The sociology of the slowdown



MARGINAL UTILITY

TCA SRINIVASA RAGHAVAN

ere's a hypothesis about the slowdown in two parts that better minds than mine should test: First, the current economic slowdown has its roots more in sociology than in economics; second, it applies only to urban India and, even there, to that subset which can consume things other than food and wage goods in quanti-

ties large enough to make a difference. The number is very tiny: Around 50-70 million people, of whom the self-employed are around 75 per cent.

Meanwhile, urbanisation has resulted in what I call the pre-nuclear family problem, where a full joint family has been replaced by a truncated one. So, collective consumption costs instead of being distributed, have become concentrated.

This is a transition problem that happens in all rapidly urbanising societies. In a fully nuclear family, the income earner is responsible for only the spouse and children. And, more often than not, there are two income earners.

In contrast, in the pre-nuclear family model that we have

in India now, there is usually only one income earner who has to pay the bills for more people than just the spouse and children.

Therefore — and here's my theorem: "Unless income

grows fast enough to outpace price inflation in services, which are in demand because of urbanisation, the consumption of industrially produced things will begin to slow down."

This is what we are witnessing now. It is in this sense

This is what we are witnessing now. It is in this sense that I think it is structural, and not just in the plain vanilla economic one that economists like to worry about. Those economic models, howsoever valid in themselves, are incompletely specified because they do not account for sociological phenomena.

The last economics guy to take sociology into account was Milton Friedman with his permanent income hypothesis in the early 1950s.

He needs a closer look for applicability in India. He had said people consume according to what they think they will earn over a lifetime and that it is changes in permanent expected lifetime income that drive current consumption. This is a crucial insight.

Services inflation

Something like this may have begun to happen in India. But we are clueless about it partly because we don't measure services inflation properly. Not only are the weights in its consumer price index inappropriate, demand elasticities don't seem to be worked in at all, perhaps because it can't be done.

So the price line the urban middle-to-upper income consumer faces is much higher than believed. Thus, annual inflation in services, all taken together, is very high.

Thus, according to the latest CPI, since August 2014 health care costs have grown 30 per cent, "recreation" costs 24 per cent, communication, which includes phones, internet etc, 30 per cent, education 30 per cent, and personal care 23 per cent. Health care and personal care may be an occasional expenses but the rest are continually consumed and inelastic.

So while inflation in the prices of goods may not have been much, for services it has been brutal. Just think of a family of six with four-six mobile phone bills, TV channel subscriptions, bus, metro and taxi fares, school fees, etc. Then there is the domestic help as well.

Had incomes been rising apace, this may not have mattered much. But they are not. In fact, since 2014, average increases in income — for those who still have jobs — have been around 3-5 per cent. And these very people are now paying between 50-55 per cent as some sort of tax.

There are the self-employed, of course, about whom, like the informal sector, official statistics say very little. I think it is they, if anyone at all, who are holding

up consumption.

That, in fact, is the good news because the slowdown is almost entirely due to the salaried persons. As to the so-called informal sector, it doesn't really matter because per

capita incomes there are tiny. What can be done?

We are in a consumption doldrum. Such doldrums happen from time to time. There's nothing "cyclical" or "structural" about them. They are, if anything, the opposite of an artificially induced credit boom of the sort we saw from about 2004 onwards.

The effects of a credit book take a long time to wind down — 2011 to date. When they do they leave the economy gasping. Irving Fisher had analysed this phenomenon back in the 1930s

No one can say how long it will take for the winds to start. Until then the government — which is like a captain on a ship in the doldrums — should be patient and not rush about ridiculously trying to blow wind in the sails.

Notanice mantoknow?

D K Shivakumar's multifarious talents can be put to use by any party



PLAIN POLITICS

ADITI PHADNIS

ongressman Doddalahalli Kempegowda Shivakumar has managed, in a state run by the Bharatiya Janata Party (BJP), to incite protests in several parts of Karnataka after he was arrested by the Enforcement Directorate for alleged money laundering earlier this week.

Ramanagara, Channapatna and the adjoining areas all fall under Shivakumar's assembly constituency, Kanakapura. A bandh was called and all schools have been closed. Stones were thrown on government buses by (presumably) party workers.

So Shivakumar must be both incredibly popular and highly resourceful to be able to evoke such a response from constituents.

The Congress's master strategist is all that and more — so much so that even the Karnataka Chief Minister B S Yediyurappa regretted the fact that he had been arrested. Who is DK Shivakumar?

When he filed his affidavit for the 2018 Karnataka Assembly elections, he and his wife declared assets amounting to₹730 crore. He listed his profession as "social worker". He could have written anything: But in south Karnataka (as elsewhere in India), the currency of power is land and caste. Shivakumar is a Vokkaliga, born into an agricultural family from the same area as H D Deve Gowda, the biggest leader of the Vokkaligas in Karnataka. It was only natural that Deve Gowda should view Shivakumar as a cheeky upstart and for a long time, he did.

Shivakumar has always been in the Congress — since he joined the Youth Congress when he was in college. He was general secretary of the Youth Congress in the state between 1983 and 1985. His first electoral victory was to become a member of the Zilla Panchayat in 1987.

