

Dealing with debt default



MARGINAL UTILITY
TCA SRINIVASA RAGHAVAN

Why have debt defaults of gigantic proportions become commonplace everywhere? How is it that globally, the debtors get away with defaults so easily?

A little history is instructive here. Until just three decades ago, the domestic defaulter was allowed to go bankrupt and all his possessions were sold off. If necessary, he or she went to jail.

International debt default punishment was similar. The defaulting country was crucified, along with its people. In the case of Latin America in the early 1980s and East Asia in the late 1900s, practically entire continents were impaled.

Then two horrible ideas took shape. One was called the "stability of the global financial system"; the other, after 2008, "too big to fail". Both were the creations of the Wall Street, designed to protect its interests.

Soon debtors started getting off relatively lightly while creditors tansored the taxpayer to get back as much as they could. People who were not parties to the contracts were made to pay. Default thus became an option, if not actually attractive.

We in India, who copy the West blindly, followed suit. As a result, we have seen how major defaulters have decamped to safe havens with covert but full political support. Or how, if they can "manage" the system, they are spending happy days at home with their families.

In short, the intent and nature of the loans game has changed. This underlying transformation is an important reason for the Indian slowdown. It's frozen our banks in their tracks.

Remember Nicholas Brady?

The first step to be taken in making default safe, and therefore attractive, was in America in the late 1980s during the decade long Latin American debt crisis.

Nicholas Brady was the US treasury secretary, or finance minister, who pushed the idea that bad private and sovereign debt had to be taken off the books of banks, meaning American banks. These had lent indiscriminately in Latin America.

He created a set of bonds, underwritten by the US government, via 30 year zero coupon bonds. The International Monetary Fund and the World Bank also signed on. In some cases the Federal Reserve of New York also held their hands.

But these were contingent liabilities. They stayed off budgets and would enter them only if the bonds went bad.

This arrangement allowed the debtor country to issue these tradable bonds in exchange for their debt. In time, these bonds became very valuable because that way the banks could get the debt off their balance sheets.

This is the precise problem that the government and the RBI are struggling with. But they are thinking in terms of crude recapitalisation by giving money to the banks, who, in the future, will still be vulnerable to political pressure.

Anyway, once the terms of the Brady bonds had been settled, a bank could either exit or hold on in expectation of a capital gain. Exit, on the other hand, meant you were out on the Street clean and could raise fresh capital.

Either way, it reduced the extent of American banks' haircut by proportionately increasing taxpayers' haircut in the debtor countries. The jargon for this was "spreading the risk". But the effect was the same: Bystanders got scr**ed. Had Colin Powell been an economist, he would have called this collateral damage.

Indian version

We have also done a Brady bond type thing for the NBFCs. Last July, the finance minister said that for some good NBFCs, the banks would buy their debt up to ₹1 trillion and the government would underwrite 10 percent of that.

But sadly, bonds are not a part of this solution. Thus the liability is not a fully contingent one. It's a peculiar mixture aimed at assuaging rather than really solving the problem. The argument is the same as in the US in 1989 and 2008: Too much is owed by these guys and they are too important to fail.

But that takes care of only one side of the problem because the debt of the public sector banks remains. The real question now is to see to whom we pass on that debt, and how. This is what should engage the government's attention in 2020.

The taxpayers cannot be the sole beast of the debt burden. As was pointed out by Jean-Baptiste Colbert, finance minister to Louis XIV of France, "the art of taxation consists in so plucking the goose as to obtain the largest number of feathers with the least possible amount of hissing."

When connectivity connects...



PEOPLE LIKE THEM
GEETANJALI KRISHNA

Last week, I saw a group of drivers and security guards outside our building watching videos of the protests against the Citizenship Amendment Act and National Register of Citizens on their smartphones. Each one of them was on a different social media platforms - From Hike to Facebook Lite to TikTok and even Instagram. "To think that till last year, I would have watched television to stay abreast with what's happening," one commented. "I think if 2019 was the year of the smartphone - in 2020, cheap internet and social networking sites will probably rule our lives..."

I couldn't agree more, but something rankled. Even for someone like me, who

spends her days hammering away on the computer, the internet sometimes manages to confound, perplex and deeply frustrate. Like, for example, when prior to the December 27, 2019 - the deadline for submitting nursery admission forms - Mary asked me to submit a few online for her little girl. School number one had extra weightage for Catholics but needed details of her parish, church and more. She didn't have a clue and the form refused to let me proceed. She went off to ask if her husband had a clue. By then, my session timed out. School number two refused to let me proceed after I disclosed the child's age. She was overage by two days and all I could do was swear at the computer as there was no human I could explain the situation to. School number three's application also found her exceeding the age cut-off by two days, but its rules said that they would extend the eligibility age for girls. Unfortunately, the form did not ask for the child's gender. So I failed to fill that one out either.

How, I wondered, did people with less education than me and my several degrees, navigate the internet? With great ease, I discovered to my chagrin. Mary asked her young brother-in-law for help. The man hadn't completed school but it took him an hour to sort out her forms.

