

Closing in on civic authorities

Instead of civil action, the Supreme Court sanctions criminal prosecution



OUT OF COURT

M J ANTONY

There is hardly any city in the country which has a satisfactory water supply or sewage system. Civic authorities are generally insensitive to people's complaints and are not easily spurred into action. Even the pollution control boards avoid their responsibility to enforce environment laws because local heavyweights are involved and the outcome of legal

action is uncertain. But the Supreme Court has now ruled that the Municipal Councillor and Chief Officers of the Municipal Council could be criminally prosecuted. The ruling came in a 14-year-old legal battle between the Karnataka pollution control board and seven commissioners of Bangaluru and other Municipal Councils who had held the position at different times (Karnataka Pollution Control Board vs B Heera Naik). The judgment is also significant because it interpreted the term "company", widening its scope to include statutory bodies. The court asserted that a municipality is not a department of the government, as argued, but a corporate entity. The Water Pollution Act gives an expanded meaning, as "company"; means "any body corporate". Thus, all body corporates are included within the definition of company according to Section 47. The wide net

includes Municipal Councils. The criminal liability falls upon "every person who at the time the offence was in charge of, and was responsible to the company for the conduct of the business of the company". In order to escape punishment that person has to prove that the offence was committed without his knowledge or that he had done due diligence. Therefore the burden on those who hold the reins is heavy. In the case of Municipal Councillors, the responsibility is now more than that of directors under the Companies Act and the Negotiable Instruments Act. The high court had quashed the prosecution of these executives, maintaining that they were heads of department and not executives as in a company. Therefore, government sanction to prosecute was also necessary. The Supreme Court held that the high court was wrong. They can be proceeded against without sanction from the gov-

GoMs, then and now

They were synonymous with delays in decision-making in the UPA era. Under the NDA, they rarely make executive decisions

SUBHOMOY BHATTACHARJEE

That the National Democratic Alliance (NDA) under Prime Minister Narendra Modi has created an abundant number of group of ministers (GoMs) in its six years at Raisina Hill is hardly news. The surprise is that those GoMs tasked with specific roles such as disinvestment or telecom revival play only a supervisory role and rarely make the executive decisions.

This is where these teams of ministers differ from those set up during the two terms of the United Progressive Alliance (UPA). The Modi government has used a different moniker for GoMs, primarily because they had become synonymous with delays in decision-making. They are now called alternative mechanisms (AMs), and there are fewer of them than during the UPA regime.

When former prime minister Manmohan Singh left office, there were nine empowered group of ministers (EGoMs) and 21 group of ministers (GoMs) in operation. To date, the NDA government in its two terms has set up eight of them.

In a significant departure in their style of functioning from the UPA regime, the AMs mostly do not wield any executive authority to approve a decision. Instead, they inspect the decisions made by departmental secretaries

and their team of officers on the specific issue they have been tasked to do. Once they are satisfied, those decisions travel to the Cabinet, which gives its formal approval.

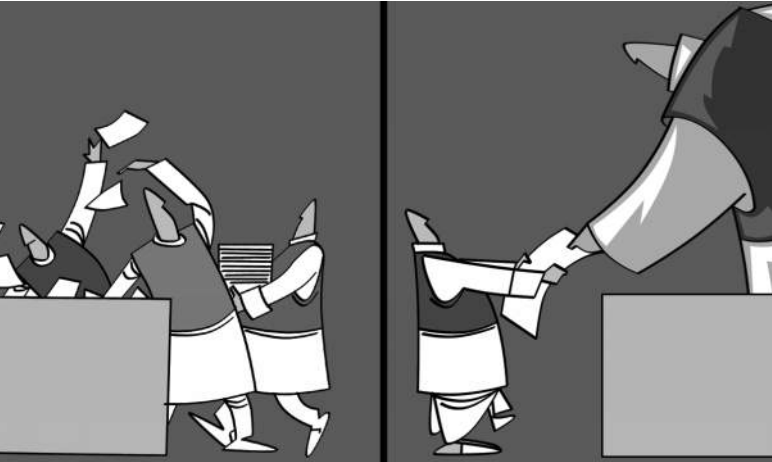
The Cabinet Committee on Economic Affairs (CCEA), for example, has approved the creation of two AMs in March 2019, to supervise the strategic disinvestment of central public sector enterprises. The AMs have come into being after the CCEA has already given an "in principle" approval for the disinvestments. The AMs remain subservient to the CCEA, will look into:

(i) "The quantum of shares to be transacted, mode of sale and final pricing of the transaction or lay down the principles/ guidelines for such pricing; and the selection of strategic partner/ buyer" and so on

(ii) "To decide on the proposals of disinvestment "with regard to the timing, price, the terms and conditions of sale" and related issues.

