TRAI versus Indian broadcasting

The TRAI's recent effort to micromanage India's television industry will end up hurting everyone — consumers, broadcasters and distributors

MEDIASCOPE

VANITA KOHLI-KHANDEKAR

The Telecom Regulatory Authority of India or TRAI has managed to do the impossible. It has united Indian broadcasters. The head of every major broadcast firm in the country — NP Singh (Sony), Punit Goenka (Zee), Uday Shankar (Disney-Star), Aroon Purie (TV Today) among others — were on one podium in Mumbai last week. All of them compete bitterly for a share in India's ₹74,000 crore TV market. They have never spoken up for each other. But at a press conference called by the Indian Broadcasting Foundation or IBF they spoke in one voice. This is very unusual, but these are unusual times.

On January 1 this year, TRAI made changes to a tariff order it had implemented just 11 months ago in February 2019. On Friday last week (January 10) the IBF called its press conference. On Monday this week (January 13) the TRAI called a press conference to state its point of view. On Tuesday the IBF and its member broadcasters filed a writ petition in the Bombay High Court against the amendments.

The battle of wills between the world's second largest TV market and its regulator continues. And it will still either the TV industry goes into decline or TRAI realises that in a highly competitive market broadcasters have every right to price their channels the way they want to. And that the prices of entertainment, sports, films or music cannot be set like that for voice or data or food grains. That bundling actually benefits consumers. That changing rules too frequently creates a negative spiral which affects all things an ideal regulator should facilitate — growth, jobs, taxes and consumer choice.

The battle could end if broadcasters and distributors learn to explain their point of view in a unified voice. After 28 years of private television, the average cable TV prices in India are among the lowest in the world and have remained way below inflation rates. Yet there is no single graph or chart from this huge industry that illustrates that — either to consumers or to regulators.

And the battle will definitely end when TRAI learns to do simple impact analysis. Analysing the effects and costs of regulating or not regulating requires phenomenal rigour but it would save the industry and consumers so much pain. That is what communications regulators like Ofcom of the UK do routinely.

If TRAI had done an impact analysis to start with it would not be making so many basic changes to an order issued less than a year back.

The tariff order first floated in 2016, came up with caps on channel prices, dos and don'ts on bundling and all sorts of rules. After much litigation it was implemented in February 2019. It helped increase transparency but also resulted in a rise in prices, complaints of complicated packages resulting in a shift from cable to DTH or from TV to online. In August 2019 the TRAI came up with a consultation paper that read like a rant against bundling. Then came this order.

If it is implemented there will be further rise in prices, more confusion on channels and packaging and even more money spent on communicating the changes. It will also mean the death of lifestyle, English several sports and niche channels. That means job and tax losses. Much of this is happening in a year when the economic slowdown has pushed ad growth from double to single digits.

Take prices, a point TRAI keeps harping on. They rose with the last order because it introduced, rightly, a network capacity fee of ₹130 per home per month (excluding taxes) for a basic tier of 100 free-to-air channels. In the new order this has been pushed to a maximum of ₹160 for 200 channels along with the new bundling curbs; it is inevitable that prices per home will go up.

This is where TRAI's beef with bundling makes no sense. Globally bundling is a done thing in most industries — airlines, hotels, media, consumer products and most importantly in telecom which TRAI regulates. In hotels, buffets are cheaper and offer more variety than an a la carte meal. A niche channel like Zee Café would be more expensive if it wasn't a part of a bundle that has the more popular Zee TV.

TRAI has at its disposal a huge amount of research resources, a lot of data and access to stakeholders. As a regulator it could connect with fellow regulators across the world to understand how an impact analysis could be done. That would save the industry, consumers and TRAI itself the trauma caused by its frequent flip-flops.

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CHINESE WHISPERS

Protests in the sky

The protests against the Citizenship Amendment Act, the National Register for Citizens, and the National Population Register (CAA-NRC-NPR henceforth) are set to dominate Uttarayan, one of Gujarat's most popular festivals, when the state hosts an international kite-flying contest. In Ahmedabad, members of civil society have distributed around 35,000 kites with anti-CAA-NRC-NPR slogans, primarily to the underprivileged. The kites carry slogans such as "Save Constitution, Save India" and "Hindu Muslim Bhai Bhai, CAA & NRC Bye Bye", and will be flown on Wednesday. Since Ahmedabad is the epicentre of the festival and "arbitrary imposition of Section 144 and rejection of applications for peaceful protests" are very common there, those behind the idea see this as an opportunity to kill two birds with one stone — get more visibility during a high-profile event and circumvent the restrictions. "If it's not possible on the ground, we will take the protests to the skies," said a protester.

