MUMBAI | MONDAY 6 JANUARY 2020 Business Standard

Preparing for an infrastructure push

The NIP Task Force has asked for a 21 per cent increase in government spend on infrastructure in 2020-21

RAISINA HILL

A K BHATTACHARYA

In releasing the report of the Task Force on the National Infrastructure Pipeline (NIP) for 2019-25 at a press conference on the last day of 2019, Finance Minister Nirmala Sitharaman sent out two important messages. One, she made it clear that she had no problem in meeting the media just about a month before presenting the Union Budget for 2020-21. Two, given the state of the economy, she saw no reason to delay any further in letting the nation know what a group of senior government officials had recommended to revive investment in the infrastructure sector.

Finance ministers and the finance ministry usually stay out of bounds for the media in the run up to the Budget. It is rare that anyone in the finance ministry, let alone the finance minister, holds a press conference when only about four weeks are left for the Budget to be presented. There are concerns over Budget confidentiality and all necessary steps are taken to maintain secrecy over what the government plans to announce in the Budget. Hence, press conferences about a month before the Budget are avoided. The only justification for holding it now would have been to send out a signal to everyone that the government was serious about the need to invest more in the infrastructure sector.

In the process, however, the report of the NIP Task Force may have dropped a few significant hints about the kind of Budget that the government was likely to present on February 1. For instance, the Task Force estimates that the nominal growth of gross domestic product (GDP) in 2019-20 will be about 8 per cent, sharply down from the earlier estimate of 12 per cent. In nominal terms, GDP in 2019-20 is projected at ₹205.37 trillion, compared to ₹190 trillion in 2018-19. What's more, nominal GDP, according to the Task Force, is expected to grow by 10.5 per cent in 2020-21 and by 12 per cent in 2021-22.

Remember that the Task Force is headed by Economic Affairs Secretary Atanu Chakraborty, with the NITI Aayog CEO and other secretaries in the finance ministry as well as other administrative ministries as members. Don't those numbers then give you a broad idea of the prevailing economic growth scenario in which the Budget for next year is being formulated? Everyone knows that economic growth is slowing, but nobody in the government,until the release of the report, had stated that the 2019-20 nominal growth would be just 8 per cent, with an obvious adverse impact on the government's tax revenues.

The report of the NIP Task Force also reveals what the next Budget could do for the infrastructure sector. The Union government's gross budgetary support for the infrastructure sector in 2018-19 was estimated at ₹1.39 trillion, which was about 44 per cent of the government's total budgetary support for all capital expenditure under different heads. In 2019-20, the share of budgetary support for infrastructure in the gross budgetary support for total capital expenditure was 45 per cent, or about ₹1.53 trillion. The Task Force has put the required figure for budgetary support for infrastructure in 2020-21 at ₹1.86 trillion. If the share of 44-45 per cent is maintained next year as well, then the Union government's gross budgetary support for capital expenditure should go up by 22 per cent to ₹4.13 trillion. Any increase that is lower than 22 per cent, therefore, would imply that the finance ministry has not accepted the report of its own committee.

The NIP Task Force also notes that the government's total outlay for the infrastructure sector should go up from ₹3.77 trillion in 2019-20 to ₹4.58 trillion, an increase of 21 per cent. This will be an ambitious goal as the total outlay for the infrastructure sector in 2019-20 had increased by only 6.5 per cent.

The share of total government outlay for infrastructure in the government's total capital expenditure (including internal and extra-budgetary resources of public sector undertakings including the Indian Railways) has hovered between 38 and 43 per cent. If this share is maintained in 2020-21, then the Budget for next year has to provide for a 21 per cent increase in the government's total capital expenditure to ₹10.65 trillion.

All these numbers suggest that the NIP Task Force has been quite aggressive in asking for a sharp increase in the allocation of government funds for the infrastructure sector in the coming year. Can the government afford to ignore the demand for higher financial outlay for the infrastructure sector? And was the decision to release the NIP Task Force's report at a news conference, just days before the Budget, aimed at putting more pressure on influential sections within the government to accept the need for spending more and easing the fiscal consolidation targets?

Five banking trends for the new year

This could be a year of higher NPAs, more recovery, relatively stronger bank balance sheets, low credit growth and better-managed cooperative banks

BANKER'S TRUST

TAMAL BANDYOPADHYAY

No prizes for guessing the dominant trend in Indian banking in 2020: The pile of bad loans will rise. The Reserve Bank of India's (RBI's) latest Financial Stability Report (FSR), a biannual health check of the banking system, says banks' gross non-performing assets (NPAs) may rise from 9.3 per cent of total loans in September 2019 to 9.9 per cent by September 2020.

