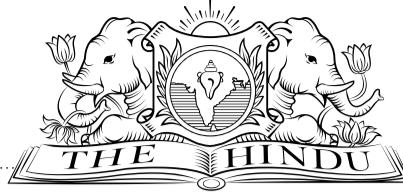


8 EDITORIAL



Last mile concerns

The common ground on GST should be accompanied by clarity on the road map

More than six months after the Constitution was amended to enable the Goods and Services Tax (GST), the Centre and States have managed to find considerable common ground on the long-debated indirect tax system, overcoming seemingly irreconcilable differences that cropped up along the way. On Saturday, the GST Council approved final drafts of the Central and Integrated GST Bills, which should be placed in the public domain as soon as possible. With the law to compensate States already cleared, the only pending legislative negotiation left for the Council, which is expected to meet again on March 16, involves the State and Union Territories' GST bills. As these bills secure assent from State Assemblies and Parliament, and swiftly, the operational rules for the GST must be readied. Industry would need at least three months after that to prepare for the transition from the present system of myriad State, Central and local levies on goods and services. Moreover, switching to a new indirect tax system in the middle of a financial year will bring its own subset of accounting complications. The Central government should resist a pushback on the roll-out date, and expedite efforts to ensure everyone is ready to get on board the new system with early clarity on what rates would apply to different goods and services.

Clearer communication of intent is equally essential. In industry circles, the introduction of a peak 40% tax rate in the GST Bills has set the cat among the pigeons. What started out as a single tax, single market dream for industry has now degenerated into five tax rates, a cess on top, with additional uncertainty about tax rates. Just as effective excise and customs duties are lower than legally specified rates, working in a peak rate for the GST could well be justified. In the current rate structure, a cess has been proposed on luxury and sin goods over and above the highest GST rate of 28%. The cess would finance compensation payouts to States for the first five years. After that, it could be replaced with a higher GST rate to retain the same tax treatment on sin goods, without fresh parliamentary approval. But this intent should be stated explicitly and rates must not be tinkered with in the GST's first five years at least. It is still not too late to settle another major worry for industry that strikes at the very heart of enterprise. The GST's anti-profiteering penal provisions are far too vague and draconian, and could discourage companies from making efficiency improvements in supply chains if they are required to pass on the entire benefit to consumers. Lastly, the Chief Economic Adviser has made an impassioned plea to bring real estate under the GST net, linking it to the war against black money. A road map for eventually bringing such excluded sectors into the GST net could hasten the process.

The Tawang test

Delhi and Beijing must manage tensions and focus on the big bilateral issues

China's statement that it is "gravely concerned" over the government's decision to allow the Dalai Lama to visit Arunachal Pradesh's Tawang monastery in early April, and that it would "seriously damage" bilateral ties, is unwarranted. It is also an unacceptable escalation of rhetoric over an issue that India and China have engaged with each other on, including during the visit by Foreign Secretary S. Jaishankar to Beijing. The controversy over the Tawang area goes back to the Shimla meet of 1914, when the Chinese representatives just initialled, and didn't sign, a trilateral agreement with British India and Tibet. Later, in 1959, when the current Dalai Lama fled Tibet, he came into India through Tawang. He has not visited Arunachal Pradesh since 2009, when he retraced his 1959 journey. On that occasion too, his itinerary had evoked threats from Beijing, but eventually bilateral concerns outweighed them. The Chinese government would do well to not allow tensions with India over the issue of Arunachal Pradesh to spill into other spheres of engagement, and perhaps to also recall its own talks with representatives of the Dalai Lama that broke down after nine rounds in 2010 when it seeks to castigate him and New Delhi for their engagement. Beijing's objections over access for the Dalai Lama as a spiritual leader to a religious shrine obviously cannot be allowed to intimidate India into restricting his free movement.

