Three-day weekend

Even Finnish PM Sanna Marin wants it to remain a statement of aspiration

HUMAN FACTOR

SHYAMAL MAJUMDAR

Finland's youthful Prime Minister Sanna Marin has become the darling of employees across the world due to her reported support for a four-day week. The employee advantages of this are pretty clear: Having another day with no work and no commute can free up personal time in a big way, reduce stress and increase productivity.

Some global companies have already tried this out with great results. Microsoft Japan implemented it in August last year and said it boosted sales by 40 per cent compared to the same month the previous year. There were other benefits, too. The company's electricity consumption dropped by a quarter and there was a 59 per cent reduction in the printing of paper pages. Others have also done trial runs and experienced similar benefits. Another experiment published by the *Harvard Business Review* showed shorter work days increased productivity.

The results are not a surprise as happier employees do contribute to the company's overall prosperity. In fact, throughout history, productivity has increased whenever labour works fewer hours. Henry Ford found that in 1926 when he became one of the first employers to introduce a five-day, 40-hour week. Four years later, Kellogg reduced factory accidents by over 40 per cent with the introduction of the six-hour day.

So is it time for companies to consider shifting to a four-day week? The answer, unfortunately, would be no. Even Finland is not planning to do anything like this. The "thank you" messages from employees perhaps prompted the Finnish prime minister's office to clarify soon that a four-day week is not part of the government's plans, and is not expected to be government policy in the near future. The utter disappointment increased after it was revealed that Marin had said this before becoming the prime minister and it was more a statement of aspiration.

There is a reason why the idea of employees working for four days for a full-time wage is not feasible. Any reduction in the working days is unaffordable without a commensurate increase in productivity or a matching reduction in pay. It's true that employers will get some benefits in terms of increased productivity, morale and retention, but no company would move to a four-day week if it is not a profit-enhancing shift.

Another problem is that the four-day working week can be difficult to implement in service industries where customer demands need to be met. A Labour-backed study in the UK also warned against increasing exhaustion as contracted employees would cram their work into four days, plus negative impacts on unskilled and zero-hours workers who need the hours to get paid.

This is because employers can't afford less than the standard full-time workweek of eight hours per day, five days a week. If they switch to a four-day week, employees will still have to work 40 hours at the rate of 10 hours per day for four days. So while people may feel refreshed by having an extra day off of work each week, they may also experience a drop in productivity after so many hours at work in a single day.

In the U.S., Treehouse, a large tech HR firm, implemented a four-day week in 2016, but as the firm failed to keep up with competition, it reverted to a five-day week. "It's simply hard to compete if you're working 80 per cent of the time your competitors are," chief executive Ryan Carson told *The Washington Post*.

Broadly, there is obviously a need to bring down the total working hours in a week. Research has shown that employee output falls sharply after a 50-hour-work-week, and falls off a cliff after 55 hours — so much so that someone who puts in 70 hours produces nothing more with those extra 15 hours. This is evidence that those extra late nights in the office don't necessarily boost output, and can put even rational employees on the edge.

The danger is that the CEO would end up with a bunch of multi-tasking, channel-flipping, fast-forwarding zombies, who are always banging the lift button without realising that it will only stop working.

But India Inc can hardly afford a four-day week as it's simply too expensive. Implementing such a concept would invariably mean recruiting more people — something which is not economically sustainable. So at this point, it's better to stick to flexible working hours, work from home, etc and let four-day week remain just an aspiration.

CHINESE WHISPERS

Chacha bhatija 'together'

With the Citizenship Amendment Act (CAA) setting the political narrative in the country, smaller and fringe parties have found a perfect opportunity to get attention. One such is the Pragatisheel Samajwadi Party (Lohia) headed by Shivpal Singh Yadav (*pictured*). However, for the estranged uncle of Samajwadi Party chief Akhilesh Yadav, this is also an opportunity to express solidarity with his nephew and explore reconciliation with the rest of the clan as some put it. Shivpal, aka *chacha*, recently said that vested interests were "fanning communalism in the name of nationalism under the garb of the CAA" and that his party would make every effort to thwart the nefarious designs of such protesters. In saying so, he found himself on the same page as Akhilesh, who, recently flagged off a cycle march of Samajwadi Party MLAs against the CAA, National Register of Citizens and National Population Register. Is something brewing in UP's first political family?