As a government release notes, the approval by the AMs means the decisions should be faster. "This will facilitate quick decision-making and obviate the need for multiple instances

of approval by the CCEA for the same (company)". Under the UPA, the EGoMs had the right to act as a Cabinet and issue orders accordingly. The GoMs operated one rung below them and had to send their decisions to the



cabinet. For instance, the EGoM on food security was set up to "consider issues concerning procurement, management of food-grains stocks, revision of central issue prices of food-grains and the proposed law on food security". It operated like a cabinet with a wide ranging mandate co-terminus with the term of the government and with its own bureaucracy.

No NDA GoM has such a sweeping mandate. The nearest is a GoM to prepare a blueprint for the development in Jammu & Kashmir. Instead, GoMs are meant to answer specific questions like the one set up under Home Minister Amit Shah to work out the details of the government's major scheme to provide piped drinking water to every household. One of its deliverable is how to reinstate user charges for water. Similarly, the home

ernment. The board had accorded consent to the accused commissioners to discharge sewage effluent after treatment which had expired in 2006. It has not been renewed since. However, they have been continuously discharging untreated sewage into water bodies like ponds, lakes and natural valleys.

This decision allows pollution control boards to prosecute the authorities in charge of protecting water and air. The law elaborately lists the offences. Briefly, no person shall knowingly cause or permit any poisonous, noxious or polluting matter to enter into any stream or well or sewer or on land. Whoever contravenes these provisions shall be punishable with imprisonment for a term which shall not be less than one year and six months but which may extend to six years and with fine.

The court has been passing stringent orders in cases of violations of environmental laws recently. In a judgment passed two weeks ago, it ordered Noida authorities, near Delhi, to "restore, maintain and protect the water bodies in the village". In this case, Jitendra Singh vs Ministry of Environment, the traditional water bodies were being filled up for the benefit of industries, flouting environmental laws.

Citizens have moved public interest petitions on civic woes earlier. The earliest was the celebrated Ratlam municipality judgment in 1980. The Supreme Court ordered Ratlam municipality in Madhya Pradesh to clean a locality, holding that budgetary constraints did not justify a municipality neglecting its statutory obligation to provide sanitation. Though the judgment is good reading, a visit to the city recently showed that there was little impact on the ground. Then came the M C Mehta cases in which the court is still passing orders. In 1996, Almitra Patel, the first woman engineer to graduate from MIT, moved the court on the issue of solid waste. Despite court orders over the years, the problem has only worsened. Recently, the government submitted a 850-page affidavit on the subject. The judges remarked that the paper bundle itself was "solid waste".

So far the main drive against polluters was civil action and compensatory. The Karnataka judgment hands down power to the pollution boards to prosecute civic authorities. Criminal action could be more effective than pious judgments in PILs. However, the big question is whether the regulators will have the courage to prosecute the bigwigs in the cities.

Committee, Committee on Accommodation, Cabinet Committee on Economic Affairs, Cabinet Committee on Parliamentary Affairs, Cabinet Committee on Political Affairs, Cabinet Committee on Security, Cabinet Committee on Investment and Growth and Cabinet Committee on Employment and Skill Development. Their number too is a political call but once formed, they are usually exist co-terminus with the term of the government in power.

The GoMs or the AMs are a different beast and reflect the political play within the government. The reasons for the plethora of GoMs under Singh was the need to give every political party in the coalition a space under the sun. Prime Minister Modi does not need to assuage any interest group to take the final call on any decision that belongs rightfully to the cabinet.

Compared to the AMs or GoMs that bring together only the central ministers, the groups which bring together the state ministers with central ministers have a more organised feel to them. This includes the GST Council, formed under the GST Act. Here even the sub-committees issue formal reports, like the GoM—for example, to suggest ways to resolve the crisis facing the real estate sector following the roll out of the GST. This GoM is headed Gujarat deputy chief minister Nitin Patel and includes the finance ministers of Kerala, Punjab, Karnataka, Maharashtra and Uttar Pradesh and Goa's Panchayat minister as members. Then, there is the one to examine the best practices in road safety and road transport sector, which is tasked with drawing up an actionable plan for implementation.

CHINESE WHISPERS

Pitfalls of internet curfew



The current internet blackout in Lucknow and some other districts in Uttar Pradesh following violent protests related to the Citizenship Amendment Act is not only inconveniencing people but hampering the work of the police. The cyber wing of the state police is burning the midnight oil to identify the perpetrators of violence. So far, it has arrested more than 100 people and registered 80-odd first information reports for uploading inflammatory posts on social media platforms. However, the suspension of internet services is making the task of identifying the culprits difficult for cyber wing sleuths.

