

# Thank You, RBI; Now Lift the Veil

Tell people how much money came back to banks

The Reserve Bank of India (RBI) has officially lifted all limits on savings bank cash withdrawals after the note ban. This is welcome. Now is the right time to lift the veil of secrecy over how many old notes that had been held by the public came back to the banking system and how much money failed to come back. The money that did not come back is the amount of black money that people have been forced to extinguish, in order to escape investigation into tax avoidance and/or sources of the income. That would be a ready measure of the demonetisation scheme's success in achieving the stated goal of destroying black money.

The RBI should also allow one more window for resident Indians to deposit their holdings of denotified currency notes. There are individuals, especially old folk only intermittently in touch with other people or reality in general, who failed to deposit their holdings of cash in time. There are others who have come into possession of

wads of denotified currency that had been hoarded by their dear departed. The 50-day demonetisation period for residents to deposit their old currency notes with banks ended on December 30. The result has been to see serious erosion of savings of some individuals, admittedly small in number but

deserving of extra consideration because of the vulnerability of their age and finances in most cases. The funds coming in through a reprieve window could be subjected to extra scrutiny, to thwart misuse. The amounts are likely to be small, but the benefit to their holders, big.

The denotified ₹500 and ₹1,000 notes constituted 86.9% of the value of total currency in circulation. The RBI had said that ₹8.45 lakh crore was deposited and exchanged during November 10-27, but did not release any further data. The Budget offered some figures but not the full data. There is no reason to withhold information on deposits now that the possible political sensitivity of such data is pure conjecture, as the assembly elections are over and settled any questions about the political viability of the move once and for all.

# A Lone IISc Among Schools of Excellence

It is a moment of validation for the Indian Institute of Science, Bangalore, ranked eighth in the Times Higher Education Ranking of small universities. The 100-year-old institute has been for several years now ranked among the top 250 institutions, according to the Times ranking. For IISc, it is a moment of celebration, but not for the Indian higher education sector in general. Policymakers and regulators need to learn from IISc and develop a blueprint that can be replicated, scaled up and innovated across the country.

The core purpose of higher education institutions and universities is to create knowledge and value. This can be cutting-edge research in science, technology, engineering and medicine, or research in social science, design of institutions or instruments that tackle social and economic questions. A university must also be judged by the quality of the human resource it produces, and the impact it has on systems and policy. Indian institutions have typically concentrated on teaching, particularly at the undergraduate level. Academia has not deemed research and its dissemination, interaction with industry or policymaking, whether by advice or independent assessment, key concerns. In part, this is a legacy of colonial policy that used higher education not to create knowledge but to produce capable cogs of their administrative set-up in the country.

The increasingly globalised and now automated world requires a reorientation of the education system. India's higher education institutions need to change from degree-doling units to knowledge creators, and this will require policy support. The IISc provides one model of making this transition with a modicum of success. There would be others. Policy must vigorously pursue excellence in higher education.

With skeletons in their closets, small wonder politicians get readily spooked

# Running From Ghosts of the Past?

It is not fanciful to assume that people in public life may have skeletons in their closets. It is also not unlikely that they do not want to come face to face with the ghosts of their pasts, especially when faced with charges of corruption or impropriety. So Brazilian President Michel Temer should be complimented for his honesty, as he has publicly acknowledged the presence of ghosts, if not skeletons specifically, in his official residence. As Temer's immediate predecessor in Alvorada Palace, Dilma Rousseff, was impeached for corruption, he may well be truly spooked by the prospect of any leftover dark secrets. Moving back to his old haunt — the vice-president's residence — now gives him more than a ghost of a chance of surviving his own graft charges.

Ghosts are not uncommon in presidential residences. Even the White House has been dealing with Lincoln's apparition for a while now, besides a slew of other presidential spectres. Harry Truman even wrote, "I sit here in this old house and work on foreign affairs...all the while listening to the ghosts walk up and down the hallway and even right in here in the study... I can just imagine old Andy (Jackson) and Teddy (Roosevelt) having an argument over Franklin (Roosevelt)." Of course, many believe that an evil spirit is now resident in the White House and needs to be speedily exorcised.

**SWAMISPEAK** Narendra Modi should make Uttar Pradesh the engine of India's growth

# Now, Let UP Show the Day



Swaminathan S Anklesaria Aiyar

The last bastion of caste politics has come around and voted for economic development." Thus did Arvind Panagariya, head of Niti Aayog, sum up Narendra Modi's sweeping victory in the Uttar Pradesh election. A state that historically has pulled India down can become a growth locomotive.