Two in one

To separate or not to separate is the dilemma faced by many Indian promoters whose companies have not split the offices of chairman and managing director (MD). A firm, which had appointed a head hunter to search for a managing director, has put its plan on hold and is likely to allow its promoter to continue as chairman and MD. Almost half the top 500 listed companies appear unprepared to meet the current Securities and Exchange Board of India (Sebi) deadline. On Wednesday, it was reported that Sebi was considering relaxing the March 31 deadline for listed companies to separate the positions.

Relax! It's not about JNU

External Affairs Minister S Jaishankar's statement — that the "tukde tukde" gang did not exist when he was a student at Jawaharlal Nehru University (JNU) — in response to a question on the recent violence in the university campus expectedly grabbed eyeballs earlier this week. The afterstory was just as interesting. It so happened that immediately after Jaishankar's remark, the microphone was passed on to a questioner who happened to be a JNU student. As she identified herself and said that she was enrolled in the International Relations programme, there was an awkward silence, followed by nervous laughter in the audience. The woman clarified that her question was not about JNU and she proceeded to probe the minister on India-China relations.

MCA vs NCLAT: Truce or war?

The National Company Law Appellate Tribunal's latest judgment on the RoC application in the Tata-Mistry case has made the fight interesting on many counts

J N GUPTA

In the Tata-Mistry case, the issue boils down to this: The Registrar of Companies (RoC) feels that there are strictures against it although it had acted within the law. The National Company Law Appellate Tribunal (NCLAT), however, feels that it has not cast aspersions on the RoC and has not passed any strictures.

The NCLAT held conversion of Tata Sons from deemed "public" to "private" company as illegal and observed that it was done "with the help of the RoC just before filing of the appeal". The RoC feels it has complied with the law and hence the use of the word "helped" amounts to casting aspersions on its conduct. It is a Hobson's choice for both: The RoC cannot accept helping Tata in any manner without accepting that the conversion was illegal, whereas the NCLAT cannot expunge the word "helped" as it will make the action of the RoC compliant with law, shaking the foundation of the NCLAT's order. Hence a royal stalemate.

Absence of law?

Can commercial and corporate function come to a standstill if lawmakers fail to make laws? How should the wheels of commerce continue to run? What is a private company? Can one form a private company at present? Can one convert a public into a private one?

Section 2(68) of Companies Act 2013 defines a "private company" as a company having a minimum paid-up share capital as may be prescribed. The RoC has stated before the NCLAT that no minimum capital has been prescribed. In that case, can the RoC register a private company? Should all companies become public? The logical answer is no.

If one goes by para 15 of NCLAT judgment of January 6, 2020, it appears that the RoC does not have any power in case the minimum capital is not prescribed.

"*--- in absence of any prescription of minimum paid up share capital, the Registrar of Companies has no power or jurisdiction to carry out any changes in the Register of Companies or Certificate of Incorporation ----.*"

The NCLAT judgment means that under the 2013 Act, no private company could be incorporated; all companies registered as private post the Act, would be illegal.

The NCLAT's ruling contrasts with the ruling of the Supreme Court in Orissa State v/s. M/s Orient Paper Mills (2003.03.10) where it said:

"*...Where a statute confers powers on an authority to do certain acts or exercise power in respect of certain matters, subject to rules, the exercise of power conferred by the statute does not depend on the existence of rules unless the statute expressly provides for the same. In other words framing of the rules is not condition precedent to the exercise of the power expressly and unconditionally conferred by the statute. The expression "subject to the rules" only means, in accordance with the rules, if any. If rules are framed, the powers so conferred on authority could be exercised in accordance with these rules. But if no rules are framed there is no void and the authority is not precluded from exercising the power conferred by the statute...*"

Therefore no void is created and the wheels of commerce can function without any hitch; the RoC could act within its jurisdiction even though the rules had not been framed.

Conversion to private company

What is the procedure of conversion? On the procedure part, RoC Mumbai asserts that till January 30, 2019, Section 43A (2A) of the Act of 1956 was operative.

"*[(2A) Where a public company referred to in sub-section (2) becomes a private company on or after the commencement of the Companies (Amendment) Act, 2000, such company shall inform the Registrar that it has become a private company and thereupon the Registrar shall substitute the word `private company' for the word `public company' in the name of the company upon the register and shall also make the necessary alterations in the certificate of incorporation issued to the company and in its memorandum of association within four weeks from the date of application made by the company*]."

