

A prize for evidence-based policy

Econ Nobelists transformed policy evaluation

For the second time in five years, the Royal Swedish Academy of Sciences has awarded the Nobel Memorial Prize in Economic Sciences to researchers in the field of development economics. Angus Deaton, who won in 2015, has been joined this year by Abhijit Banerjee, Esther Duflo, and Michael Kremer. But the three economists this year have a very different approach to Prof. Deaton's, although they look at similar questions of poverty, inequality, and welfare. The latter won for work that uses large survey data sets to make useful but arguable inferences. This year's laureates, on the other hand, have reduced the same questions to smaller, bite-sized pieces about which something certain can be said. The hope is that coming out with more rigorous results will allow for evidence-based policy to take hold in developing economies.

The basic approach is similar to the clinical trials performed in medicine: A randomised group is exposed to the "treatment" of the policy being investigated, and another group is not — they are, in other words, served a policy placebo. Once the policy has been administered, then the effects on the two groups are compared. If it is statistically clear that there is a greater difference in the desired outcome for the experimental group than the control group, then a clear inference can be drawn that it is due to the effects of the policy. Since the two groups were randomly constituted, no other factor is likely to be responsible for a difference in outcomes. This approach is extremely important in contested and ideological fields like development economics, where policies could be attacked for merely enhancing inherent advantages of a particular group, or contrariwise pushed forward in spite of not having any real merit. Randomised control trials (RCT) have, over time, become dominant in the field of development economics — much to the annoyance of "big picture" econometricians and theorists like Prof. Deaton.

The impact of such thinking on the Indian state must be acknowledged. Some influential recent policy innovations in this country, from Aadhaar to reform of the public distribution system, have been pioneered following RCT studies. This Nobel would not, indeed, have been won without the co-operation with the three laureates and others in their field of multiple individuals and agencies of the Indian government at both the Union and state levels. It is easy to see why RCT-based analysis is so appealing in the Indian context. Bureaucrats are inundated with more proposals than they have the time, energy, or resources to implement. Proposals that are accompanied with a clear proof of their worth are, therefore, likely to be prioritised. But it is also true that evidence-based policy-making has not spread as much as it should have. In fact, one common criticism of RCTs is that governments have been reluctant to scale them up. In the education sector in particular, only one or two interventions emerging from RCT studies have been adopted at scale by the Indian bureaucracy. It is to be hoped that the Nobel awards will cause many more in the policy hierarchy to sit up and take note of what the academics have been producing.

UDAY's second rise

State governments will need to reduce subsidies

Successive governments' struggles to price services at market rates are amply demonstrated by the crisis in UDAY, or the Ujwal Discom Assurance Yojana, the 2015 scheme to boost ailing state power distribution companies (discoms). Now into its fifth year, UDAY has proven no more effective than two other attempts to solve the chronic discom debt problem in this century. The cumulative losses of 21 states that adopted UDAY stand at ₹28,639 crore in FY19. To be sure, this is a significant reduction on ₹51,562 crore in FY16, the first year of the scheme, but a massive 88 per cent increase over FY18. First-quarter indications for FY20 suggest that these numbers could get worse.

Ironically, this recent burgeoning of losses is principally on account of the Saubhagya national electrification scheme, which saw discoms getting meters installed in more households but failing to generate bills from them. But as the Reserve Bank of India's report on state finances observes, the debt position of state governments is showing "incipient signs of instability", principally on account of UDAY. The main sticking-point in discoms' deteriorating financial situation is the politics of populism. Discoms typically supply electricity to designated consumers — farmers or rural households — either free or at subsidised rates for which they are compensated from the state exchequer, or through cross subsidies. Since there is usually a lag in this compensation, discoms find themselves saddled with mounting losses.

With the stressed banking sector increasingly unlikely to finance additional loans, UDAY sought to improve on the One-Time Settlement (2003) and the Financial Restructuring Plan (2012) by linking discoms' bailout to tariff increases. State governments were to take over 75 per cent of the discoms' debt and then issue bonds to banks and financial institutions. Since these bonds carry a higher coupon than other state loans, UDAY sought to pressure state governments to eliminate or reduce subsidised tariffs and make the discoms profitable.

Under the agreement with discoms, the difference between the average cost of supply (ACS) and realisable revenue (ARR) was to come down to zero and technical and commercial (AT&C) losses down to 15 per cent. Given that the majority of UDAY states were ruled by the same party as the Centre, this realignment was expected to be seamless. By FY19, however, the ACS-ARR gap stood at ₹0.27 per kWh and AT&C losses at 18 per cent. No surprise, then, by June this year the discom dues to generating companies stood at ₹73,425 crore, an indicator of yet another NPA crisis in the making.

Clearly, the policy of enabling states to borrow to clear discom debt (via UDAY bonds) without penalising the latter for non-performance was untenable. This prompted the power ministry to modify the scheme to UDAY 2.0 in June. The new scheme involved, among other things, making discoms mandatorily open letters of credit to get supplies from power generators (essentially reviving a stipulation in the Electricity Act of 2003), reducing the permissible level of cross-subsidy and imposing a surcharge, at commercial rates of interest, on delayed payments. These are sensible proposals but the proof of their workability is, as always, open to questions. But it is a crisis the country's slowing economy can ill afford.

ILLUSTRATION: AJAY MOHANTY



We said, Xi said...

There is little to be gained from a Sino-Indian summit where competitive rhetoric outpaces the reality

Notwithstanding the gushy media coverage, which even featured the detailed dinner menu, of last week's "informal summit" between Prime Minister Narendra Modi and China's President Xi Jinping at Mamallapuram, this was hardly a breakthrough in the tetchy relations between the two countries. If there was diplomatic success, it lay in New Delhi's forbearance in allowing the summit to take place at all. A country less complaisant towards China might well have called off the summit three days before it happened, when Beijing, after Xi's meeting with Pakistan's Prime Minister Imran Khan, publicly declared that China supported Pakistan's all "core concerns". This amounts to backing Islamabad's claim over all of Jammu & Kashmir (J&K) and, in effect, the abandonment of Beijing's professed neutrality on the Kashmir dispute. New Delhi's placid acceptance of this, without even a strongly worded rebuke, must have signalled to Xi that New Delhi desired the optics of a Modi-Xi summit far more than Beijing did. This would have been confirmed during the summit when Modi silently heard out Xi's account of his meeting with Khan.



BROADSWORD

AJAI SHUKLA

The key achievement of the summit, as prominently advertised by both sides, apparently was that Modi and Xi spent over five hours in one-on-one talks on global affairs, investment and trade, combating terrorism, tourism and people-to-people contacts. Afterwards, Modi talked up the "Chennai Connect" that, he felt, would usher in "a new era" in Sino-Indian ties. Xi declared these were "heart-to-heart" conversations and that he and Modi were "like real friends." However, experience teaches that an exchange of national visions between the leaders of two countries does not naturally pave the path to peace, especially when there exists a deep-rooted strategic rivalry between them. Observers with a sense of history would recall the four-and-a-half hours of documented conversations between Mao Zedong and Jawaharlal Nehru in October 1954 in which the two leaders similarly discussed America's role in the region, the global environment and India's and China's place in it. Yet, eight years later they were at war.

True, New Delhi has little choice but to diplomatically engage an increasingly powerful, wealthy and assertive Beijing. However, it cannot be so distracted by the rhetoric of friendship and fraternity as to miss the fact that, since the first "informal summit" at Wuhan last year, China has done nothing to allay India's key security or economic concerns. The Indian Army has been unable to reduce a single soldier on the borders and our military's deployment posture remains predicated on the possibility of a two-front war. We are no closer to resolving the Sino-Indian border dispute, with the Chinese continuing to stonewall even the first step towards that — which is to exchange maps marked with each side's perceived alignment of the Line of Actual Control (LAC), the de facto border. Recent delegations from influential Chinese think tanks (which accurately reflect Beijing's official stance) have recited to Indian audiences the hackneyed formulation that a border solution "should be left to future generations." The official briefings after Chennai indicate that the Chinese stuck to the

posture remains predicated on the possibility of a two-front war. We are no closer to resolving the Sino-Indian border dispute, with the Chinese continuing to stonewall even the first step towards that — which is to exchange maps marked with each side's perceived alignment of the Line of Actual Control (LAC), the de facto border. Recent delegations from influential Chinese think tanks (which accurately reflect Beijing's official stance) have recited to Indian audiences the hackneyed formulation that a border solution "should be left to future generations." The official briefings after Chennai indicate that the Chinese stuck to the

relocation of labour (Mode 4 of the General Agreement on Trade in Services) and Special and Differential Treatment (S&D). It is high time that we didn't hide behind the logic that we need these because we house the largest number of poor people in the world. This also does not go well with our flagging that we will be a \$5 trillion economy by 2025.

The key to benefiting from a trade deal

Prime Minister Narendra Modi's recent push for India to be in the Regional Comprehensive Economic Partnership (RCEP), despite opposition from his ministries and industry, is a good sign that he realises that India needs to strengthen its global integration, especially with respect to the buoyant Asian economies. The PM also made efforts to improve our bilateral trade relations with key partners, highlighted by his recent visit to the US to strike a trade deal with President Donald Trump. These are all steps in the right direction to boost exports and sustain high and inclusive growth.



JAYANTA ROY

But India cannot benefit from any trade deal — bilateral or plurilateral — without first putting its domestic house in order with urgent unilateral trade liberalisation that began in 1991 and was further strengthened under Atal Bihari Vajpayee. Since the United Progressive Alliance-II, and continuing till now, exports have stagnated as we did not continue with tariff rationalisation, a realistic exchange rate management, and moving away from an archaic trade negotiating strategy that is reactive. Trade and logistics facilitation reforms are another big constraint to rapid growth of exports and foreign direct investment (FDI). But to the credit of PM Modi, considerable reforms were undertaken during his tenure in this particular area, which are reflected in sharp improvements in the rankings of World Bank's Ease of Doing Business, Trading Across Borders and Logistics Performance indicators. Also, the PM's Economic Advisory Council (PMEAC) had brought out a report in October 2018, outlining a clear road map for further reforms in these areas. This is what

we need to do immediately:

Tariff rationalisation: This is the first reform we need to maintain international competitiveness and make industry fully integrated into the global economy. To achieve this, we must have a two-year plan to bring our average tariff levels to single-digit ASEAN levels. Average tariff level in India for non-agriculture sectors is 13.6 per cent, a bit higher with tariff hike in the recent Budget, compared to 5.3 per cent in Malaysia, 7.3 per cent in Thailand and 8.4 per cent in Vietnam. This reduction is a must for not only promoting exports, but to also benefit from RCEP, or any bilateral free-trade agreement (FTA).

Realistic exchange rate: We need to immediately correct the overvaluation of exchange rate over the past few years. This is crucial for reviving the export momentum. I am most surprised that this does not receive as much attention as the push for interest rate cuts.

Trade and logistics facilitation reforms: To the credit of the Central Board of Indirect Taxes and Customs (CBIC), our cargo dwell time in ports and airports has been considerably reduced through adoption of modern risk management systems and automation. So has logistics development under the special wing created in the Ministry of Commerce and Industry. We now just need to complete the reforms clearly outlined in PMEAC report on logistics development.

Trade negotiating strategy: We need to behave like a major global player and take a proactive stance in trade in services, removal of subsidies and non-tariff barriers by not consistently pushing for temporary

same line. With little accommodation in the present, Xi's proposal for a "hundred-year plan" for cementing ties between the two countries only kicks the can so far down the road that it ceases to be visible at all.

New Delhi's economic concerns remain undressed too, primarily its expanding \$53 billion trade deficit with China and misgivings over the terms of the Regional Comprehensive Economic Partnership — a gigantic free trade pact being negotiated between 16 countries that together constitute some 40 per cent of the world's economy. Here, too, the can has been kicked down the road, with a "High-Level Economic and Trade Dialogue Mechanism" being set up to tackle these issues. That this is merely a hastily-applied band-aid was tacitly acknowledged by Foreign Secretary Vijay Gokhale's admission: "It was a brief discussion."

The experience of previous committees warns us to temper expectations. In the realm of border management, the Working Mechanism for Consultation and Coordination on India-China Border Affairs, signed in January 2012; and the Border Defence Cooperation Agreement, signed in October 2013 failed spectacularly to calm the Line of Actual Control (LAC). Instead, there was a three-week-long standoff at Depsang, Ladakh, in April 2013; followed by a 16-day face-off at Chumar, Ladakh, in September 2014; and then the tense 73-day confrontation at Doklam, Bhutan, in June-August 2017. The brief spell of peace on the LAC after Wuhan reverted inexorably to the scattered confrontations of earlier days.

Gokhale told the media that the two leaders did not discuss Kashmir as it is "an internal matter" for India. There was good reason to avoid discussing Kashmir, but it is, in fact, far from an internal matter. China physically occupies about 45,000 square kilometres of J&K state as claimed by India, including 3,000 square kilometres captured in the 1962 war and never returned; and 5,180 square kilometres ceded to China by Pakistan in 1963. If the only J&K issue that remains to be discussed with Pakistan is the return of Pakistan Occupied Kashmir to India, it is hard to justify remaining silent about the return of China Occupied Ladakh.