Many players in Delhi polls

The Delhi Assembly polls look like a two-cornered fight between the Aam Aadmi Party, the party in power, and the Bharatiya Janata Party (BJP), but also a three-cornered one if one factors in the Congress as well. But a whole lot of smaller parties are also trying their luck. The Lok Janshakti Party (LJP), an ally of the BJP, announced on Tuesday that it would contest all the 70 seats and released its first list of 15 candidates. Not just the LJP, some other Bihar-based political parties, including the Janata Dal (United) and Rashtriya Janata Dal, are keen to field candidates as are parties that primarily have an influence in Uttar Pradesh, such as the Samajwadi Party. The Jannayak Janata Party (JJP), the BJP's coalition partner in the Haryana government, is also mulling fielding candidates in seats bordering that state. Last heard, the Delhi Pradesh National Panthers Party Working Committee met in New Delhi earlier this week and discussed whether the party should participate in the elections.

Maya's social engineering

Amid the fast-changing political scene, especially after Congress General Secretary (in charge of Uttar Pradesh) Priyanka Gandhi Vadra upped the ante against the Adityanath government in the state, Bahujan Samaj Party (BSP) President Mayawati is making quick amends. She has removed the party's Lok Sabha leader Danish Ali and replaced him by Ritesh Pandey, a Brahmin, to woo the upper castes. Interestingly, this is the fourth time in eight months that the Dalit czarina has effected such a rejig. Mayawati has termed the recent replacement balancing caste equations, since a Muslim, Munquad Ali, is currently the party's UP unit president. However, her critics have pointed out that another Brahmin, Satish Chandra Misra, is already national general secretary of the party.

The Railways' existential dilemma

A fare hike and restructuring proposal have raised afresh the debate over whether this state-owned transport utility is a service or a business

SHINE JACOB

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

During his tenure as Union Railways Minister, Lalu Prasad used to refer to the freight business as "Railway *ka kamau ghora*" (or cash cow). A decade after his stint in Rail Bhavan, this descriptor still applies. The state-owned carrier charges passengers recovers a little under half its cost on passenger service — charging about 36 paise per 10 km and spending 73 paise — with the freight business making up the difference.

This New Year's Eve, the issue came into stark focus again when a rise in passenger fares prompted talk about restructuring the Railways, raising private sector participation and focusing on "corporatisation". But with a social service obligation of over ₹35,000 crore — omitting staff welfare and law and order expenditures — the central question about the Railways has cropped up again: Is it a welfare service or a business?

"Social commitments are natural for any public sector organisation. But if the Railways needs more private participation, the management should also see it as a business," said Prateek Kumar, an analyst with Antique Stock Broking.

A former Railway Board member thinks the two can run on parallel tracks. "Look at it as an FMCG company where the shampoo business may be making losses but its soap business may be making profits. Treat the passenger and freight business the same way," he said. The problem, however, does not resolve itself since the dependence on freight will remain.

The dichotomy came to the fore after the Railway Board raised fares for passenger trains by 1 to 4 paisa across various classes on December 31, which will add ₹2,300 crore to revenues, but excluded suburban and season tickets. "It is unfair to look at suburban trains as a business as we look at it as part of the transit-oriented development of our cities," a senior railways official. On suburban rail, the Railways recovers just 40 per cent of its costs from passengers.

The Railways' social obligations are as complex as they are extensive. These obligations include concessions to various categories of passengers; in suburban fares to various classes of tickets, season ticket concessions; in goods services, carriage of essential commodities at concessional rates. In addition, it continues to operate many uneconomic branch lines such as those in border areas and routes with a lower freight share.

All of this is reflected in the Railways' operating ratio (OR), or the money spent to earn each rupee (the lower the ratio, the healthier the utility). An ideal OR is 88. In December, the Comptroller and Auditor General said the Railways had recorded its worst OR in a decade at 98.44 in 2017-18 (it improved a tad in 2018-19 to 97.29 in 2018-19). But till September of the current financial year, the OR was as high as 121 per cent prompting Railway Minister Piyush Goyal said social obligations should not be part of calculating the OR but should be considered separately as a part for the budgetary support to the Railways.

ON THE BEATEN TRACK (In %)

Operating ratio

	Operating ratio
2012-13	90.2
2013-14	90.8
2014-15	91.8
2015-16	90.5
2016-17	96.9
2017-18	98.4
2018-19	97.29
2019-20*	95

Operating ratio is calculated based on how much money railways is spending to earn each rupee. *Budget Estimate
Source: IR

- Railways spend 36 paise per 10 km from passengers, while it spends around 73 paise for the same distance
- On suburban rail, the railways is recovering a mere 40 per cent from passengers.
- If finance ministry takes up pension liabilities that would bring down its operating ratio to as low as 70 per cent.