At 25, Shivakumar contested against HD Deve Gowda for the first time in Sathanur in

1985. Not unexpectedly, he lost, albeit by a narrow margin. That, in itself, was not a small feat because Deve Gowda was then a senior minister in the Ramakrishna Hegde government. But Gowda, who had contested from two constituencies, elected to quit Sathanur which Shivakumar contested and won in the by-election and then began a battle with the Deve Gowda family which has changed its look and shape but remained, in essence, exactly what it was: a battle.

Shivakumar contested the 1989 Lok Sabha election from Kanakapura against Deve Gowda and not unexpectedly, lost. Those were the years when Gowda was at the height of his power. But despite his defeats he began building his influence in the rural areas adjoining Bengaluru. At around this time, land prices began rising. Shivakumar also invested in mining and allied business. He contested the 1989 assembly elections as an independent candidate and won. He became the youngest minister in the state just two years later, at the age of 31, where he served as a minister of state under Chief Minister S Bangarappa from 1991 to 1992.

Then came the government led by S M Krishna. He forged a good relationship with Krishna — and is alleged to be involved in some of the Café Coffee Day business with Krishna's late son-in-law, V G Siddhartha. So far, he has been MLA seven times. Along with his business interests, his political hard work (a bit of coercion and oppression also works) has paid off spectacularly.

Shivakumar has used personal wealth to

earn political capital. These stories are well known. The 2002 episode when Maharashtra chief minister and Congress leader, the late Vilasrao Deshmukh had all but lost the government in a no-confidence motion, it was DK Shivakumar, urban development minister in Karnataka at the time, who corralled MLAs and lodged them at the Eagleton Resort (whose walls, if they could speak, would yield many secrets) and led them to Mumbai on the day of the vote. Ahmad Patel won his Rajya Sabha seat from Gujarat on the strength of the efforts put in by Shivakumar to keep 44 MLAs from Guiarat "safe". Later still, he used his business relationships in Hyderabad to ferry MLAs from Bengaluru to a Hyderabad resort, asking chief minister K Chandrasekhar Rao for nothing more than that they be kept safe and secure. That's how Yediyurappa, despite having 104 MLAs out of 224 and being the single largest party in the assembly, was forced to yield space to H D Kumaraswamy and the Congress. In this operation, Shivakumar beat Amit Shah at the game.

The Deve Gowda clan and Shivakumar have never really been friends, only tactical partners. Unlike many others in the Congress, Shivakumar was someone Kumaraswamy thought he could do business with. Hence the loud laments from the Janata Dal (Secular) about the misuse of investigative agencies when Shivakumar was arrested.

What happens now? It is tempting to conclude that Shivakumar's career in politics is over. But he's too useful to too many people. That's where his talent lies.

LUNCH WITH BS ► HARSH MARIWALA | CHAIRMAN, MARICO

Fit and proper

Mariwala talks to Viveat Susan Pinto and Niraj Bhatt about relinquishing day-to-day management to professionals, mentoring entrepreneurs and the activities of Marico Innovation Foundation

he eighth floor office of Harsh Mariwala in the suburb of Santacruz, Mumbai, has little indication of his role as founder of Marico. A small "M" at the rear of the entrance and a nameplate of Marico Innovation Foundation among many other signages are the only giveaways that you are on the right floor. Not the typical Indian promoter, he relinquished his position of managing director when he was 63, handing over the reins of the company to a professional management team, and became non-executive chairman. Five years since, Mariwala says, "It is important to keep reinventing yourself every decade." This need for reinvention has pushed Mariwala to explore new avenues.

Mariwala comes out of his office at the end of a long corridor, and takes us to the dining hall, a few steps from the entrance. He suggests we sit facing the window, which has a clear view of the Mumbai skyline. Coming back to his idea of reinvention, Mariwala says he was conscious that he didn't want to be like "some other promoters" who are not able to let go of control even after giving up running the show. "I didn't want that to happen; it's a recipe for disaster," he adds.

Mariwala and Saugata Gupta, a Marico veteran who was appointed MD and CEO in 2014, drew up a list of what each of them would do and not do in their new roles. Mariwala has abided by the rules that govern the promoter-professional CEO relationship. "I have a clear understanding with Saugata that I will not get involved in the daily running of the business," he says. This wall demarcates media interviews as well. Mariwala shares his views "always" on the macro environment or industry issues, while Gupta speaks about Marico. "I am hands off, but my mind remains on," he says.

Carrot, orange and ginger soup comes first. Mariwala, 69, admits he loves keeping his meals simple, thanks to his passion for health and fitness. The fitness enthusiast tells us he loves hitting the gym every evening after work. Weekends are more relaxed with an hour-anda-half of stretching exercises in the morning, reading, playing golf, and spending time with his grandchildren.

In the early 1970s, after graduating from Mumbai's Sydenham College, Mariwala joined the family business, which was into trading in oil and spices. Bombay Oil Industries was amongst the largest players in its space and the young Mariwala was quick to pick up the ropes. But he knew the company would have to go beyond its trading roots into branded products. The future was there.

Under him, both coconut oil Parachute and edible oil Saffola, part of the consumer products division he started at Bombay Oil, were given an aggressive distribution push. This went on through the 1970s and 1980s, when Mariwala introduced a number of innovations, such as packaging "loose" products and brand building. By the 1990s, Mariwala decided to carve out Marico from Bombay Oil. A new office, an initial public offering (in 1996) and a team of top managers were all there to nurture the founder's dream of becoming a leading home-grown consumer goods company.