While the NCLAT in para 17 has said that the RoC had omitted mention of Section 43A(4), it appears the NCLAT had overlooked the fact that Section 43A(4) was repealed way back in 2000. Should RoC follow a current law or a repealed one?

The NCLAT judgement, has quoted Section 18 of Companies Act 2013 also: "A company of any class registered under this Act may convert itself as a company of other class..."

Section 18 is not applicable to Tata Sons because it has not been registered under Act of 2013. In the 2013 Act, there is no place for hybrid companies such as Tata Sons — private by functioning and public by fiction of law. Once the fiction disappears, dual nature automatically disappears.

Contempt of NCLAT order?

NCLAT in its judgment of December 2019, under Para 187(iv), ordered RoC to issue a new certificate of incorporation to Tata Sons. There was no stay of order. The RoC has not yet carried out the required changes. It is in Catch-22 situation: If it does not appeal and change registration certificate, it would admit it acted illegally. In that case, it would be Tata Sons that would drag the RoC to the Supreme Court and there it will be in a precarious position, admitting that it acted illegally and make arguments totally opposite to that it made at the NCLAT. And if the RoC appeals in the SC, it will be continuation of war and not truce between MCA and NCLAT. That might be better as it would save the RoC some embarrassment. The MCA needs to demonstrate that it believes in the interpretation of law it has created.

Whatever the decision of the RoC, it will be an interesting battle ahead for all corporate law practitioners.

The author is managing director, Stakeholders Empowerment Services

ILLUSTRATION: BINAY SINHA

INSIGHT

A royal family spinoff

Allowing some royals to step away from "senior" status makes sense if you think of the British monarchy as a business

SARAH GREEN CARMICHAEL

The announcement by Prince Harry and Meghan Markle — aka the Duke and Duchess of Sussex — that they're stepping back from being "senior" members of Britain's Royal Family should have come as no great surprise to royal watchers who have watched the pair struggle in the glare of the spotlight over the past year.

Insiders sometimes call the royals "The Firm," and perhaps that analogy is useful to understanding their desire to live, shall we say, a more entrepreneurial life. (Buckingham Palace seems to have been caught flat-footed by their pivot.)

The shift is consistent with a long-term strategic plan attributed to Prince Charles, who has indicated that he favours a slimmed-down monarchy with fewer people called upon to play the role of senior executive. He wants the focus to be mainly on the monarch and those in the line of succession. In this case, that's the Queen, himself, his son Prince William, and William's oldest child, Prince George. It's not the Sussexes, as much as the media loves covering them.

This means not only jettisoning some liabilities — think of Jeffrey Epstein-linked Prince Andrew — but also divesting some potential assets, like the Sussexes, into independent entities, if they don't fit with the strategic vision.

Think about it. To succeed, an organisation needs to focus. The essence of competitive strategy is not only deciding what you will do, but being firm on what you will not do. The royal family doesn't get to pick its relatives any more than you or I, but they can decide who lives off the public purse, who counts as "senior" and who does not.

There's no doubt they'd prefer to keep the focus firmly on the royals who burnish the family brand. Over the past couple of years, Prince William and his wife, Kate Middleton — the Duke and Duchess of Cambridge — have taken on an increasing number of public engagements of the kind the crown would like to see more of: carefully staged ribbon cuttings, sidewalk meet-and-greets, charity work. They share adorable photos of their adorable children (often snapped by Kate herself). They weathered unsubstantiated rumours about their marriage and a falling-out with friends with hardly a backward glance.

By contrast, the Sussexes have managed over the past couple of years to snatch defeat from the jaws of victory several times. They've repeatedly failed to coordinate major announcements with the palace — Wednesday's kerfuffle being just the latest, and maybe the craziest, example. Last fall, they torpedoed the good public relations they'd earned on a tour of South Africa by launching an ill-considered lawsuit against the press just as the visit was ending. They also fumbled the public aspect of baby Archie's birth — which is usually a pretty hands-down positive royal news story — by promising to share some details with the public, but then holding most of those details in strict secrecy. And, fairly or not, they struck people as hypocritical by extolling personal efforts to mitigate climate change while, like most rich people, living a pretty carbon-intensive lifestyle. When their celebrity friends rushed to defend them, it only made the public angrier.