Subsidised fares are only one aspect of the financial impositions on the Railways. Recently, V K Yadav, Railway board chairman, pointed to the alarming fact that the organisation has over 1.3 million pensioners, more than its current employee base of 1.2 million employees. He, too, urged the finance ministries to take over these financial liabilities, which would improve the OR to 70 per cent. "Anything outside suburban passengers and strategic routes should be treated as a business. The extra money that can be used for infrastructure development is going nowhere because of this," said a former board member.

In its India 2020 report published last week, the International Energy Agency focused on the criticality of enhancing the role of the railways for India in 2050. It, too, has recommended phasing out the cross-subsidisation scheme to boost competitiveness.

This decision lies in the realm of politics. Old timers in the national transporter blame a 12-year no-fare hike period between 2002-03 and 2014 as the prime reason for the deterioration in Railway finances. In between, Lalu cut fares in 2009 and in 2012, Mamata Banerjee forced her party colleague Railway Minister Dinesh Trivedi to roll back a fare hike (he resigned).

Railways officials say the interdepartmental difference of opinion has also halted proposals to rationalise fare hikes. That is a key reason there is general approval for the recent decision to restructure the Railway Board by downsizing its strength and merging its eight cadres into a single Railway management service and corporatising production units.

How far this restructuring will streamline Railway operations on more commercial lines is an open question. Either way, the pressures to do so are becoming more acute because of an asymmetry in the transport business. First, the Railways relies on its freight business to cross-subsidise passenger fares, but the freight business has been steadily losing share to the private sector road transport business. At the very least, for a major public utility to rely on a shrinking market is surely bad business.

INNOCOLUMN

Fallout of acrimonious leadership disputes

Disputants must always try to find, directly or through well-wishers, a way to arrive at a compromise

R GOPALAKRISHNAN

I had written an article on *Ahankar-Mukt Leadership* (December 6, 2019). Even in successful companies, visible and acrimonious leadership disputes linger — like in L'Oréal, Viacom, Raymond, Infosys, Tata, Indigo and recently Murugappa. This article is not about who is right in a leaders' dispute. It merely emphasises the obvious: That bad and lasting consequences linger when a disgruntlement lands in the courts rather than get negotiated, away from public gaze. Dust is kicked up by the parties involved, each of whom feels that he or she has contributed to the company; there is usually an asymmetry in the respective perceptions of contribution. Busy lawyers argue in the courts about clauses in agreements or the articles of association.

Commercial disputes, usually about money, are inevitable, but leadership disputes, usually about ego and asmita, are not inevitable. A story from John Bunyan's The Pilgrim's Progress is relevant here. An interpreter leads pilgrim Christian into a parlour, full of dust. The interpreter requests an attendant to sweep the parlour. There is so much dust that Christian can barely breathe. Next a woman sprinkles water on the dust and sweeps the room clean. The interpreter accompanying Christian explains his perspective, "The dust represents the sin of a person. The attendant, who raked up the dust, is the law. Law does not cleanse the sin, rather it arouses it without the power to subdue it. The woman who sprinkles water and sweeps the parlour clean is the gospel."

Leadership disputes tend to be about rights and legacy, with dollops of ego. No doubt these disputes are quite different from say, couple disputes. However, there is some similarity insofar as the disputants have been close, know a lot of internal secrets, and are required to be sensitive to multiple stakeholders, beyond the couple or the company. When a couple decides to separate in acrimony, friends, extended family and children are involved. Psychological studies suggest that messy divorces adversely affect the parent-child relationship, the child experiences a loss of home support, and the ability of the child to trust the parents gets impaired.

The Family Law Company, Exeter, summarised lessons from four well-known films dealing with divorce. In *The Parent Trap*, each parent tries to do what he or she considers the best for the children. Their actions end up separating the siblings. The parents fail to see the situation from the children's perspective. In their innocent world, children prefer to see a win-win outcome, in which their parents talk and be civil to each other. In *Kramer vs Kramer*, the son is torn between dad and mum. The film makes the point that it is wrong for either parent to assume that "what I want" equates with "what the child wants". If each parent seeks a win-lose outcome, then for sure, the child has a dilemma of lose-lose. The sense of loss is huge for the child. *Mrs Doubtfire* combines humour with deep messaging that the scars for the child can be long-lasting, and parents should find a mutually acceptable solution for themselves while avoiding harm to the child without public mud-slinging. In *The Squid and the Whale*, a successful novelist and his wife agree to separate, but there are two sons involved. As the divorce gets messier, the two sons take opposite sides of the arguments. This turns out to be devastating for the sons.