In the last three decades, Marico has evolved from a two-product company into a diversified consumer goods player, touching the lives of one in three Indians. The ₹7,334-crore company today has a presence in Asia and Africa and operates in categories such as hair care, skin care, edible oils, healthy foods, male grooming and fabric care.

In 2002, he founded Kaya, a chain of skin clinics that has made dermatological services accessible to a large base of middle-class consumers, under Marico. It is amongst the most popular in its space, with a loyal customer base, having clinics in India and West Asia. Kaya was demerged from Marico in 2013 and listed a year later. Mariwala remains on the board of Kaya.

Relinquishing day-to-day responsibility has allowed Mariwala to devote time to some of his other interests — mentoring entrepreneurs through his not-for-profit foundation Ascent, speaking at industry fora and championing the cause of innovation under the Marico Innovation Foundation. He is also an investor in start-ups through his family office Sharrp Ventures, managed by his son Rishabh, who is also on the board of Marico. His daughter Rajvi runs the Mariwala Health Initiative, a funding agency for mental health initiatives and works with the Marico Innovation Foundation.

The Foundation's flagship biennial event —Marico Innovation Awards — is a show tightly knit and curated, Mariwala explains. "Winners are not only selected after a rigorous exercise, but trained to present their



innovations in an engaging style, almost like

TED events."

"Work on the awards begins months in advance. A lot of effort goes to put up a good show, so there is some takeaway for the audience at the end it," he says as the table is

cleared for vegetable salad with feta dressing. Brendan, the butler, is on cue. The vegetable club sandwiches follow even as we dig into our salads. Mariwala is a quick eater

The "hands-off, mind on" approach at Marico does see Mariwala cover a lot of ground

chairman's and MD's roles been bifurcated clearly at Marico, there is a drop-dead successor to me as well. In the event I cannot execute my role as chairman, I have nominated a member of the board to take over my position. The objective is to ensure that the organisation continues to function no matter what," he says. A

though. As company chairman, he undertakes monthly performance reviews, provides

inputs on strategic direction to the top man-

agement, interacts with new managers during

induction programmes and guides the team

during mergers, acquisitions and key invest-

and not control," he says. "Not only have the

"The whole objective here is to add value

ment decisions.

stickler for good corporate governance, Mariwala says Marico has an "evolved" board. At a time when India Inc is littered with examples of promoter conflicts and boardroom battles, Mariwala's effort to keep things simple stands out. "Too often when there is a conflict I find the warring sides go public with details. Conflicts happen when there are two or more personalities involved. But there has to be a mechanism for conflict resolution.

Going public helps no one," he says.

Abiding by the promoter-professional CEO rule book has meant the number of family members involved in the business are limited. Apart from Mariwala and son Rishabh, cousin Rajen are part of Marico's board. "It is meaningless if you have too many family members crowding out the board. That is not how a professionally-managed company should be run. Central to my role at Marico is ensuring that the board is effective and this is possible when you have great minds who can add value," he says.

Brendan is on his toes again. His boss has finished his meal. Mariwala asks us if we wish to have ice-cream. Still eating our sandwiches, we politely decline. He quips: "I won't have ice-cream, if you don't." He then offers us tea and coffee, with options of regular and green, to which we say yes. In comes a range of green teas and coffees, launched under the Saffola Fittify umbrella. The marketer in Mariwala goes for it. "We have just rolled these out. The flavours are interesting. Why tea? Even coffee is now green," he says. We listen as we try out and appreciate our Moroccan mint green tea and the classic strong green coffee.

Innovation is something that Mariwala takes seriously. The research and development team at Marico, for instance, is constantly working on prototypes of new products, prompting Mariwala to undertake reviews three times in a year. "I love it," he says. "The work they do gives me hope that we are on the right track."

Shakuntala Devi's pumpkin saga



PEOPLE LIKE THEM

GEETANJALI KRISHNA

wery time anyone talks about grey water recycling, I remember Shakuntala Devi and her pumpkins. I met her this summer when I went to her village Beni ka Purwa in Banda. She asked if I minded chatting with her while she plucked some vegetables for lunch. Her kitchen garden was lush and not at all what I expected to see in a region that experiences an annual summer drought, during which almost all the wells, ponds and tube wells dry up. Perhaps a shallow underground aquifer lay beneath her house and garden, I mused. But I was wrong.

A couple of years ago, Shakuntala Devi and her husband had dug a deep channel between their tube well and vegetable patch. "We were wasting so much water while bathing, doing laundry of washing dishes," she told me. "We decided to see if we could use it to water our vegetables." The channel they dug ended up doing more than simply carrying waste water to their vegetable garden. It kept the soil on either side extremely moist. "So we started planting vegetables and flowers along the channel," she explained. "Now, even in the dry summer heat, the soil remains so moist that we hardly ever needed to water it."

Consequently, this year, they had a bumper crop of pumpkins. "Every day we'd find a pumpkin ready to be plucked," she recounted. "We ended up gifting them to all our family and neighbours." Additionally, her jasmine and hibiscus plants are thriving. "I'm one of the lucky few here who can pluck flowers every day to place at the altar of our temple," she said proudly. It's a far cry from earlier, when the couple could only grow vegetables in winter which didn't require much watering. Summer vegetables bottle gourd, bitter gourd and pumpkins of course — had to be bought. Now, Shakuntala Devi's kitchen expenditure has reduced thanks to the plentiful sup-

ply of fresh vegetables from her patch. However, these aren't the only rewards that the couple is reaping from their grey water-irrigated vegetable patch. "Every year, we go through a summer of intense drought when animals, trees and sometimes even people die because of the severe lack of water," she said. "It is in sharp contrast to a time till about 15 years ago when our wells and ponds remained full even in summer." I asked her if she knew why groundwater reserves in the area had dried up. "Everyone has tube wells now," she said. "It seems to me that the more tube wells we construct, the less water there is in them."