While these may seem like tempests in so many gilded teapots, and while some of the criticisms seem wildly unfair — would we prefer elites who didn't care about the climate at all? — taken as a whole, they run the risk of eroding the Firm's "customer base." In other words, each dust-up has the potential to make British taxpayers ask, Hey, do we really need to keep supporting these toffs? Roughly a quarter of younger Brits would like to abolish the monarchy, polls show, and that's with an enormously popular Queen about to reach her 68th year as monarch.

After so many own-goals, it's not surprising that senior management might want to "make some changes," as the old corporate euphemism goes, or that the Sussexes themselves would want a sort of career change. They have clearly struggled to balance the public and private aspects of royal life, and frankly, seem pretty miserable doing the job they've been trying to do since their wedding. Harry and Meghan have issues they care deeply about and want to have a public voice on; their job in the family business has been to keep quiet and smile. Seen in that light, they haven't really been hitting their performance targets — and they probably don't find the work all that fulfilling.

Perhaps this is one spinoff that could work for everyone involved.

LETTERS

Double standards

This refers to "Mamata to skip oppn meet; cites violence by Left, Cong during strike in WB" (January 9). It was interesting to learn that West Bengal Chief Minister Mamata Banerjee (*pictured*) has announced that she will boycott the Opposition meeting convened by Congress president Sonia Gandhi on January 13 to protest the violence unleashed in the state allegedly by Left Front and Congress workers during a trade union strike. Various parts of West Bengal have been witness to massive incidents of violence and arson, blocking of railway tracks and roads by protestors trying to enforce a shutdown. Well done, Mamatadi, for taking such a bold stand. But will she also kindly recall that her own state was marred by huge political violence let loose by Trinamool Congress activists both during last year's Lok Sabha polls and the by-elections to the state Assembly? Why such "double standards"?

Kumar Gupt Panchkula

Improving governance

This refers to the front page report "Breather for India Inc likely on CMD norm" by Shrimi Choudhary (January 9). The extension of the March 31 deadline by the Securities and Exchange Board of India (Sebi) may help the 247 top companies — including the big ones — identify suitable people for one of the two — chairman or managing director (MD)/chief executive officer (CEO) — roles but I do hope the "extension" is not a precursor to watering down the excellent proposal that promises to improve our corporate governance norms. There is, of course, the possibility that many corporations will only end up having merely titular/dummy and powerless nominees as chairmen and the MDs/CEOs will continue to exercise unfettered control with some "ineffective" independent directors on board. But even so, splitting the top two posts will do a lot of good.

Sebi Chairman Ajay Tyagi neither accepting nor denying the "possibility of considering a relaxation" creates the feeling that there could indeed be a relaxation of the good measure. The Uday Kotak Committee had made this suggestion — to separate the roles of chairperson and MD/CEO — to improve corporate governance in India, a much needed reform in line with global practices — and it would be useful to follow the same for the overall good of the Indian corporate sector.

Krishan Kalra Gurugram

Political unionism

This refers to "Bharat Bandh: An interaction of economic and social issues" (January 9). A major bane of Indian trade unions is that they are politically affiliated and practise political unionism more than economic unionism. It is not surprising then that the top demand of the unions for going on a national strike is the repeal of the Citizenship Amendment Act or CAA. At a time when they have failed to perform their primary function of providing job security to their members (as evidenced by decline in the number of permanent employees and replacing them with temporary hands) their prioritisation of CAA strengthens the belief that they are the obedient arm of their political masters.

Moreover, such a nationwide strike does not serve any purpose. Despite claims of success supported by a section of media the reality on the ground is otherwise. That said, a confrontation among the two sides — the government and the unions — is not a good sign when the need is for unions, industry and government to work together to stabilise the economy. Things have not improved because the government has made no serious effort to build consensus among unions so far to facilitate the implementation of industrial relations codes.