The regulator has given three reasons for this: Changes in the macroeconomic scenario, marginal rise in fresh slippages and the so-called denominator effect. The third one is simple arithmetic — as the credit portfolio of the banks has not been growing, in percentage terms, the NPAs will rise. Yet another factor that will contribute to the rise is the divergence in banks' estimate of bad assets and the regulator's assessment. At least a dozen banks have disclosed around ₹29,000 crore divergence so far.

Incidentally, the RBI's June FSR had said with the bulk of the legacy NPAs already being recognised in banks' books, the bad loan cycle seemed to have turned around. It indicated that gross NPAs might decline from 9.3 per cent in March 2019 to 9 per cent in March 2020.

That was the second successive FSR to indicate a recovery on the bad loan front. In December 2018, the RBI stress tests observed that the asset quality of the banks improved, with gross NPAs declining from 11.5 per cent in March 2018 to 10.8 per cent in September 2018. It had even predicted that the ratio might decline from 10.8 per cent to 10.3 per cent in March 2019.

The trend has reversed. The fresh slippages will include banks' exposure to the shadow banking industry. In the past few years, many public sector banks were restrained from giving fresh loans; the shadow banks rushed to fill in the space, growing their loan portfolios at a scorching space. Those banks which were in a position to lend did give money to these shadow banks to grow their credit portfolio.

Rajnish Kumar, chairman of State Bank of India (SBI), has focused on the second trend, saying 2020 will be the best year for NPA recovery. The ₹42,000 crore recovery from Essar Steel (₹38,896 crore for the lenders and ₹3,104 crore for the operational creditors) in December after a two-year long insolvency process, fraught with court cases, is the turning point.

Around the same time, at least three more insolvency cases got resolved. The four collectively involved at least ₹65,000 crore; the banks have recovered close to ₹50,000 crore. The insolvency code, which came into effect in 2016, is maturing every day and banks are gearing up to recover money both on this platform and outside it, using this as a threat.

Another piece of good news is that banks have started setting aside more money to provide for the bad assets leading to rise in the so-called provision coverage ratio (PCR). The PCR of the banking industry rose sharply to 60.6 per cent in March 2019 from 52.4 per cent in September 2018 and 48.3 per cent in March 2018. There has been a marginal increase in PCR from 60.5 per cent in March 2019 to 61.5 per cent in September 2019. Higher recovery will encourage banks to increase the PCR and make their balance sheets stronger. The PCR of the weak IDBI Bank Ltd is at least 92 per cent and that of the SBI is close to 82 per cent.

The not-so-good news is the low credit offtake. The June 2019 FSR was bullish on credit growth. It had spoken about public sector banks registering near double-digit growth. The scenario has changed. The credit growth remained subdued at 8.7 per cent year-on-year in September 2019, though private sector banks registered 16.5 per cent growth. Till the first week of December, the year-on-year credit growth has been even lower at 7.9 per cent (versus 15.1 per cent in the previous year). Since April, in the current financial year, credit growth has been 1.7 per cent (6.7 per cent). Rating agency ICRA has pegged the growth for the current year at 8 per cent, a 58-year low.

Slowing economic growth and lack of demand are playing out on the credit turf. Trigger-happy investigative agencies have also been contributing to this. The bankers are scared of being grilled by such agencies, served look-out notices and even jailed. They don't want to take credit decisions.

Finally, the cooperative banks will have to change the way they function, following a series of RBI steps in the aftermath of the collapse of a large multistate urban cooperative bank (UCB). The banking regulator wants the UCBs with at least ₹100 crore deposits to have professionally run boards of management; it will also have a say in the selection of the CEOs, treating the UCBs on a par with commercial banks. The "fit and proper" criterion will be applicable to their directors as well and, if they don't toe the line, they will not be able to expand their branch network.

The large UCBs with total assets of at least ₹500 crore will have to report all credit information, including accounts showing signs of stress, for exposure of ₹5 crore and above to the central bank's real time data repository. The quarterly exercise has begun on December 31. The RBI also proposes to pare the single and group borrowers limits of such banks. Currently, they need to disburse 40 per cent of their loans to the so-called priority sector. The plan is to raise the limit to 75 per cent, on the line of the small finance banks (SFBs).

The RBI has been trying to woo the cooperative banks into the fold of SFBs. The on-tap licensing norms for the SFBs are in place. Let's see how many UCBs knock on the open window.

The writer, a consulting editor with Business Standard, is an author and senior adviser to Jana Small Finance Bank Ltd. His latest book is "HDFC Bank 2.0: From Dawn to Digital".
Twitter: TamalBandyo

CHINESE WHISPERS

Fourth time lucky

While states such as West Bengal are fuming about their not being allowed to participate in the Republic Day Parade 2020, the National Disaster Response Force, or NDRF — a specialised force under the Ministry of Home Affairs — found its name on the shortlist for the first time in its history of nearly 15 years. A senior officer said this was the fourth time that the force had submitted its tableau. After having failed to make the cut owing to technical or other reasons earlier, the team preparing the tableau was curious to know its fate this time. And as the list of 22 participants was announced last Friday, it had a reason to feel happy. The tableau, as one would guess from the name of the force, will display its "alertness and prompt responses" during rescue jobs.