She was spot on. Beni ka Purva, like other villages in Banda district, has seen rampant ground water extraction through tube wells. But in the absence of a technologically sound system of recharge, ground water levels have dipped precipitously.

dipped precipitously.

The neighbours and family who received the gift of pumpkins from Shakuntala Devi's garden now have edible proof that grey water can be recycled or reused at home to great effect. It makes me think that we don't necessarily need only large scale, expensive measures to address our water woes. Perhaps Shakuntala Devi's effort — low tech, low cost and, most importantly, eminently replicable — could be a potent weapon against water distress, especially in drought-prone areas like Bundelkhand.

PEOPLE LIKE US

KISHORE SINGH

have several friends with homes in Goa — villa, cottage, apartment or land — that they barely have time for, but it's a competitive thing: If Bittoo has a place there then it's logical that Sweetoo must too. (Pardon the aliases but you don't want to rub your friends, who give you the run of their homes by the seaside, the wrong way.) Everyone knows that the mountains are closer to Delhi than the sea, so, of course, they have a home in the Himalayas — villa cottage, apartment or land - that remains, for most part, neglected. If Dilliwallahs want to own a piece of realestate in Goa, it's because the Mumbaikars got there first. And which true-blue Dilliwallah would allow that

to go unchallenged, which is why there are more *Dilli*-types in Goa than *Mumbaiwallahs* — or, I suspect, Goans.

Of Goans, Dilliwallahs and Gobos

Mumbaiwallahs — or, I suspect, Goans. While I hasten to assure you that my friends and I aren't the sort, your average Dilliwallah-in-Goa is a pain in the neck. They think of all of Goa as some kind of 24x7 rave party. They strew largesse to roller-coaster away resistance, riling the neighbours, annoying the local citizenry and destroying the ambience and peace. When in Goa, I never admit to being from Delhi — though, in truth, the Dilliwallah is just a stand-in for your average north Indian who is just as uncouth in Goa.

My Goa-based friends embody different types. There are those who are residents there, which means they traipse to Mumbai, or Delhi, for occasional, soul-bruising work, but prefer to live in Goa. Mostly, they're writers, designers or consultants, those with flexi-hours and powerful personalities. Others work in the city but return to Goa like seasonal migrants to conduct workshops, or grow vegetables, or run residencies and art camps. Some are drifters who don't pursue any serious career, in Delhi or Goa, preferring to hang out where their fancy takes them. A few have homes that have rarely been opened or aired. And there are those

like us who don't own a home in Goa but have friends who do.

I know some among us who have fashioned a career as permanent guests in Goa. They trade in gossip as fare for board and lodging, traipsing from one casa to another; hostesses take them in to prevent being vilified. Or they woo Goa's outstation residents to be allowed to spend a few days in their villas that stretch to a few weeks or months. They're all right so long as they care for the place and supervise the caretaker and maintain the garden, but are a menace if they invite other friends over who trash the place before moving on to the next sucker's property.

Some are true Gobos, or Goa bohemians — sun chasers who find their pleasure in the alternative life. When they aren't writing screenplays, or blending aromatic essences, they're stretching out for massages, working with villagers, or growing organic produce. They're fickle with their interests, which is why nothing much comes of their efforts, but they're people you can talk endlessly to. I'd like to be a Gobo too but these irrepressibly idyllic people are cultic and belong to a commune. As for choosing between playing host, or being a guest, I'll opt for the latter — even though most of us are viewed as pests.

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WEEKEND RUMINATIONS T N NINAN

'It's the economy, stupid!'

o one can accuse the second Modi government of inaction. If anything, its first 100 days have seen frenetic activity — historic action in Jammu & Kashmir, lots of legislation passed through Parliament, and lots of summitry by the prime minister — Bhutan, G7, the UAE, Russia, etc. Coming up soon is China, after an address to the UN General Assembly. Also worth noting is the critical difference in tone and approach that has resulted from the replacement of the late Arun Jaitley by Amit Shah as No. 2 in the Cabinet.

For all that, one is inclined to go back to Bill Clinton's campaign slogan: "It's the economy, stupid!" Not that the economy has been ignored in these past 100 days, far from it. There is the mega-merger of government banks, the Budget and further opening up to foreign investment, while some of the new legislation is economic in content: Two new labour codes, and an amendment to the bankruptcy law. On its part, the Reserve Bank has announced two rate cuts. Yet, other than the finance minister, the rest of the government in New Delhi seems strangely disengaged with macro-economic policy issues. This is hard to understand when the economy faces an escalating employment problem, a crisis in farming, stagnation in manufacturing, and slack exports.

Mr Clinton's old slogan did nothing more than state the obvious. But sometimes, like today, the obvious needs to be stated. Especially when Mr Modi's latest economic initiatives, like his earlier ones, involve the spending of government money — on handouts for farmers, a government-funded health insurance programme, and the like. With the slow economic tempo undermining tax revenue assumptions for the second year in a row, the money required for these and other programmes may simply not be there.