There is an old joke about Muhammad Ali Jinnah demanding Kashmir; and Jawaharlal Nehru replying that he could have Kashmir provided he also took UP and Bihar. UP has almost 220 million people, or 16% of India's GDP. Its per-capita income and economic growth have always been below the national average.

### Rankings Go South

It was among the richer states in per capita income at Independence. But now it is 31st. Its poverty ratio is almost 30% against the national average of 21.9%. It comes 29th among states in literacy. Its infant mortality rate of 50 per thousand births is the fourth worst. Along with Bihar, it has the highest fertility rate. It is India's crime capital with by far the largest number of serious reported offences. But official data are gross underestimates since the police will not register cases unless bribed.

So, India biggest state has been a huge drag on the rest of India. Yet, if UP turns around, its sheer mass will produce an overall surge in India. If

such a big chunk of India moves from slogged to galloper, the world will sit up and take notice. A fast-accelerating UP can, by itself, raise India's GDP growth by a full 1%.

The state did not prosper under BJP rule in the 1990s. The focus of the party at that time was on the Babri Masjid and identity politics, not development. BJP leaders of the 1990s had no great reputation for honesty or good governance. Modi needs to bring in a new set of UP leaders that shift emphatically from identity politics to development and good governance. That will help accelerate UP's growth rate to double digits.

Under Mulayam Singh Yadav and Mayawati, there was no more development emphasis than under the BJP of the 1990s. Even so, the state's GDP began to accelerate as part of the overall economic boom in the 2000s. When economic liberalisation started in the 1990s, the first beneficiaries were the advanced states, which had the best infrastructure and industrial base. But in the 2000s, the backward states, derisively called Bimaru (acronym for Bihar, Madhya Pradesh, Rajasthan, Odisha and UP) began catching up with huge surges.

The greatest acceleration took place in states where a new generation of chief ministers began to see economic development, as distinct from freebies and vote-bank politics, as the key to getting re-elected. Earlier, anti-incumbency was rife and chief ministers were rarely re-elected.

But Naveen Patnaik in Odisha, Nitish Kumar in Bihar, Shivraj Singh Chouhan in Madhya Pradesh and Raman Singh in Chhattisgarh got re-elected repeatedly when they focused on economic development that translated into rapid GDP growth. They, too, offered freebies. But these were not the focus of their strategy.

UP did not follow a similar path. Under Mayawati and Akhilesh, its growth rate improved compared with



...and Lucknow's Hazratganj shows you the nights

the 1990s. But it was nowhere near the 10%+ growth that Nitish achieved in Bihar. In Mayawati's five years starting 2005, the state's GDP growth averaged 6.87%. It decelerated to 5.9% under Akhilesh.

### Temples of Modern UP

Now, Akhilesh's term was marked by two major droughts and overall slowing down in India. So we can say his performance was almost the same as Mayawati's. His father was really in charge for the first half of his term. And he could switch toward economic development — trying to mimic Nitish — only in the second half. This had a positive impact, but not enough.

Modi must appoint a chief minister who gives economic development top priority. This means getting away from politicians with strong caste and religious credentials, like Yogi Adityanand and Uma Bharati. Uma Bharati, who gained fame in the Babri Masjid movement, was made chief minister of Madhya Pradesh after the BJP won in 2003. But she was then replaced by Chouhan in an internal coup. That turned out to be a lucky break, since Chouhan emphasised

development and eventually made Madhya Pradesh the fastest-growing state in 2014.

Some analysts say Modi stands for development, while the Congress stood for freebies. The contrast can be misleading. Modi believes in welfare capitalism, not laissez-faire. His loan waiver to small farmers in UP signals a populism in keeping with his party's Antodaya philosophy. But unlike the Congress, he sees that fast growth is the best way of helping the poor. Getting electricity and all-weather roads to every village creates new opportunities and catalyses lakhs of small enterprises.

Modi will continue with and expand welfare schemes. But unlike the Congress, he emphasises the need to provide not just doles but opportunities to the poor through fast development. Successful non-BJP chief ministers like Nitish have done the same. If Modi can repeat this formula in Uttar Pradesh, that can transform not only the state but India.