In a company leadership dispute, vital stakeholders — minority shareholders, business partners and employees, all watch aghast as private matters are washed in public through court proceedings. The disputants should empathise with the firm's highly engaged employees, many of whom would have served the firm for long, and very likely, would love the firm. Such employees feel distracted by the public reports and feel alienated from the leaders, whose leadership they might have experienced at work. The disputants should think of the damage to long-standing relations that have been built up by employees, vendors, customers and distributors.

Warring leaders play a win-lose game. Other stakeholders see the situation to have lose-lose outcome. The lesson is self-evident. Disputants should consciously shed their ego. By seriously considering the damage to corporate reputation, built over a long time by their predecessors, the disputants should find a way, directly or through well-wishers, to arrive at a negotiated compromise.

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LETTERS

Think creatively

This refers to "Market sees a long pause from RBI as CPI hits 7.35%" (January 14). Since the 135 basis point cut in the repo rate is waiting for full transmission, any further cut would be worthless. The task of lifting the economy from the deep slowdown and to transform it into a $5trillion economy by 2024-25 needs fast growth in household savings to push investment. The current inflation is due mainly to the hike in the prices of food articles. The government must initiate corrective measures to resolve the supply-side bottlenecks for smooth flow of food products. It must not refrain from spending as envisaged in the Budget. Increasing the supply of credit and arresting the accumulation of bad assets is crucial to making the banking sector robust. Any push to the banks to reduce the lending rate will force them to cut the deposit rates and that would negatively impact resource mobilisation and ultimately the supply of credit.

VSK Pillai Kottayam

Wrong strategy

This refers to the report "Retail inflation surges to 7.35% in Dec, a 5.5-yr high" (January 14). The next three weeks will see analyses of the reasons for overshooting the upper limit of the inflation target accepted by the Reserve Bank of India and the possible implications thereof on the February deliberations of the Monetary Policy Committee. It may be recalled that it was under the able leadership of Raghuram Rajan that the statutorisation of the Monetary Policy Committee happened and a conservative and flexible moving inflation target of 4 plus or minus 2 per cent with different milestones achievable at different points of time was accepted the RBI.

The understanding was, the RBI would explain the reasons for the non-achievement of the inflation target if it happens. So, in all probability, when the MPC meets in February, there would be deliberations about the possible reasons for the rising trend in inflation and perhaps a plea for revision of the inflation target bargaining time for measures to bring the inflation down from the present level.

The government will have to listen to the RBI's plea for supportive fiscal policy measures for the above efforts, as the instrument of interest rate as a weapon to manage inflation has become blunt due to various other developments in the financial sector. The Budget 2020-21 might give some broad positive indications about what measures the government has in mind to balance the fiscal-monetary policy mismatch. It would be perilous if the government leaves this issue open and proceeds with the usual first-aid approach.

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HAMBONE

Business Standard
Volume XXIV Number 109
MUMBAI | WEDNESDAY, 15 JANUARY 2020

Giving in to lobbying

Deadline extension for splitting CMD post is unfortunate

The Securities and Exchange Board of India (Sebi) has decided to give two more years to comply with its directive to separate the posts of managing director (MD) and chairman of the board in top 500 listed companies by market value. No clear reasons are available for this decision, but it comes after a great deal of lobbying by some of the companies affected. The rules stipulated that the chairman of the board should be a non-executive director and should not be related to the managing director or chief executive officer. It didn't apply to companies that didn't have identifiable promoters in accordance with the shareholding pattern. It is possible that powerful people leaned on the market regulator to extend the deadline for compliance, which it has now done till April 2022.

This is an unfortunate step. Companies should not be able to lobby aggressively for so self-serving an end, and somehow force the regulator into a retreat. Apparently, one of the stated reasons by the companies is the ongoing downturn. However, it is far from clear why improving governance standards must always happen during a boom. In fact, if better governance mechanisms can make companies more efficient, then it is one way of coping with a downturn. The purpose of the requirement was to bring Indian corporate governance practices in line with global standards, where the two roles have distinct responsibilities. The MD has operational control and is accountable to the board, while the chairman of the board has distinct strategic responsibilities and is accountable, along with the board, to the shareholders. The problem in India has always been "promoters" retaining excessive control. In family-run firms in particular, even when the original owners' stake has been somewhat diluted, the "promoter" continues to have more control than the ownership structure would dictate, in particular, through the office of chairman and MD. Separating the roles is necessary for more effective supervision and breaking promoters' hold — which is very much in the interests of broader economic efficiency as well as of shareholders in general. It is precisely those interests that the regulator is supposed to be speaking for and, thus, it is disappointing that in this case the regulator has chosen to give in to promoters.