The concept of "informal summits" seems here to stay, with Modi having already accepted Xi's invitation to come and chat next year in China. However, there is little to be gained from a summit that is reduced to a spectacle and where competitive rhetoric far outpaces the reality. If Modi was reduced to writing poetry, China's envoy to India, Sun Weidong tweeted: "From Wuhan to Chennai, from Yangtze river to Ganges, China and India join hands and stand together. Dragon and Elephant have a tango." Sun should have known that such saccharine descriptors sound patronising to Indians when China and India still stand far apart on so many issues. For a dragon to ever tango with an elephant seems a long way from where we are now.

Connecting with the largest global value chain: A good way to carry forward unilateral trade liberalisation to next generation trade reforms is to start preparing to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) comprising the 11 original members of TPP, excluding the US. They are: Japan, Australia, New Zealand, Brunei, Singapore, Malaysia, Canada, Peru, Chile, Mexico, and Vietnam. The CPTPP will incorporate the original TPP agreement, with suspension of a limited number of provisions. Membership in CPTPP will require achieving gold standard trade policy in elimination of tariffs and other barriers to trade and investment, a WTO + IPR regime and trade in services, adherence to competition policy, trade facilitation, reform of state-owned enterprises, investment policy, and government procurement. Labour and environment policies are also on the agenda, though how far these will be enforced is not yet clear. India does need to move swiftly on most of these policies on its own to fulfill its objective of closely integrating with the largest global value chain to boost exports and create jobs.

Along with the unilateral trade liberalisation policies outlined earlier, these are also the policies the government needs to undertake to fully benefit from RCEP, and other ongoing and proposed bilateral and plurilateral trade deals.

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Of Vedanta & de-risking global finance



BOOK REVIEW

TAMAL BANDYOPADHYAY

There are many books on the global financial crisis triggered by the collapse of US investment bank Lehman Brothers and the lessons learnt from it. But this book, written by someone who has been a central banker for more than a decade, is different from the pack.

Ravi Mishra, currently an executive director of the Reserve Bank of India (RBI), had headed its financial stability unit (set up in the aftermath of the crisis) and was a princi-

pal chief general manager of the risk monitoring department. These assignments have a bearing on his narrative. He has dealt with a very complex subject with relative ease.

Macroprudential regulations are a work in progress but Mr Mishra has raised relevant questions and tried to answer them. The book traces the origin of the crisis, its impact on the global financial system and the long-term consequences. The academic world will definitely find this a useful reference book. The book has four parts: Regulatory reforms after the crisis; how macroprudential policies are being used to manage the systemic risks; the framework of crisis management; and the emerging new world of coordinated international policy-making. An epilogue deals with central banks' potential concerns a decade after the Lehman collapse.

India, which has a predominantly bank-led financial system, has always focused on

the resilience of the system — important in the current context of the unholy nexus among some banks, shadow banks and bankrupt real estate firms that could threaten financial stability. The book describes in detail RBI's early experiments with (a) the investment fluctuation reserve (when banks were making too much money on their bond portfolio with the fall in interest rates early this century, they were asked to create this buffer against rising rates); (b) assignment of risk weights depending on the sensitivity of the sector (jacking up the cost of capital for banks as a disincentive to lend to such sectors); and (c) capping exposure limits to certain sectors.

In 2004, the RBI also started keeping tabs on the interconnectedness of different entities within the financial system. It's another matter that not every entity is respecting this, creating all sorts of problems — the latest crises in cooperative banks and shadow

banking being cases in point.

While regional integration is a systemic process of economic, political and legal synergy and it takes a long time to achieve, Mr Mishra recommends that the lessons learnt from the Eurozone integration can be replicated in other parts of the world to avoid a crisis in future.

Citing the Sanskrit phrase *Vasudhaiva Kutumbakam* (the world is one family) Mr Mishra says Vedanta philosophy should be applicable to financial innovations. How? Human beings are the driving force behind the "family" mentioned in the phrase and they are made of mind, intellect and spirit. The synergy of the three creates energy, which empowers human beings to innovate. As enshrined in Vedantic philosophy, this synergy has to move from micro to macro. Mr Mishra says all nations must explore this synergy and reap the benefits of financial innovations. Globalisation is nothing but an expression of this synergy.

There are many roadblocks to global financial and economic integration. The recent tariff wars between the US and China

is one of them. His theory is: All nations must look for the so-called Pareto-optimal economic integration — that is making some countries better off without hurting others. The need of the hour, according to him, is creating a system to ensure global monetary and financial stability.

He extends this to linking payments systems of different nations, because interoperability will ensure cross-border access to international markets and bring down transaction costs. An international financial infrastructure should be set up for sharing technology platforms and data networks to facilitate payments and settlement of funds. He also supports the need for a global repository of regional statistics. This is easier said than done since the RBI itself believes in data localisation.

Finally, Mr Mishra has also dealt with concept of an international monetary system at length and the versions of top-down and bottom-up frameworks. The International Monetary Fund is losing its relevance in the world of finance because it does not know how to deal with a crisis of international

dimensions even as the World Bank is not designed to handle financial crisis. The time, according to Mr Mishra, is ripe for a "multilateral" international surveillance framework. He quotes from the discourse of Lord Krishna in the *Mahabharata* ("Be like a garland maker, O King, not like a charcoal burner"). Indian mythology also illustrates this.

A garland has flowers of many hues and forms strung together for a pleasing effect while charcoal is the result of burning all kinds of wood and reducing diversity to homogeneous dead matter. The charcoal burner is reductionist and destroys diversity but the garland maker celebrates diversity. Instead of discriminating economies in terms of the powers they wield, Mr Mishra advocates a "common-friend-of-all-but-enemy-to-none" approach. Any takers?

SYSTEMIC RISK AND MACROPRUDENTIAL REGULATIONS: Global Financial Crisis and Thereafter

Ravi N Mishra; Sage, 455 pages, ₹1,445

Opinion

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OUT OF FOCUS

Congress leader Rahul Gandhi

The government took out the money from common man's pockets and handed it to Ambani and Adani. Both Modi and Khattar are working for businessmen and keep deviating your focus from real problems

L-1 has hurt govt & PSUs, so good if CVC reviewing it

In the case of PSUs, abolish L-1 where the market is a competitive one; make it more flexible for govt tenders

GIVEN THERE ARE around 340 central PSUs alone, and possibly 2-3 times as many owned by various state governments, it is clear that even an aggressive privatisation programme can't fix the problem of PSUs rapidly losing value; in which case, reforming the way they are run has to be top priority. While heavily unionised workers, and vast overstaffing is a major reason for the poor performance of PSUs, equally important is the issue of what is called L-1-itis, or the fact that, since PSUs are seen as an arm of the state under Article 12 of the Constitution, they have to issue tenders for most purchases/contracts; indeed, they do not have the freedom to enter into JVs, or other such partnerships. In the case of ONGC, for instance, when it tried to tie up with Brazil's Petrobras and Norway's Statoil, which had deep-sea drilling experience, it was told it needed to float a tender even though the firms were both PSUs; had ONGC been able to do the tie-up, chances are it would have done a better job in the deep waters of the KG Basin. Similarly, one of the reasons for BSNL falling behind in providing mobile phone connections is that, on at least two occasions, its tenders were challenged in court and it had to go in for re-tenders. Given how most of BSNL's competitors, like Bharti Airtel, for instance, have outsourced a large part of their network operations to firms like Siemens and Ericsson, not having such flexibility can cripple the organisation.

This is why it is good news that, as *Hindustan Times* reported, the Central Vigilance Commission (CVC) is relooking the issue of L-1, to make it more responsive. One solution being talked about is to replace the concept of L-1 (the lowest bidder wins) with, for instance, Quality-cum-Cost-based-solution (QCBS) or Quality-Based-Selection (QBS) where, instead of just the lowest bid, the govt/PSU would first choose the firm on the basis of technical parameters and then go in for a price-bid, or only on the basis of a technical evaluation. A Swiss-Challenge could also be adopted where, once a firm has given its techno-commercial bid, this can be thrown open for others to match. These are undoubtedly good suggestions, but as a general rule, as long as PSUs are operating in a competitive environment, ideally, the concept of needing to bid should be done away with. This can be done if Article 12 of the Constitution is modified to say that PSUs which function in a competitive marketplace will not be covered by it since, for them, the ability to respond quickly to market situations is of paramount importance; as for a QBS-type of selection process, if the transaction is large enough, such as an ONGC tie-up with a Petrobras or a Statoil, such a justification will, in any case, have to be made to the company's board.

While many will argue that the change in procedures will result in large corruption, no system is foolproof. In the case of the Delhi airport privatisation bid many years ago, for instance, despite the elaborate procedures, the evaluation of the bid was faulty, and would have favoured one firm; this was stopped after an alert bureaucrat spotted this, and an expert group was set up to relook the post-bid evaluation process. It is important to keep in mind that, while no system is foolproof getting work on time—or even before time—is itself a very big saving given how lengthy delays of even decades in many cases push up costs inordinately; had BSNL been able to increase its mobile-phone capacity on time, for instance, this would probably matter less than if the price-bid was not the most competitive.

Q2 GDP could be worse

In which case, even a 6% FY20 growth could be at risk

GIVEN THE SLUGGISH loan growth, contracting four-wheeler sales and slowing volume momentum in a host of other sectors, it is not altogether surprising that factory output contracted by 1.1% year-on-year (y-o-y) in August. The deterioration was particularly marked in segments such as capital goods, which shrank 21% y-o-y on the back of a 7.2% y-o-y fall in July, and durables, which fell 9.1% y-o-y, reflecting the very anaemic demand partly arising from weak credit flows to many sectors of the economy. As has been pointed out, despite excess liquidity to the tune of ₹200,000 crore in the banking system—the system has been in a surplus for close to five months now—banks are being ultra-cautious while sanctioning loans. They are not to be blamed. For one, much of corporate India is still fairly leveraged, and in the current difficult environment, cash flows aren't improving. Moreover, the quality of corporate balance sheets remains worrying as seen from the daily downgrades by ratings agencies. Indeed, the second NPA cycle has started, and could get exacerbated by weakening commodity cycles, the global slowdown, and also the unhelpful policies relating to the ownership and operatorship of infrastructure assets; as experts have pointed out the IRRs for some infra projects are unremunerative given that prices are below market levels. The fact that state governments have been dishonouring contracts—as has happened with some renewable energy projects—will also hurt banks' portfolios.

The offtake of loans by individuals, too, is slowing because incomes are growing slowly and consumer confidence is low. It is precisely because companies don't see the need to produce when demand isn't picking up that manufacturing is contracting—the August data of a negative 1.2% was the worst in five years. It is hard to see greenfield investments by the private sector picking up meaningfully in the next couple of years, and, as a share of GDP, it could actually fall. That is because capacity utilisation is around 73%, and distressed assets are being bought at attractive valuations via the IBC route. Very few new projects are being announced.

However, existing projects that are stressed or stalled—like in the residential real estate sector—can be revived with relatively small incremental investments. That could then help fuel demand for a range of products and, at the same time, help banks recover their loans. Over a period of time, household savings should move up, and can be used to fund investments. Unless some sectors get an immediate boost, it is hard to see the economy re-bounding. With high frequency data at their lowest levels since 2008, growth in Q2 FY20 could well be lower than the 5% y-o-y clocked in Q1 FY20. That, then, increases the risk of the economy growing at below 6% in 2019-20.

Twitter TAKEOFF

Railways model of Twitter governance can help DGCA tackle errant airlines

WORLDWIDE, FLYERS HAVE found Twitter a convenient platform to air grievances with airlines, and the latter, ever fearful of negative publicity (remember Delta Airlines's woes), have seemed eager to redress these. That said, the Directorate General of Civil Aviation's (DGCA's) plan to harness Twitter to get airlines to serve customers better is going to be a tall ask. The aviation regulator in a meeting on Thursday directed airlines to offer timely redressal of all grievances, warning against laxity. It asked them to provide regular SMS updates of delays and boarding, and said that the airlines need to give drinking water, refreshments and meals to passengers stuck because of delays, in keeping with the Civil Aviation Regulations (CAR). Although DGCA had laid down clear norms under CAR, these have been observed more in breach than in compliance.

While the DGCA started the Airsewa portal, it has not been as successful as awareness regarding the platform has been limited. Twitter governance can ensure better service delivery, but the DGCA needs to come up with the right plan for this. The current proposal, of airline resolving disputes raised on their respective Twitter handles, is not only difficult to track but also impossible to implement. A Railways-style approach can work better. While Railways is the only operator, in this case, the DGCA can ask all complaints to be tagged to the DGCA account. This way, not only would it be able to track requests, it would also be able to account for airline response. And, if it has worked in the case of Railways—the service lists over 20 accounts for complaints besides its official Twitter handle with 4.15 million followers—it can do so for airlines too. More important, what DGCA and airlines need to address is the issue of refunds—ambiguity in CARs with regards to the minimum period for refunds has led to airlines delaying these.