Medicines, not liquor



Delhi Chief Minister Arvind Kejriwal (pictured) on Tuesday launched the Mukhyamantri Aawas Yojana for the residents of *jhuggi jhopri* (J) clusters in Delhi, which is going to the polls in February. Speaking at the event, Kejriwal said his government in the past five years had worked to ensure delivery of basic services to the people. "Aapke school ka intezaam kar diya, aapke paani ka intezaam kar diya, aapke dawa daru ka intezaam kar diya," he said, pausing to clarify that his government had ensured the availability of only "dawa" and not "daru". "Wah ek aadmi khush ho gaya wahan" (that man there got happy), Kejriwal said, pointing to a man in the crowd, to peals of laughter.

Policing with chocolates

The festive spirit has got to traffic police persons in Goa. Instead of penalising traffic violators, they have been distributing chocolates among them. To look the part, these policemen, patrolling the streets of Panaji, were also dressed as Santa Claus. That is not all. The violators had to also listen to a lecture on traffic safety and related regulation. Some found it amusing and were relieved to not get a ticket. Others were not sure if the exercise would drive the underlying message home.

INSIGHT

Chairman, CEO/MD positions: To separate or not to separate



J N GUPTA

The Kotak Committee on corporate governance reforms constituted by the Securities and Exchange Board of India (Sebi), recommended separation of the positions of a chairman and the CEO/MD. The logic was the leader of the board should not be the leader of the management thus providing a better-balanced structure of supervision and management. The guiding principles of the recommendation were:

- ensuring the board acts independently
- avoiding the risk of concentrating authority in a single individual
- offering role clarity without overlap
- reducing time commitment leading to focussed role play
- choosing the right fit for each role rather than clubbing skill sets
- making the board atmosphere more conducive to debate.

The committee, of which, the writer was a member, had considered international practices and after intense discussion among members, made the recommendations. The Sebi, following its inclusive consultation process, invited public comments and its board took a considered decision and amended the Sebi listing regulations to provide for the separation of the executive position from the chairman's position. The law is to come into effect from April 1, 2020.

While business performance cannot be predicted, the reaction of India Inc to changes in law can be predicted with

100 per cent certainty. Any law that puts more money in the pocket (like tax reduction) or reduces compliance or fines is welcome with open arms and implemented immediately. On the contrary, any law that disturbs the easy calm or status quo, is abhorred. The opposition to implementing such laws gains momentum as the deadline of implementation nears. The separation of the CMD position is one such law, opposition to which is gaining momentum as the deadline approaches.

One wonders why that reaction when the law was the result of extensive discussion with all stakeholders. To the writer, it appears either India Inc is not convinced about the virtues of good governance or it doesn't agree that separation is a measure of good governance. What is good governance? Whether separation does mean good governance is a subjective issue. It is not that Sebi has independently discovered and imported this alien concept. Much before the law was enacted in India, there was extensive debate all over the world mainly in developed economies on the virtues of separating the two posts resulting in a recommendatory provision with a "comply or explain" approach adopted in most jurisdiction. The OECD also recommends that the two positions be separated.

Looking at the recommendatory position in most jurisdiction, one would logically stand behind the demand of India Inc and suggest that the Sebi must also recommend and not legislate. A perfectly genuine demand. Unfortunately, copy and paste doesn't work in most Indian situations. Unlike other jurisdictions, where recommendatory provisions are respected as law, in India implementation requires the force of law with micro prescriptions. Voluntary guidelines are at the most thesis material for students striving to achieve a doctorate degree, doing statistical analysis of

failed voluntary attempts at reform. If voluntary provisions were indeed adopted by Indian Inc, many provisions of the law would still be missing from the Sebi regulations.

Therefore, if someone is to be blamed for a mandatory provision in place of recommendatory, it is India Inc, whose past performance in adopting voluntary provisions and waiting till the last date to implement a law speaks volumes about its approach towards voluntary guidelines. The contrast in approach is evident. As a recommendatory provision — in cases where the two positions are not separated — the USA SEC requires an issuer to disclose in the annual proxy sent to investors the reasons why the issuer has chosen...

"(1) the same person to serve as chairman of the board of directors and chief executive officer (or in equivalent positions); or "(2) different individuals to serve as chairman of the board of directors and chief executive officer (or in equivalent positions of the issuer)".

US corporations are adopting the recommendatory guidelines. An article in The Wall street Journal ("More U.S. Companies Separating Chief Executive and Chairman Roles", January 23, 2019) reports that in the S&P 500 group, about 60 per cent of the companies had combined the position of CMD in 2007, whereas in 2018, the number came down to 45.6 per cent even though the provision is recommendatory. In India, even though the provision was made mandatory, most companies adopted a wait and watch till the final day, hoping that the law would be scrapped. By the end of September 2019, almost 50 per cent of the top 500 listed companies were yet to comply with the law; not surprisingly, almost 80 per cent of the PSUs have not separated the posts. This explains the difference and answers the question why it is mandatory and not recommendatory.