The signal sent out by Sebi is even more disheartening than the substance of its action. The large companies in question had been given more than enough time to comply with the order, so an extension does not make sense — unless it is just another way of putting a much-needed reform on the back burner. Doing so this late in the day is, like all occasions when the rules of the game are changed in this manner, unfair to those who took the trouble of complying on time. They perhaps didn't know what the other half knew — after all, almost half the top 500 listed companies were yet to comply with the Sebi rule even though the deadline was just over two months away. Regulators' authority depends upon being seen as impartial and authoritative. If such measures are withdrawn, thanks to lobbying, then few will take regulators seriously. Given that Sebi has developed a reputation for being among India's most respected and independent regulators, its action is doubly disappointing.

Inflation blues

Onus of reviving growth will solely be on govt

The latest inflation data has significantly increased the complexity of economic policymaking in India. Inflation, based on the consumer price index (CPI), increased sharply to 7.35 per cent in December, breaching the upper end of the Reserve Bank of India's (RBI's) target band of 2-6 per cent. The food inflation rate was at 14.12 per cent, compared with 10.01 per cent in the previous month, largely on account of higher prices of vegetables and pulses. Retail inflation has breached the target at a time when growth has slowed sharply. The Indian economy is expected to grow at just 7.5 per cent in nominal terms in the current fiscal year.

After cutting policy rates by 135 basis points, the monetary policy committee (MPC) of the RBI rightly decided to keep interest rates unchanged in December, largely due to inflation risks. Apart from the monetary policy, a pick-up in retail inflation will also influence the Budget 2020-21. Low inflation has been one of the biggest achievements of the National Democratic Alliance government. The upcoming Budget will, thus, have a tough task of addressing both slowing economic growth and rising inflation. A few days after the presentation of the Budget, the MPC will deliberate the course of the monetary policy. Although some analysts believe that higher food inflation is transitory and will come down in the coming months, the MPC is likely to take a more cautious view. While core is at a comfortable level, the latest headline inflation reading has ruled out the possibility of a rate cut in the February meeting.

However, the bigger question now is: Till when will the MPC keep the policy rates on hold? There are two important points to note. First, as a research paper by the RBI — or the so-called Mint Street Memo — noted in May 2019 that large inflation-forecast errors in India had been related to unanticipated shocks from food prices, particularly those of perishables like vegetables. Cross-country evidence also suggests that forecast errors are associated with the weighting of food items in the CPI. Since the projections could not gauge food price shocks on the downside over the last few years, it is possible that it may not be able to do so even on the upside. Second, if the RBI fails to meet the inflation target for three consecutive quarters, it has to submit a report to the Central government, stating the reasons for failure, actions proposed, and the estimated time-period within which it will achieve the target. Undoubtedly, the central bank will want to avoid such an outcome.

Thus, the coming months would be the biggest test for the RBI since the adoption of the inflation-targeting framework. In this context, it will be important to see to what extent the RBI changes its inflation projection and how food prices behave in the near term. A research note by the State Bank of India shows that an increase in vegetable inflation leads to an increase in protein inflation with a lag of two months. Further, global food prices have moved up significantly. Thus, with upside risks to inflation, the monetary policy will not be in a position to support growth in the coming quarters. The onus of economic revival will now solely be on the government and the Budget will be expected to provide a road map.

ILLUSTRATION: BINAY SINHA

Inequality in the US-II

Analysis of education data confirms it has worsened

Last month in this column ("Inequality in the US", *Business Standard*, December 18), I pointed to worsening inequality in the United States, where, by the end of the 20th century, economic growth slowed and inequality of income and wealth grew. Whatever gains there were, benefited smaller slices of the population at the top. Trend analysis using tax data received a thrust when Thomas Piketty and Emmanuel Saez in a 2003 paper used French data to demonstrate "vertiginous" growth of income at the top during the 1970s and 1980s. US data was subsequently used to show growing inequality of income and its components[1].

The so-called "natural law" of the market that assured increased benefit to all as economies grew, failed. Inequality got exacerbated as the rate of return to capital exceeded the rate of economic growth. Robert Solow, well-known in the field of economic growth, iterated, "equitable growth is the central economic issue." Income distribution became increasingly unequal, more so with wealth. Some of the stock of wealth that comprises money, property, stocks, bonds and other capital, could be hidden and not counted. Gabriel Zucman claimed that $8.7 trillion in wealth or 11.5 per cent of world gross domestic product (GDP) was held in offshore accounts (see my article on tax havens, November 20, 2019), of which 80 per cent by the top 1/10 of 1 per cent.

PARTHASARATHI SHOME

As income and wealth distribution worsened, microeconomic aspects began to be analysed revealing how worsening distribution obstructed the economy and its economic mobility. Heather Boushey has reviewed this literature comprehensively[2]. Raj Chetty viewed inequality as: "Fewer kids across the income distribution—in the middle class and at the bottom—end up doing better than their parents did", countering the achievements of the 1960s and 1970s. Chetty and others estimated that 70 per cent of the decrease in absolute mobility would not have occurred had the inequality in income and wealth been kept in check. Clearly, for the US youth to move up, the gap between incomes at the top and the bottom has to narrow.