Day of answers

The three-day-long Budget session of the newly constituted Jharkhand Assembly commences on Monday and many questions are likely to be answered. For example, how will the state get the funds to deliver on the lofty, populist promises the Jharkhand Mukti Morcha (JMM) made in the campaign? Then there is the question about allotting portfolios and inducting ministers. If sources are to be believed, the Congress, which already has one minister sworn in, might get two more berths but there is no consensus on who will make the cut. One prominent "frontrunner" is said to be facing stiff opposition due to his son's reputation. Similarly, the Bharatiya Janata Party, which lost the election, may take a call on whether C P Singh or Nilkanth Singh Munda would become leader of the Opposition.

A sweet, warm campaign

As the Delhi elections approach, ticket aspirants have started making their bid to woo voters with some unusual gifts. One such leader, the Bharatiya Janata Party's (BJP's) Azad Singh, has jaggery and calendars — what one would argue are perfect baits, given that the New Year has just kicked in and the weather has been at its coldest in the past fortnight — as gift ideas. These articles are packed in a cloth bag (the material is important because "say no to plastic" is embossed on it) that has a phone number printed on it. Last week, they were being distributed in Vasant Kunj, with his supporters being extra persuasive with those unwilling to accept them. Even those not at home found these bags hanging from their doorknobs.

AS I SEE IT

Where are the tough questions?

Nothing illustrates the growing inclination to "follow the leader" with an uncritical, unquestioning gaze like PM Modi's TV interviews

KARAN THAPAR

I often meet people who are incredulous at the media's uncritical attitude to the Modi government. Some call it "capitulation", others "supine" and many "pusillanimity". This is something almost everyone has noticed. Yet it's also a subject on which most journalists are silent. If they at all speak its behind closed doors and in confidence.

Thankfully Rajdeep Sardesai has spoken out loudly, clearly and forcefully in his book *2019: How Modi Won India*. "In the Modi-era, the media's collusion with the political executive has touched such unprecedented heights that the reality checks that the press is supposed to provide on the claims of those in power simply do not exist…rather than speaking the truth to those in power, there is a growing inclination to "follow the leader" with an uncritical, unquestioning gaze."

Nothing illustrates this better than the way Mr Modi is interviewed on television. It's done with obvious deference which leaves little opportunity to challenge or, even, cross question. Instead of focusing on a few well-researched subjects which are pursued with diligence, each question changes the issue. There's no follow up. Consequently, a multitude of subjects is raised without any meaningful achievement. Equally importantly, the Prime Minister is permitted to answer at exorbitant length, often rambling and frequently changing the subject and getting away with it.

Worse, is the character of the questions. Not only are awkward issues avoided but the questions are emolliently phrased and gently asked. Instead of bringing up his lapses or misjudgements, the Prime Minister is usually asked to hold forth on the Opposition's alleged errors. Rarely is he questioned about things that have gone wrong under his charge. The net result is the interview lacks rigour. It feels like an easy ride.

Even during the recent elections, when there was a moral duty to treat Opposition and government alike, we had, instead, undeniable favouritism. Rajdeep illustrates this with reference to Rajat Sharma's interview of Mr Modi but he could just as easily have used his own channel's. What he says of the former applies equally to the latter: "It wasn't just a news show: This was a theatrical performance being enacted against the backdrop of a decisive election."

He writes television news created "a '*mahaul*' (ambience) in which Modi was seemingly invincible and the Opposition cripplingly inept." I would go further. Instead of watchdogs that should growl at the authorities, even if occasionally mistakenly, most of our television news channel behaved like guard dogs, who seek to protect, or pet dogs, who just wish to be liked.

Compare the way the British media treated Boris Johnson with our treatment of Narendra Modi. When Johnson refused to participate in a Channel 4 debate, it kept an empty chair with a melting ice statue resting on it. When Johnson refused to give BBC's Andrew Niel an interview the Corporation circulated a WhatsApp meme pointing this out.

In contrast, this is what Rajdeep writes of our media's behaviour last year: "I have never quite seen an Indian election where the mainstream media narrative, with rare exceptions, was so blatantly and horribly one-sided."

Now we've even reached the point where editors unilaterally edit opinion pieces though they're published under the authors name with a clear warning they don't reflect the newspaper's views. If the adjectives used to criticise the government are stinging, they're toned down. If a fact is cited that shows the Prime Minister in poor light, it's deleted. So great is the fear of governmental wrath columns are diluted to make them acceptable. And this is how the media defends freedom of speech!