Y G Chouksey Pune

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HAMBONE

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Opening up mining

Removal of end-use restrictions is a major step forward

The Union Cabinet on Wednesday cleared an Ordinance that, in effect, opened up India's mineral extraction sector to commercial mining companies of both local and foreign ownership. The Mineral Laws (Amendment) Ordinance 2020 amends both the Mines and Minerals (Development and Regulation) Act of 1957 and the Coal Mines (Special Provisions) Act of 2015. This sets in motion the process by which mining leases can be auctioned. Any company registered in India can bid and develop coal blocks, which means that previous restrictions — such as compulsory mining experience or a presence in specified sectors such as power or iron and steel — have been removed. In other words, there will be no end-use restrictions on the auctioned leases. This is a major step forward for commercial mining and for general efficiency in the sector, which has hitherto been dominated by the state.

The government has claimed that its changes to the coal-mining regimen in the country will ensure that the import bill is reduced. More than 200 coal blocks are eventually to be auctioned, according to the authorities, which they claim could eventually produce as much as 400 million tonnes a year. Even a partial movement towards that target would considerably reduce India's import bill of about $15 billion. There is no reason for the country to be importing thermal coal in particular, of which it has ample reserves. High-quality coking coal, however, may have to continue to be imported. The iron ore sector, meanwhile, is also being affected. Leases for 46 mines that are currently operational are due to run out in a couple of months. This Ordinance will open up the market, a step which has long been hoped for. However, to attain desired results, the government will also have to work on other legal and administrative changes so that output moves efficiently.

NITI Aayog Chief Executive Officer Amitabh Kant has tweeted that it is "finally the end of coal nationalisation" in India. Currently, Coal India and Singareni Collieries account for more than 90 per cent of India's coal production. Some of this will now be taken up by both India-based companies and multinationals. This will be a wake-up call for Coal India, which will have to improve efficiency in both extraction and delivery if it is to maintain market share. The coal minister has insisted that there will be no impact on Coal India, but that remains to be seen. Competition and efficiency in the sector are overdue. The government is also to be commended for ensuring that the legal framework is in place rather than relying on purely administrative shortcuts, as was the norm prior to the coal judgment of the Supreme Court some years ago. However, some caution is still warranted. The financial and "fit and proper" norms for bidders will have to be carefully designed. It is also essential that the government keeps in mind its other commitments, including on climate change. Further, the banking sector is still state-controlled and it should be careful to not over-lend to a sector that is globally facing a supply glut. A build-up of stranded and non-performing assets would be in nobody's interests.

Irrational demand

Licence-linked dues from non-telcos should be reviewed

The Supreme Court order defining telecom revenue has landed a number of non-telecom companies in the soup because they are saddled with a demand of close to ₹3 trillion. These companies will have to pay licence-linked dues based on their overall revenues, which have very little to do with telecom, after the apex court, in an order in October last year, upheld the government's definition of adjusted gross revenues (AGR) for telecom licensees. AGR is the revenue amount used to calculate the licence fee and spectrum charges paid by telecom companies to the Department of Telecommunication (DoT). As a result of the order, non-telecom companies including GAIL, RailTel, and PowerGrid, need to together cough up ₹2.97 trillion, which is more than double what telcos will have to pay. The numbers are baffling — GAIL (India) has to pay ₹1.72 trillion, which is more than three times its net worth and several times the actual revenue earned. The company has claimed that it earned only ₹35 crore as revenue from its telecom business since 2001-02. PowerGrid will have to pay an astounding ₹22,168 crore, while Gujarat Narmada Valley Fertilisers and Chemicals needs to pay ₹15,019 crore and RailTel ₹290 crore.

While the court verdict has put telcos in the dock at a time when they are running deep losses with some on the verge of default, the others with internet service provider (ISP) licences or those having licences to meet their internal communication needs have been caught in the legal crossfire without any reason. Many of these companies, after taking communication-linked licences, never operated those businesses, and some others ran very minuscule telecom/internet operations while their primary business interests ranged from energy to power to broadcasting services. Instead of fighting on their behalf in the court, the DoT has sent out notices to non-telcos for paying up the dues by January 24. The DoT should have stepped in proactively in the case to argue the irrationality of bringing non-telcos under the ambit of the judgment. In the absence of the court order, making a distinction between telcos and non-telcos, the DoT, which has been the prime mover in the AGR case, should have been responsible enough to intervene when required.

For the government, the AGR payout by telcos and non-telcos adding up to ₹4.41 trillion would be a timely help in meeting the revenue target this financial year. But the government should avoid falling into this trap. Any irrational levy on businesses (non-telcos who are part of the SC order in this case) may boomerang and that's something that should have been avoided. The Supreme Court, which refused an open court hearing in the matter earlier this week, is expected to hear the petition moved by the industry ahead of the January 24 AGR payout deadline in a closed chamber. The expectation from the top court is that it will review its earlier order in the case of non-telcos so that they can put their focus back on their respective core businesses.