Economic inequality led to health inequality that, in turn, exacerbated differences in lifelong skills people acquired. Claudia Goldin, Lawrence Katz, Janet Currie, Douglas Almond and Duncan Thomas demonstrated this in various ways. In the UK, 17,000 children born during one week in 1958 and tracked through adulthood, revealed that healthier ones passed school English and Maths more easily; they were 4-5 per cent more able to have jobs, and received higher wages at age 33. Based on this, in 1999, Currie and Rosemary Hyson concluded that children's health at birth relates to health during life. Adult employment is related to low birth weight. Thus, child and family characteristics at school entry explain future outcomes as much as the number of years of education. Epidemiologist David Barker pointed to mother's nutrition and health rather than only genetics or poor lifestyles as determinants of health disorders. Others related birth weight to the probability of graduating high school. These researchers thus have taken the view that prenatal conditions have lifelong ramifications.

Education differences have had a dual directional relation with inequality, one feeding the other. Out of the 31 Organisation for Economic Co-operation and Development (OECD) member countries, the US ranks 20th in formal childcare, and 29th in preschool enrolment. An early "controlled experiment" by a number of joint authors more than half a century ago, studied 123 African American children from low-income Michigan families. At age 3-4, they were randomly assigned to, or excluded from, attending high quality pre-school. When they all reached around age 40 at the turn of the century, those who had attended pre-school, had experienced higher school completion rates, college attendance, higher earnings, more stable housing and family relationships, and fewer arrests[3].

The difference in education ultimately reflects different access to resources. Kerris Cooper and Kitty Stewart summarise research findings between 1988-and 2012 to conclude that poorer children perform poorly because they are poorer, implying that transferring money to poorer families would improve children's outcomes. This was established by Robert Dahl and Lance Lochner for children's performance in families that received transfers through the US's Earned Income Tax Credit programme.

Not only cash, but maternal nutrition, safe drinking water, pre-school services, school quality, neighbourhood safety, libraries, parks, zoos, museums, all have lasting effects on children. For this, feasibility to provide family care through paid parental leave ranks high, though the US lags behind Europe on this too. Garey Ramey and Valerie Ramey have argued that college educated parents spend more time with children to get them into competition for top college admissions. It is obvious that, otherwise, children would lose out in the competition.

To conclude, Boushay points out that children and their impact on the future of the US economy cannot be considered in a vacuum but as part of a holistic environment. She has argued in favour of continually disaggregating economic growth as it occurs, in order to view it more clearly and, accordingly, take policy action to make it less obstructive.

Accordingly, Boushey proposes a list of actions: (1) For every official updating of income and wealth growth statistics, show how that growth has been distributed across income and wealth deciles. I would say, do so for even fractions of the top decile since concentration is growing even within it. (2) Remove the hoarding of opportunity by the top which stops others from contributing to growth or receiving benefit from it. (3) To achieve this, socio-economic policy must target society from early on through access to high quality child care, preschool, public schools of high quality, and public health. (4) Prioritise infrastructure investments that buttress them. (5) Regulate those who subvert fair processes and manipulate economic growth in their own favour. (6) Rein in monopoly power that would generate more government revenue that could be used for the needed expenditures. And (7) boost the collective bargaining power of workers. Further (8) discourage capital use in investments such as financial products that do not lead to real productive activity or to an increase in economic instability.

1.-Lena Edlund, Wojciech Kopczuk and others have shown that inequality of women (versus men) and of minorities (versus the majority) has worsened even more than the inequality of income itself.
2. UnBound: How Inequality Constricts Our Economy and What We Can Do About It, Harvard University Press, 2019
3. Today such controlled experiments would be considered unethical in advanced economies inasmuch as half the needy children were excluded from a good early education. It is curious that controlled experiments in rudimentary environments continue to be conducted and awarded.

A wish list for agriculture

Is the Union government spending enough on agriculture? This question has gained salience in the run-up to the Budget to be presented on February 1, particularly because there is a demand that more resources should be allocated for the rural economy. The implicit idea is that an increase in the outlay for agriculture would result in higher disposable surplus in the hands of Indian farmers, who can then spend more and help revive demand and, therefore, the economy. What should the government do?

In the past many budgets of the Union government, finance ministers in their speeches would pay a lot of attention to the needs of farmers, but that would often be inversely proportional to the amount of expenditure allocated to the agricultural sector. Take, for instance, the Budget for 2017-18, for which the audited figures are now available. There were about a dozen paragraphs in the speech devoted to farmers. But the total expenditure on agriculture and allied activities, as given in the Budget At A Glance document released in July 2019, is estimated at ₹52,628 crore — just 2.45 per cent of the government's total expenditure in 2017-18.