I agree with Rajdeep's conclusion though I would have put it more forcefully: "The space for a free and independent media that offers democracy its much-needed oxygen is rapidly shrinking." Unfortunately, Rajdeep doesn't ask and, therefore, doesn't answer the question why has this happened? Is it fear of retribution? Are editors enamoured of Mr Modi? Or are proprietors to blame?

Sadly, 2020 doesn't hold out the prospect of credible change. The Indian media has forgotten how to thunder and roar. We've become pussy cats who prefer to curl up beside a warm fire. So I wonder how many will heed Rajdeep's warning: "We certainly need to rediscover a spine or else be pushed into growing irrelevance"?

LETTERS

A shameful chapter

Over a hundred infant deaths just in a month's time at a government-run hospital in Kota are a national shame. They make a statement: India is no country for newborn babies. The ineffable joy of childbirth is lost when a neonate dies. As a nation, we seem to have become desensitised to infant deaths. Registering the highest number of infant deaths in the world is a dubious record that India should not have let itself have.

The central and state governments try to evade responsibility for the infant deaths for which both should take the blame in equal measure. Political sparring is no substitute to remedial action. It is poor consolation to say that infant mortality rate has been on the decline over the years when it still figures around 30 per 1,000 live births. We must admit that infant deaths constitute one of the serious challenges we face.

It is not merely a question of poor medical facilities, inadequate medical staff and medical negligence, though all of these must be addressed on a priority basis. Pre-term complications malformations infections and asphyxia are identified and cited as the main clinical causes for infant deaths. They are certainly among the immediate and detectable causes.

At the same time, there are also deeper causes that increase the vulnerability of infants to death. Babies born in impoverished and "low caste" families suffer from low birth weight and health risks without a fight. It is a self-evident truth that the nutritional status of the mother and the newborn is of vital importance for survival. Food security is assured only by better financial resources. Access to clean water, sanitation and better living conditions in a pollution-free environment matter brighten the chances of survival. In regions where caste holds a sway, the rate of infant mortality is greater. Another fact is that lower maternal age, say below 20, invites the risk of neonatal mortality.

Economic empowerment of poor families and improvement of their quality of life are the lasting remedies for infant deaths. As a nation, if we are to be really "pro-life", we have to do all that is humanly possible to end preventable child morbidity and mortality.

G David Milton Maruthancode

Is cash really bad?

This refers to "Let's stop making cash the villain" by Ajit Balakrishnan (January 3). The author deserves accolades for destroying a myth and playing the "devil's advocate" for cash. Cash is the most convenient and anonymous financial instrument. The current narratives against cash in India flows from a dubious belief that it lies at the root of black money, bribery, tax evasion, all of which lead to money laundering. It is not cash which gives rise to all these seemingly illegal practices, but it is the 24 X 7 election-dominated democratic system that forces business and corporates to generate black money to grease the wheels of democracy through the political machinery. In India, the basic purpose of promoting a cashless or "less-cash" society is to force citizens to leave behind trails or foot prints that can be used to chase the tax evaders and enable cherry picking depending upon the proclivity and whims of the political administration.

It is common knowledge that large-scale tax evasion in India comes more from large businesses and corporates rather than from private individuals. If that be so why should we curtail the liberties of innocent individuals and force them to go cashless, thereby enriching the fin-tech companies and such other intermediaries? After all, payment through electronic means is by no means cost free as it is made out to be. Look at the losses of prominent fin-tech companies and e-payment platforms in India. The solution lies in educating the society.

Ganga Narayan Rath
Hyderabad

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 ·
E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE

Business Standard
Volume XXIV Number 102
MUMBAI | MONDAY, 6 JANUARY 2020

A credible Budget

Govt should transparently present the state of its finances

The evolving economic situation is making Union Finance Minister Nirmala Sitharaman's job increasingly difficult, as she prepares to present the Union Budget in less than a month from now. A senior finance ministry official has been quoted as saying that the government may not be able to complete the strategic sale of Bharat Petroleum Corporation (BPCL), Container Corporation of India, and Air India in the current fiscal year. As the government was expected to raise over ₹56,000 crore by selling its stake in BPCL, a significant shortfall on account of disinvestment will put additional pressure on government finances.

But disinvestment is not the only problem. Tax revenues are also likely to fall short significantly. The fiscal deficit in the first eight months of 2019-20 stood at 115 per cent of the full-year target. A sharp correction in the remaining months of the year will be difficult because of muted tax inflow. The collection of advance corporation tax, for example, fell by 5.2 per cent in the December quarter. While collection from goods and services tax was above the ₹1-trillion mark in December, it fell short of the target of ₹1.1 trillion, set for the last four months of the fiscal year. Therefore, to contain the fiscal deficit under 3.3 per cent of gross domestic product, the government will have to significantly cut expenditure or postpone payments. Most analysts expect the government to overshoot the deficit target, partly because of slower than projected economic growth. Therefore, in the given situation, all stakeholders would broadly look for at least three big things in the upcoming Budget.