There are larger ramifications to economic under-performance. In a changing world order where nation-state leviathans seek free rein, the country's external heft flows directly from its strategic projection and the future promise of its markets. If growth stalls, the country is less likely to be viewed in the region and further afield as a natural foil to China, or in economic terms as the next China. Bear in mind that these perceptions lay at the heart of the US' re-engagement with India, beginning with the nuclear initiative under the second President Bush.

If America decides now that India "has been over-sold", as some observers in Washington are beginning to say, there will be a diplomatic cost. India may no longer get carve-outs from sanctions regimes, and other countries may not automatically take India at its word, in the face of Pakistan's protests, on the Kashmir issue. Meanwhile, the defence forces lose out relatively because there isn't enough money for the acquisition of submarines and destroyers while China's navy expands at a frenetic pace and expands its presence in the Indian Ocean. That reduces India's utility as a strategic partner.

On top of this, if our businessmen, ever in search of protective tariff walls, persuade a naturally nationalist government to stay out of the mega-trade deal that is the RCEP (Regional Comprehensive Economic Partnership), then India will have turned its back on the most dynamic part of the world economy. On its part, the government seems to have decided that "Make in India" will work only by aiming at import substitution — which usually translates into higher tariffs. If the history of world trade and economic performance (and India's own policy-making history) says anything at all, it is that this strategy does not work in the long run.

All of this makes it compelling that the key personages in the government, and that includes the prime minister, engage directly and actively to prevent the current downturn from morphing into 1980s-level growth rates. Mr Modi in particular needs to put aside his lack of engagement with macro-economic policy, and develop a coherent understanding of how the different elements of a revival strategy (different from a "package" of announcements) mesh together — and then to stay the course on what is required to be done, because structural issues don't change with the season.

India's most potent weapon loses power

A red-hot economy was India's greatest strategic strength. It's diminishing and damaging India's stature, as reflected in responses to Kashmir crisis

ndia is facing a rising, new strategic threat. It isn't another brigade the Pakistanis moved to the LoC, or another overly dramatised missile test. It isn't even some new incursion by the Chinese.

Three things this new threat isn't. It isn't military, it doesn't come from our traditional adversaries, and it doesn't lurk from across our borders. And here are the three things this new threat is. It is economic, it comes from within, and it threatens to ruin our greatest asset of the past two decades: Global goodwill, the rising "good guy" image in the post-9/11 world, only partly

because of our stability and democracy, but predominantly because of our rising economic strength.

For simplicity of understanding, see it this way: When your economy is growing at 8 per cent or above, it is a case of what you might call saat khoon maaf (you can get away with seven murders). At 7 per cent, it becomes paanch (5) khoon maaf. But once your growth is 5 per cent, you are in a dodgy zone.

This is when a rising global power becomes just another flailing Third World economy with a per capita income in that lowly \$2,000 ballpark (Sri Lanka is twice this).

For about 25 years since economic reforms were launched in the summer of 1991, India had risen to be the favourite of the world, in the West, the East and in the Middle-East. India's unique socio-political attributes, its ability to flourish with its diversity when large parts of the world were struggling with it, democracy, and strategic restraint had enhanced its global stature. It reflected in the support India received during Kargil, Op Parakram after the Parliament attack, and 26/11.

The bigger strength was, however, economic. India was not only the second-fastest growing major economy even in a world growing at express speed, it was grabbing global attention for its rising tech prowess, innovation, friendliness to foreign capital, stable markets, and tax regime. India also drew global admiration for the way it shepherded itself out of the 2008 global downturn.

Over these years, India rose as a moderate, predictable, and stable continent-sized growth island in a turbulent world, a magnet for global portfolio and direct investment. It gave big powers — including China — and their corporations a stake in India's stability and security.

This is how a red-hot economy became India's greatest strategic strength in a period when its military spending lagged and modernisation lost pace

rowing GDP was now more powerful than

all the megatonnage of nuclear weapons. If a big power invested in your sovereign or corporate bonds, the last thing it wanted was to be party to any action or policy that destabilised you. Even for the Chinese, the trade surplus rising up to \$60 billion depended on a booming Indian con-

sumer economy.

NATIONAL INTEREST

SHEKHAR GUPTA

Surely, they sell India a lot of machinery, powergeneration equipment, and engineered goods. But which other economy had the size and hunger to swallow tens of billions of dollars' worth of its lowquality, almost no-tech junk they produce: Toys, slippers, furniture, parasols, gaudy veneers, agarbattis, plastic bangles, trinkets and much other junk that fills the shop shelves in middle and rural India.

This Chinese dependence on India's capacity to import in volumes that no other economy could vic-

ariously became a strategic asset for India as well. Check out, therefore, China's responses when war-like crises rose between India and Pakistan: Kargil (1999), the Parliament attack (2001-02), and 26/11 (2008). Each time, these were qualitatively better and more helpful than lately. Even the 2009 tensions over the Dalai Lama's visit to Tawang, when Manmohan Singh's considerably less muscular government bravely stared down China, were calmed down uneventfully.