EDUCATION 2.0

ONLINE LEARNING WILL 'MASS-IFY' HIGHER ED, WHICH IS WHAT A \$5-TRN ECONOMY NEEDS. BUT, 35 UNIVERSITIES APPLIED FOR A LICENCE FOR ONLINE COURSES, AND NONE HAS RECEIVED IT

Over-regulation choking online learning potential

ON A RECENT US investor roadshow, a portfolio manager at one of India's largest foreign investors asked us, "How do you get something done in India after everybody important in the government agrees with you?" His rhetorical question is relevant; the gap between India's performance and potential is not a lie, but a disappointment. For example, most policymakers agree that a \$5 trillion economy needs 'mass-ifying' higher education because our farm to non-farm transition is happening to services, not manufacturing. The agreement that some traditional universities do a poor job of balancing cost, quality, scale, and employability triggered a re-examination of a one-size-fits-all education regulation that stifles innovation, and led to lifting a ban on online higher education in July 2018. Yet, not one of the 35 universities that applied has been licensed, and the posture and tone has scared off another 150 eligible universities. This gap between intention and execution must end; it handicaps Indian universities over global ones, holds back expansion of our gross enrollment ratio (GER), and sabotages our \$5-trillion-economy ambition.

As context, the University Grants Commission (UGC) banned online higher distance education in 2015 in the name of consumer protection. Granted, that there were surely some fly-by-night operators, yet drunk driving is not an argument against cars. But, UGC has no jurisdiction over global universities who continued to enroll over 1 million Indian students annually in various courses. The need for reform was recognised, and UGC reviewed its decision in July 2018 by inviting universities to apply for licences. In January 2019, more than 35 applied, but not one has yet received the go-ahead. Besides, immediately issuing online licences, we would like to make a case for six policy changes:

End two separate regulations: Separate regulations for open and distance learning (ODL), and online programmes is unnecessary, complex, and akin to friendly fire. The

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frontiers between ODL and online education are blurring; an on-demand, on-the-go, always-on, modular, and multi-modal education system is where they both are headed. The regulator should evolve a single regulation that sets basic benchmarks, creates a framework for self-governance, and dumps the licence raj by allowing all universities to launch online programmes.

Allow capacity expansion: The monopoly of brick-and-mortar higher education has been challenged by online learning and competency-based education; more and more students are turning to online education to pursue degrees that may have been otherwise—geographically or financially—out of reach. However, UGC's newfound approach to control quality, which allows only universities with a NAAC grade above 3.26 and NIRF Top 100 rank to apply for the licence, places huge amounts of red tape in the way of online learning expansion, and blunts the expansion of GER in the country. Parameters of quality should apply to all formats of education, and not only to online offerings. Blocking universities from launching online programmes murders the multiple statistically independent and genetically diverse tries that lead to innovation, competition, and better value.

Move from regulation to supervision: UGC's online regulations permit universities to launch only those courses which have one batch of graduates—this thwarts innovation, autonomy, and competition. Regulations should focus on providing a framework, and permit universities to think anew, collaborate with industry, and launch new-age student focused, self-

paced subscription models in online education. Universities will, then, not only innovate for fresh students but also for those already in the labour market who would come would bring their aspirations, past experiences, qualifications, and current jobs. Repair and Upgrade need a different thought world than Prepare.

View technology as the medium: Current online regulations require universities to recruit many employees before launching their online programmes. But, advancements in technology, machine learning, artificial intelligence, and bot-based services mean universities can use their existing ecosystems as the academic home for their distance and online courses, and their existing administration teams to manage the online students. This would mean a standard experience for students irrespective of their mode of learning. Leveraging technology shall help optimise student service, improve governance, fix accountability and control costs—the benefits of which will surely be passed on as lower course fees because of competition.

De-regulate admission cycles: The stereotype of a university student as a privileged, 18-year-old, urban male, who will spend three years, full-time, physically at the institution, no longer holds. Today's students are just as likely to be female, older, from rural areas, and studying part-time, concurrent with full-

time work. The line between corporate training and higher education is blurring, and traditional models of provision no longer work for these students. A recent research report suggested that the number of employed-learners is expected to surpass that of traditional learners in the next four years. Clearly, labour market and education outsiders need more flexibility in admission processes, criteria, and deadlines. This needs rolling admissions, and on-demand exams.

Encourage employability: Automation, artificial intelligence, and intangible assets are transforming the employment landscape; nobody can predict the future, but we can make ourselves worthy of it.

Employability is a function of qualifications, work knowledge, experience, job search strategies and signalling value, amplified by networks; $E = (Q + WK + E + JSS + SV)N$. Micheal Spence's Nobel prize winning work on the signalling value of higher education has important implications for recognising apprenticeships as a classroom, having multiple on- and off-ramps, and thinking differently about the regulatory regime for skill universities that focus on employability over build-

ings, and research.

Education, employability, and employment change lives in ways that no subsidy ever can, and India's problem is not jobs, but productivity. De-regulating online education will enable employers, universities, and students to combine apprenticeships, degrees, and learning in ways that are currently banned. The poet Iqbal once said, "Dhoondh koi nahi raah khud ke liye. Kab tak qadeem raahon par chalta rahega?" (Find a new path for yourself; how long will you keep walking on ancient paths?). Time to take his advice in higher education.

LETTERS TO THE EDITOR

Even smog, odd solution

The yearly tradition continues, as smog rules the NCR-skies during early morning & late evening hours, and authorities continue to procrastinate over the matter by forecasting a further spike in PM2.5/PM10 levels over the next few weeks. Instead of distributing anti-pollution masks to combat the falling AQI, it is time that state PCBs take due cognisance of the chronic problem, which persists nearly throughout the winter season every year. It is well-implicated that measures forcing shut-down of power-plants, restrictions on garbage-burning at landfill sites, and use of green crackers throughout the festive season are insufficient to eliminate the impediment. Proactive steps are needed. Authorities ought to steepen the learning curve, and act before the smog-layer thickens. Experiments based on road-rationing scheme for a couple of weeks, with multiple exemptions on offer and lacking collaboration among authorities, cannot work wonders in the long-term. A strong political will, and regular micro-monitoring is needed to prevent the hazard and preserve public-health. A hitherto defensive approach towards the known root-cause has aggravated the problem. Besides imposition of stringent traffic rules, a time-bound plan is also needed to ensure adherence to evolving emission standards, expedite the launch of e-vehicles, and implement a long-term framework. It is time to explore sustainable solutions and educate the rural farmers, instead of expending time towards non-viable activities viz. impounding old vehicles, halting construction projects, generating artificial-rainfall via cloud seeding, or brainstorming on anti-smog guns. — Girish Lalwani, Delhi

Write to us at feletters@expressindia.com

What's on the table in Brexit talks

Even though the two sides haven't yet entered the famed negotiating "tunnel," at least they appear to be struggling toward the light

THERESE RAPHAEL

Bloomberg



NO NEWS CAN be good news sometimes. The logic of past Brexit negotiations suggests that the less we hear about what is happening in intensive Brussels talks, the greater the chance that those talks are getting somewhere. Once the details start to leak and the anonymous briefings start, what is left tends to be dead on arrival.

Yet even with scant details on the new negotiations between the Brits and the EU, or what concessions either side might have made to activate them, it is possible to draw some conclusions about what is being discussed.

First, what it doesn't mean. The quiet luxury wedding venue in Cheshire, where the UK Prime Minister Boris Johnson met with his Irish counterpart Leo Varadkar on Thursday (discovering a "pathway to a possible deal") is a long way from the Justus Lipsius building in Brussels, or wherever the nitty-gritty of any possible Brexit deal might be thrashed out. As my colleague Lionel Laurent wrote on Friday, negotiations don't mean an agreement is a sure thing; there are many degrees of separation between the parties.

Any deal must satisfy three requirements if it is going to fly politically in the UK and the EU. It must let Johnson bring Britain out of the bloc by October 31 or very soon after, as he has promised his supporters. Second, Northern Ireland must be deemed part of the UK customs territory for any future trade deals struck by Britain. Third, an agreement would have to avoid customs checks in Ireland that would threaten either the Good Friday peace settlement or the EU's single market rules.

Once a deal ticks those seemingly contradictory boxes, it must also pass

muster with the Democratic Unionist Party of Northern Ireland. The DUP leader Arlene Foster gets very twitchy about anything that separates Northern Ireland from the rest of the UK. Without her support of any compromise agreement, it will be very difficult for hardline Brexiters in Johnson's ruling Conservative Party to back a deal. That means Johnson would have to rely on Labour MPs if a deal came to a parliamentary vote, although he would be unlikely to put his initials on one without some assurance of support from his own side.

The window in which to sell any agreement would be small. If, as many suspect, Johnson is considering a variation on part of his predecessor Theresa May's maligned Chequers deal—a "customs partnership" with the EU but that includes only Northern Ireland rather than her plan to include the whole of the UK—agreement would be difficult to secure and implementation would be messy. It would also be ironic since Johnson resigned over May's plan and the EU rejected it out of hand.

There is nothing in Johnson's past that suggests he is a slave to his positions, quite the contrary. He is perfectly happy, shamelessly so at times, of changing with the wind if it delivers political victory. By contrast, everything in the DUP's history suggests that it doesn't budge even when the case for doing so is compelling. It says it won't accept Northern Ireland staying in the EU's customs union.

Ireland's own position is delicate too. Any Varadkar concessions would need to be less onerous than the cost to Ireland of accepting no deal. Each side will be doing rapid calculations of whether a deal works better than the ugliest alternatives.

You can see why there has been an 11th hour push, though. If Varadkar and Johnson hadn't found their "pathway," there wouldn't have been much to discuss at next week's EU council meeting other than an extension to the Halloween Brexit date.

That would have been grim for Johnson, who has been forced by his own parliament to seek an extension if he can't strike a deal. For someone who won the Conservative leadership on a promise of leaving on October 31, "no ifs or buts," having to ask for a delay is an unappetising prospect. On the EU side, they had no doubt rather get this done and move on to other things before a new European Commission takes its seat and before a new budget is voted on, especially if they can avoid chucking Dublin under a bus.

Even though the two sides haven't yet entered the famed negotiating "tunnel," where they pore over the draft legal text of an agreement, at least they appear to be struggling toward the light. That doesn't mean they'll get there. But the alternatives of an eternal Brexit process (or no deal) are far darker places. *This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners*

For someone who won the Conservative leadership on a promise of leaving on October 31, "no ifs or buts," having to ask for a delay is an unappetising prospect



SHYAM KUMAR PRASAD

ON SUNDAY, OUR son, Karna, his wife, and our grandson dropped in for dinner. While chatting, conversation about the Economics Nobel Prize this year, and we did some guessing and gossiping about who might get it. Karna predicted that it would go to Abhijit Banerjee, Esther Duflo and Michael Kremer. We all agreed that would be a fantastic choice. The only question was: They are so young (58 years, 46 years and 54 years, respectively); would this happen this year or would we have to wait for a few years more?

It is so rare to get the Nobel prediction right that when I was woken up on Monday morning by journalists calling to get my reaction, and learned that the Prize has just been announced and it has gone to exactly the three names we had talked about the previous evening, I was thrilled.

This is a richly-deserved award. The prize has been given for their work on randomised control trials used in the broad area of poverty eradication and policies for better health and education. Research done by Abhijit, Esther and Michael has transformed the way development economics is practiced nowadays, not just in the US, where they are based, and India and France, where Abhijit and Esther are from, but the world over. The Poverty Action Lab that they founded is active all over the world, from Asia and Africa to Latin America.

Let me give you a sample of some their work which I have used elsewhere. It had long been suspected that there is a connection between the better provision of local public goods and the local government having women leaders. But, we had no idea which way the causality runs. Is it that more progressive villages elect women or women leaders are more effective as policymakers and facilitate the better provision of public goods? Esther Duflo, along with Raghav Chattopadhyay, did an outstanding study of India's decision to reserve some of the leadership of local governments—village panchayats—for women. Since the choice of which seats are to be reserved for women is done by lottery in India since 1993, following a constitutional amendment, this turned out a perfect setting for studying how the election of women leaders could affect economic

KAUSHIK BASU

Professor of Economics, Cornell University, and former chief economist, IMF



● ECONOMICS NOBEL 2019

Fighting poverty: Expertise from experiments

The Nobel for Abhijit Banerjee, Esther Duflo, and Michael Kremer is richly deserved. Banerjee's win should remind India of the importance of fostering scientific thinking

The Royal Swedish Academy of Sciences has decided to award the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2019 to

Abhijit Banerjee
Massachusetts Institute of Technology, Cambridge, USA

Esther Duflo
Massachusetts Institute of Technology, Cambridge, USA

Michael Kremer
Harvard University, Cambridge, USA

"for their experimental approach to alleviating global poverty"

This year's Laureates have introduced a new approach to obtaining reliable answers about the best ways to fight global poverty. In brief, it involves dividing this issue into smaller, more manageable, questions—for example, the most effective interventions for improving educational outcomes or child health. They have shown that these smaller, more precise, questions are often best answered via carefully designed experiments among the people who are most affected.