NEW DELHI DIARY

A K BHATTACHARYA

This has changed a little after the announcement of the Prime Minister Kisan Samman Nidhi (PM-Kisan) programme in February 2019. Unveiled in the interim Budget for 2019-20, the scheme promised an annual cash transfer of ₹6,000 to all land-holding farmer families with less than two hectares of cultivable land. The scheme was introduced retrospectively from December 1, 2018, and covered almost 86 per cent of operational land holdings in the country.

The government's expenditure on agriculture and allied activities, consequently, went up to ₹86,602 crore in 2018-19, or about 3.5 per cent of the total government expenditure that year. Take away the PM-Kisan component from that outlay, the increase was very marginal with the government's farm sector outlay going up to only ₹66,602 crore or 2.7 per cent of the total government expenditure.

In 2019-20, when PM-Kisan had to be funded for the full year, the government's outlay on agriculture and allied activities saw a jump to ₹1.51 trillion, or about 5.4 per cent of the total government expenditure. Remember that almost half of this amount (₹75,000 crore) was meant for PM-Kisan. After the government expanded the coverage of PM-Kisan to include all land-holding farming families, irrespective of the size of their cultivable land, the annual outlay for this scheme was set to increase to ₹89,000 crore.

In other words, PM-Kisan has become the single largest item in the government's outlay for agriculture and allied activities. This is probably the most significant change in the government's budget exercise for farmers in recent years. Direct cash transfer to bank accounts of farmers has become the biggest item of expenditure on agriculture.

That perhaps is the way forward. Let there be more direct cash transfer to the farmer and let her decide where and how she wants to use that money. That would be like a partial income support scheme for rural India. The incremental effect on demand should be substantial, the impact on farmers' income would be significant and the additional expenditure burden as a result of that scheme would be relatively moderate.

Even if the annual cash transfer is doubled to ₹12,000 per family, the additional outgo would be just about ₹90,000 crore. In short, the Union Budget for 2020-21 could repackage NYAY (Nyuntam Aay Yojana or Minimum Income Guarantee Scheme), proposed by the Congress as part of its 2019 election manifesto and reap the benefits from reviving the rural economy. For the Bharatiya Janata Party (BJP), it would be a convenient and useful marriage between politics and economics. In the process, the BJP could adopt yet another idea from the Congress, repackage it and implement it, as it did with several other programmes like the national rural employment guarantee scheme, Aadhaar-based direct benefit transfers and the soil health card scheme.

To be sure, the government's expenditure on agriculture is not restricted only to PM-Kisan or other schemes like crop insurance, interest subsidy for agricultural credit or pension for farmers. It also spends a substantial sum on fertiliser and food subsidies, which indirectly benefit the farmers. In 2019-20, for instance, the government is set to spend about ₹80,000 crore on fertiliser subsidy and another ₹1.84 trillion on food subsidy. The total government expenditure on schemes that benefit farmers, thus, is set to go up to ₹4.15 trillion in 2019-20, compared to ₹3.28 trillion in 2018-19 and ₹2.19 trillion in 2017-18.

What can the Budget do to make these subsidies more effective and targeted towards the intended beneficiaries? A scheme that the Budget should experiment with and implement across the country is to use the direct benefit transfer formula for food grain procurement as well. Already, the government has ensured that the subsidy for fertilisers is released only on the basis of their actual sale to farmers. It is now time to put in place a system where the procurement price for wheat and paddy is transferred directly to the farmers' bank accounts, if necessary through an Aadhaar-based identification system. The state governments in Odisha and Punjab are trying out similar schemes for farmers in their respective states. The Union Budget for 2020-21 could consider rolling out similar schemes all over the country. It would be able to cut its costs on operating the subsidies scheme by preventing leakages.

There is also a need for strengthening the existing food grain procurement system. The state-owned Food Corporation of India (FCI) is in deep financial trouble as the government is yet to clear its dues of over ₹1.9 trillion. This is because for several years now, the government has been hiding its own expenditure liability on food procurement by transferring it to the FCI. Therefore, FCI's ability to increase capacity to store more food grain is now constrained by its financial problems. The Union Budget for 2020-21 must take bold steps to tackle the FCI mess. To begin with, the government must take a one-time hit in its accounts and clear the FCI's dues to help it start its operations on a clean slate. This could be followed up with steps like splitting the FCI into smaller units depending on their areas of operation and giving it operational autonomy.