ILLUSTRATION: BINAY SINHA

A force to reckon with

Through the position of CDS, the military gets a say in governance. Should we worry about it?

India has given its military a formal say in how government is to be run. The long-term consequences of this are unclear, but what is clear is that we will not be able to avoid them. They will come. The record of military in government in our part of the world is not encouraging, and keeping soldiers at arm's length has always been wise.

It is not particularly understood that the military capture of Pakistan happened because of a civilian initiative to introduce soldiers into government. Gen Ayub Khan, the army chief, was made a minister in the cabinet while he was still a serving officer. When things became sticky (in the language of our times, when the anti-nationals were up to no good), it was easy for the general to push his fellow ministers aside and take over because he had control over more force. That is the simplest and most direct explanation for why Pakistan remains, even today in 2020, totally beholden to its warriors in matters concerning internal and external affairs as well as the economy.

AAKAR PATEL

India has created a new position in its military, the chief of defence staff (CDS). In doing so, the government has also brought the position inside the administration by additionally making the CDS a secretary— in fact, the most powerful secretary in the defence ministry. Why they did this is unclear. The CDS (and I assure you it will always be a man) will be in charge of military affairs and advise the defence minister. He will not hold formal military command and the three service chiefs will not report to him but as the person in control of promotions and postings, he will, in fact, influence military command and they will, in fact, report to him. And in his role as the defence ministry's most powerful secretary, he will have the civilian side of the ministry subordinate to him. Because we have unified all this, the CDS will have more control over the military than the defence minister.

Has any of this been thought through? Of course, it hasn't. When leadership radiates genius and certitude, why should it bother with details and the opinions of others? I asked the two most well-informed reporters on defence matters (this organ's correspondent and that of *The Indian Express*, both soldiers themselves) whether it had been debated in public before being announced and they didn't think it was done.

What must we now worry about? The first thing is that Indians have never had a say in how their Army is to be run. One of the problems with the 1935 Government of India Act was that the largest head of the budget, the Army, was outside the purview of Indians. This is no different from how it remains today. It is scandalous and outright treason to suggest that the ₹4 trillion or more that we spend on military and paramilitary might be too much. It does not even occur as a question in politics: All parties outdo each other in promising more money for defence.

The second thing is that the creation of positions for specific individuals, as has likely happened in this instance, is not without danger. The CDS has already offered his opinion on politics and said that what the opposition is doing regarding the Citizenship Amendment Act is not leadership.

The third thing is that we must not assume that a force inside government will not assert itself. It will. Of course it will believe that it is doing something good and for the right reason: All forces think that. The question is whether you want the most powerful one to have a say in government. India's military has always been a colonialist institution. I trust one can be blunt here without causing offence. The fact is that the same regiments, which for 250 years had been bayonetting and bombing Indians before August 14, 1947, were charged with protecting Indians the following day. Our response cannot be that our soldiers are all loyal and love the country and would never do anything to harm it. That is not how adults debate.

The fourth thing is that we are too afraid to even discuss such things. *The Indian Express* reported a few years ago about the unusual troop movement ordered by the then army chief (who is today a minister). The government freaked out because it didn't know if this movement was being directed against it. The newspaper report was accurate and factual but it was derided because the army chief cannot do any such thing.

Less noticed was a report on these pages published a few days before *The Indian Express* report. I physically sat up when I came across this paragraph: "Consider the appointments made by the current army chief, General Singh, from his Rajput Regiment. While Singh has been a relatively fair chief, he has posted officers from the regiment to practically every crucial appointment: The deputy chief of army staff, the director general of military operations, the adjutant general (responsible for discipline and manpower planning), the military secretary who posts and promotes officers, and the additional director general of administration & coordination. In addition, Rajput officers were placed at the head of key formations around Delhi: The Delhi Area which controls military installations around the capital, and the Meerut-based 22 Infantry Division."