For much of the first term of the Modi government, the growth momentum was not only maintained, but accelerated after the 2012-14 stall, India benefited from it, as did Narendra Modi. His image

moderate,

predictable and

stable continent-

a magnet for global

portfolio and direct

and stature rose greatly in the community of global leaders. But he broke his momentum himself with demonetisation. India's economic growth has been downhill since. The big decline has come in the last four quarters

and at this point, nobody is expecting any recovery soon. This is now diminishing and damaging India's global Over these years, stature. And it reflects in many of the India rose as a responses over the abrogation of Article 370. It was indeed a turning point — and provocation — much greater than any from India since the sized growth island launch of the 1971 war. But the first in a turbulent world, indication of this strategic downside of our declining growth had come even before this when US President Donald investment Trump talked casually of mediating between India and Pakistan, in Pakistan Prime Minister Imran Khan's presence.

 \P rump will be Trump, but it is unlikely that he would have taken such a chance if India's economy was vibrant as earlier, his companies were investing and making profits rather than coming to him, complaining about Indian tariffs, and loss of policy predictability. Walmart, Amazon, medical and drug manufacturers, were all crying to him as India made sudden changes to its set policies, including taxation.

Today, a broken Tory government in Britain is talking down to India almost admonishingly on Kashmir, besides acting in a hostile manner at the UN Security Council. Even Tony Blair's Labour had shown greater respect for India in the booming past.

Between 2002 and 2013 there were six prime ministerial visits to India. You did, of course, expect goodwill for India to cut across party lines when an Indian conglomerate (Tata) acquired Jaguar Land Rover (JLR) and Corus for \$14.3 billion and became Britain's largest private-sector employer.

All analysis is ultimately hypothetical, but you can't just toss it because you don't like it. Not when it is based on facts. When Mr Trump sat with Imran at that press conference, in his uncluttered mind, India wasn't a strategic ally, but a pesky trade warrior and irritant. On the pure strategic side, it wasn't willing to annoy China and its interests in Afghanistan conflicted with Mr Trump's.

Some repair work was done at Biarritz last month and a new trade deal can calm things down there. We will know later this month in the UN General Assembly (UNGA) week. The meeting to watch, more than Modi-Trump, will be between Commerce Minister Piyush Goyal and US Trade Representative Robert Lighthizer. And if it does restore some calm, as it probably will, our point about economy and trade being the new megatonnage of strategic clout would be made.

While the situation in Kashmir looks bad today, it isn't the worst ever. We tend to forget even our recent past, especially if it was pre-Google. In 1991-94, popular anger, state response, repression and violence in the Valley were the worst yet. Torture centres flourished, foreign journalists were barred, encounter killings were common. Puniab was on fire, too, with multiple killings daily.

This also coincided with an angry international response and India was friendless. The Soviet Union, our only ally, had just disappeared. America, driven by human rights and non-prolif-

eration groups close to the Bill Clinton administration, were targeting India relentlessly. There wasn't one public event in Washington where a stellar team of Indian diplomats didn't have to field attacks over allegations of mass murder and rape as a military tactic in Kashmir. P V Narasimha Rao was dealing with all this quite mercilessly at home despite being friendless in the

The BJP will give him his welldeserved Bharat Ratna in the course of time, and please do remind me then that I had said so. But maybe not for what remains

his biggest achievement: Showing us how economics is the biggest post-Cold War strategic asset He started economic reform in the summer of 1991, the markets, GDP and trade boomed, and India's friends appeared in unlikely global capitals.

Note the contrast between the first Clinton Administration (which included Assistant Secretary of State Robin Raphel, who questioned the Instrument of Accession) and the second term when Mr Clinton declared that lines on the subcontinent's map could no longer be redrawn with blood. If a fast-growing economy was a decisive strategic asset even in the early 1990s, a slowing one is bound to be a liability in 2019.

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Deep freeze in the Valley



AL FRESCO SUNIL SETHI

n the season of mists and mellow fruitfulness Kashmir has already gone into deep freeze. This is the month when the rich bounty of the Valley's orchards is ready for picking, to be crated and transported over the next few weeks. Kashmir produces about 75 per cent of apples in the country, a crop of 17.5 lakh tonnes that is a keystone of the local economy employing 3.5 million people. This autumn, with few trucks in sight, the fruit harvest—including pears, plums, apricots and cherries — is piling up in the *mandis* of Sopore and Shopian and will soon begin to rot. One example of skewed woeful shortage of cold storages, Maharashtra cabinet has even put barely enough to sustain even a fraction of the perishable produce. for this la-la land scheme.

Governor Satya Pal Malik (or he presides over a union territory?) demonstrating the unbridged grapples for answers and any wiggle room available.. The other day ground reality. Other than the friend from Srinagar on information rice for the apple crop, committing ₹5,000 crore for procuring 50 per cent of the harvest. In the same breath he said 50,000 vacant government posts would be filled in the next few months. Throwing money and jobs at Kashmiris some of it illusory — didn't do much good before August 5, and is less likely to now.