First, the government will be expected to present a genuine assessment of the economy. Painting an unrealistic picture at this stage will affect the government's credibility and reduce the possibility of hard decisions to revive economic growth. Second, the Budget will make it clear how far the government intends to support the economy through fiscal means. It should carefully assess its options. A sharp slowdown should not be seen as a licence to go for an unbridled expansion of the fiscal deficit. The government cannot be seen as uncaring about its finances, even in the short run. Further, the Budget will also bring clarity on the revenue position in 2018-19 because the revised estimates in the July Budget did not present the true picture. It's time the government recognised the fiscal problems and presented its finances transparently. Postponing expenditure or shifting liabilities to public sector entities cannot go on forever.

Third, the government will be expected to present a credible fiscal consolidation road map. This, to a large extent, will depend on a proper assessment of the economy. For instance, the National Infrastructure Pipeline assumes an annual nominal growth rate of 12.2 per cent between 2020-21 and 2024-25. Assuming inflation at 4 per cent — the midpoint of the Reserve Bank of India's target range — this means the government expects the Indian economy to grow at over 8 per cent in real terms. Such assumptions for fiscal projection will unnerve the markets and make the Budget unrealistic and less credible. The government lost a chance in July to set things right; it should not lose another.

Unhealthy politics

Kota tragedy shows why states should get priorities right

Rajasthan Deputy Chief Minister Sachin Pilot was bang on when he said on Saturday that there was no point blaming the previous Bharatiya Janata Party (BJP) government for the unimaginable tragedy in the J K Lon government hospital in Kota. Mr Pilot had an obvious reason to take a dig at his own party's government in Rajasthan, but he should know that a political blame game as usual will lead nowhere. Over 100 children have died in the hospital over the past month for reasons that mostly have to do with lack of basic equipment — cannulas, ventilators, infant warmers — and callous medical staff and administration. These reasons mirror those that caused the serial deaths of children, mostly from encephalitis, in Baba Raghav Das Medical College in Gorakhpur, Uttar Pradesh, in 2017 and the acute encephalitis syndrome outbreak in Bihar, killing over 150 children.

These incidents should have led to a nationwide audit of facilities at public hospitals, but politicians opted for what they do best: More politicking. Some FIRs were filed against senior medical staff members but a year later, ground reports stated that the hospital had not upgraded or expanded facilities. Significantly, it had stopped issuing health bulletins altogether. In the case of the Kota facility, the health minister has alluded to allocations for an expansion of beds when the Congress was in power before 2013, but the money does not appear to have been spent under the successor BJP government (2013-18). Meanwhile, the Centre has dispatched a team to investigate the causes of this high death rate.

The script is all too familiar. But unfortunately, it does nothing to break the disheartening chain of corruption and negligence that occurs in the public health sector across the country. It is worth noting that in Kota, Gorakhpur, and Bihar, the victims were from poor and marginalised families who could not afford the relatively well-equipped but more expensive private hospitals. Yet in at least two, priority has been focused on headline-grabbing schemes such as loan waivers and associated freebies rather than on the basics — health and education. The case of Rajasthan is particularly ironic because the Congress manifesto for the 2018 Assembly elections had promised to bring in a Right to Health Bill if it came to power. Far from fulfilling this commitment, the new government has neglected its health programme. The 2019-20 state Budget made a marginal increase in allocation for health and the sector's share in state expenditure dropped from 6.16 per cent to 5.97 per cent. Funds for the state health insurance scheme launched by the previous BJP government, as well as expenditure on free medicine and diagnostics, have been reduced.

There are still no signs of the promised "Janata Clinics" that were to be modelled on the lines of the Aam Aadmi Party government's "Mohalla Clinics" in Delhi, though the state announced loan waivers to some 1.9 million farmers — a move that has long proven unproductive in terms of relieving agricultural distress in the long run. At number 29, the state's ranking in the national Human Development Index is not much to write about, and it falls way below the national average. If Mr Pilot wants to act on his assertion, he would do well to reset his state's priorities to ensure that the poorest citizens do not die for lack of basic health care.