He got the parish details from their church Whatsapp group for school number one. A Facebook forum advised him to apply not for nursery but KG in school number two. He was connected with a teacher in school number three on Hike, who, in turn, connected him with someone in the admissions department.

I asked him how he did it. He said he had become a social media nerd ever since he discovered that his new ₹3,000 phone came preloaded with Facebook Lite. Within days of use, he found it not only helped him stay connected but also to make several new connections. So he ventured to other social platforms. Hike Messenger worked online and offline, he discovered. TikTok and WhatsApp helped him communicate with his unlettered mother and other relatives: "Since she can't read, I either send her a voice message on Whatsapp or a short video on TikTok," he said. Cheap internet on the phone not only gave him connectivity and connections, it simplified his life in other ways. He could now pay mobile bills, school fees and more online. "The only thing I don't do which I would love to do, is buy groceries and vegetables online for the sheer convenience of it," he sighed. When I asked why, he replied: "Not that I can't navigate theapps, but groceries are just cheaper in the local market..."

Need a more mature response to citizenship protests

Central ministers have been less than candid about NRC, NRIC and NPR, encouraging suspicion about their motives



WHERE MONEY TALKS
SUNANDA K DATTA-RAY

The big question as the New Year dawned was whether the Citizenship Amendment Act (CAA) would plunge the country into a constitutional crisis, raising questions about some fundamentals of the Indian Union. Police brutality against critics is no reason for not hailing the CAA as an act of humanity of which Mahatma Gandhi, B R Ambedkar and Maulana Abul Kalam Azad — three persons the protesters invoke — would surely have been proud. But as pressures mount, Narendra Modi should think of a more mature response than tweeting a complimentary certificate from a supposedly holy man he may revere but of whom many others, including this writer, had never heard.

Two weeks ago, this column testified to an inability to understand why all those frenzied people who keep passionate vigil and chant high-pitched slogans were up in arms. One only guesses from their emotional outpourings that they fear the National Register of Citizens (NRC), National Register of Indian Citizens (NRIC), National Population Register (NPR) and the CAA will be manipulated somehow to deprive 200 million Indian Muslims of their birthright to make room for vast numbers of foreign Hindus, presumably meaning the 17 million in Bangladesh. This is carrying conspiracy theory to absurd lengths, especially since no Central leader is so enamoured of East Bengal's fisherfolk and boatmen. Nevertheless, even Mumbai's Cardinal Oswald Gracias waded into the fray with the jejune claim that citizenship should never be based on religion. "The time of Christmas is a time for peace, justice and unity," he declared. It's also a time for Christian charity and compassion for the unfortunate minority community in Pakistan and Bangladesh.

The latest challenge to the Centre's authority is the Kerala Assembly resolution demanding that Parliament withdraw the CAA. Eleven states had already announced their refusal to implement the NRC. Two states — Kerala and West Bengal — have reportedly even stopped work on the NPR without which there can be no NRC, leave

alone an NRIC. Of course, these are not legally state subjects. But how does the Centre intend to cope with the inevitable constitutional gridlock? The Bharatiya Janata Party's massive Lok Sabha majority can take it only so far. Parliament can pass laws like the CAA but execution and implementation rest with state administrations. In this instance, not only are the governments of certain states refusing to cooperate but as the protests unfortunately prove, they can claim a huge reservoir of support from misguided people who don't understand that the CAA is not anti-secular.

Far from denying secularism, it goes some way in affirming the secularism whose denial led to partition. Including Muslims in the CAA would subvert the basis of partition. Also, being neither militant nor proselytising like Islam or Roman Catholicism, Indian secularism seeks no converts. It suffices if the state avoids displaying religious bias, doesn't demand majoritarian privileges, and if all the country's religions co-exist peacefully. Pakistan and Bangladesh are none of India's business. But Hindus there are because as the successor state of the Raj, post-independence India has a moral obligation towards people who were Indians until the subcontinent's division on religious lines made them virtual aliens in the land of their birth.

True enough, central ministers have been less than candid about the NRC, NRIC and

NPR, encouraging suspicion about their motives. But that doesn't affect the CAA's validity. Objecting to fast track citizenship for victims of persecution because they are Hindus is tantamount to opposing any relief to them precisely because they are Hindus. It's difficult to believe Indians can be so mean. Since the CAA is likely to apply mainly to Bangladeshi Hindus, West Bengal's response is crucial. Objectors probably fear the financial and other costs of another refugee influx. West Bengal has always resented East Bengalis who may be politically useful but whose accents are ridiculed and lifestyle mocked. The word "colony" has become a derogatory term because poorer refugees live in colonies.

The problem is of the Centre's own making. It should have taken the people into confidence and built up a consensus in a worthy cause. Instead, with the country against him, will Mr Modi use Article 356 against recalcitrant states such as West Bengal and Kerala? Or will he send the Central Reserve Police Force or even the army? Neither may amount to civil war such as the Americans faced in 1861 or the Pakistanis 110 years later, but both signify a breakdown of communications which are essential for a harmonious consensual federation. Jaggi Vasudev, also known as "Sadhguru", may be Mr Modi's guru but is hardly a credible instrument to restore federal confidence.