Like Mr Malik, his masters in Delhi are promising industry delegations, investors' meets and a cornucopia of benefits that will gradually transform the Valley into a thriving hub of glamorous tourism and all-round development. A piquant front page story this week reported that the gov-BJP-ruled Maharashtra and Karnataka were planning tourist resorts there, and had asked the Kashmir adminis-

development in the Valley is the tration for land allotments. The down a token payment of ₹2 crore

There are two parallel developshould it be Lt. Governor now that ing narratives on Kashmir, chasm between fantasy and he announced a minimum support political leadership, thousands of Whatsapp two nights ago. A Reporters write their stories on Kashmiris are behind bars, not just in Srinagar but in Agra and Bareilly iails. Some estimates say as many as 4,000 — and they aren't all your stone-pelting, antagonised youth that the security establishment portrays as would-be Burhan Wanis. They include key figures of business and law associations. bankers, entrepreneurs, teachers and civil society leaders. Despite the civil and security administrations' claims that restrictions on communication and mobility are easing in a return to normalcy, it depends on how the new normal is defined. Land lines in some parts of Srinagar (the Civil Lines area) are functioning but dead in the inner city and the districts; attendance in schools is virtually nil and there is panic as Class X and XII board exams approach in October.

and supplies are handed through back doors. Shutters are down in in the basement is packed. At least the main markets. An additional 30,000-strong paramilitary force for hours, to get their turn to has been added in recent weeks to access email via one of the four the nearly 375,000 combined computers tucked in one corner of troops stationed in the Valley.

only have internet for a few min-sible, since at least one is always utes" messaged a photographer occupied by an official of the state returning colleague describes—their laptops, copy them onto a the mood as one of sullen, stiff thumb drive, and then try to civic resistance: "Defiance is not measured by body count alone, if that is the administration's definition of "normalcy" he says. A family friend and long-time resident of Rai Bagh in Srinagar has shut her house to bring her elderly, widowed mother to Delhi. "She was in complete depression. It was unbearable."

One of the most authentic first-hand reports on the "dueling narratives" is published in Nieman Reports this week, the Harvard-based media foundation. by Toufig Rashid, bureau chief for nine years of a leading daily in the state. "Every day," she writes, "journalists gather in the basement of Sarovar Portico, a local hotel designated by the govern-

Shops open for a couple of hours ment as the "media center," to file their reports. The conference hall a 100 journalists wait, sometimes the hall. Most of the time, only "Ask your questions quickly, I two or three computers are accesquickly send them by email to their offices, via agonisingly slow

> internet connections. How can the Kashmir story be accurately pieced together with such an information blockade? "In previous crises," Ms. Rashid notes, reporting was still possible. What's different now is how thorough the crackdown has been."

> What's also different now is no one — neither the political, civil or military establishments can predict how long the lockdown will last or what the fallout might be if some of the punitive curbs are lifted. Given the conflicting narratives of "normalcy" and an untested game plan Kashmir is in deep freeze for an indefinite time.

made any purchase but were refus-

Back to Hindustan Unilever. The colours of Holi being called daags was seen as offensive in the Surf Excel ad. The Hindu girl taking all the hits of the Holi colours to make sure her Muslim friend got to his *namaz* in unspoilt whites was seen to be an attempt to portray that white purity in the Muslim prayer is sacrosanct. Also that namaz is more important than Holi. The biggest objection of course was that the entire "sacrifice" was being made by the Hindu girl. Why could the narrative not have been reversed? The brand's higher "purpose" is quite nicely stated — Agar kuch achha karne mein daag lag jaaye toh daag achhe hain - the moot question is why is Unilever mixing "purpose" with religion and communal sensitivities? Methinks this is a path best avoided, lest "purpose" boomerang like in Gillette

the store manager called the police The writer is an advertising and media veteran

The central 'enemy'

EYE CULTURE

AMOL AGRAWAL

n the recently-held Jackson Hole symposium, the participating central bankers were concerned with proceedings elsewhere. Eggertson of Brown University narrat-Bloomberg article. He noted that when Jerome Powell, chairman of the US Federal Reserve (Fed), was delivering his speech, other central bankers, instead of listening to him, were busy refreshing Twitter to see whether there was a new tweet from President Donald Trump, attacking Mr Powell or the Fed.

Mr Trump did not disappoint. Soon after Mr Powell's speech, he tweeted that the Fed was not doing anything for the economy. He did not stop there and said: "...My only question is, who is our bigger enemy, Jay Powell or Chairman Xi?"

Yes, we are living in unusual times, but how does one reconcile with the idea of a US president openly calling the head of the Fed an enemy of the country? These things may happen in smaller economies with poor governance, but not in the world's largest economy which boasts high governance and well-developed institutions.

This so-called tweetstorm has become a new way for governments to express disappointment with central banks. It has happened in India as well. How can central banks address this matter?

In May this year, the central banks of Ukraine and Poland co-organised a conference. One of the panel discussions was on the following topic: "Central banks vs populists: ignore or fight". It was moderated by Olga Stankova of the International Monetary Fund and the panel included Emma Murphy (Bank of England), Yuriy Gorodnichenko (University of California, Berkeley), Dmytro Sologub (National Bank of Ukraine), and Miroslav Singer (former governor, Czech National Bank).

Ms Stankova started with a fundamental question: What do we mean by populism? The dictionary defines it as "a type of politics that claims to represent the opinions and wishes of ordinary people", which is quite similar to how we understand democracy too. Then the question is: Why should populism be worrisome, because both central banks and the government are supposed to be serving the people? One way to think about this is that people felt betrayed after the 2008 financial crisis. This made them vote for politicians who were offering an alternative set of policies. However, these alternative or populist policies create their own set of problems, such as high and volatile inflation. This is hardly new as Prof. Gorodnichenko said that the fight between guardians of monev (central banks) and governments had been there from time immemorial and

Apart from macroeconomic troubles, populist leaders undermine institutions,

such as the central bank, which undermines their autonomy. This is what we are seeing in the US. Mr Trump is seeking re-election and is blaming the central bank for keeping interest rates high. On the one hand, he says the US economy is ed his experiences in a recent doing very well (and takes credit) and, on the other hand, he seeks support from the Fed. Under such circumstances, how should central bankers respond? Mi Singer opined that central banks should build buffers in good times for crisis and have constant communication with politicians at all levels. He added that in tough times, central banks might be doing things that are not liked by people but have to be done. Ms Murphy and Mr Sologub, both serving their central banks, said in the case of such attacks, one should have a dialogue with the government and, hopefully, there are forums for addressing such issues.