A very strong argument is given

against separation — that it impacts the "unity of command" and creates two parallel power centres. On the face of it, the argument looks reasonable; but it lacks depth. The argument hinges on the assumption that both the board and the management have the same role. There is a fundamental flaw in the argument. Any text book on board working would lucidly explain the difference, which may not be as different as chalk and cheese, yet they are not very similar either. The Cadbury Committee (UK) in the Report on Corporate Governance (1992) noted that "given the importance and the particular nature of the chairman's role, it should in principle be separate from that of the chief executive. If the two roles are combined in one person, it represents a considerable concentration of power".

Another allegation is that the Sebi is importing global regulation, which may not be suitable to India's culture, history of entrepreneurship and ownership pattern. Indian corporations are family dominated, with concentrated ownership of promoters -- a reason why a majority shareholder should hand over reins to a person who does not have skin in the game. This is by far the strongest argument and would find a lot of support. However, this argument runs against the very concept of a "corporation" where there are three tiers and each must be separated -- owners, board and the management. If the owners control the board and the management, it affects the very foundation of a corporation. And the negative impact of such unity of command outweighs any perceived or actual negative impact of separation. This probably explains why other jurisdictions have not made the provision mandatory, as most jurisdictions do not have such concentrated family holdings.

Interestingly, whenever the ease of doing business issue is debated, intense criticism is meted out to Indian law

makers and at that time the arguments used are "international practices". However, in the same breath if any law implementing best practices from other jurisdiction is proposed, which disturbs the cosy status quo, the argument gets twisted and talks of "India is different from..." takes centre stage.

It is agreed that good governance is not a science but an uneven mixture of organisational culture, mind set and ethical values, and therefore the pace of implementation would be different and the impact will also be different. However, once it is understood that good governance is not meant to please the regulator, but is for the good of all stakeholders and value accretive, there is no reason why steps towards good governance should be delayed.

In case, India Inc sincerely feels that the separation of posts is not a good governance measure and not value accretive, it must spell out its doubts clearly to the regulator and give cogent arguments rather than mundane ones like India is different and so on. Ideally, such arguments must be made prior to the enactment of a law rather than after a law has been notified and the implementation deadline nears. This puts the regulator in a tricky position. If the regulator backtracks, it will be accused of either surrendering to pressure or introducing a half-baked law. Which certainly is not true in this case as an elaborate process of consulting stakeholders was followed by the regulator. One wonders why a regulator that adopts a transparent and consultative process has to bear so much pressure, whereas many other regulators that do not follow such process face no such pressure. Don't we want transparency and stakeholder consultation? Theoretically yes, practically no, because we comply only when mandated.

The author is founder and managing director of Stakeholders Empowerment Services

LETTERS

Time for course correction

This refers to "Lessons for BJP" (December 24). The Bharatiya Janata Party (BJP) needs to understand that state elections are different and cannot be a referendum on the centre or the Prime Minister. The role of regional allies cannot be over-emphasised, as at the centre, the BJP may not need allies as Narendra Modi remains the tallest leader in the country. However, it might be the other way round for state elections. Jharkhand Mukti Morcha won 26 out of the 28 seats reserved for Scheduled Tribes and the BJP has fared poorly in rural areas. This goes to prove that issues like poverty, unemployment do matter to the voters and it is time the BJP picked up lessons from this defeat and did a course correction in its policies and priorities. As far as the Opposition is concerned, if they join hands and put aside their ego then the BJP can be challenged in most states. The next elections are due in Delhi and West Bengal and both are going to be tough ones for the party.

Bal Govind Noida

Justice denied

Apropos the news report "Five sentenced to death by Saudi court over Jamal Khashoggi's murder" (December 23), even the very naive cannot digest the verdict. Khashoggi was brutally murdered by a 15-member team at the Saudi Consulate in Turkey, in October 2018. Besides the five sentenced to death, three have been given prison sentences, while three others, including the former deputy chief of intelligence Ahmed al-Asiri, have been exonerated. Justice should not only be done, but should also be seen to be done. The governments across the world may not criticise the verdict for fear of earning the displeasure of the oil rich nation, but people outside the kingdom cannot be silenced by the dictum "the king can do no wrong".