LUNCH WITH BS ▶ JAYDEEP BARMAN | CO-FOUNDER & CEO | REBEL FOODS

Cooking up a storm

Barman talks to Viveat Susan Pinto & Niraj Bhatt about the company's journey from being a single-brand quick service restaurant chain to a multi-brand internet restaurant business

We are not surprised when Jaydeep Barman invites us to his headquarters for lunch where he wants us to taste selections from the 10 online restaurant brands the food tech company operates. The company, which has marquee investors such as Coatue Management, Goldman Sachs and Sequoia, claims to be the "world's largest internet restaurant company", and is valued at over \$500 million. Barman says, "We are ahead of our closest competitor by miles."

Barman is disrupting the 500-year-old restaurant industry, which he says hasn't changed at all. He is bringing scale in the food business through process, automation, and robotics, while retaining consistency, taste and freshness. The availability of skilled chefs is limited and yet the "magic of the dish" has to be retained.

The former McKinsey consultant breaks down the business in three parts — bill of materials or ingredients, dispensing what ingredient to put when, and movement — tossing, frying or sautéing, and at what temperature.

After making associate partner at McKinsey's London office in 2010, Barman took a sabbatical never to go back. He co-founded Faasos (the company's earlier avatar) with classmate Kallol Banerjee. Barman brings the strategy consultant's toolkit in solving problems for the company. He draws the two by two matrix — with right/wrong decision on the one side and people agree/disagree on the other. He says you make extraordinary returns when you are right and people disagree. "When we started, we were wrong but people agreed and we raised seed money. We found ourselves in the next quadrant where people didn't agree with us and we were still wrong." His next step was introspection about the problems and that's how "I landed up on the multi-brand cloud kitchen before anyone else," he says. Rebel Foods, unlike many other Indian startups, is not an imitation of a successful model in the US or elsewhere, he adds.

Another two by two matrix of market size and fragmentation follows. Large market size and high fragmentation is the quadrant where one can build brands. People are habituated to the category and there are no large incumbents. "If you think of biryani, Chinese, South Indian — everywhere this opportunity exists. That's where we focused on," he adds. "Let's eat before the food gets cold,"

Barman says. As we dig into steamed vegetable dim sums, the signature *dum gosht biryani*, *nasi goreng*, noodles, wraps and a *Maharaja* vegetable pizza, he talks more about his approach to the business and the problems he has solved.

The conventional restaurant business is made of real estate, retail and brand business all merged into one. This is not true for any other consumer business where the manufacturer and the retailer are different. With internet, food is becoming disaggregated — Swiggy and Zomato are retailers or distributors. There can be only a real estate business like Travis Kalanick's new startup CloudKitchens, which rents out space to restaurants and chefs. "Companies like us can build brands without building distribution or real estate."

Riding on food delivery platforms, the food tech company can operate multiple "restaurants" from a single cloud kitchen. Its kitchen has robotics and automation and the company has rules for every dish at the three components of ingredients, dispensing and movement. The new recipes and machines are created in its culinary innovation lab and an industrial innovation design centre.

Rebel Foods has 275 such kitchens in 30 cities and runs 2,200 virtual restaurants. Each kitchen is run by a chief delight officer who runs the kitchen with around half a dozen staff. He is proud of the culture of ownership and innovation the seven-member senior management team has created. "A lot of our staff has ownership, our attrition is negligible, and we are among the top rated startups on Glassdoor."

The food tech company does not have a head of human resources (HR) and believes HR is every manager's job. Recruiting for key functions is also rigorous — he discourages prospective employees to send resumes, but write a detailed essay explaining what excites them about the company and why they want to join. "Lateral hiring of experienced professionals from competitors didn't work for us," he adds.

Barman grew up in Kolkata and went to study engineering at Jadavpur University, following it up with two management degrees — one from IIM (Lucknow) and one from INSEAD, France. "My parents are professors and getting degrees was encouraged," he says. Away from home, foodies Barman and Banerjee were missing Kolkata's *kathi* rolls