> ple of the German central bank. Deutsche Bundesbank, which had a tremendous reputation. To this, the moderator responded saying Bundesbank and its senior team fought hard with the government before gaining this reputation. This becomes like the chicken-egg question, what comes first, fight or reputation? Prof. Gorodnichenko later added that central banks had to create value for voters and earn their reputations. They could learn communications from politicians themselves, who speak in really simple language to people while explaining policies. The central banks also need to learn from the private sector, which advertises differently for different regions and people. Mr Singer had the final word, hinting that one had to be careful in communications because everyone had money and, thus, an opinion on the topic.

Prof. Gorodnichenko cited an exam-

In all, dealing with the Trump tweetstorm poses a serious dilemma for Mr Powell. If he resigns, the president would nominate a more pliable chief who can ruin the US economy and people will blame him for not doing enough. If he sticks, he will have to face these constant tweetstorms. If the above panel is to be believed, the Fed has to invest seriously in communicating with the people. It has to constantly remind people about its goals and actions. In a way, the Fed has opened up seriously under its new programme "Fed Listens", where the idea is not to just speak but listen to the people. These things take time, but Mr Trump does not have any, leading to another low in the history of the relations between the government and the central bank. Hopefully, Twitter officials are paying attention to how the medium is being used, of all people, by the US president

The author teaches at Ahmedabad University

How 'purpose' can be a double-sword the idol is a Muslim. It all changes ly trolled. Last year, the CloseUp ing raw materials in a sustainable



YES, BUT... SANDEEP GOYAL

ocial media does behave in many strange, and unpredictable, ways. But calls for #BoycottRedLabel last week by Twitterati, that too with unprecevehemence vengeance, for an ad that ran in

2018, exactly a year ago, left many industry watchers utterly puzzled. During Ganesh Chaturthi 2018, tea brand Brooke Bond had released an ad that was supposed to promote inter-religious bonding. In last year's commercial, an old Muslim *murti*-maker was shown helping a young Hindu executive choose the right Ganesha idol for his home. The buyer almost pulls out of the purchase when he realises that the man selling him

after the murti-maker serves him a cup of Red Label Tea. Well, a year later, Twitterati have suddenly remembered the commercial and gone ballistic over it, criticising it for showing the majority Hindu community in a negative light.

For India's bellwether advertiser, Hindustan Unilever, calls

#BoycottHindustanUnilever and #BoycottSurfExcel seem nothing new ever since it changed gears in its creative orientation across its brand portfolio in the past couple of years and started putting out advertising that is supposedly "progressive", "positive", "inclusive" and "secular" ... communication that gives its brands a "purpose" beyond functional and aspirational product promises.

Unilever's father-son Kumbh Mela ad earlier this year also for Brooke Bond Red Label kicked up a veritable storm in a tea-cup; its Surf Excel ad where a young Hindu girl, dressed in a white tshirt, chooses to get stained in Holi colours in order to protect her young Muslim friend who gets to go to the nearby mosque to pray in impeccable whites also got bad-

#FreeToLove campaign on a Hindu-Muslim live-in couple and another on same-sex lovers also ignited a massive mess. So in pushing "purpose" Hindustan Unilever does not seem to be unduly worried about courting controversy. In fact, some would say it seems to be deliberately inviting trouble to make the advertising "famous" and push the envelope on being seen to be 'purpose-driven".

While the Indian subsidiary of Unilever may be defining "purpose" in its own unique and somewhat acrimonious way, if we were to go back in history, in the 1890s. Unilever founder William Lever set the company's "purpose" as "making cleanliness commonplace". In 2010, the consumer goods giant further honed this 'purpose" to better respond to a world that is "starting to exceed its capacity". Under this revised "purpose" of "making sustainable living commonplace", Unilever has three targets to measure its progress against: improving the health and wellbeing of one bil-

lion people, reducing negative

environmental impact and sourc-

way while enhancing livelihood. None of the Indian brand advertising seems to resonate with the global parent's "purpose". Or maybe, we don't understand. Not very long ago, Gillette ran

its famous "We Believe" campaign asking "Is this the best a man can get?". The campaign created not just ripples, but a storm globally, earning the shaving products brand many kudos for propagating a higher "purpose" for itself. But now, just months later, it seems a large part of Gillette's all-male audience got put off by the "attack on men" and distanced itself from the brand. Many in fact seem to be attributing a US\$ 8 billion noncash write-down for Gillette by parent P&G to the after-effects of the higher-purpose ad campaign which in retrospect was perhaps not as smart as it first seemed.

purpose, "To inspire and nurture the human spirit — one person, one cup and one neighborhood at a time" was blown to smithereens when two black men were arrested at a Starbucks in Philadelphia after

Starbucks' global statement of

ing to leave. CEO Kevin Johnson apologized for the racial profiling that had occurred at Starbucks and all Starbucks stores were closed down for a four-hour, in-person training against racial bias. But the damage was already done.

claiming that the men had not Email: sandeep@goyalmail.com