On September 23, 2015, *The Hindu* published an editorial, which said: "The Technical Support Division, a covert intelligence unit of the Army raised during the tenure of General V K Singh as Army chief, is in the news for all the wrong reasons. The revelation that sensitive documents relating to it were destroyed illegally in 2012, in the final days of General Singh's tenure — he is a Union Minister today — deserves a thorough and serious inquiry. The TSD has faced allegations that it misused funds earmarked for secret service operations, indulged in unauthorised surveillance and made attempts to destabilise the Jammu and Kashmir government. Some of these charges are attributed to the findings of an inquiry report by a Board of Officers. The latest exposé by this newspaper, with documentary evidence, shows that between May 22 and May 25, 2012, the Pune-based Southern Army Command assembled two different boards of officers to destroy all TSD-related documents in its possession."

If you haven't heard much about this, the reason is that the media thinks it is out of bounds even to discuss such things. And it is in this environment that this prime minister has given the military an even larger role and a say in the doings inside government.

Policy challenges with 5 per cent growth

The Indian economy, according to the first advance estimates of gross domestic product (GDP) for the current financial year, is expected to expand by 5 per cent, compared with 6.8 per cent last year. The nominal growth is likely to slip to 7.5 per cent, compared with the assumption of 12 per cent in the July Budget. The decline in growth can lead to a variety of problems, particularly in managing corporate and government finances. While growth estimates did not surprise anyone, the big question is: How fast can India return to a higher growth path? Therefore, in the given backdrop, 2020 will perhaps be the most important year for economic policy in recent times. The first stop will be the Union Budget.

REAL TERMS

RAJESH KUMAR

Government finances are in stress and revenue collection might fall short by at least ₹2 trillion in the current financial year. Although the government is reportedly compressing expenditure, most analysts expect it to overshoot the fiscal deficit target of 3.3 per cent of GDP. However, it will now be important to see how the government intends to manage its finances in the next financial year, and beyond. Some commentators have argued in favour of running a higher deficit to support demand. It is being suggested that the government should not worry about the fiscal deficit and focus on reviving growth. The government would be well advised to carefully evaluate its options and not fall for what now looks like a popular demand. It is worth highlighting that if the actual public sector deficit of 8-9 per cent of GDP is not able to push demand adequately, it is highly unlikely that further expansion of, say, worth 1-1.5 per cent of GDP will sustainably revive economic activity. Also, the government should not be seen as taking fiscal constraints lightly. Both international and domestic financial markets care deeply about government borrowing and debt sustainability. Loss of confidence, or a possibility of a ratings downgrade, will significantly increase risks to macroeconomic stability and affect growth outlook in the medium term. Besides, additional government borrowings will choke the financial system, crowd out the private sector, and increase challenges for the Reserve Bank of India (RBI) in conducting monetary policy.

The policy path for the RBI will not be easy, anyway. After cutting the policy rate by 135 basis points in the current cycle, it is now trying to influence yields by intervening in the bond market. Since the accommodative stance of large central banks, particularly the US Federal Reserve, would lead to a continued inflow of foreign funds — assuming the situation in West Asia will not result in higher risk aversion — liquidity management will become tricky for the RBI. Necessary intervention in the currency market to avoid rupee appreciation will add to excess domestic liquidity. The monetary policy committee (MPC) did not cut policy rate in its last meeting, largely because of inflation risks, but excess liquidity in the system for too long can complicate policy management. Further, given the uncertainties, it will be difficult for the MPC to cut rates in the near term. However, if it decides to ignore inflation for a while to support growth, it will need to effectively communicate how far it intends to go, as the RBI's credibility as an inflation-targeting central bank will be at risk.

Since the scope of supporting growth through fiscal and monetary policy is fairly limited, economic revival will ultimately depend on policy reforms. Excessive policy accommodation might lift growth in the short run, but it may not sustain and end up increasing risks to macroeconomic stability. It is important to note that an external risk, like a sustained increase in crude oil prices, can make India vulnerable very quickly.

In terms of reforms, the government has been criticised for intervening on the supply side when the problem is seen to be of inadequate demand. India needs large scale supply-side reforms. For instance, it is well accepted that no country can grow at higher rates sustainably without strong exports. One of the biggest reasons why India decided to stay away from the Regional Comprehensive Economic Partnership was the fear of imports. If India is not expected to compete with members of this group for years to come, then the problem is certainly not limited to domestic demand. As economist Amita Batra has shown in these pages, India's global value chain integration is not only low but has declined over the years ("India's exports and Factory Asia", September 3, 2019.) As a result, while India's exports have been virtually stagnant over the past several years, countries such as Vietnam and Bangladesh are moving ahead ("Why neglect exports?" by Shankar Acharya, *Business Standard*, December 12, 2019). This indicates India needs wider structural reforms to improve efficiency and compete in the global market.