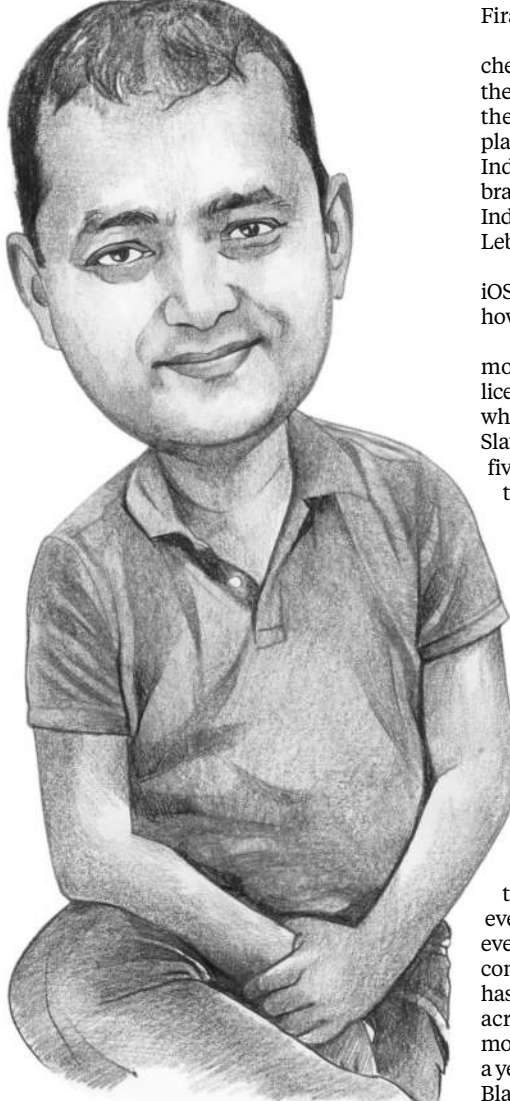


ILLUSTRATION: BINAY SINHA

and decided to set up Faasos, a brick-and-mortar chain specialising in wraps in 2010. Even in 2004, the duo had experimented bringing two cooks from Kolkata and set up a small Bengali food eatery in Pune before they went on to do their international MBA.

In 2014, Barman found that 70 per cent of the customers at Faasos had no clue where the store was located. They would simply place an order on phone or on the website. "This was the

moment of epiphany for us. Rents, on the other hand, were shooting up. We shut the high street stores, and set up kitchens further inside. We had no idea that they would be called cloud kitchens a few years later," he laughs.

Our main course is over. Rebel has built interesting back stories about its food brands. So Behrouz Biryani spins a yarn around a mythical Persian war and a lost-and-found recipe, Mandarin Oak dwells on a nameless monk, who loved serving Chinese food to travellers, while Firangi Bake delves into Baba Firanga's journal of pasta recipes.

Barman prods us to try out the rose *phirni*, cheesecake and chocolate truffle, all part of the Sweet Truth desserts brand. So what are the next steps for Rebel Foods, we ask. He plans to have 500 kitchens in 15 months in India, and is doing a pilot for a health food brand. The food tech company has opened an Indonesian restaurant in Indonesia and makes Lebanese food in Dubai.

"At the core is our operating system and like iOS or Android, you can build apps on it. That's how we can foray into any cuisine," he says.

Going forward, he plans to make and scale more products or brands, either owned or licensed. "We also plan to create entrepreneurs who can scale on our platform. We invested in Slay Coffee, which was a single location for five years, which Rebel has taken to 70 locations in six months.

There's also a plan to tap into the local culinary community and become a distribution platform for well-known chefs or iconic single-restaurant offerings. "We will not own the brand, but simply give them a platform to showcase their skills and deliver the dishes they prepare," he adds.

Another immediate target is to reduce plastic. "We found that bagasse containers leak even after we put a lid. We have created a machine which solves this problem by putting a seal, and it works for multiple types of packaging," he says.

Barman's family lives in Pune and in true consulting style, he comes to Mumbai every Monday and goes home on Thursday evening. In Mumbai, he is happy to live in the company guest house close to office, which has been set up for employees visiting from across the country. Barman is also an avid mountaineer and goes off the grid for 15 days a year — the last mountain he climbed is Mont Blanc, the tallest peak in the Alps.

Rebel Foods is delivering 2.5 million orders every month across all its brands, had a top line of ₹310 crore in FY19 and is growing at 100 per cent year-on-year. The India business is expected to be profitable next year, and the company will be ready for an IPO sometime in 2022. Biryani is the most popular category ordered in India, and Behrouz Biryani, Barman says, is the largest. "Today, it is biryani, 10 years down the line it could be vegan. As long as people are eating we will be there," he says.

The good cop-bad cop routine



PEOPLE LIKE US
KISHORE SINGH

Dear reader, I cannot begin the new year with a lie, so let me tell you that I went to sleep not at the midnight hour, as I had promised, but at dawn, accompanied by a hangerover, and full of guilt as I had office to attend (for which I was naturally late). And since I intend to be transparently honest this year, let me tell you that the blame for this lies not with me but with my wife. Our friends say that my wife and I operate like the good cop-bad cop of Hollywood movies, which might sound glamorous, but they are only trying to be insulting.

So, when a friend called to say we should spend New Year's Eve at their

house, my wife (the good cop) said she would first check with me (the bad cop). I mentioned that another friend had asked us to a party to which I had said we would come for a short while as we had other friends to go to before midnight, even though I knew my wife would prefer to stay with the first lot where the food was likely to be better than at the second place. Once at Dinner Place #1, she refused to leave till the last meal of 2019 had been served and then told our hosts we had to go since I had stupidly promised to be elsewhere. And at Dinner Place #2, she complained that if I had not accepted the other invitation in the first place, we would not have been late. She good cop, me bad cop — you get the drift?