V Jayaraman Chennai

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Reviving economic growth

The IMF has some useful suggestions

The finance ministry, which is in the process of preparing the Union Budget for the next fiscal year would be well advised to consider some of the suggestions of the International Monetary Fund (IMF) made in its report on India. The IMF has listed reform measures that might help India increase economic growth to the baseline medium-term potential of 7.3 per cent. First, the clean-up of bank balance sheets should be completed along with strengthening governance in public sector banks (PSBs) and better oversight of non-banking financial companies (NBFCs). Although the government has infused a significant amount of capital into PSBs, there is practically no movement in terms of governance reforms. In the absence of such reforms, PSBs would remain prone to the same errors and undermine an efficient allocation of credit, which will affect overall economic growth in the medium term. Further, the central bank will need to augment regulatory capacity for better oversight of the system, including the NBFC sector.

Second, fiscal consolidation in the medium term should be anchored to the recommendations of the Fiscal Responsibility and Budget Management Act review committee. General government debt needs to be brought down to 60 per cent of gross domestic product (GDP) from about 69 per cent in 2018-19. Fiscal consolidation would require savings through rationalisation of subsidies and augmenting revenues by expanding the tax base. This will help reduce the crowding out caused by higher public sector borrowing requirement, which exceeds the net household financial savings of 6.6 per cent of GDP. However, the way the government manages its finances in the current and next fiscal year, to a large extent, will determine the possibility of attaining medium-term fiscal targets. In the current year, for instance, revenue collection is likely to fall short significantly.

Notably, the IMF has also highlighted the use of off-budget financing, which makes the headline deficit number less meaningful. There is an urgent need to improve transparency. Given the limited policy space, the IMF has suggested that fiscal stimulus should be avoided at this stage. Evidently, a significantly higher level of government borrowing will push up the cost of money. In fact, the Reserve Bank of India has started managing yields by buying longer-dated bonds and selling short-tenor bonds, which would also help the government borrow at lower rates. However, measures like these have limitations and could unnecessarily complicate policy management of the central bank. The government would need to be mindful of the risks associated with fiscal slippage at this stage.

Third, to boost growth, among other things, the government should focus on reforms in product, labour and land markets. Since the policy space on the fiscal side is virtually non-existent and there are limitations to the extent monetary policy can support growth in the given macro environment, the government should focus on wider reforms that will help increase growth in the medium term. For instance, comprehensively addressing the problems in the goods and services tax system will not only help augment revenue but also improve the ease of doing business. Further, there is a strong case for trade liberalisation to support growth and employment. The economy clearly needs policy intervention to help push up growth in a sustainable way.

Short-sighted aggression

Not in Indian interest to needlessly offend US legislators

Most of the major candidates for Democratic nomination to the post of the president of the United States have issued statements in the past week about Indian foreign policy. The immediate provocation for these actions is the decision by External Affairs Minister S Jaishankar to cancel a meeting with members of the United States Congress when the leader of the committee in question refused to exclude Washington representative Pramila Jayapal from the meeting. Ms Jayapal, who is a leader of the progressive caucus in the House and is a prominent Indian American, has provoked ire in the Indian government because she had asked questions recently about India's Kashmir policy. Several of the Democrats have said that no government should be able to pick and choose who is in a US Congressional delegation; Pete Buttigieg has pointed out that India and the US have a relationship based on shared values and that India should live up to these values.

Some of this will obviously be posturing for a domestic audience in the United States. But it also suggests that India's recent high-stakes attempt to push back against criticism of its domestic policy in Kashmir and Assam in particular is not meeting with the expected levels of success. It is far from clear what the foreign ministry was thinking. Surely, the external affairs minister is more than capable of holding his own in defending a policy—the reading down of Article 370 — that has been agreed upon by the Indian Parliament. Indeed, that is the job not just of the minister but of every Indian diplomat. Instead, however, a touch of overconfidence seems to have seeped into how the Indian government regards its status in Washington DC. The years of a strong relationship with India being a bipartisan consensus in the American capital no doubt have something to do with this sense of complacency. But recent actions by the Indian government have clearly led to a situation where this bipartisan consensus is in danger. For example, India's ambassador to the US, Harsh Shringla, caused much consternation in the US capital when he met and praised the right-wing ideologue Steve Bannon. Mr Shringla, far from suffering for this misjudgment, has just been appointed the next foreign secretary. Then there was the prime minister's ill-judged appearance with President Donald Trump at a political rally in Houston, in the course of which he repeated a political slogan that was widely viewed as an endorsement of Mr Trump, although officials subsequently walked back that interpretation. Fitting into this attempt to woo the global right wing is the decision to welcome a group of lawmakers from the European Parliament, many of whom were associated with the anti-Muslim hard right in that continent.