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well-being in the locality. By studying a massive data-set from West Bengal and Rajasthan, they proved that the provision of local public goods, like water supply, improves in villages where women are elected to lead.

Likewise, Michael Kremer's research, done with Ted Miguel, on what deworming in schools in Kenya could do for child health and absenteeism of school students was quite remarkable. By doing a massive randomised controlled study, they showed that benefits of deworming could be staggering, way beyond the costs of such an intervention. There are many similar and important findings recorded in the book by Abhijit Banerjee and Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*.

It should be mentioned here that, quite apart from the field for which the three of them got the Nobel Prize, they have made important contributions to other areas of economics. Michael Kremer's research on O-rings, which uses an analogy from the space shuttle that occurred when the space disaster, Challenger, crashed in 1986, to explain poverty traps, was pioneering. It is a model that I have used in my own work. Abhijit Banerjee's work on the mathematics of herd behaviour, which he did as a PhD student at Harvard University, is an outstanding piece of research.

Congratulations to all three of them! All three of them are not just great economists, but also wonderful people with genuine commitment to do their bit for a better world.

It is worth pointing out here that since I chair the Jury for the Infosys Prize in the Social Sciences, I feel very happy, personally, that two of the Nobel Prize winners this year won the Infosys Prize even earlier—Abhijit Banerjee and Esther Duflo. (And Michael Kremer, I may add, could not get it because he was not eligible!)

With Abhijit having studied at Kolkata's South Point School, Presidency College and then at JNU in Delhi, India should be proud of his achievement and remind itself of the importance of science and scientific thinking. With the slowdown in India's economic growth, it is important for us to use this prize not just for celebration but to harness the best of science and careful reasoning to policymaking.

● MISSION DRIVEN INNOVATION

Innovative collaboration

MONA KEIJZER

Netherlands' State Secretary for Economic Affairs and Climate Policy



India and Netherlands have been cooperating on innovation for more than a decade

LATER THIS MONTH, India will generously host a State Visit by the King and Queen of the Netherlands, as well as an economic mission and a Tech Summit with the Netherlands comprising four cabinet ministers and more than 200 participants from companies, knowledge institutes and the government. Central to this are two things that will create more win-win opportunities for both countries: joint mission-driven innovation as a way to tackle global challenges and public-private partnerships as a means of finding cost-effective solutions in the areas of water, health and agriculture.

More than a decade ago, India and the Netherlands began to cooperate on innovation, this great driver of sustainable economic growth. Together we started innovating in areas of common interest, such as crop sciences, medical devices for affordable health, smart energy grids, big data and urban water systems. Over the years, we have funded no fewer than 34 research projects, which not only generated new knowledge and economic value, but also brought more safety, health, and opportunities to our communities.

Take the LOTUSHR project, for example. India and the Netherlands implemented a holistic approach to recovering water, energy and nutrients from the 1.6 million liters of waste water produced by New Delhi each day at the Barapullah Drain. In the past, this water would end up untreated in the Yamuna, thereby polluting New Delhi's water source. This new approach reduces water scarcity and treatment costs and complements the Modi Government's Swachh Bharat mission to

clean up India.

Together, India and Netherlands can contribute towards sufficient energy, water, food and health for billions of people, and further schemes like Ayushman Bharat

Key to our work has been public-private partnerships between government, the private sector and academia, an approach pioneered by the Netherlands when the country began transforming into a knowledge economy in the 1980s. Partners from all three domains share knowledge, pool investments and align goals according to long-term roadmaps, which allows all to achieve better and more cost-effective solutions. The

Netherlands ranks highly on the global innovation index and is the world's second-largest agri-food exporter.

Last year, the Netherlands innovated its approach to innovation. Next to focusing innovation on practical, industry-specific solutions, we now focus our innovation policy on a higher purpose. Dubbed mission-driven innovation, we now encourage public-private partnerships to address the global challenges that face mankind. The four social themes that inspire our missions are Energy transition and sustainability, Agriculture, water and food, Health and Healthcare, and Security.

Inspired by these themes, the Netherlands has formulated 25 missions. These missions focus on ensuring a greater and healthy life expectancy, sufficient clean water and safe food, lower greenhouse gas emissions, affordable sustainable energy and a safe Netherlands to live and work in.

In addition to this, we have also identified the key technologies we need to realise our mission. These are among others biotechnology, photonics, nano technology, artificial intelligence and quantum computing. In the coming years, our focus lies on these four themes and the relevant key technologies through multi-year programmes that cover the entire chain from fundamental research to market introductions. Thus, we may also address the societal challenges we share with India along this route.

The State Visit and the Tech Summit will mark the beginning of a new period in which India and the Netherlands will begin work on a new bilateral knowledge and innovation agenda. Together, we can contribute towards sufficient energy, water, food and health for billions of people. For example, we can aim to double farmers' income through sustainable supply chains and provide accessible and affordable healthcare, in line with the Ayushman Bharat scheme.

PMC CRISIS

OF LATE, BANKS in India have been in the news for all the wrong reasons—NPAs, continued deterioration in asset quality, grossly inadequate capital levels, etc.

While the PMC is small compared to the size and reach of most commercial banks, it is still the fifth largest cooperative bank. As of FY19 it had 137 branches, deposits of ₹11,617 crore, advances of ₹8,383 crore, NPAs of 4%, capital adequacy of 12% and a net profit of ₹99.69 crore compared to ₹100.90 crore a year ago. This made PMC seem like a relatively well-run co-operative bank.

After the whistle blower's September 17, 2019 letter, the MD and CEO Joy Thomas wrote a detailed five-page confession to RBI. RBI responding "swiftly and promptly" curbed all activities of PMC Bank and appointed an administrator for six months. It was found that PMC Bank's exposure to the bankrupt Housing Development Infrastructure Ltd (HDIL) was ₹6,226 crore—four times the regulatory cap with the single exposure limit for banks being 15% of capital fund. It was 73% of the banks entire loan book.

In terms of RBI's sweeping restrictions, curbs were placed on fresh lending, accepting fresh deposits and investments. Customers withdrawal was initially capped at ₹1,000 (later raised first to

Way down we go

Commercial banks vis-à-vis cooperative banks are subject to greater regulatory rigors of RBI

MANORANJAN SHARMA

Former general manager, Canara Bank.



₹10,000 and again to ₹25,000) from the Bank, irrespective of the type, total balance or the number of accounts. In the event of emergencies like hospitalisation, etc., the RBI may grant a case-by-case exception, though it is not certain to come through. RBI also sacked the Board and suspended the MD and CEO.

PMC created over 21,000 dummy accounts (mostly of dead account holders), did creative banking and showed large number of project loans and, worst, deliberately delayed computerisation. The FIR shows the modus operandi. HDIL promoters allegedly colluded with the bank management to draw loans from

the Bank's BMC bank branch. Further, PMC had also reportedly granted a personal loan of ₹96.5 crore to HDIL's promoter Sarang Wadhawan. These aspects forced the bank to go down under.

Generally commercial and cooperative banks are seen to be similarly placed but there are several important differences. Considered in a proper historical and comparative perspective, commercial banks vis-à-vis cooperative banks are subject to greater regulatory rigors of RBI; generally, the levels of manpower and operational efficiency are discernibly higher and they are also required to list on the stock exchanges, thereby subjecting them to market discipline.



EXPRESS PHOTO BY GANESH SHIRSEKAR

The genesis of cooperatives can be traced to the formation of the Fenwick Society on March 14, 1761 in Scotland. Cooperative Banks in India have a long history of over 110 years in India. But unfortunately, they seem to be failing more often. The Madhavpura Mercantile Cooperative Bank failure of 2001 because of Ketan Parekh is a case in point.

Historically, the dual control of the state government and RBI has often been identified as an important reason for the mess. No wonder, the number of cooperative banks have steadily declined from 1,926 in 2004 to 1,551 in 2018.

There have been several Committees,

which have attempted to streamline the functions and working of cooperative banks in India, e.g., Satish Marathe Committee (1991), Madhav Rao Committee (1999), N.H. Vishwanathan Working Group on augmenting capital of urban cooperative banks (2005), R Gandhi Working Group on information technology systems in urban cooperative banks (2007-08), VS Das Group on an umbrella organisation for the urban cooperative banking sector (2009), YH Malegam Committee on licensing of new urban cooperative banks (2011), R Gandhi Committee (2015). The R Gandhi Committee recommended, inter alia, an accelerated winding up/merger

process, effective regulation of such banks and meeting the capital needs of urban cooperative banks in a greater measure.

Besides, with deposit insurance limited to ₹1 lakh per bank account, India is among the countries with lowest protection to depositors in the unlikely event of bank failure. While India's DICGC's scheme covers 70% of bank deposits, accounts with less than ₹1 lakh together account for only about 8% of cumulative bank accounts.

Issues of contagion effect, short-termism as against sustained growth, corporate governance and conflict of interest also need to be carefully considered for a comprehensive assessment and perspective. RBI's measures like revamping its regulatory and supervisory structure by creating a specialised cadre of supervisory officers, strengthening its analytical vertical and enhancing onsite supervision, market intelligence and statutory auditor roles for supervision and creating an institutional mechanism for sharing of fraud-related information among urban cooperative banks (UCBs) like Credit Fraud Registry (CFR) for commercial banks are contextually significant.

In the ultimate analysis, given the interplay between cooperative banks and the socio-political system, the issue boils down to greater political will to address the fault-lines in a coordinated and concerted manner with a sense of urgency.



The Indian EXPRESS

FOUNDED BY

RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

EASING POVERTY

2019 Economics Nobel affirms value of evidence-based policy-making in addressing intractable problems

ON MONDAY, THE Royal Swedish Academy of Sciences awarded the 2019 Nobel Prize in Economics to Abhijit Banerjee, Esther Duflo and Michael Kremer for their “experimental approach to alleviating global poverty”, which, it said, has had a clear impact on policies to fight poverty around the world. Among the things that make this moment special is the fact that Banerjee becomes the second Indian to have received the Nobel prize in Economics, and Duflo is only the second woman to have been awarded after Elinor Ostrom in 2009.

Banerjee and Duflo co-founded the Abdul Latif Jameel Poverty Action Lab, which has helped popularise Randomised Control Trials (RCT), a technique of exploration which draws from medical research to examine the impact of policy interventions on individual behaviour through controlled trials. It involves selecting two sets of individuals at random, one of the two is then exposed to a policy intervention. The experiment examines the impact of such interventions, often over long periods of time, to gauge the impact of policy, and whether it justifies the costs associated with it. Drawing on these field experiments to understand the lives of poor, they have examined government interventions to see what works and what doesn't in developing countries. For instance, they found that it was possible to dramatically increase the quality of education in urban India, at a relatively reasonable cost, through remedial education and computer assisted learning programmes. The results of another experiment suggested that multi-topic medical training of informal healthcare providers may offer an effective short-run strategy for improved health care, while another found that most businesses funded by microfinance firms tended not to grow. Banerjee, who has been in favour of shifting to cash transfers, has in the past argued for a universal basic income architecture.

Though RCTs have become widespread in recent times, some are sceptical about over-relying on them. Angus Deaton, who won the 2015 Nobel prize in economics, noted that while RCTs can play a role in building scientific knowledge, they can only do so as part of a cumulative programme. “Small scale, demonstration RCTs are not capable of telling us what would happen if these policies were implemented to scale”, he noted. But, despite the conditional nature of these studies, it is difficult to deny that policy interventions require better understanding to ensure efficient outcomes, especially in countries with limited state capacity and resources. In India, where billions are poured in the name of the poor, often without proper understanding of what works and what doesn't, and where there is little faith in evidence-based policy-making, such research can be enormously valuable in informing public debate.

NO ZERO SUM

India needs to view Nepal-China intimacies with equanimity, work on repairing its own relationships in the neighbourhood

PRESIDENT XI JINPING'S visit to Nepal after the Mamallapuram meeting with Prime Minister Narendra Modi underlines starkly the challenges India faces in its relationship with China, with Nepal, and more generally, with China's deep-pocketed outreach in the entire neighbourhood. In fact, Xi's visit to India was sandwiched between receiving Pakistan Prime Minister Imran Khan, and his Nepal visit. If Delhi has been disturbed at the signals from these engagements around the Mamallapuram summit, it has managed to hide it well. It cannot but know that, as far as Nepal is concerned, the problems are largely self-inflicted.