Finally, the Budget must pay attention to the need for increasing investment in agriculture. As outlined in the recently released report on the National Infrastructure Pipeline (NIP), the Budget must provide necessary outlays for upgrading 22,000 rural *haats* (marts) into Gramin Agricultural Markets (GrAM), which should be exempted from the regulations of the agriculture produce market committees (APMCs) and linked to the national agriculture market (e-NAM) for online trading of commodities. There should also be adequate financial provisions for modernising the storage infrastructure and setting up cold storage facilities across the country to improve quality and shelf life of agricultural produce.

The NIP report has underlined the need for providing ₹50,000 crore for creating such infrastructure facilities for the agriculture sector from 2019-20 to 2024-25. The least the Union Budget for 2020-21 should do is to provide a road map for such infrastructure investments to be made for agriculture in the coming years.

India's higher learning curve

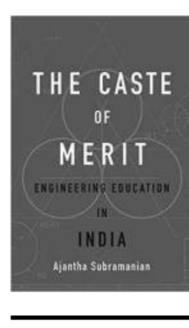
BOOK REVIEW

AJIT BALAKRISHNAN

If you are one of those Indians (like me) who scratch their chins in an attempt to understand news headlines about student protests in some of the elite educational institutions in India, this book will help equip yourself with the historical and social context of campus conflicts in India. Had we not all concluded that the merit-based super-competitive entrance exam system to gain entry into our top educational institutions like the IITs, the IIMs had pole vaulted us over issues like caste that we believed plagued ancient India and kept us back from our true destiny of being a world leading country? The author makes the case that "merit" itself is a not as straightforward as we think, and that caste lurks subtly behind it. Even if you disagree with the central role of caste in our higher education, as I must confess I disagree, there are many valuable insights in this book.

The author, Ajantha Subramanian, is a professor of anthropology at Harvard University, and brings an anthropologist's perspective to many issues that exist in India's higher education system. Though her focus is on the engineering education, the IITs and specifically, IIT Madras, many of her insights probably apply to all parts of the Indian higher education system.

An example of one of her valid insights is her analysis of a long-standing debate we have been having even in India: Whether higher education ought to teach specific job-enhancing skills versus mere intellectual empowerment that comes with a study of literature, history and so on. This debate, she points out, has been raging in India since the first engineering college in India, the Thomason College of Civil Engineering was set up by the British Raj in Roorkee, in 1847 in response to the demand for civil engineers to aid the construction of the Ganges Canal in the Northwest Provinces. But by the time Lord Curzon arrived in India as Viceroy, of the 191 colleges in British India, engineering colleges were a mere four in number — 145 were arts colleges with rest being spread across law (30), teaching (5), agriculture (3), medicine (4). What Lord George Hamilton, the secretary of state, said at that time about the dominance of literary education being "the joy of the Babu and anglicized Brahmin … produces a mass of discontented individuals who, if they cannot find government employment, spend their time abusing the government which has educated them", rings eerily true even today in the year 2020.



THE CASTE OF MERIT: Engineering Education In India
Author: Ajantha Subramanian
Publisher: Harvard
Price: $49.95,
Pages: 384

The author also provides an excellent account of the various waves that have driven the growth of engineering education in India. The first wave, as we noted above, was the demand for "PWD engineers", to be employed in the public construction efforts of the British Raj. Then came the pre-independence 1940s where the driving force for producing engineering graduates was the belief that "a strong industrial base is a precondition for development". The 1945 Sarkar Committee recommended the setting up of the IITs and the first, IIT Kharagpur, was set up in 1951 and soon after that the IITs in Bombay, Madras, Kanpur and Delhi. You can see the parallel between the Nehruvian-era belief that manufacturing was going to be the key to India's success with the fervour today for "Make in India".

The 1950s also saw the beginning of another dimension to the debate about higher education: Whether IITians should in their education be forced to "file, forge, and weld metal and sweat through hundreds of hours of this" or should they focus on achieving "world class" intellectual skills … a debate which is still going on.

The author's account of the mass exodus of IIT graduates to the United States in the 1960s and 1970s is another recurrent dimension to the Indian educational debate: The minor change being IITians now en masse join the IIMs and from there graduate to emigrate to work with Wall Street financial institutions.

The author's social anthropological eye is then cast on the IIT entrance exam tutorial classes originally centered on Kota and Hyderabad and now spread to many other cities. The author rightly raises the question whether the IIT entrance exam system which was created to make merit the main criterion for entrance to the IITs are in fact (she quotes Pierre Bourdieu here) "exams that conceal social selection under the guise of technical selection and merely legitimise the reproduction of social hierarchies by transmuting them into academic hierarchies?"

The reviewer (ajitb@rediffmail.com) is an internet entrepreneur and has in the past served on the Central Advisory Board on Education