India has benefited greatly from the bipartisan consensus on Capitol Hill that a closer relationship between the US and India is in both countries' interests. By and large, this consensus has survived lobbying attempts by US domestic industry. But cosyng up to Mr Trump is not a well-thought-through idea — already it has been reported that his primary trade advisor has his sights on Indian trade policy. India is in any case isolated in multiple multilateral forums, and US backing will continue to be important. In this atmosphere, alienating members of the US Congress and the potential next president, if a Democrat, is dangerously short-sighted. There was no reason to run down carefully built-up political capital in this manner. The government had better make amends for its myopic behaviour in short order.

ILLUSTRATION: BINAY SINHA



Containing China

Access to American savings through the US securities markets provides China a lifeline without having to deal with its debt trap

First met Janos Kornai in Beijing in 1985 at a conference organised by the World Bank and the Chinese Academy of Social Sciences (CASS), during which we had an audience with Zhao Ziyang, the general secretary of the Chinese Communist Party (CCP) and the major reformer seeking to turn China away from the Plan to the market, as signalled by the paramount leader Deng Tsiao Ping. Kornai then left on a week's Yangtze cruise on the SS Boshan organised by Zhao through CASS, which was to provide Chinese economists with the views of various invited Western economists on the working of capitalist market economies.

Kornai was the star of the meeting as Julian Gewirtz (in *Unlikely Partners*, Harvard, 2017) documents. He remained a trusted advisor to Chinese reformers even after Zhao was purged following the Tiananmen Square massacre. He was the primary intellectual influence on the Chinese reformers who created the Chinese miracle. Yet in a recent letter to the *Financial Times* ("Economists share blame for China's 'monstrous' turn", 10 July 2019), he laments his and other Western economist's role as Frankenstein's creating a fearsome monster under Xi Jinping. "We all agreed that new life would be brought to China, which had frozen under Mao, by the electric shock of marketisation and private property. Now the fearsome monster is here". Its "aim is to become the hegemonic leader of the globe". Kornai advocates George Kennan's policy of containment of communism. He concludes, "What has happened already cannot be undone. But here we must stop, and we must take far more care to avoid carrying on the role of Frankenstein".

The need to contain China was also the conclusion of my recent book, *War or Peace*. It noted the even greater role played by the Frankensteins of Wall Street in China's rise. Investment banks led by Goldman Sachs and legal firms like Linklaters and Paine were "the creators of the New China of the twenty first cen-

tury". (C E Walter and EJT Howie: *Red Capitalism*, Wiley, 2011)

The model was provided by the creation of China Mobile in 1997 by Goldman Sachs out of a poorly managed assortment of provincial post and telecom entities. Its initial public offering (IPO) raised \$4.2 billion. There was no looking back. China's oil companies, and insurance companies sold billions of dollars in shares in IPOs. "All of these companies were imagined up, created, and listed by American investment bankers". By 2009, 44 of the firms in China's National Team were on the Fortune Global 500 list.

Today, China has 700 companies listed in the US stock and bond markets. These include egregious bad

actors like Hikvision, responsible for facial recognition technology monitoring the concentration camps holding two million Uyghurs in Xinjiang. Unwittingly, US investors are funding these technologies, and weapons systems for the People's Liberation Army (PLA) "because the US has no security-minded screening mechanism for capital markets which have roughly \$35 trillion under management". (Roger W Robinson Jr. "Why and how the US should stop financing China's bad actors", *Imprimis*, October 2019).

One of the largest public retirement funds, the Federal Thrift Savings Plan (TSP) with 5.7 million enrollees — including US military personnel — totals \$578 billion. It is planning to switch its \$50 billion international portfolio (on the advice of a Wall Street consulting firm) to the MSCI All Country World Index, which includes Chinese "companies such as AVIC, which makes fighter aircraft for the PLA and is China's biggest producer of ballistic missiles". This decision should be reversed.

Furthermore, Robinson Jr, who served on US President Ronald Reagan's national Security council, suggests using a tactic to contain the Soviet Union, also in China. The Soviet Union faced a funding gap of \$16 billion annually, which was financed by Western governments and banks. Reagan succeeded in ter-



DEEPAK LAL

India needs to shift its economic model

Instead of debating at length the slowdown, its causes and remedies, we can take another perspective than a simple cyclical crisis in the context of a totally new global environment. Well beyond Modinomics or Modipolitics, India seems to be facing a structural challenge of its economic model whose evidences can be seen every day on the ground in the countryside, in medium-sized cities and, of course, in megacities in deep crisis. But solutions and opportunities emerge also from everywhere and suggest a cautious optimism for those who have confidence in the common sense of people.

Concerning the challenges, it is enough to travel in "real India" to observe:

(i) Massive unemployment and underemployment of young people, while India is unfortunately at its peak of demographic transition. So, the challenge of the demographic dividend has become the challenge of demographic liabilities, including from the socio-political point of view of a lost youth tempted by extreme adventurism (see Shankar Acharya's "The job crisis worsens", *Business Standard*, November 19).