Even before, she'd placed the role of villainy at my doorstep when her friend Sarla wanted to know what we were doing for New Year's. "She wants to come over," my wife hissed at me. To Sarla, therefore, she said the following: "We're going to Mauritius" one day; "We're going to Goa" on another day; and "We'll be in Bikaner" finally, before laying the whole fiasco at my doorstep: "We are

not going anywhere because my husband has to go to work." Catch the good cop (her), bad cop (me) routine?

At any rate, it was late that night (or early in the morning) when we got back from party number two to find that our children had decided to shift their bash to our home because some genuinely bad cops had busted their party. When we have visitors over, my wife pretends to be solicitous, so even though it wasn't our party, she said to them, "What will you drink? Let me get you something to eat." And she said to me, "Why are you hiding your good whisky, let these children enjoy it." Adding, "And go see what you can warm up so they are not drinking on empty stomachs."

And so I had some more to drink, and later, my wife said I was not a good influence on young people with all that party hopping and soaking it up like a sponge. I said I would turn a new leaf if she would allow me to be good cop instead of always being the bad one, and I hope this clears the confusion about who will be good cop-bad cop in our household in 2020.

Asian questions

When Gunnar Myrdal was writing his three-volume *Asian Drama* in the late 1960s, no one would have dreamt that a Bangladesh, which was shortly to suffer from the deadliest tropical cyclone ever recorded, and then a liberation war, would emerge as a star economic performer 50 years later. The country that was dismissed by Henry Kissinger as an international basket case has now beaten its South Asian neighbours on both human development indicators and economic growth rates. Its per capita income of \$1,905 compares with Pakistan's \$1,388, and is not far behind India's \$2,171.

Myrdal's book is often referred to as monumental, being all of 2,300 pages. But he got many things wrong, including whether population would be a deadweight (today China and India owe their large internal markets to population growth), but he also got some things right (like, initial conditions matter). And some passages in *Asian Drama* read like little better than journalism. Still, Deepak Nayyar has chosen the book's 50th anniversary to revisit Asia (Resurgent Asia: Diversity in Development).

Mr Nayyar's story is nuanced, pointing to the different paths that countries in the region followed, often as a consequence of colonialism's role in opening up closed markets. Shashi Tharoor in *An Era of Darkness* has speculated on whether India could have made it if it had not been colonised and given the railways and a modern administration (he thinks it would have), but it is certainly true that without external influence many countries of the region would not have introduced land reforms. Nor were Taiwan and South Korea countries that took to exports like ducks to water; they experimented with import substitution before they realised that their home markets were too small.

How much of the "Asian miracle" owes its success to autocratic rulers, and how were those rulers different from today's Erdogan, on whose watch Turkey's economy has tanked? Or other autocrats like Putin, whose Russia survives by exporting oil, gold, coal, timber, and armaments, while that other Brics economy, Brazil, still flatters to deceive with its modest growth rates? How were Asia's leaders of yore different from our own Narendra Modi in their understanding of what it takes to get an economy on to a higher plane?

While refusing to get into the democracy vs authoritarianism argument, other than to say that democracy is an end in itself, and that it is more conducive to checks and balances, Mr Nayyar concedes that political democracy is neither necessary nor sufficient for economic development. He suggests that a Weberian bureaucracy was as much responsible for the success of the leading economies of Asia. Given that the economies of Asia range from communist to capitalist, and Myrdal's observation that the same solutions in different countries seem to produce different outcomes, should India be willing to experiment more with administrative arrangements — which necessarily imply greater decentralisation?

Will this be an Asian century? Mr Nayyar thinks not, perhaps because only two or three countries in the region have reached high-income status. But if one looks through the Brics prism, the shift in the balance of power seems a foregone conclusion. The four Brics countries were supposed to account for half the GDP of the six leading western economies by 2025; they are already past that landmark — having got there from 15 per cent in 2003. The reason is how well the two Asian giants have done — but their natural rivalry will prevent them from acting together in pursuit of common objectives.

In the half-century since *Asian Drama* was written, India has missed the bus more than once. If we now want to avoid being dragged into a Hobbesian world dominated by one or two Leviathans, India needs to figure out whether it pays to be rule-takers or seek to be rule-setters (for instance, in a regional trading arrangement). Or, do we really have an answer to China's strategic challenge? If not, what are our options? At the cusp of the century's third decade, these and other questions flowing from Asia's history of the last 50 years need urgent answers.

Start-up of the decade

AAP has managed to break through entry barriers for newcomers in our politics — caste, ethnicity, ideology, dynasty — to establish itself as a Delhi party with all-India recognition

This has been a decade of start-ups. Hundreds of new ones have emerged and more than a dozen have achieved "unicorn" status (valuation at more than a billion dollars) in quick time.

Our vantage point, however, is political. So, in our book, the political start-up of the decade was Arvind Kejriwal's Aam Aadmi Party (AAP). Here are the many reasons why.

First, with established political parties and caste-ethnic-ideological forces with ossified vote banks and entrenched dynasties, the entry barriers for newcomers in our politics are the steepest. That's why start-ups of the past — from the Jana Sangh, the Swatantra Party, and Janata Party to the Telugu Desam, BJD, TMC and even durable ones like the DMK — have drawn their ideology, leadership, vote banks or caste/ethnic loyalties from a pre-existing force. AAP is sui generis.