Xi was the first Chinese President to land in Kathmandu in over two decades, and the visit acknowledged the closeness between the two countries from the last decade, but more so, since 2015. That was when Nepal Communist Party leader Kharga Prasad Oli took office as prime minister. His first term, which lasted barely a year, was dominated by a crippling blockade of the Nepal border at Birgunj from the Indian side. China stepped in at the time to provide fuel and other essentials. Oli was quick to strengthen Nepal's relations with its northern neighbour. He was ousted from office within a year, but much to India's surprise, returned even stronger in an election in early 2018. Modi's three visits, and agreements for more infrastructure projects, including a rail line from Kathmandu to Raxaul at the border, have clearly not persuaded landlocked Nepal that the only friend it needs in the neighbourhood is India.

Xi's generous assistance to Nepal of USD 495 million was of a piece with the style with which China makes friends with India's neighbours. There is to be a feasibility study on a trans-Himalayan train link between the two countries, and a road link from Kathmandu to Kerung, on Nepal's border with Tibet, as part of the Belt and Road Initiative. Both connections will increase Nepal's access to the Chinese economy. To the extent that this pushes up the possibility of Chinese goods flooding India through Nepal, Delhi should be concerned. But it must also come to terms with the reality that there can be no zero sum games in foreign policy. Viewing relations with neighbouring countries only through the prism of India's security has its limits. As the region's largest economy, India needs to find better ways to make friends with its neighbours, and retain these friendships.

MARTIN'S LAMENT

Scorsese criticises superhero films, points to a trend: The story comes second to VFX

THE LATEST RE-IMAGINING of a classic superhero character, *Joker*, is heavily inspired by a Martin Scorsese classic, *The Kings of Comedy* (1983). Scorsese, one of the most successful and respected directors today, though, has scant regard for films based on comic books, especially the “summer blockbusters” that Marvel and DC churn out every year. He has remarked that these films were “not cinema”, blamed them for turning the theatre into an “amusement park” and said they were “invading” the public imagination, crowding out art that explores human complexity.

While Scorsese's lament has, predictably, caused much chagrin among superhero movie producers and fans, it is worth taking his criticism seriously. The audiovisual is arguably the most widely-consumed and accessible form of public art. It shapes public conversations and opens up worlds. Unidimensional characters, and fairly formulaic plots have come to dominate the big screen in the US, as have remakes. Original writing — the story — seems to be coming in second to VFX extravaganzas for an attention-deficit audience. And while the case has been made that the plethora of choice allows all forms of cinema to find their audience, big distributors for big films crowd out other films. Scorsese's point, really, is that character-driven cinema need not be pushed to the sidelines.

In his polemic against the superhero, Scorsese did make a confession: He wasn't able to watch all the important films in the genre. If he had, perhaps he would have realised that over the last two decades, these films, too, have evolved. The generation that watched the first *Spiderman* (2002), is now looking for its characters to grow. Or, maybe Scorsese is right, it's time for new stories, and for the security blanket of childhood comforts to be relegated to nostalgia. In the end, though, Samuel Jackson, a staple in superhero movies who has also worked with Scorsese, put it best: “Everybody's got an opinion, so I mean it's okay. Ain't going to stop nobody from making movies.”

An economics for the poor

Banerjee, Duflo and Kremer introduced a paradigm shift in approach to alleviating poverty



HIMANSHU

THE NOBEL Prize in Economics for 2019 has been awarded to Abhijit Banerjee, Esther Duflo and Michael Kremer for “their experimental approach to alleviating global poverty”. The approach, popularly known as Randomised Control Trial (RCT), has been the buzzword among development economists for almost two decades. Banerjee, Duflo and Kremer have used this technique (inspired by the use of RCTs in medical science) to test the effect of small interventions on individual behaviour.

Most of these interventions carried out under the aegis of Abdul Latif Jameel Poverty Action Lab (J-PAL), co-founded by Banerjee and Duflo, in Africa and Asia, have produced evidence on the response to a particular intervention by the poor using these randomised trials. The approach basically examines the impact of these micro interventions by treating one set of individuals/households and comparing the outcome with another set of individuals/households, which are similar in all other respects but have not been treated with the intervention. India has been among the biggest laboratories of these experiments with several experiments on diverse themes such as literacy, nutrition, health, micro-finance and so on.

The RCT approach has its share of supporters as well as critics. While it has enunciated a large number of development economists for its simplicity, where inferences on what works or not are drawn from field experiments, it has also been criticised for reducing the study of poverty to small interventions unconnected to the lived experiences of the poor. The discomfort among many established scholars is that this fashionable trend has made the historical, institutional and social structures of the persistence of poverty less relevant to understanding why the poor continue to remain poor. Others have picked holes in the methodology. However, it has not deterred development economists from using this ap-

proach for designing experiments and conducting them to understand how the lives of poor people change as a result of these micro interventions. There have been questions about whether the results can be replicated in different societies, as well as on the ethics of some of the experiments, which have been conducted in collaboration with participating governments. It is also worth pointing out that the method is as good as the range of interventions that can be undertaken.

While critics may have been unfair to RCTs in some respects while correctly pointing out the pitfalls in an RCT-based approach, there is no denying that all the three scholars have contributed a great deal to putting poverty and development economics back on the agenda of economics. Newer methods and approaches are necessary for the discipline struggling to find relevance in an increasingly complex world, which is as much defined by the microeconomics of small interventions as well as the macroeconomics of development such as government policy and structures of production. As Angus Deaton (Nobel Prize winner of 2015) says: “RCTs can play a role in building scientific knowledge and useful predictions but they can only do so as part of a cumulative programme, combining with other methods, including conceptual and theoretical development, to discover not ‘what works’, but ‘why things work’”.

RCT has become almost like a movement, encouraging many young economists (sometimes called “randomists”) to visit rural areas and observe the lives of the poor. It may not have had any credible and long lasting impact on the lives of researchers and the population studied, but the fact that so many young economists are immersing themselves in the lives of the poor and trying to understand poverty is itself an achievement. More so at a time when economics has often been criticised for being far removed from reality.

The other achievement, although not

necessarily for the better, has been the attempt to give scientific colour to the discipline of economics through the use of evidence generated from these experiments. It certainly has convinced many governments to use facts and evidence in policy prescriptions and induced a degree of caution while introducing new interventions. Even in India, there is evidence of RCTs contributing to improvements in financial management and flow of funds for various government programmes including in the field of education.

While it would have been good if RCTs could predict the effects of demonetisation on the lives of the poor, it is also a reality that most such decisions are not contingent on evidence based on hard facts but on the whims and fancies of the government of the day. Despite the tentative nature of much of this evidence, there is no denying that policy interventions do require better facts and evidence for efficient outcomes. This is true not only for evidence generated by RCTs, but also data generated by our statistical systems including the National Sample Survey (NSS).

Incidentally, both Kremer and Banerjee did their PhD work at Harvard University. Banerjee had completed his MA in economics from the Centre for Economic Studies and Planning (CESP), JNU, before proceeding to Harvard for doctoral studies. Banerjee supervised Duflo's doctoral work at MIT. While both Banerjee and Duflo remain engaged with research in India, Kremer was one of the first to use these experimental methods and look at micro-interventions to examine their impact on poverty. The Nobel recognition will hopefully encourage more rigorous work on some of the long-standing problems of development economics, including on poverty and social mobility. Hopefully, it will spur our own government to take data and evidence more seriously.

The writer teaches economics at JNU

While it would have been good if RCTs could predict the effects of demonetisation on the lives of the poor, it is also a reality that most such decisions are not contingent on evidence based on hard facts but on the whims and fancies of the government of the day. Despite the tentative nature of much of this evidence, there is no denying that policy interventions do require better facts and evidence for efficient outcomes.



KAUSHIK BASU

LAST NIGHT OUR son, Karna, his wife and grandson dropped in for dinner. While chatting, conversation drifted to the Economics Nobel Prize this year, and we did some guessing and gossiping about who might get it. Karna predicted it would go to Abhijit Banerjee, Esther Duflo and Michael Kremer. We all agreed that would be a fantastic choice. The only question was, they are so young (58 years, 46 years and 54 years, respectively), would this happen this year would we have to wait for a few more years.

It is so rare to get the Nobel prediction right that when I got woken up this morning by journalists calling to get my reaction and learned that the prize has just been announced and it has gone to exactly the three names we talked about the previous evening, I was thrilled.

This is a richly-deserved award. The prize has been given for their work on randomised control trials used in the broad area of poverty eradication and policies for better health and education. Research done by Abhijit, Esther and Michael has transformed the way development economics is practised nowadays, not just in United States, where they are based, and India and France, where Abhijit and Esther are from, but the world over. The Poverty Action Lab that they founded is active all over the world, from Asia and Africa to Latin America.

Let me give you a sample of some of their work which I have used elsewhere. It had long been suspected that there is a connection between the better provision of local

TIME FOR INDIA TO CELEBRATE

It is important to use Nobel to harness the best of science, reasoning to policymaking

public goods and the local government having women leaders. But we had no idea which way the causality runs. Is it that more progressive villages elect women, or that women leaders are more effective as policymakers and facilitate the better provision of public goods? Esther Duflo, along with Raghav Chattopadhyay, did an outstanding study of India's decision to reserve some of the leadership of local governments — village panchayats — for women. Since the choice of which seats are to be reserved for women is done by lottery in India, since 1993, following a constitutional amendment, this turned out to be a perfect setting for studying how the election of women leaders could affect economic well-being in the locality. By studying a massive data set from West Bengal and Rajasthan, they proved that the provision of local public goods, like water supply, improves in statistically significant ways in villages where women are elected to lead.

Likewise, Michael Kremer's research, done with Ted Miguel, on what de-worming in schools in Kenya could do for child health and absenteeism of school students was quite remarkable. By doing a massive randomised controlled study, they showed that benefits of deworming could be staggering, way beyond the costs of such an intervention. There are many similar and important findings recorded in the book by Abhijit Banerjee and Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. It should be mentioned here that quite

apart from the field for which the three of them got the Nobel, they have made important contributions to other areas of economics. Michael Kremer's research on O-rings, which uses an analogy from the disaster that occurred when the space shuttle, Challenger, crashed in 1986, to explain poverty traps was pioneering. It is a model that I have used in my own work. Abhijit Banerjee's work on the mathematics of herd behavior, which he did as a PhD student at Harvard University, is an outstanding piece of research.

Congratulations to all three of them. All three are great economists but also wonderful people with genuine commitment to do their bit for a better world. It is worth pointing out here that since I chair the jury for the Infosys Prize in the Social Sciences, I feel very happy personally that two of the Nobel Prize winners this year won the Infosys Prize even earlier — Abhijit Banerjee and Esther Duflo.

With Abhijit having studied at Kolkata's South Point School, Presidency College and then at JNU in Delhi, India should be proud of his achievement and remind itself of the importance of science and scientific thinking. With the slowdown in India's economic growth it is important for us to use this prize not just for celebration but to harness the best of science and careful reasoning to policymaking.

The writer is C Marks Professor at Cornell University and former chief economist and senior vice president, World Bank



OCTOBER 15, 1979, FORTY YEARS AGO

MILL STRIKE OFF
WORKERS OF THE Ayodhya Textile Mill decided to call off their 110-day-old strike from the morning of October 15 following an agreement with the owner of the mill, the National Textile Corporation. Out of 24,000 striking workers of five textile mills in the national capital, about 3,100 belong to the Ayodhya mill. The remaining workers are employed in three mills of the DCM group and one mill of the Birlas. The action committee of the textile unions, which has been leading the agitation, said that the indefinite strike will continue in all the four mills till the managements accept its demands.

CASTEISM CHARGES
PRIME MINISTER CHARAN Singh denied casteism charges levelled against him by Congress (I) and Janata leaders and said they themselves were perpetuating the division of society on the basis of birth. How could they accuse him of casteism when they preached a system which could not be got rid of except by change of religion, Singh asked while inaugurating the election campaign of the Lok Dal in Kaithal, Haryana. The PM offered to retire from politics if Indira Gandhi and the Janata Party leader, Atal Bihari Vajpayee, accepted his thesis that only those would be allowed to enter government service who married outside their “biradari”.

STOP IMMIGRANTS
THE MINISTER OF State at the London home office, Timothy Raison, is visiting India, Bangladesh and Pakistan, this week to study how best he can control the inflow into Britain of those who claim that they have a right to come and stay here permanently as British citizens. Last week, at the Conservative Party annual convention at Blackpool, immigration became an emotive issue — the rightwingers vehemently demanded immediate stoppage of immigrants, especially South Asians, into Britain. They demanded that the “small” island of Britain be not overwhelmed by immigrants and that jobs be available to “our own people” only.

15 THE IDEAS PAGE

WHAT THE OTHERS SAY

"Chinese society is full of goodwill to India and hopes to see India achieve peaceful development. They should expand their friendly collaboration."
— GLOBAL TIMES, CHINA

Turning away from Mahatma

Those who denigrate his legacy today must answer: Is it possible to imagine India without Gandhi?



ADOOOR GOPALAKRISHNAN

THIS YEAR, ON January 30 — the day commemorating Mahatma Gandhi's assassination — a group of people led by a woman stood before a large cut-out of Gandhiji. The woman was wielding an air pistol which she aimed at the image and shot at point-blank range — reminiscent of the original assassination by Nathuram Vinayak Godse. Then, each one in the group followed suit. This was followed by an announcement that the performance would be an annual event.