(ii) The massive accumulation of environmental liabilities in the form of the accumulation of waste everywhere in the open air, a water crisis in both quantity and quality, an air crisis with particle indices now among the most dangerous in the world, detestable indicators of food quality and nutrition in general, with tangible signs of deterioration in the average health of the population, either through excessive sugar and fat consumption or malnutrition of the working classes. Finally, urban congestion whose costs are added to gross domestic product (GDP) but never subtracted to the real welfare.

Today, each growth point is probably offset by a corresponding deterioration in the quality of life in India. Paradoxically, the objective of maximising growth is nothing less than a goal of deteriorating the quality of development.

(iii) Rural stress related to the Green Revolution model has become a daily reality in the rural world, which represents half the Indian population.

Thousands of suicides are in reality only an epiphenomenon of a much larger depression that can be observed in Indian villages deserted by young people or by men who have left for the city to provide a minimum subsistence to their families.

(iv) With the inhabitants of urban slums, at least 500 million Indians are currently deprived of basic needs such as housing, food, education, and have such low subsistence incomes that they are still not integrated into the market economy with daily income levels ranging from ₹50 to ₹200 per person per day. And all the noise around the populist programmes of toilets, gas bottles or small *pucca* houses of the PMAY-G does not hide their miserable character for those who visit the Indian countryside. As with the demographic dividend, dividends from the Indian market have not yet materialised to the point that prices are increasingly declining with clear limits on the viability of companies, whether they are mobile phones or basic cookies like Parle.

Natural farming as a systemic paradigm shift

It is clear that the business-as-usual scenario has no chance of meeting these challenges. It would be necessary to have a proactive long-term vision, but unfortunately any transformation from above seems



JEAN-JOSEPH BOILLOT

minating this flow of discretionary cash, which led to the end of the evil empire.

China too has a serious internal debt crisis. Jim Rickards ("The great Chinese crack-up starts now", *Strategic Intelligence*, November 2017) has estimated that China's total debt (including official, corporate and individual) to productive gross domestic product (GDP) (normal GDP minus investment in ghost cities and white elephant projects) was 873 per cent in 2016. But this "will not necessarily cause a collapse anytime soon. As long as the WMP Ponzi (wealth management products held by individuals sold by banks offering higher deposit rates, with new WMPs sold to pay off old ones when investors want their money back— a classic Ponzi scheme) continues and banks aren't held to account for issuing new loans to replace bad debts, the game can go on. China also has \$1 trillion of liquid reserves to sort out its debt mess." However, if China uses these precautionary reserves "to bail out its bad debt, the country will jump out of the frying pan into the fire of a currency crisis."

It is in this context that the access of Chinese companies to American savings through the US securities markets, currently provides China a lifeline without having to deal with this domestic debt trap. Robinson supports the simplest solution of eliminating access to all Chinese enterprises to US capital markets. This would bring the Chinese "evil empire" to its knees as Reagan's actions did in denying Western technology and capital markets to the bankrupt Soviet Union. No doubt this would lead to howls from Wall Street. But these should be ignored in US national interests.

For their argument that closing US capital markets to China will lead it to go to another international exchange is implausible. For the US capital markets are roughly the size of the rest of the world's combined, and the US holds 60 per cent of the world's liquidity, "no other country has anywhere near the depth and volume" of US markets. "China's need for dollars is so voracious that it would likely use up the volume of a Frankfurt or London in months not years. There is nowhere for a player of the size of China to go."

In a speech to the Hudson Institute on October 4, 2018, US Vice-President Mike Pence laid out what is being termed the Pence Doctrine. "Pence made it clear that the current struggle between the US and China goes far beyond trade and tariffs"; it was "an epic struggle between an atheistic communist ideology bent on hegemony in Asia and the Western Pacific and a democratic America that seeks balanced relations in a rules-based system along with the promotion of liberal Western values". He predicted "a protracted and existential struggle between Western liberal values and a totalitarian disregard for human rights." (Jim Rickards: "Beyond the US-China trade war : Cold War II", *Strategic Intelligence*, July 2019).

In this new Cold War, the liberal world needs to remember and use the major instrument which delivered victory to the West—the use of its control of the world's money which allowed it to bring the last illiberal empire to its knees.

impossible because of a short view of the political class, which has its eyes fixed on the rolling electoral tests and seems to enjoy purely ideological confrontations. On the other hand, it is extremely reassuring to observe a deep movement from below (bottom up), where civil society and the business world are forced to be innovative to adapt to the crisis of the Indian productivist model of the 1990s. We are thinking of innovative business models along the lines of the Patanjali chain of stores, one of the few economic successes of recent years that has spread simple and healthy products in depth throughout India. But it seems obvious that the emergence of a mass movement around natural farming (NF) is today the real breakthrough innovation that could lead to a possible change in the Indian economic paradigm.