ILLUSTRATION: AJAY MOHANTY

India's stranded workers

Across the world, workforces 'stranded' by technological, regulatory, or climatic change have become politically crucial to the rise of populism

POLICY RULES

MIHIR S SHARMA

Finance has woken up to the problem of "stranded assets". Typically, stranded assets are installations like thermal power plants that are being rendered unremunerative or unproductive ahead of time because of changes in the economic or political environment. For example, when it comes to coal-fired plants, climate change-related regulations might have been strengthened, input prices might have been increased or coal linkages removed, and alternative technologies such as solar power might have become more competitive than expected. It has now become clear that such problems need to be taken into account when examining the strength of balance sheets and the exposure of banks. Parenthetically, this is part of the reason why the government's renewed emphasis on opening up coal mining to private players might be dangerous if funded by nationalised banks — it might lead to a further build-up of non-performing assets down the line.

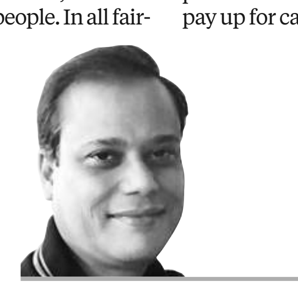
Yet there is an analogue to the stranded assets problem that needs to be taken into account when planning development paths — and that is the problem of "stranded workers". Across the world, such stranded workers have become politically among the most salient factors in the rise of populism. Consider the vast changes in the political landscape of the United States of America in the past three to four years. The election of President Donald Trump was powered by an unexpectedly robust showing in former industrial and mining areas. A similar phenomenon has taken over the politics of the United Kingdom. The industrial and mining areas of the north of England, which have traditionally been Labour heartlands and had a strong disdain for anything Tory, nevertheless voted Conservative in large part in the last election to sweep Boris Johnson back into Number 10. In France, meanwhile, the "yellow vest" protests are perhaps the most explicit expression of this phenomenon in that the spark for the anti-establishment crowds which often paralysed France's cities and towns last year was an attempt to increase fuel taxes, which was explicitly linked to climate change and which some protestors claimed would put them out of business.

It has long been argued, since the political scientist Mancur Olsen formalised the question, that coalitions to block reform are easier to assemble than coalitions to support it. Reforms often have diffuse and uncertain benefits — in the sense that no individual knows for certain how much she might gain, and they might individually not gain that much at all — while those losing from a reform are fairly certain of what their downside is. Forming such coalitions of angry "losers" is therefore much easier. What we are seeing at the moment in many parts of the world is that problem writ large. The issue is often blamed on "globalisation" or trade. For example, the "China Shock" theory due to the economist David Autor and others posits that some specific and areas of the US' Rust Belt suffered severe and concentrated job losses due to trade with China, even though the overall effect of trade on jobs might not have been severe. (This result is still contested.) But this is in some sense too narrow a focus. As many others, such as the US presidential candidate Andrew Yang, have pointed out, stranded workforces can also be created by technological change such as increasing assembly line automation.

The economic, social and political impact of workforces being metaphorically stranded by such changes are multiplied manifold when they are literally stranded, as well. In other words, if such workers are for some reason unable or unwilling to move their physical location, then they are even less able to benefit from the countervailing efficiency gains of the technological or regulatory changes. Labour mobility is crucial for any changes to have their full effect on wages and welfare. The shift from the "Dust Bowl" of the south central US to the east coast in the previous century, for example, was driven by weather patterns rending farming unremunerative in vast parts of the country, but also by the possibility that a fast-growing California would provide livelihoods. By some estimates, the majority of those who moved were in fact white-collar workers. The lack of a social security net turned this into a humanitarian tragedy. It should have been managed better, because the influx was crucial in restoring some balance to the US' internal economy. Such balance is not easily discoverable in today's economy, since geographical mobility is no longer as easy as it once was. For example, those who have bought houses in freshly depressed areas are particularly reluctant to move because the value of real estate may have greatly depreciated following a regional downturn. Thus, moving means accepting a major capital loss. Of course, there are social reasons as well: Communities that have developed solidarity rarely want to dissolve themselves. Unfortunately, such solidarity can also sour and turn against "outsiders", which is part of what underlies the cultural and political cleavages that appear to be widening across the world.

The lesson here for India is to be particularly mindful about the creation of stranded populations, whether metaphorical or literal. Because our economy has not created large industrial clusters in recent years, it is easy to suppose that these problems are not relevant. But, in fact, what unites the stranded workforces in various geographies, including India, is that their expectations do not match their reality, thanks to broader changes in the economy, to technology, to regulation, or the climate. In India, therefore, we have traditionally had to worry about workers in the public sector. Privatisation has been politically controversial for precisely this reason. But, going forward, we will also have to worry about tens, perhaps hundreds, of stranded workers in economically less dynamic parts of the country, and skilled only in sectors — whether retail or manufacturing micro-enterprises — that will be made less labour-intensive or rendered unprofitable by changes in technology or regulation (such as goods and services tax). It is not just retraining that will be needed in some cases, but an actual case for training; and, also, mobility across the country needs to be made more palatable. Workers will need a welcoming environment — ample housing and familiar food — in otherwise dissimilar regions. And those host areas will need to be reassured that they are not losing their cultural identity or political autonomy. India's stranded workforce problem is similar to the rest of the world, but also has particular requirements: Basic training and a different model of federalism. Without urgent thought to these issues, the political chaos in the rest of the world will be revisited a hundredfold on India.