Watching the unbelievable video clip of this event, that was making the rounds all over the country, my heart broke. My naive mind started imagining that the culprits would be caught red-handed and put in jail for the extreme act of disrespect and defilement to the Father of the Nation.

Some of us in Thiruvananthapuram got together in front of the government secretariat later and held a meeting to seek pardon from Bapuji for our compatriots' vandalistic expression of ingratitude and desecration, graphically caught on camera, and, circulated for everyone's consumption.

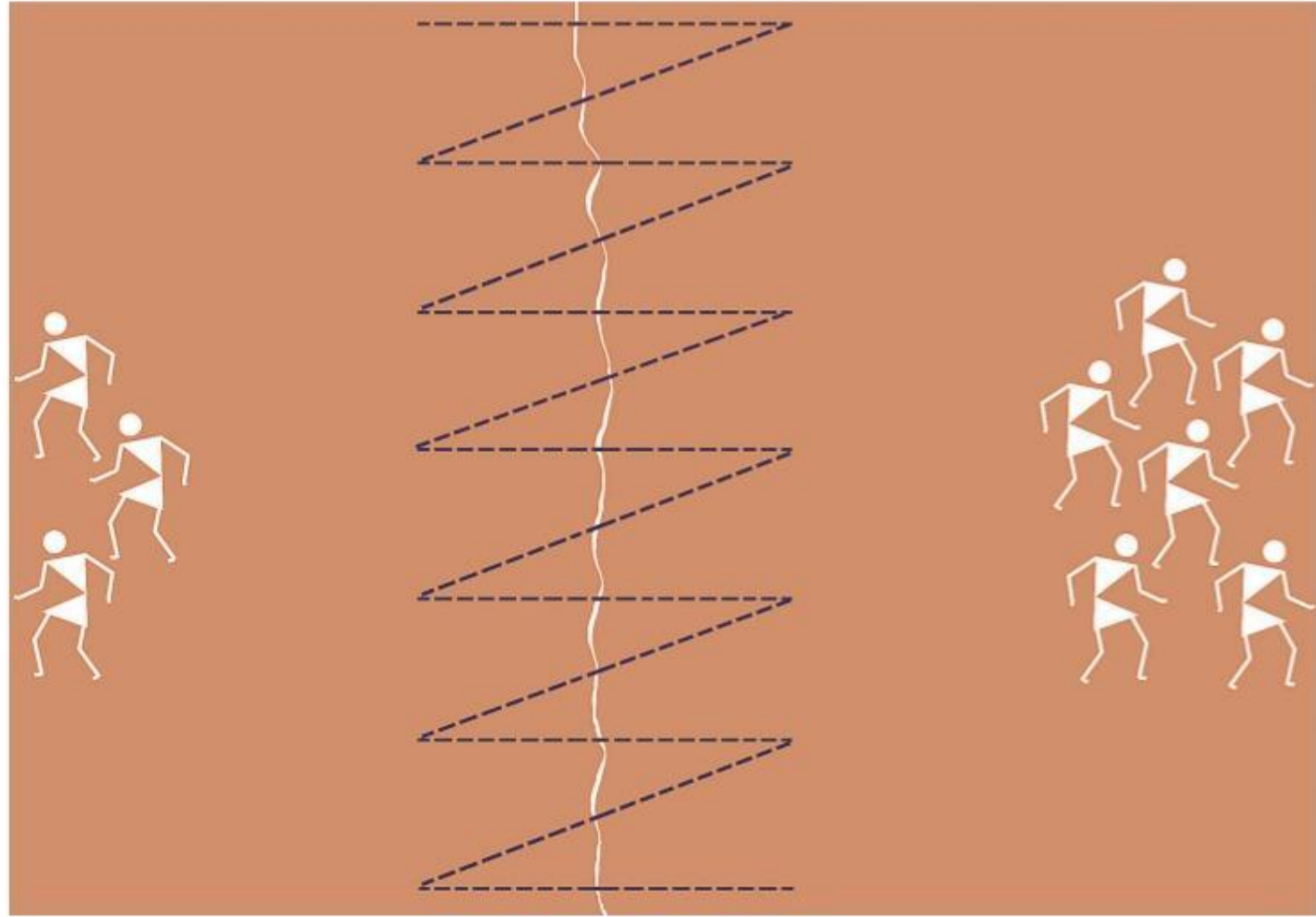
Sadly, we were very wrong to believe that people who share such radical beliefs might recognise the error of their ways: Another woman with similar radical beliefs was elected to the Lok Sabha with an astounding margin.

No one would have imagined that Gandhiji could, one day, become an object of malice and hatred in a country that he fought and died for: This has to be seen against the 150th birth anniversary of Gandhi being commemorated across the world with installation of his statues in city squares and streets being named after him.

Is our memory so short? Is it possible for us to think about an India without Gandhiji's spiritual guidance? The Indian independence movement he spearheaded and fought for had no precedent in history. It assumed especially epic proportions as it was fought with the weapons of non-violence and non-cooperation against a mighty empire like the British Raj. Gandhiji could garner the support and involvement of every proud, thinking Indian in his struggle. Freedom from colonisation was the birthright of each and every citizen of India, he had declared.

He lived a life of such absolute austerity and honesty, that anyone who watched could only learn and be inspired. Gandhiji used to say that his life is his message — and there was no duality about what he professed and practised. His autobiography, *My Experiments with Truth*, is a testament to how an introverted person overcame inhibitions and how honesty and adherence to personal values moulded him into an individual unafraid to fight for causes — whether for a community or for his country.

Animosities and hatred had no place in his mind. In every difficult confrontation with the British, and even when caught in the midst of religious fanatics with a propensity towards violence, he would resort to satyagraha to cleanse his conscience of any un-



C R Sasikumar

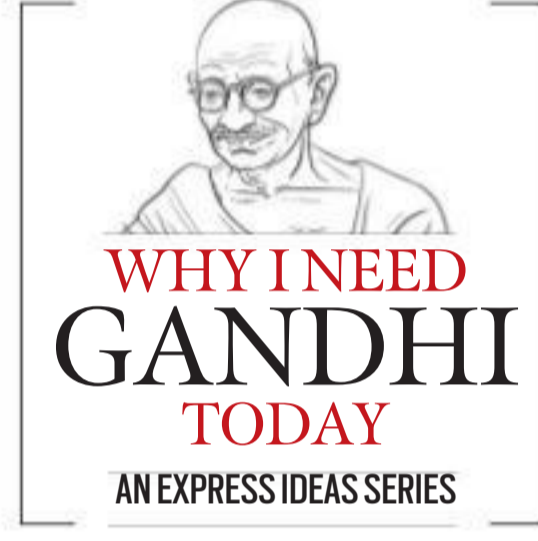
truth and anger.

A devout Hindu, he always believed in cordial co-existence with other religions. He used to assert that he was a Hindu, Muslim and Christian all at once. He took lessons from Christianity and Islam and also from faiths closer home like Sikhism, Jainism and Buddhism. He never saw these religions as inimical to his pursuit of sanatana dharma. He was the essential Indian.

Gandhiji's favourite Hindu god was Ram, but I think he was also highly influenced by Lord Krishna, who was an adept statesman and had great tact in solving complex worldly problems: Gandhiji's personality was a unique combination of both these puranic *purushas*. Otherwise, he could not have negotiated so effectively with the British for so long till we achieved freedom. One need only study the stance Gandhiji took regarding the participation of Indians in World War I. The British did not keep their promise that once the War was over, India's claim for independence would be considered. Undeterred, he went on to ensure an overwhelming Indian participation in World War II as a tactical means of bargain. This time, after the War was over, the British had to relent and active parleys started.

It should be remembered that the prefix of "Mahatma" was bestowed on him by no less a personality than Rabindranath Tagore. On his visit to Santiniketan, when Gandhiji addressed Tagore as Gurudev, Tagore in turn addressed him as Mahatma. Gandhiji became Mahatma thereafter for the whole country and the rest of the world.

The Indian National Congress and Gandhiji, along with his close associates — Jawaharlal Nehru, Vallabhbhai Patel, B R Ambedkar, Abul Kalam Azad, Subhas Chandra Bose and a host of other leaders — instilled into every Indian the thirst for freedom and the willingness to sacrifice. The strongest-willed and, occasionally, even stubborn among them, was Gandhiji. But he was also the most soft-spoken and un-



He lived a life of such absolute austerity and honesty, that anyone who watched could only learn and be inspired. Gandhiji used to say that his life is his message — and there was no duality about what he professed and practised. His autobiography, 'My Experiments with Truth', is a testament to how an introverted person overcame inhibitions and how honesty and adherence to personal values moulded him into an individual unafraid to fight for causes — whether for a community or for his country.

derstanding. He spoke in Gujarati, Hindi and English depending on the region where he was speaking. His language was simple and direct, and its appeal always deep and clear.

Gandhiji's life and teachings attracted many admirers — world leaders such as Nelson Mandela and Martin Luther King Jr, among many others. Without winning a Nobel, he became the apostle of peace and harmony among people of various faiths and pursuits.

Gandhiji firmly believed that in independent India, democracy should be practised from the grass roots. Gram panchayats were his dream. Men and women who represented the voters, he believed, should be leaders of immaculate character and should serve the people with devotion and selflessness.

Self-reliance was the great mantra he wanted every Indian to practise. For instance, he could make yarn from cotton on a charkha and the yarn could go in for weaving after that for making regular clothes. Every village should become self-sufficient in producing food, clothing and shelter using materials available in its locality, he believed. He asserted that Nature can give what we need, but it cannot feed our greed.

It seemed as if he had a simple solution to every complex problem. While he always preferred our hands to be engaged in producing things, he was never averse to mechanisation that eased and assisted human labour. When the stitching machine was introduced by Singer company, he duly termed it "the most useful machine man has invented".

The great humanistic philosophy of Mahatma Gandhi is forever. Becoming blind to his contributions does not augur well for humanity and India, in particular. The legacy of this great son of India is for us to celebrate and feel proud of, not denigrate.

The writer, a filmmaker, studied at Gandhigram Rural Institute, Tamil Nadu

Xi's security diplomacy

India needs to pay close attention to deepening of Nepal-China cooperation



RAJA-MANDALA BY C RAJA MOHAN

PRESIDENT XI Jinping's brief but significant visit to Kathmandu was defined by the determination to accelerate the development of an ambitious trans-Himalayan corridor between China's Tibet and Nepal. While Delhi will debate the issues generated by China Nepal Economic Corridor for some time to come, it also needs to pay attention to an equally important dimension of China-Nepal relationship — the deepening of bilateral security cooperation. We are not referring to military and defence exchanges but to the expanding engagement between the police forces, intelligence agencies, border management organisations and law-enforcement authorities of the two nations. China's interest in "security diplomacy" as separate from "defence diplomacy" is not limited to Nepal.

Security diplomacy has emerged as a major element of China's international relations in all geographies. The globalisation and digitalisation of the Chinese economy, the growing movement of people across Chinese borders and expanding capital and human assets beyond borders have made law enforcement cooperation with the rest of the world a major priority for China. The range of issues involved in security diplomacy include tracking down fugitives from Beijing's anti-corruption campaign, criminals seeking safe haven in other countries, countering terrorism, preventing drug trafficking, assisting Chinese citizens and tourists abroad, and reining in political dissidents active in other countries. In the case of neighbours, security diplomacy takes on an added dimension, given the dynamic interaction between internal political stability and the situation across the frontiers.

The importance China attaches to security diplomacy is reflected in the fact that four of the 20 documents signed in Kathmandu relate to law enforcement. These agreements touched on border management, supply of border security equipment, mutual legal assistance, and collaboration between Nepal's Attorney General and China's "Supreme People's Procurator" (or the prosecutor general).

Xi's emphasis on internal security was evident in his remarks to Prime Minister KP Sharma Oli: "Anyone attempting to split China in any part of the country will end in crushed bodies and shattered bones," Xi said, according to official Chinese media. He also warned other countries against interfering in the internal affairs of China. The context of the remarks is easy to see. The protests in Hong Kong that have taken a violent turn in recent days are testing Beijing's patience. The Chinese Communist Party is angry with attempts in the US to link trade negotiations with the situation in Hong Kong. But there might be a more specific reason, Tibet, for Xi to choose Kathmandu for making the harsh remarks.

Nepal's northern border with China is entirely with Tibet, and Beijing sees security cooperation with Kathmandu as critical in controlling the movement of people across

this frontier. Nepal, which was once hospitable to Tibetan refugees fleeing China, now extends full support to Beijing's law enforcement agencies in tracking and deporting them. Nepal's security cooperation has become intense ever since trouble broke out in Tibet in the early years of this century.

Growing bonhomie between China and Nepal's political leaders has provided a more permissive environment for this cooperation on Tibet. In recent years, Chinese security agencies have apparently gained effective access to border areas on the Nepali side in dealing with Tibetan exiles and have every reason to be pleased with Kathmandu's support.