The writer is the author of 'From Narasimha Rao to Narendra Modi', Times Books

Modi must appoint a CM who gives development top priority. This means getting away from politicians with strong caste and religious credentials

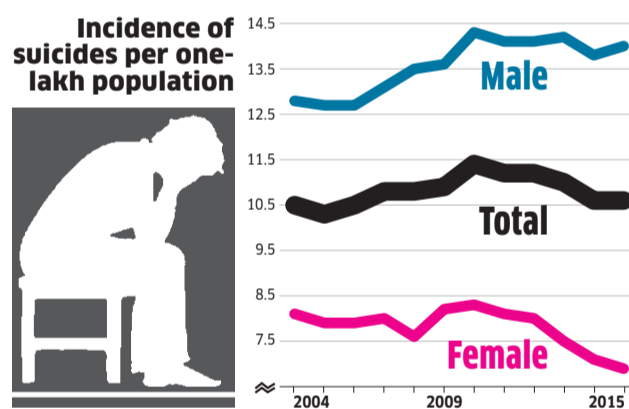
**WIT & WISDOM**

"Prosperity tries the fortunate, adversity the great."

Rose Kennedy  
Philanthropist

## Suicide Incidence

While the overall incidence of suicides (per-lakh population) may not have changed much between 2004 and 2015 in India, there is a marked divergence between rates observed for women and men. Moreover, that gap is increasing...



## CAMERADERIE



See, Captain, I won you Punjab!

## LETTER FROM WASHINGTON

# Trading on India's Toes?



Seema Sirohi

If there is one person in the White House whose 'to do' list you want to avoid, it's Peter Navarro. They call him the 'most dangerous' man for the global economic order. He is radical, determined and wields enormous influence on US President Donald Trump.

And India is in his sights. Navarro, director of the newly minted National Trade Council, doesn't like the US trade deficit with India. Not one bit. And there could be some fireworks on the trade front for New Delhi. Navarro and his cohorts want to punish to make America great again.

Their motto is 'fair and share': do fair trade and share the defence burden. Trade and defence policies are meshing in new ways under this administration. Japan, South Korea and the US are actively crafting a united front on defence to signal China while banging heads together in private to reduce the trade deficit. A White House threat to Japanese automakers — if you don't buy, you don't sell — apparently turned things around after Japanese Prime Minister Shinzo Abe's visit.

This is the flavour of things. Sooner postures are adjusted, easier it might be to find a real connect. India may find it useful to talk more boldly than it does about its contributions to the US economy. The Indian narrative of 'we want' must start weaving in the idea of 'we gave', whether in Indian foreign direct investment or in the best brains.

Indian prime ministers have routinely avoided highlighting this aspect during their visits. Stops at Indian companies to extol the numbers of Ameri-

can jobs a Mahindra or a Tata has produced in recent years are never on the itinerary. A typical prime minister's visit is devoted to meeting and greeting US business titans.

With the US in victim mode, adjustments must be made. The thrust of the Trump administration is different and old playbooks may not work. Navarro is a case in point.

He heads the trade 'swat team' — his words — in the White House just as White House chief strategist Steve Bannon commands the ideological warriors. Navarro takes the same scythe to the undergrowth in global economics that Bannon does to the overgrowth in political correctness.

If one wants to burn the bridge to 'free riders' in the global trading system, the other wants to beat Islamists back to the caves. No surprise, the two are allies against the pro-Wall Street faction in the White House.

Washington's permanent establishment derides Navarro's ideas as 'stupid economics'. But his boss, Trump, has faith in him. That matters. So, when Navarro announces a battle plan, it's



Navarro's no pushover

time to sit up. Last week, he outlined his trade agenda and blamed 16 countries for the large US trade deficit of \$735 billion.

India was near the top of the list, after China, Japan, Mexico and Germany, accounting for \$18 billion, while China was responsible for nearly half of that humongous figure. India's sin may seem like a misdemeanour to Beijing's felony, but Navarro is not discriminating.

He sounded the bugle in front of the National Association of Business Economists, a powerful elite club, on March 6, saying the persistent trade deficit of the US was a national security threat. It was allowing the country's 'net worth to be transferred abroad at an alarming rate'. His remedy: 'free, fair and reciprocal' trade. "If the US uses its leverage as the world's largest market to persuade India to reduce its notoriously high tariffs and Japan to lower its formidable non-tariff barriers, we will surely sell more Washington apples, Florida oranges, California wine and Wisconsin cheese and Harley Davidson motorcycles," said Navarro.