Ease of living, in a punitive state



IRRATIONAL CHOICE

DEBASHIS BASU

Under this government, slogans, memes, catchphrases, alliterative coinages, and clever abbreviations abound. One of them being repeated *ad nauseam* is ease of living. Like the other slogans, this one too sounds highly ironic, given that the state is creating an endless cycle of stress for its citizens, for which the faceless administration is never held accountable. Here is a short sample. Remember, while these examples are chosen at random, it reflects a bias — that of urban, middle-class people. In all fairness, ease of living should work first for the poor, mainly in rural areas. But we get to know less of what is happening there, even though punitive action by the state hurt them more.

Demonetisation: This Tughlaq-like move was the mother of all blows to ease of living and set the tone for what to expect. Demonetisation, as anticipated, did not eliminate corruption, yield black money, or reduce cash levels. But it inflicted unnecessary and large-scale suffering mainly on the poor.

Forced Aadhaar: Narendra Modi, who was dead against Aadhaar when the Congress was in power, started pushing this project with evangelical zeal once he became prime minister. His style is take no prisoners and offer no reasons. So he never deigned to explain his 180-degree turn and Aadhaar was pushed down our throat when it is clear that the number is not proof of residence, citizenship, identity, or even of existence because no one has verified the authenticity of the Aadhaar database! But from birth to death, Aadhaar was being made mandatory, putting people, especially the poor, to enormous risk and hardship. A mid-2018 report says that more than 2 million people in just three states were not getting their rations because of Aadhaar. That's not ease of living; it is a punitive state in action.

Bulldozing electric vehicles: "We should move towards alternative fuel ... I am going to do this, whether you like it or not. And I am not going to ask you. I will bulldoze it." That was Nitin Gadkari, minister for roads, transport and highways, speaking to automakers on September 8, 2017. Separately, the NITI Aayog has warned that if manufacturers of two- and three-wheelers do not meet a short deadline to produce electric vehicles (EVs), they will be asked to pay up for causing pollution. To bulldoze an existing industry with intricate backward and forward linkages, and to order a new one to come up in its place overnight, is neither ease of business, nor ease of living. It is another example of a punitive state in action.

GST Raj: Goods and services tax (GST) imposes criminal penalties for a range of violations — from simple mistakes to frauds — no matter the size of the enterprise. GST commissioners can arrest people without registering an FIR and businessmen do not have the option of anticipatory bail. The GST law empowers the GST commissioner to arrest a person merely if he has "reasons to believe" that he has committed an offence under Section 132 of the Central GST Act. GST laws and practices make for a particularly fertile ground of punitive actions.

Vehicle fines: The new Motor Vehicles Act has imposed draconian fines for every kind of violation. These are so egregious and excessive that one of the first states not to follow them was BJP-ruled Gujarat, followed by several others.

Jail term for lapses in corporate social responsibility: In August last year, the government made specified corporate social responsibility (CSR) spending mandatory for a large cross-section of firms. Worse, lapses were supposed to be penalised, not just with fines but also a jail term for the designated executive for up to three years. This caused so much uproar that the state rolled it back. Why not some punitive action for ministers and *babus* who thought of this mindless monstrosity?

Jail for late filing of I-T returns: Section 276CC deals with failure to file returns on time. If the tax amount is more than ₹1 lakh, it attracts rigorous imprisonment for six months to seven years, plus a fine. What happens if the taxpayer pays up the tax amount due on his own with penalty? The law does not envisage a scenario where there is no tax amount due anymore, only the filing was late. The department wants to jail the taxpayer, who is not a tax evader, even in such cases.

Tax laws and circulars are draconian, and getting more so everyday, on top of the stiff targets set for the department by the finance ministry. I am told that the Income-Tax Department has targets for issuing prosecution notices and other penal provisions, which are monitored weekly by New Delhi. But there will be no ease of living for taxpayers because the government does not recognise that both the tax laws and the department's attitude as a whole are punitive. That's because the prime minister does not see this as a systemic problem; he believes that only some "black sheep in the tax administration may have misused their powers and harassed taxpayers".

It is common sense that a combination of draconian laws and corrupt machinery will cause widespread extortion and distress. Why can't *netas* and *babus* see this? Maybe they know it. And so they have coined #EaseOfLiving to preempt anyone from seeing how the state thinks that citizens alone are the culprit and liable to be fined and jailed for failing to navigate their mindless rules. Ease is living is ABCD of governance today — avoid, bully, confuse and deflect any discussion about a punitive state.