As the joint statement issued after Xi's talks in Kathmandu put it, the two sides agreed to "respect and accommodate each other's concerns and core interests". Nepal "reiterated its firm commitment to One-China policy" and acknowledged that Tibetan matters "are China's internal affairs". Kathmandu also promised not to allow "any anti-China activities on its soil". China, in turn, declared, its firm support to Nepal in upholding the country's independence, sovereignty and territorial integrity, and its firm support and respect to Nepal's social system and development path, independently chosen in the light of Nepal's national conditions. The statement also signalled satisfaction at the signing of the "Treaty on Mutual Legal Assistance in Criminal Matters and expressed hope for an early conclusion of the Treaty on Extradition." China, in turn, has promised to enhance the capacities of Nepal's law enforcement agencies.

Strengthening internal security in China's far flung provinces with significant religious and ethnic minorities has always been a major political priority for the People's Republic of China in dealing with its neighbouring countries. Trouble within or across the borders of Xinjiang, Tibet and Yunnan has meant greater cooperation with the neighbouring states. In the case of Xinjiang, the focus is on the three Central Asian states (Kazakhstan, Kyrgyzstan, Tajikistan) as well as Pakistan and Afghanistan that share a border with the province. Securing the Tibetan frontier has been an integral part of China's difficult political engagement with India and an increasingly productive cooperation with Nepal. Collaboration with Myanmar is central to China's security management of the Yunnan province.

Massive modernisation of its internal administrative structures, significant investments in new technologies, and an effective integration of law enforcement into China's foreign policy have transformed China's pursuit of security diplomacy. It is by no means limited to neighbours and is now spread across all geographies — from developed countries in North America and Europe to the developing world in Asia and Africa. China is also participating in the development of new international rules on law enforcement, shaping the discourse on issues at hand, and seeking leadership positions in multilateral organisations dealing with law enforcement. Like the other great powers that preceded it, China sees security diplomacy and law enforcement cooperation as important tools of statecraft.

The writer is Director, Institute of South Asian Studies, National University of Singapore and contributing editor on international affairs for The Indian Express

Babasaheb's warning

In politics, hero-worship is a path to degradation and eventual dictatorship



SOLI J SORABJEE

BHIMRAO RAMJI Ambedkar, affectionately known as Babasaheb Ambedkar, was the main architect of our Constitution. The task of framing free India's Constitution was formidable. The first meeting of the Constituent Assembly for this purpose was held on December 6, 1946. Ambedkar was elected on August 29, 1947 as the chairman of the drafting committee. He was insistent that the guarantees of fundamental rights be expressly incorporated in the Constitution and that remedies for their enforcement be easily accessible and expeditious. With that in view, draft Article 25, corresponding to the current Article 32 was incorporated. According to Ambedkar, "If I was asked to name any particular article in this Constitution as the most important — an article without which this Constitution would be a nullity — I could not refer to any other article except this one. It is the very soul of the Constitution and the very heart of it".

Ambedkar's prescription for the successful working of the Constitution was that there must be no glaring inequalities and that there must be neither an oppressed class nor a suppressed class. He believed that unless the moral values of a Constitution are upheld, grandiloquent words will not protect the freedom and democratic values of people. He attached great importance to constitutional morality in the working of the Constitution which meant "a paramount reverence for the forms of the Constitution, enforcing obedience to authority acting un-

der and within these forms, yet combined with the habit of open speech, of action subject only to definite legal control, and unrestrained censure of those very authorities as to all their public acts". According to Ambedkar, constitutional morality is "not a natural sentiment. It had to be cultivated. We must realise that our people have yet to learn it".

On the concluding day of the Constituent Assembly, November 26, 1949, Ambedkar expressed his misgivings about the successful functioning of democracy in our country in these memorable words: "A thought comes to my mind: What would happen to her democratic constitution? Will she be able to maintain it or will she lose it again? When there was no way left for constitutional methods for achieving economic and social objectives, there was a great deal of justification for unconstitutional methods. But where constitutional methods are open, there can be no justification for these unconstitutional methods. These methods are nothing but the grammar of anarchy and the sooner they are abandoned, the better for us". The grammar of anarchy is still prevalent and Ambedkar's hope that it would be abandoned has not fructified.

Hero worship is endemic in our country and personality cult flourishes. There is nothing wrong in admiring our leaders as heroes, but the risk is that in the process, the tendency is to entrust such persons with vast powers and uncritically accept the ex-

ercise of these powers, without insisting on accountability, which is a sine qua non of any genuine democracy.

Ambedkar was aware of these lurking dangers. He underlined the importance of observing caution which John Stuart Mill had uttered to all who are interested in the maintenance of democracy, namely, not "to lay their liberties at the feet of even a great man, or to trust him with powers which enable him to subvert their institutions". There is nothing wrong in being grateful to great men who have rendered life-long service to the country. But there are limits to gratefulness.

Ambedkar emphasised that this caution is far more necessary in the case of India. For in India, bhakti, or what may be called the path of devotion or hero-worship, plays a part in politics, unequalled in magnitude by the part it plays in the politics of any other country. Bhakti, in religion, may be a road to the salvation of the soul. But in politics, Bhakti or hero-worship, is a sure road to degradation and to eventual dictatorship.

On the last day of the Constituent Assembly, Ambedkar pointed out the perils of a "life of contradictions" in these memorable words: "On January 26, 1950, we are going to enter into a life of contradictions. In politics, we will have equality and in social and economic life we will have inequality. In politics we will be recognising the principle of one-man one-vote and one-vote one-value. In our social and economic life,

we shall by reason of our social and economic structure, continue to deny the principle of one-man one-value. How long shall we continue to deny equality in our social and economic life? If we continue to deny it for long, we will do so only by putting our political democracy in peril. We must remove this contradiction at the earliest possible moment else those who suffer from inequality will blow up the structure of political democracy which this Assembly has so laboriously built up".

The anguished questions posed by Ambedkar continue to haunt us. Equality and banishment of discrimination, the abolition of untouchability and the inhuman practices associated with it were uppermost in Ambedkar's mind. How could it be otherwise? He knew and had suffered the hurt and humiliation of being an untouchable and was painfully conscious of the sufferings of those who were outcasts on account of their "untouchability". Social justice, which is the signature tune of our Constitution, still eludes us. Political leaders, so-called intellectuals, eminent journalists do not observe constitutional morality. But, the struggle for social justice must continue with determination. Its achievement will be the best tribute we can pay to one of the greatest sons of India, Babasaheb Bhimrao Ambedkar.

The writer is former Attorney General for India

LETTERS TO THE EDITOR

IDENTITY AND PROOF

THIS REFERS TO the article, 'Where do I belong?' (IE, October 14). I tried for six years to open a bank account for my domestic help, a young man of 30. Somehow the system operates like a game of snakes and ladders. When you are sure you have nearly made it, you fall down and start again. I have won the game finally and Anil, my domestic help inside of a meager Rs 14,000 in his account, feels like a crorepati. I think his journey to find a legal identity is about to end. Hopefully.

Abhimanyu K, New Delhi

NOT ON BOARD

THIS REFERS TO the editorial, 'In his company' (IE, October 14). It is not shocking to learn about findings of the CS Gender 3000 Report. Barring a few big names such as Kiran Ramzumdar Shaw, Anu Aga, Renuka Ramnath and Kalpana Morparia there are hardly any women on boards or in the top management team in Indian companies. Indian women have broken glass ceilings. We surely can take a leaf out of Sweden, Italy, France or Norway.

Bal Govind, Noida

TIME FOR RESEARCH

THIS REFERS TO the article, 'Time to TOP up' (IE, October 14). Increase in food pro-

LETTER OF THE WEEK AWARD

To encourage quality reader intervention, The Indian Express offers the Letter of the Week award. The letter adjudged the best for the week is published every Saturday. Letters may be e-mailed to editpage@expressindia.com or sent to The Indian Express, B-1/B, Sector 10, Noida-UP 201301. Letter writers should mention their postal address and phone number.

THE WINNER RECEIVES SELECT EXPRESS PUBLICATIONS

cessing capacities and value addition in the tomato, onion and potato has been advanced as the most promising solution to high price fluctuations. But the food processing industry has quality requirements that require farmers to adhere to certain standards. Agricultural policy need to address such issues.

Sudip Kumar Dey, Kolkata

TELLING NUMBERS

After a clean spell, how Delhi's air is getting worse now

SHIVAM PATEL
NEW DELHI, OCTOBER 14

AS DIWALI and winter approach, the air quality in Delhi has started to deteriorate. The average air quality index (AQI) moved into the 'Poor' zone on Thursday (October 10), and worsened progressively every day until Sunday — before improving marginally on Monday. The situation is not expected to get better this week.

The reason for the worsening of the air was the accumulation of pollutants after the burning of Ravan effigies on Dussehra on Tuesday, and a change in the wind direction, which brought in pollutants from Punjab and Haryana in the north-west, where the seasonal burning of crop residue is under way.

It ended a happy spell of three months, during which the air quality in the city oscillated between 'Satisfactory' and 'Moderate'. In September, the highest AQI recorded was 173, which is considered 'Moderate'; the lowest was 60, which is 'Satisfactory'. The average AQI for the whole month was 98, in the 'Satisfactory' range — this is the lowest AQI the capital has had in the month of September since 2015.

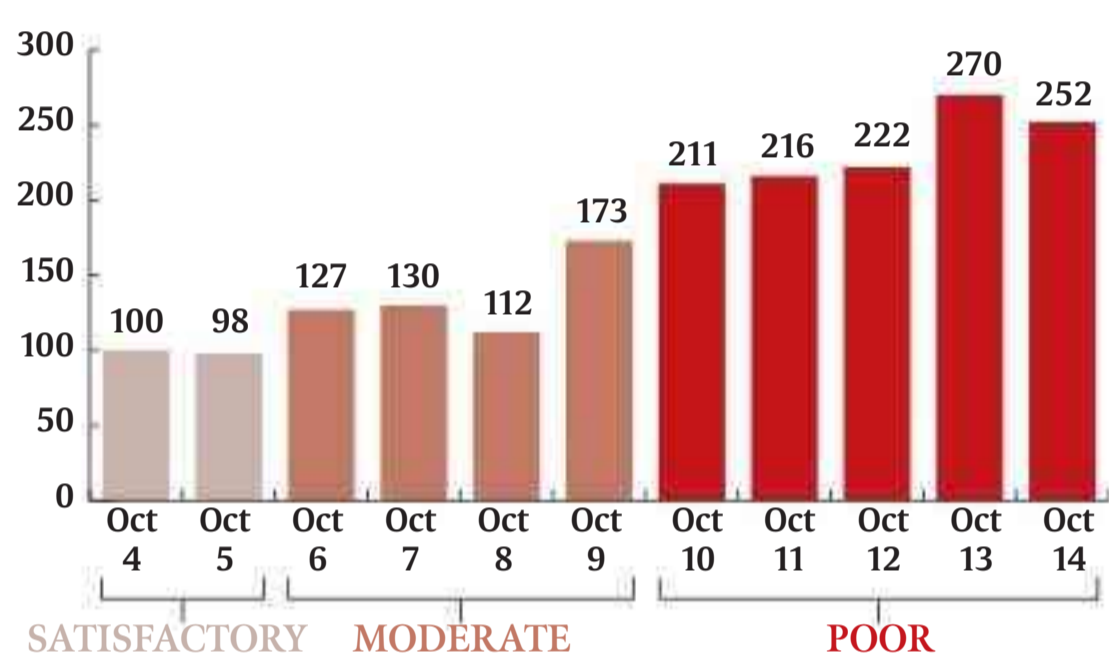


The seasonal burning of farm stubble is currently under way in Punjab and Haryana, impacting air quality in Delhi. *Express Archive*

The contribution from stubble burning to Delhi's air in the form of particulate matter of 2.5 micrometres (PM2.5) started around Friday, and has increased since. Its share in the overall pollution increased from 1% on Friday to 8% on Monday.

The capital's AQI is forecast to touch the higher end of the 'Poor' category on Tuesday at 297 — just four points less than the 'Very poor' air quality band. Further deterioration could start from the fourth week of October, with the burning of firecrackers around Diwali contributing to the bad air.

AQI IN DELHI, LAST 10 DAYS



Source: Central Pollution Control Board

TIP FOR READING LIST

FOR THE LOVE OF TEA

HENRIETTA LOVELL, the author of *Infused: Adventures in Tea*, is the founder of London-based Rare Tea Company, a boutique tea business that sells a small, exclusive range of teas that it sources directly from tea gardens across the world. As the title of Lovell's book and its review in *The New York Times* suggests, she hates tea bags — a dislike that she announces in her Twitter bio: "Always loose, never baggy."



into a love of loose leaves. It's a highly personal, partisan account rather than an objective treatise on tea in general. It's my story of tea, not the story of tea. I want to tell you about the really good stuff that fuels me, and the places it takes me. There is so much I long to share, you could think of this book as an unburdening of my loves."