What are its solutions and why natural farming is much more than an agricultural issue. The results of our field surveys with Vijay Kumar in charge of Zero Budget Natural Farming in Andhra Pradesh (ZBNF) or the Indian guru of NF, Subhash Palekar, show that NF is a systemic response to the following challenges: Employment, gender equality, aspiration of young people to live a better life, quality food, better health, a response to climate change and environmental degradation, and the relocation of the Indian economy around dynamic rural areas and second- and third-level cities to overcome the structural urban crisis in India. It also includes the conceptual breakthrough of the great Indian economist Raghuram Rajan, as expressed in his book *The Third Pillar*: The urgent need to revitalise the community economy between the state and the market that have become incapable of bringing prosperity to all.

The writer is an economist at French Institute of International Relations

Teachable moments from a schoolgirl



BOOK REVIEW

CHINTAN GIRISH MODI

"Adults keeps saying that they must give young people hope. I don't want hope, I want you to panic, to take action. I want you to behave as if you were in the middle of a crisis, because that's what it is."

These words sound like they come from students thronging the streets of India with marches protesting the draconian Citizenship Amendment Act but they were spoken by Greta Thunberg, a 16-year-old climate activist, at the World Economic Forum in January 2019. She was castigating individuals, companies and

decision makers for sacrificing "priceless values" to "continue making unimaginable amounts of money."

Greta's Story: The Schoolgirl Who Went On Strike To Save The Planet is a book that I would recommend to anyone keen on learning about the power of civil resistance led by young people who rarely get a say in framing policies that determine their future. They are filled with rage because of the problems their predecessors have created, and they want to fix things before it is too late. They are unafraid to take on the bigwigs, and call them out for their incompetence.

With her work on the *Skolstrejk för Klimater* (School Strike for the Climate), Ms Thunberg's message has travelled beyond Sweden, the country in which she was born and raised. She has managed to rattle successfully US President Donald Trump, German Chancellor Angela Merkel, French

President Emmanuel Macron, Russian President Vladimir Putin, Italian Prime Minister Giuseppe Conte, and Australian Prime Minister Scott Morrison.

How did Ms Thunberg become an activist? Why does she care so much about climate change? Who inspired her to make noise instead of keeping quiet about what troubles her? Are her parents supportive? Do her teachers encourage her to pursue what she believes in? Where does she get the strength to deal with all the criticism directed at her? When does she make time for studies? Is she missing out on a "normal" childhood?



Valentina Camerini's book explores these questions with depth, sensitivity and affection. Ms Thunberg is not presented as a hero with superpowers but as a human being who responds to

GRETA'S STORY: The Schoolgirl Who Went On Strike To Save The Planet

Author: Valentina Camerini
(Translated by) Moreno Giovannoni
Publisher: OUP

doesn't speak in class and sits to one side, somewhere up the back. Nothing particularly exciting had happened in her life, or at least nothing that would make you think that one day she would

convince hundreds of thousands of children to follow her example," says Ms Camerini.

Enjoyed this book because it challenges attempts to characterise Ms Thunberg as a precocious white girl who is unaware of the issues at stake, and has an anger management problem. Such depictions try to erase the fact that she has inspired millions of young people around the world to skip school on Fridays, and make their governments prioritise climate action. The vitriol against her is a mix of patriarchy, ageism, and ableism. It is not uncommon to encounter men who feel insecure when they see young women who speak their mind and refuse to be sexualised.

If this book is anything to go by, Ms Thunberg is unlikely to step away from the fight. She draws inspiration from Rosa Parks, and American students demonstrating against laws that enable gun violence on school campuses. Ms Camerini writes, "At the age of 11, the doctors had diagnosed her with Asperger's syndrome. People who suffer from Asperger's often become interested

in a particular issue and think about it obsessively without being able to let go...makes people determined and capable of extraordinary commitment. For years, Ms Thunberg did in-depth research into climate change, building up a wealth of information, which was unusual for a girl her age."

Ms Thunberg has also been critical of lifestyle choices made by her mother Malena Ernman and her father Svante Thunberg. The former is an opera singer, and the latter is an actor and writer. She made them realise the environmental impact of air travel, meat consumption, and driving big cars. She firmly believes that individuals must take concrete actions though the climate crisis is a systemic one. The book concludes with a helpful section on discussing global warming with children, pointers about what we can do, and suggestions for further reading. As Ms Thunberg says, "Our house is on fire: our house, planet earth, is going up in flames. And the adults, the powerful, must act responsibly and act for the future of young people."