Get the drift? The US' enormous bargaining power is about to rain down. Surplus countries such as Germany and China will feel maximum heat, but India will also feel the burn. If you thought the Obama administration was tough on trade issues, Navarro is in a league of his own.

His ideas have traction with some in the US Congress, so don't expect anyone on Capitol Hill to blunt the edge for India. Combine that with the noise against H-1B visas to Indians and anger against the Modi government for targeting Christian NGOs and the US Congress doesn't seem like friendly territory.

## Citings

# Numbers Game

RICHARD DOBBS ET AL

The most common approach to measuring a company's stock market performance is to calculate its total returns to shareholders (TRS) over time. This approach has severe limitations, however; because over short periods, TRS embodies changes in expectations about a company's future performance more so than its actual underlying performance and health.

Companies that consistently meet high performance standards can, thus, find it hard to deliver high TRS: the market may think that management is doing an outstanding job, but this belief has already been factored into share prices.

One way to understand the problem is by way of analogy with a treadmill whose speed represents the expectations of future performance implicit in a company's share price. If managers exceed them, the market not only raises the share price but also accelerates the treadmill. As the company's performance improves, the expectations treadmill turns faster. The better the managers perform, the more the market expects from them; they must run ever faster just to keep up.

This effect explains why extraordinary managers may deliver ordinary short-term TRS; conversely, managers of companies with low performance expectations might find it easy to earn high TRS. This illustrates the saying: in the short term, good companies may not be good investments, and vice versa.

From "Measuring Stock Market Performance"



# Get the Right Perspective

SWAMITEJOMAYANANDA

A person who lives in freedom, satisfied with knowledge and wisdom, is ever tranquil. To him, a lump of earth, a stone and gold are the same. He views all three with the same equanimity. Not that he does not understand the difference between them; he chooses not to give undue importance to any of them.

In life, money has a definite place. An ignorant person believes money is everything. However, proclaiming money is nothing is also incorrect because, in this world, one requires money to live. Thus, while we should be aware of the significance of money, we should not give it unnecessary importance.

People live in bondage because they do not know how to live with material things. We often evaluate individuals by what they have and not by what they are. A young man once asked me to give him a message to follow in life. I said, "Remember: values are more important than valuables." Giving more weight to the latter is like digging our own graves. We give up values for valuables — the valuables perish, and eventually one ends up with neither.

Unfortunately, man feels valuables add to his prestige and status in society. This is a wrong way of thinking. By attaching too much importance and value to material things, we end up becoming slaves to them. Do not neglect material objects, but do not get obsessed with them either. Know their correct value and importance. Place them accordingly and use them. But if you lose them, do not worry. For, then you are free!

## Chat Room

# India Badly Needs a Detox

Apropos the Edit, 'Decriminalise Ganja, Reduce Crime Rate' (Mar 13), associating economics of drugs with traditional values seems a fatal proposition as intoxication of any type has a social cost. The reverse correlation between drugs ban and crime rate is also wrongly perceived. States with prohibition like Gujarat have lower crime rates. Bihar's development can also be attributed to prohibition policy. With legalisation of soft drugs, the opportunity cost of health increases, leading to societal costs. Rabindranath Tagore's song may be alluring in the literal context, but Mohandas Gandhi's development model of drugless society seems more pragmatic today.

SANJAY TIWARI  
Hisar

# Gates Open for Our Foundation

Apropos the news report, 'Centre Shuts Gate on Bill & Melinda Gates Foundation' (Feb 8), your headline inaccurately suggests that our work in India is being closed down. This is untrue. According to the article, "All financial ties of the country's apex immunisation advisory body, National Technical Advisory Group on Immunisation (NTAGI), with the Gates Foundation have been cut off." This is baseless and inaccurate. The foundation has no financial relationship with the NTAGI, which is an independent body of experts appointed directly by the government. The statement by the ministry of health and family welfare sets the record straight on this matter.

The article also attributes this falsehood to "possible conflict of interest issues arising from the foundation's ties with pharmaceutical companies". This is speculative and untrue. The foundation works in consultation with the central government and in partnership with Indian state governments on mutually agreed projects aligned with the government's priorities. To support the government's goals, we work with a variety of partners across industry, academia and the private and public sectors.

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