In the preface of *Infused*, Lovell pitches it directly: "This is the story of my adventures in tea. I hope to seduce you, a little,

the 256-page book are named after important places in the author's journey. There are Meghalaya and Sikkim in that list, and also Sri Lanka and Nepal — but neither Darjeeling nor Assam.

SIMPLY PUT QUESTION & ANSWER

Breaking down Laureates' work

What is the argument of Abhijit Banerjee and Esther Duflo for moving away from the 'big questions' on poverty? What is the winners' new 'experiment-based approach' that the prize has recognised?

UDIT MISRA
NEW DELHI, OCTOBER 14

THE 2019 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel has been awarded jointly to Abhijit Banerjee, Esther Duflo and Michael Kremer "for their experimental approach to alleviating global poverty". The award carries a purse of 9 million Swedish krona (about Rs 6.5 crore) to be shared among the three winners.

When asked what she would do with the "considerable" prize money given that most of her work is on alleviating poverty, Duflo recalled Marie Curie, who had bought a gram of radium with the prize money from her first Nobel (in Physics in 1903): "We will discuss and decide what our 'gram of radium' is."

Like Curie, who won the 1903 Nobel with her husband Pierre, Duflo is married to Banerjee, with whom she shares the honour in part. They have been collaborating for long, and in 2011 wrote the book *Poor Economics: Rethinking Poverty & The Ways to End it Together*. The couple are at the Massachusetts Institute of Technology; Kremer is at Harvard University.

Why have Banerjee, Duflo, and Kremer won the Nobel Prize?

"The research conducted by this year's Laureates has considerably improved our ability to fight global poverty," the Nobel citation says. "Their new experiment-based approach has transformed development economics."

In *Poor Economics*, Banerjee and Duflo bemoaned how the debates on poverty "tend to be fixated on the 'big questions': What is the ultimate cause of poverty? How much faith should we place in free markets? Is democracy good for the poor? Does foreign aid have a role to play? And so on".

Banerjee, Duflo and Kremer, who have been working together since the mid 1990s, are different in that they do not get stuck with the "big questions". Instead, they break down a problem, study its different aspects, conduct various experiments and, based on such "evidence", decide what needs to be done.

Thus, instead of looking for the silver bullet to prop up the 700 million people globally who still live in extreme poverty, they look at the various dimensions of poverty — poor health, inadequate education, etc. They then drill down further on



Nobel Laureates Abhijit Banerjee and Esther Duflo at The Indian Express office in New Delhi on January 15, 2015. *Ravi Kanooja/Express Archive*

each of these components. Within poor health, for instance, they look at nutrition, provisioning of medicines, and vaccination, etc. Within vaccinations, they try to ascertain "what works" and "why".

As Duflo said immediately after the announcement: "People have reduced the poor to caricatures without understanding the roots of their problems. (We decided) let's try to unpack the problem and analyse each component scientifically and rigorously."

How does this approach work in practice?

"The lack of a grand universal answer might sound vaguely disappointing, but in fact it is exactly what a policy maker should want to know — not that there are a million ways that the poor are trapped but that there are a few key factors that create the trap, and that alleviating those particular problems could set them free and point them toward a virtuous cycle of increasing wealth and investment," Banerjee and Duflo said in *Poor Economics*.

Breaking down the poverty problem and focussing on the smaller issues such as "how best to fix diarrhea or dengue" yielded some very surprising results.

For instance, it is often believed that many poor countries (like India) do not have the resources to adequately provide education,

and that this resource crunch is the reason why school-going children do not learn more. But their field experiments showed that lack of resources is not the primary problem.

In fact, studies showed that neither providing more textbooks nor free school meals improved learning outcomes. Instead, as was brought out in schools in Mumbai and Vadodara, the biggest problem is that teaching is not sufficiently adapted to the pupils' needs. In other words, providing teaching assistants to the weakest students was a far more effective way of improving education in the short to medium term.

Similarly, on tackling teacher absenteeism, what worked better was to employ them on short-term contracts (which could

be extended if they showed good results) instead of having fewer students per "permanent" teacher, in order to reduce the burden on teachers and incentivise them to teach.

And what is their "new experiment-based" approach?

The "new, powerful tool" employed by the Laureates is the use of Randomised Control Trials (or RCTs). So if one wanted to understand whether providing a mobile vaccination van and/or a sack of grains would incentivise villagers to vaccinate their kids, then under an RCT, village households would be divided into four groups.

Group A would be provided with a mobile vaccination van facility, Group B would be given a sack of foodgrains, Group C would get both, and Group D would get neither. Households would be chosen at random to ensure there was no bias, and that any difference in vaccination levels was essentially because of the "intervention".

Group D is called the "control" group while others are called "treatment" groups. Such an experiment would not only show whether a policy initiative works, but would also provide a measure of the difference it brings about.

It would also show what happens when more than one initiatives are combined. This would help policymakers to have the evidence before they choose a policy.

Is there a flip side to RCTs?

The use of RCTs as the provider of "hard" and incontrovertible evidence has been questioned by many leading economists — none more so than Angus Deaton, the winner of the Economics Nobel in 2015, who said "randomisation does not equalise two groups", and warned against over-reliance on RCTs to frame policies.

While randomly assigning people or households makes it likely that the groups are equivalent, randomisation "cannot guarantee" it. That's because one group may perform differently from the other, not because of the "treatment" that it has been given, but because it has more women or more educated people in it.

More fundamentally, RCTs do not guarantee if something that worked in Kerala will work in Bihar, or if something that worked for a small group will also work at scale.

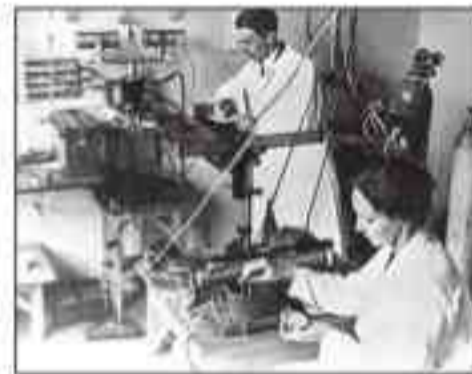
This Nobel, albeit indirectly, for RCTs will likely stoke this debate again.

OTHER MARRIED LAUREATE COUPLES



Marie & Pierre Curie
Nobel Prize in Physics, 1903

IN 1895, the year Marie and Pierre married, Henri Becquerel discovered that minerals containing uranium emitted a strong radiation. In 1898, Marie and Pierre Curie discovered two new elements — polonium and radium. In 1903, Becquerel won the Nobel for his discovery of spontaneous radioactivity, along with the Curies for their supporting researches on the radiation phenomena.



Irene Joliot-Curie & Frédéric Joliot
Nobel Prize in Chemistry, 1935

IRÈNE, DAUGHTER of Marie and Pierre Curie, and Joliot married in 1926, when they were working at the Curies' Radium Institute. The couple researched both individually and together, in particular on the projection of nuclei, which was an essential step in the discovery of neutron and positron. They were awarded the Nobel for discovering artificial radioactivity.



Gerty & Carl Cori
Nobel Prize in Physiology or Medicine, 1947

GERTY AND Carl Cori went through medical school together, graduated, married, and emigrated from Vienna to Buffalo as anti-Semitism rose in Europe. In the US, they collaborated in most of their research on how hormones and enzymes cooperate. After 30 years of team work, they were awarded the Medicine Prize for research on glycogen and glucose metabolism.



Gunnar Myrdal
Prize in Economic Sciences, 1974

THE MYRDALS, social scientists, are the only wife/husband team to win two awards in different disciplines. Gunnar and Friedrich August von Hayek won for their analysis of interrelations between economic, social and political processes. Alva was recognised for her work countering nuclear proliferation.



May-Britt & Edvard Moser
Nobel Prize in Physiology or Medicine, 2014

MAY-BRITT and her then husband Edvard were awarded the Medicine Prize for their discovery of our "inner GPS". In a podcast, Edvard Moser talked about their long collaboration and the importance of their different personalities. In 2016, the Mosers announced they were divorcing. They shared the Nobel Prize with John O'Keefe.

Source: nobelprize.org

Bench strength, validity of law: Why land acquisition matter is back in SC

APURVA VISHWANATH
NEW DELHI, OCTOBER 14

ON TUESDAY, a five-judge Constitution Bench of the Supreme Court will begin hearing a case to clarify the interpretation of the law on land acquisition, specifically the provision related to compensation awarded to land owners. Two three-judge Bench rulings delivered by the apex court in 2014 and 2018 on the same issue differed in their interpretations, prompting the court to refer the matter to a larger Bench.

The scheduled hearing will decide the legality of several cases of land acquisition that took place across the country before 2009. The matter also raises significant questions on judicial discipline, and how judgments of the court are applied while deciding subsequent cases on similar issues.

What is the provision of the law in question?

The issue involves Section 24(2) of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and

Resettlement Act, 2013, which replaced the colonial 1894 land acquisition law.

The provision says that in cases where acquisition proceedings were initiated under the 1894 law and compensation had been determined, the proceedings would lapse if the state did not take possession of the land for five years, and also had not paid compensation to the landowner.

Once the proceedings lapse under the old law, the acquisition process would be initiated again under the new law, allowing the owner to get a higher compensation.

The term "paid" needed interpretation — and since it placed the responsibility on the government, cases were filed before courts soon after the law was implemented.

What did the two conflicting judgments say?

In 2014, in the first such case involving the interpretation of the new law, a three-judge Bench comprising Justices RM Lodha, Madan Lokur and Kurian Joseph in *Pune Municipal Authority v Harakchand Misirimal Solanki* said that the state depositing the compensation in its own treasury cannot be

equated with the landowners being "paid".

In exceptional circumstances, where the landowner refuses the compensation, the sum can be deposited with the court, but a deposit in its own treasury would not suffice.

This ruling was followed as precedent by High Courts in several cases, and was affirmed by the apex court itself in 2016.

However, in February 2018, a three-judge Bench comprising Justices Arun Mishra, Adarsh Goel and Mohan Shantanagoudar while dealing with a similar issue, ruled in *Indore Development Authority v Shailendra* that in cases where the landowner had refused compensation, depositing it with the treasury was sufficient, and the state was not obligated to deposit it with the court.

The court also said that the only consequence of not depositing the compensation with the court "at the most in appropriate cases may be of a higher rate of interest on compensation", and not lapse of acquisition.

In doing so, the court also invalidated the settled law on the issue — the 2014 judgment by another three-judge Bench on the same issue — and declared it "per incuriam".

The two senior judges formed the majority in the 2018 verdict; Justice Shantanagoudar dissented.

Why was a referral to a larger Bench made?

Days after the 2018 verdict was pronounced, another three-judge Bench comprising Justices Lokur, Joseph (both of whom were part of the 2014 verdict that was invalidated), and Deepak Gupta noticed the inconsistency and stayed all cases relating to this provision of the land acquisition Act in High Courts across the country until the question of law was settled.

It also asked "other Benches of the Supreme Court" to not take up the issue until it was decided by a larger Bench.

Justice Joseph in oral observations made in the court strongly criticised the 2018 ruling, and said that the verdict had deviated from "virgin principles" of the institution in declaring a verdict of equal Bench strength as *per incuriam*.

Subsequently, separate Benches headed by Justices Goel and Mishra referred the case to then Chief Justice of India Dipak Misra re-

questing him to set up a larger Bench.

What is the problem with an ruling being invalidated?

The controversy stemmed from not only the fact that the 2014 ruling was declared *per incuriam*, but also because it was done so by a Bench of equal strength. In common law, a judgment of the court is used as the basis or precedent for determining future cases.

A ruling of the Supreme Court is binding on all High Courts, and a ruling of the Supreme Court by Benches of larger or equal strength is binding on other Benches of the court.

A three-judge Bench cannot hold a decision by another three-judge Bench to be *per incuriam*, but can only ask for consideration by a larger Bench if it disagrees with the precedent.

Similarly, a Bench cannot ask other Benches to not follow a judgment.

Since the Supreme Court sits in Benches of two or three (unlike in the US where all justices of the Supreme Court sit together for hearing every case), the prac-

tice of following precedent ensures consistency and certainty in law. Hence, larger Bench rulings are preferred to make sure that the law laid down by the court is predictable as far as possible.

And what does it mean for a case to be declared per incuriam?

"Incuria" is Latin for "carelessness", and when a judgment is declared *per incuriam*, it means that the case was wrongly decided, mostly because the judges were ill-informed about the applicable law. A judgment can also be declared *per incuriam* if it has materially deviated from earlier precedents.

A judgment that is *per incuriam* has no legal force or validity and does not have to be counted as a precedent.

Justice Shantanagoudar in his dissent agreed with the interpretation of the law with Justices Mishra and Goel who wrote the majority opinion, but declined to declare the 2014 ruling *per incuriam*. He said that the ruling had considered all aspects of the law, but since it was the first decision on the provision, had taken a different view.

