciousness is there, watching her clean a toilet. I suddenly got the urge to pee." Initially hesi-

tant to let him use the toilet she had cleaned, Mr Yengde's grandmother did finally allow him. But, caught in the act both he and his grandmother were subjected to generous abuse by the woman of the house. "This incident brought home to me my beingness as a Dalit," writes Mr Yengde.

be oppressed? (This is often the bedrock of the Savarna argument against reservations.) Mr Yengde is a fine example of a Dalit man who has been able to overcome

the handicap of poverty and discrimination to get the best education in the world. But, as with race, matters of caste was more complicated than they seem. "The Dalit lives in no-time," writes Mr Yengde, quoting the philosopher Martin Heidegger.

He is also critical of those Dalit, who, having emerged from their conditions of deprivation, start imitating the lives and rituals of the dominant castes. "The mimicry of the affluent castes is reproduced at every level. Thus, just as Brahmins find an incentive in discriminating amongst themselves based on

sub-caste affiliations, every other caste entangled in the adamant cobweb of the caste system does the same." A little later he focusses his attention on such Dalits:

"Dalit middle-class dreams are yet to mature; for now, they exist in the mimicry of the oppressor Other... The Dalit middle-class, by the virtue of its purchasing power, gets seen and heard more than the struggling working-class Dalit." Mr Yengde is aware that caste exerts its hegemony like syllogism, perpetuating itself through the even unconscious actions of the oppressor and the oppressed.

The final chapter of the book is called "Brahmins and Brahminism"; in it, the writer looks at those Brahmins, such as Jyotirao Phule and Swami Chakradhar,

who gave up their caste privileges to align with the Dalit cause. Having recognised them, however, Mr Yengde writes: "Of these Brahmins, however, very few qualify as revolutionary radicals." He also takes on Brahmin scholars who have built their careers by writing on Dalit issues. "... they have not actively invested in producing another generation of Dalit scholars." He detects that most are suffering from a saviour syndrome. In such an analysis for even the so-called liberal Brahmins: The real work of abolishing caste is not through lip service, but active investment in such issues. This was an important lesson at least for this reader.

CASTE MATTERS

Suraj Yengde

Penguin Viking

Pages: 325; Price: ₹377

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