Establishing yourself even in one small but prominent state, and building brand recognition all over the country, therefore, is a formidable achievement.

Officially, AAP was launched on November 26, 2012. We'd say, however, the entrepreneurial idea was sown sometime in late 2010. This is when the premature self-destruction of the UPA, or more specifically the Congress, caught its main rival, the BJP, unprepared. There was space available for just some time until Narendra Modi took charge of his party.

This is when Mr Kejriwal was acquiring the national limelight as an anti-corruption campaigner while being seen as incorruptible himself. This, we must note, was also the year when almost all institutions of the old establishment, from politics to bureaucracy, the media and the corporates, suffered a precipitous loss of trust and respect. It was exacerbated by the Radia Tapes disclosures.

It fed conveniently into a "sab chor hain (everybody's a thief)" mindset. No established party or leader was spared by this fury. If everybody was already declared a thief, India was desperate to see somebody who wasn't. In walked the insurgents. Mr Kejriwal and his young team were not yet touched by power and, thereby, corruption.

They had modest personal lifestyles, spoke a simple idiom, and sounded convincing. All they did was berate and condemn the established political class and elites (from Manmohan Singh to Mukesh Ambani) as unworthy of India's trust. Anna Hazare arrived on the scene as a force multiplier.

Nevertheless, Anna was used and discarded within two years (his fast took place in 2011) and AAP came into being in 2012, the first new political party with heft in decades, with zero political legacy, vote banks, dynasties, or an ideology.

This new proposition was neither Left nor Right nor Centre, and so could conveniently attack any party with these ideologies on the day, or align with anybody to discard them later — from the Congress in Delhi to the Sikh radical groups in Punjab. Mr Kejriwal's genius in political entrepreneurship lay in how he used all of this: Lack of ideology and political fidelity, a ruthless use-and-discard approach for friend and foe, a redefinition of welfare wrapped in high nationalism — Bharat Mata ki jai and Bhagat Singh's portraits all became his venture's USP. He was moving into the political market, but with a product that pretended to be not like any other. That is brilliant entrepreneurship.

Like any classical start-up, AAP also went through near-death moments, some of them self-made. Like the disaster of the Lok Sabha elections in 2019, when it finished a distant third, behind even the Congress, in most Delhi assembly segments. From being written off then, it has made a smart recovery, and now looks like the front-runner in the Delhi elections due in weeks.

Again, like typical start-ups, AAP has had continuing HR troubles. Or, maybe worse, with so many key people, including ministers, expelled on charges ranging from corruption to filming themselves having extra-marital, if consensual, sex. As we often see there has been an exodus of many co-founders.

I may be stretching it, but in Yogendra Yadav and Prashant Bhushan, Mr Kejriwal may even have his equivalent of Mark Zuckerberg's Winklevoss twins. AAP has also built a trait essential for start-ups, which, sometimes, is also the cause of their self-destruction: An almighty personality cult around one leader.

Those who follow my work — written or spoken — would know my often sceptical view of AAP's politics. As a commentator, I have been at argumentative odds with AAP leaders since the Anna movement. Searching for their non-existent ideology, I read up Mr Kejriwal's best-selling charter, *Swaraj*. You can read the pamphlet-sized book in good time — I finished it by the time we were over-head Bhopal, halfway on a Bengaluru-Delhi flight. It was a mish-mash of ideas and idealism drawn from anecdotal wisdom over two and a half mil-



NATIONAL INTEREST SHEKHAR GUPTA

Private role in the space race

EYE CULTURE

KUMAR ABISHEK

In the 1400s, China used to own the biggest seafaring fleet in the world — it was called the "Treasure Fleet", with some ships as big as 127-metre long. In comparison, La Santa Maria was only 49-metre long. There was another key difference — while the Chinese fleet was government-owned, the small Santa Maria was a private explorer's flagship; his name was Christopher Columbus.

China appeared all set to circumnavigate the globe but instead, the Ming Dynasty retracted into itself and burnt down the Treasure Fleet, apparently in a bid to control foreign trade or for other internal reasons. On the other hand, Columbus and many enterprising individuals like him opened the New and the Old World for conquest and permanent European colonisation.

Cut to the modern era. While space exploration is being largely led by government bodies, it appears private companies will guide its next phase — space travel — in the lure of extra-terrestrial real estate and resources. And as of now, India is too far behind in this space race.

With the advent of the new decade, the Indian Space Research Organisation (Isro) announced that it has shortlisted four Air Force pilots as astronauts for the indigenous Gaganyaan mission in 2021 – 60 years after Soviet cosmonaut Yuri Gagarin in 1961 became the first human to journey into outer space.

Undoubtedly, India needs to catch up fast. It not only faces stiff competition from China, the US, Japan and even the tiny nation of Luxembourg but also and especially from private players like Elon Musk's SpaceX, Jeff Bezos' Blue Origin, and Richard Branson's Virgin Galactic.