Another round of fiscal and monetary push may not take India too far and increase risks to financial stability. Thus, policy decisions in the coming months, to a large extent, will decide the trajectory of the Indian economy in the medium term.

Technology and government

BOOK REVIEW

PRAVEEN CHAKRAVARTY

India is considering a transition to the next generation 5G telecom technology. Chinese telecom giant Huawei is the world's leading provider of 5G technology, far superior and cheaper than its rivals. But the United States has alleged that Huawei is a Chinese government-controlled company in disguise and China indulges in unlawful surveillance and spying of people using Huawei's data. It has banned Huawei. Canada, Australia, New Zealand and some parts of Europe have joined the US in banning Huawei.

In this context, should Prime Minister Narendra Modi and his government allow a free market for 5G equipment or protect Indians from potential surveillance by the Chinese government, as alleged by the US?

History can offer some lessons from the past for this quandary, argues Arun Mohan Sukumar in his delightful book *Midnight's Machines: A Political History of Technology in India*. The book is a fascinating chronicle of the history of technology in independent India, the similar dilemmas that our leaders faced, the technology choices that they made and their consequences.

First off, kudos to the author for this enthralling idea for a book. Independent India's tryst with technology has been an equally critical component of India's development over the last seven decades, yet under-researched and under-published. This book fills the void, to some extent.

The book is erudite, scholarly yet eminently readable. The book's standout feature is its writing with its crisp, punchy and vivid prose. The copious research by the author is packaged and presented through interesting stories, events and anecdotes, devoid of dense technology jargon.

MIDNIGHT'S MACHINES: A Political History Of Technology In India
Author: Arun Mohan Sukumar
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The author draws an interesting parallel with the Huawei dilemma from the 1980s when India was caught in the crossfire of technology spats between two world powers then — the US and Japan. Japan was the rising power, threatening to unseat the US in technological dominance just when India's technology savvy prime minister, Rajiv Gandhi wished to propel India into the world of computers and supercomputing. The book argues that India was forced to make geo-political compromises in its technology choices and had to settle for a lower grade supercomputer from the US rather than a better one from the Japanese, which had subsequent repercussions. Citing few other similar precedents, the author makes a case for minimal state and bureaucratic intervention in such technology choices and letting the market decide. The author draws strong counter-factual conclusions that is a history writer's perennial curse. But a counter-factual can neither be proven nor verified. Often, policy choices on important matters can be a bit more complex and nuanced than the author makes it seem.

The other pet peeve of the author seems to be the idea of an "appropriate technology" for a nation which he beautifully illustrates with the story of India's "solar cooker versus satellite" technological debate in the 1950s. In 1952, the shiny new public sector entity National Physical Laboratories (NPL) announced the invention of a solar cooker that would ostensibly free poor Indians from wood and cow dung stoves. The product was announced and demonstrated with great fanfare eliciting international attention from *The New York Times*, *Washington Post*, BBC and so on. Realisation dawned soon that the solar cooker would cost ₹50, a princely sum in 1950s India and, more importantly, will not be ready to cook breakfast just after sunrise when most households needed it. The project was abandoned. The author extrapolates this to imply that the entire debate of appropriate technology for a nation is futile and castigates the role of government in technology choices. But the private sector is equally culpable of a wrong "appropriate technology" decision as the Tata Motors' vaunted Nano car project showed. The author believes that appropriateness of technology is a fallacious idea and is scathing in his criticism of the then political leadership for settling for an "appropriate" technology rather than the latest technology.

The book is well structured and takes the reader chronologically through the important events and milestones in India's political history of technology. The only distraction to this flow is the sudden "Ode" to three technocrats whom the author feels have made an indelible impact on India's technological development, which seems like a needless outlier to the book's deeper context and purpose.

The book sets up an excellent framework for rich debates and discussions that are extremely relevant today. It is undeniable that technologies such as internet, social media and smart phones' impact on society are profound and complex.

The reviewer is a political economist and a former scholar in a think tank