The writer is the editor of www.moneylife.in
Twitter: @Moneylifers

Language and power

BOOK REVIEW

PARUL SEHGAL

This morning, a couple stood outside my window, arguing. "What does that mean?" the woman kept saying. "What does that even *mean*?"

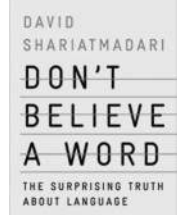
"It doesn't mean anything," the man kept responding. "Listen to what I am saying. You know what I'm saying."

"What does *that* mean?" she said, and finally, with dangerous composure: "I'm *so* glad we had this conversation."

It's astonishing that humans are expected to make our way in the world with language alone. "To speak is an incomparable act / of faith," the poet Craig Morgan Teicher has written. "What proof do we have / that when I say *mouse*, you do not think / of a stop sign?"

Don't Believe a Word, a new book by the *Guardian* writer and editor David Shariatmadari, delves into the riddles of language: The opacities, ambushes, dead ends, sudden ecstasies. It's a brisk and friendly introduction to linguistics, and a synthesis of the field's recent discoveries. So much more is now known about how language evolves, how animals communicate and how children learn to speak. Such findings remain mostly immured in the academy, however. Our "insatiable appetite for linguistic debate," Shariatmadari writes, is born out of confusion. "Why *do* millennials speak their own language? Do the words they choose reflect the fact that they are superficial, lazy, addicted to technology? How can you protect a language against outside influence? Does the language we use to talk about climate change, or Brexit, change the way we think about them?"

Mr Shariatmadari organises his book around a few core misapprehensions, taking decisive aim at some well-chosen foes. Enemy Number One: The pedant or self-styled grammar snob, who has been with us for at least 400 years judging by the examples presented here, wringing his hands and lamenting the decline in linguistic standards. "Even though the idea that language is going to the dogs is widespread, nothing much has been done to mitigate it," Mr Shariatmadari writes. "It's a powerful intuition, but the evidence of its effects has simply never materialised. That is because it is unscientific nonsense."



DON'T BELIEVE A WORD
The Surprising Truth About Language
Author: David Shariatmadari
Publisher: WW Norton
Price: $27.95

The expressive power of language is undiminished, but human communication is in constant flux and ought to be understood, this book argues, as "a snapshot" of a time, place and particular community of speakers. Even the simplest words alter with time. "Adder," "apron" and "umpire," for example, were originally "nadder," "napron" and "numpire." Bird used to be "brid," and "horse," "hros," transpositions of letters that later became the norm. "Empty" used to be "emty" — a transformation that reveals physics at work, according to Mr Shariatmadari.

Of all the factors that transform how we communicate, none are so powerful as young people, who have always steered language. They remake it as they learn it, inducing in older people a powerful sense of "linguistic disorientation." (Symptoms include petulant tweets and letters to the editor.)

To speak about language is always to speak about power. There is the power of linguistic innovation, which is often met by the powers of stigma and contempt, of racism and class prejudice. Perhaps no dialect has come under more hysterical attack than African-American Vernacular English (AAVE). In the book's strongest section, Mr Shariatmadari reveals how little the so-called guardians of the English language understand about English, let alone the particular innovations of AAVE, which linguists have described as a rule-bound language that has given us at least one new verb tense.

The scope of *Don't Believe a Word* is impressive. It pauses to consider what modes of communication can tell us about the working of the brain, its role in communal violence in India and whether some languages are genuinely richer, more expressive or efficient. Mr Shariatmadari is an earnest writer — clarity, not style, is his priority — but the quirks of human and animal speech are strange and alluring enough to leaven the narrative. Who knew that dolphins had accents?

It's curious, however, that a writer so word-besotted should have such a blind spot for literature. Of course young people break and remake language. But so do poets. John Berryman was much on my mind as I read this book: "Nouns, verbs do not exist for what I feel," he wrote in "Epilogue." So was Emily Dickinson's splayed syntax and idiosyncratic punctuation, and the experimentations of Paul Celan, who once wrote to his wife from Germany: "The language with which I make my poems has nothing to do with one spoken here, or anywhere."

Nor does this book explore some of the knottier questions it so tantalisingly dangles. How *does* language shape (or even impede) our understanding of Brexit and climate change? Mr Shariatmadari also introduces Noam Chomsky's point that most human speech is internal and exists as thought, but doesn't wrestle with what we know (what we *can* know) about its evolution. Are the shape and structure of our thoughts as prone to rapid reinvention as verbal and written communication?

In providing the reader a foundation in rudimentary linguistics and its history, Mr Shariatmadari is perhaps prompting — even inducting — us into thinking through such issues ourselves. I can echo my agitated neighbour: I am glad to have had this conversation.