Actually, we need our own SpaceX, if we don't want to keep playing catch-up.

SpaceX has set an aspirational goal to land humans on the red planet by 2024, and it is taking big and quick steps towards space travel, so keep fingers crossed. Realistically, any human mission to Mars is likely only in the 2030s (the next low energy launch window occurs in 2033).

But the moon is on everyone's radar. Even Nasa is planning to send two humans (probably the first woman) there by 2024 after a gap of 48 years; the last manned mission (Apollo 17) to our natural satellite was in 1972.

Also, SpaceX Falcon 9 is slated to launch a private moon lander in 2021, besides its #dearMoon project (a lunar tourism mission) is expected to take flight in 2023. Mr Bezos' Blue Origin plans to use its Blue Moon lander.

Several other private companies in the US and elsewhere are planning or designing lunar landers. Hence, recently announced Chandrayaan-3's success is a must for India's space ambitions; we can't afford to lose out.

And for realising our space dreams, the Indian private sector must be encouraged because if we lose this race, the moon, Mars, and mineral-rich asteroids will already be crowded before we reach there.

The Draft Space Activities Bill, 2017 — slated to lay down India's first space law — is hanging fire. This Bill seeks to allow both public and private sector to participate in the country's space programme, and private players to build satellites, rockets, and space vehicles for domestic as well as global use.

The most secure way to boost our space capabilities is to allow private innovation. We can learn from our experiments — the opening of the telecom and the aviation sectors, where increased private participation changed the entire landscape.

Furthermore, India's satellite launch market is expected to grow to \$30 billion by 2026, according to a report in *Business Insider*.

It is not that India doesn't have NewSpace companies: There are over 20 such start-ups, such as Skyroot Aerospace (designing a rocket that can be assembled and launched in a day to place small satellites in the space) and Bellatrix Aerospace (working on in-space propulsion systems). Besides companies like Godrej Space and L&T are working with Isro to develop rocket sub-systems.

But they all need a conducive environment and support to flourish.

First, the Space Activities Bill soon needs to clear parliamentary processes to become a law. Until then, no private Indian company will be able to launch its own satellites. The Bill is being criticised for not clarifying the eligibility criteria for potential licensees.

Second, we need to have a clear and transparent space policy, starting with setting up an independent space regulator, tasked with laying down rules and giving licenses for carrying out space activities from Indian soil. Currently Isro is both leading market player and licensing empire in the Indian space sector and that's a conflict of interest.

Third, there should be dedicated tribunals to adjudicate related disputes.

The space race is nothing but a colonial battle, led by enterprising individuals with state support. India ended up a victim of the colonial race; we can't finish losers once again — we must boost our capacity, technology, and policy to become a space power and the key is in private hands.

Every week, Eye Culture features writers with an entertaining critical take on art, music, dance, film and sport

The price of proving citizenship



VIEWPOINT DEVANGSHU DATTA

Most commentators have been so focussed upon the religious identity politics of the Citizenship Amendment Act (CAA) - cum National Register of Citizens (NRC)-National Population Register (NPR) that insufficient attention has been devoted to the ways in which this could be a multiplier for corruption. It is not difficult, however, to understand why the processes of implementation will enable corruption. It is also easy to extrapolate from there to understand that the corruption will disproportionately affect the poor, and that there is likely to be a sliding

scale of charges that will be based on religious identity.

We still don't know what documentation would be considered sufficient to prove somebody is a citizen. There have been many contradictory statements made on this issue by many central ministers. Logic would suggest that any of voter identity card and passport should be sufficient. After all, these are supposedly issued only to citizens and, if for argument's sake, the voter ID doesn't prove citizenship, the 2019 elections were a sham. The citizenship status of millions of non-resident Indians and Indians travelling abroad is also questionable.

In addition to these two documents, which are only issued to citizens, a record of government service, which comes with identity papers, issued by the government should be sufficient. But central ministers have said in public statements that these documents may not be acceptable. Nor is the Permanent Account Number (PAN) or the Aadhar — although both can be issued to resident non-citizens but supposedly dis-

tinguish between citizens and others.

The Assam NRC excludes almost 2 million persons in a state which has a population of 35 million. The vast majority of the excluded are Hindus. Many are former government servants, including retired defence personnel. Since my father's family hails from Silchar, in the Barak Valley, I happen to know quite a few of the excluded individuals. Some to my personal knowledge are Hindus, who are also retired government servants with passports and voter IDs.

So what documentation is acceptable? Municipal birth certificates cover only about 80 per cent of people born in the 21st century and even fewer in preceding decades. It is a joke in bad taste to ask for proof of birth of people born before say, 1990. About 75 per cent of Indians lived in villages prior to that date

and most lack birth certificates. Ownership of land should be acceptable but not everyone owns land. Most people don't. School certificates may be acceptable, but nearly 30 per cent of India was illiterate in 2011. At this instant, therefore, the list of acceptable documents remains unclear.

I presume that whenever the list of acceptable criteria is released, it will offer some powers of discretion to local officials to accept documentation. It will also probably offer an "out" clause, where local politicians or Gazetted officers can vouch for individuals. The passport verification system works on that basis. Those powers of discretion and the MLA certificates are broadly fungible and available on the basis of payment. An entire service industry that expedites passport issuances works, because of that fungibility.

Passport is an important doc-

ument. Applicants most often need it for some economic purpose or another, ranging from going abroad to study to work related stuff. They are prepared to pay speed money to smoothen the processes. Those who need them more, pay more. Those who lack supporting documents to avoid immigration clearance, pay more. A graduate going for a Master of Business Administration in the US will pay much less than a mechanic looking to get to a construction job in the Gulf.

If passports are important, proof of citizenship, whatever that is, is even more important. Lack of a passport will hamper economic prospects. Lack of proof of citizenship will land somebody in a detention centre. The going rate will, therefore, be higher. It will be even higher for those who made the mistake of being born into a religion this government doesn't like. It will be even higher for the landless, rural poor born beyond the pale. The corruption that accompanies this exercise of enumeration will exceed anything we've ever seen.

Economic 'Doom Loops' get harder to avoid



SATYAJIT DAS

The world's advanced economies are trying to keep their balance on an unstable platform of high consumption, asset prices and household debt as we enter the 2020s. Any significant shock or increase in volatility could trigger "doom loops" that compromise the economic and financial systems.

The great recession ended more than a decade ago. In recent years, personal consumption augmented by government deficit spending has underpinned growth. Rising employment helped people purchase more. But with wage growth low, borrowing against buoyant housing and stock prices was a major factor in consumption. Central bank and government policies that engineered high asset prices and collateral values allowed scope for

additional borrowing.

In theory, the wealth effect increases consumption. But higher asset prices may not translate into cash flow and households can go deeper into debt. Think of using low interest rates to invest in the residence, borrowing against home equity and undertaking leveraged purchases of rental properties and financial assets to build wealth.

Global household debt has reached around 75 per cent of gross domestic product (GDP), with especially high levels in some advanced economies. The comparable figure was around 57 per cent in 2007 and 42 per cent in 1997. Even with very low interest rates, household debt service ratios, which measure aggregate principal and interest repayments to income, remain high, ranging from 8 per cent to 16 per cent.

This high consumption/prices/debt combination is unsustainable and can lead to self-reinforcing feedback loops. Initially, increases in asset prices facilitate an expansion in credit and consumption that leads to further price rises. Slower growth, unemployment, or falling income or asset values can quickly send the cycle into reverse.

Negative shocks ripple through the structure of household finances. Looked at from a balance sheet perspective, assets such as houses and financial investments are financed by mortgages and other debt. On a cash flow view, employment and investment income must cover consumption and debt repayments. Any income shock — unemployment, lower earnings, declines in interest or dividend income — must be offset by reduced consumption. Higher debt repayments or inability to refinance pressures the ability to consume. Falling housing prices or values of financial investments weaken the household balance sheet, forcing reduced consumption or accelerated debt reduction.

These first-order effects spread through successive disturbances, which rapidly amplify the stress. One area of contagion is the financial sector. Major negative shocks expose excessive risk-taking by borrowers and lenders. If employment markets worsen, vulnerable households can't service borrowings. Non-performing loans increase. Banks tighten credit, making it less available, harder to get and more expensive. Maturing debt becomes difficult for borrowers to refinance even

where repayments are current, worsening cash flow pressures.

Forced sales, defaults and repossessions set off a spiral of falling prices across asset classes. Shrinking household net wealth and collateral value force even less consumption. Postponed home purchases and upgrades impact construction. This has a material impact on the US and euro area, where housing accounts for about one-sixth of the economies.

Where banks are a major part of the stock market, such as in the US, UK and Australia, further contagion comes from reduced bank profits pressuring share prices and dividends. The loss of net worth and income further hits consumption by investors who rely on this cash flow. Then there are government finances. General tax collections decline. Direct revenue derived from property and financial transactions falls. If the government has to support financial institutions — a persistent feature of asset price busts — the funds required to recapitalise banks and guarantee deposits stress government balance sheets. These are already weaker after 2008. Capital flight or reduced inflows as foreign investors exit squeeze the current account and currency. The

cycle continues through successive phases until a new balance is achieved. Australia has just experienced this process. A shock induced by tightening credit conditions set off falling house prices that slowed growth and weakened the financial sector. Interest rate cuts of 0.75 per cent, loosening credit controls and government actions have brought temporary stability.

Recent central bank actions around the world — an easing bias and resumption of quantitative easing — reflect the realisation that policy must prop up asset prices to safeguard consumption, which constitutes around 50 per cent to 60 per cent of GDP in advanced economies. The problem is that these policies perpetuate and increase debt, prevent normal asset-price cycles and increase the vulnerability of households.

The ability to maintain this inherently unstable equilibrium remains the key to the prospects of advanced economies. The social strains that it's coming under, for example, in terms of purchasing power and affordability of housing, are increasingly expressed in mass protests across the globe.

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