At the same time, New Delhi must calibrate its moves to avoid misperceptions that it is indulging in political power-play. Recent developments, such as visits to Tawang by American diplomats including the U.S. Ambassador, and an official dinner at the U.S. Embassy attended by a Minister and leader of the "Tibetan government in exile" based in Dharamshala, could be interpreted as messages aimed at China, even if they did not signify any policy change. Beijing has been touchy about visiting delegations from Taiwan and the grant of visas to those it perceives as dissident activists. Pin-pricks cannot substitute for policy and New Delhi should keep its focus on the major issues between the two countries. The bid for Nuclear Suppliers Group membership and having Masood Azhar placed on the UN terrorists' list have occupied much of the bilateral canvas, while the larger issue of the boundary resolution hasn't been addressed adequately. Statements last week from former Chinese special envoy Dai Bingguo, who suggested that flexibility from India over the "eastern boundary" in Arunachal Pradesh could yield flexibility from China over "other areas", that is, the western boundary in J&K, are significant. If the statements are an indication that the 20th round of talks between the special representatives expected this year will see an opening for progress, then that is a more worthwhile goal for New Delhi and Beijing to be preoccupied with.

Cracking the GDP mystery

The CSO has been consistent with its methods, allowing little room for suspicion of window dressing



AARATI KRISHNAN

Did demonetisation deal a knock-out punch to the Indian economy? Or was it just a mild tap from which it is already recovering?

This debate should have been settled with the latest second advance estimates from the Central Statistics Office (CSO) which peg FY17 GDP growth at 7.1%. But commentators who believe that the economy has suffered a debilitating blow from the note ban are not willing to rest their case here. They have flagged a long list of issues with these GDP numbers, apart from hinting that the numbers are fudged.

However, this is taking the criticism a little too far. A closer analysis of the CSO's estimates suggests that, contrary to perception, they do factor in the impact of the note ban. And while India's GDP estimation method could certainly do with improvements, the CSO has been both transparent and consistent with its methods, allowing little room for suspicions of window-dressing.

Why so high?

First, the sceptics ask, how did the GDP growth for FY17 turn out to be so high? The 7.1% number is unchanged from the CSO's initial estimates and is also well above the 6.5%-6.8% growth estimated by most private forecasters. Is the CSO implying that vacuuming up 86% of cash in circulation had no impact on the economy?

Well, that is a wrong reading of the numbers. To gauge the actual level of economic activity, Gross Value Added (GVA) is the more pertinent number than GDP. The GVA



measures the value of output created by different segments of the economy. Indirect taxes (minus subsidies) are added to it, to arrive at the GDP.

The GVA for FY17, as per CSO data, does show a dent from demonetisation. At 6.7%, it has registered a sharp decline of 110 basis points from 7.8% (revised estimate) for FY16.

While GVA growth is pretty close to private forecasts, what lifted the GDP is the strong 12.3% surge in indirect taxes that the CSO estimates for this fiscal. This is a plausible number, given that the Centre's indirect tax collections already surged by 25% in April-December 2016, powered by higher excise duty on fuel and service tax.

There is no obfuscation here, because assessing the GVA and adding back net taxes is the global prescription for GDP estimation by the output method.

Too mild?

So the CSO does admit that economic activity has been impacted by the note ban. But isn't it estimating too mild an impact, with the Q3 GVA growth at 6.6%, against 7% last

year? Commentators cite some key indicators to 'prove' that economic activity shrank in the note ban months. For instance, two-wheeler sales collapsed by 22% year-on-year in December, banks reported anaemic loan growth at 5%, cement despatches fell by 9% and retail sales saw a 40% dip in home sales.

But given that the economy is made up of literally hundreds of products and sectors, it is well within the realm of possibility that the economy did well even while these indicators slowed. For instance, for the same December month, steel output grew by 15%, power generation surged by 6% and refinery output expanded 6.4%. If bank credit slumped, companies doubled their borrowings from the bond market.

Also, CSO estimates do show that some sectors of the economy took it on the chin in the demonetisation quarter. Manufacturing saw its GVA growth slide from 12.8% in Q3 2015 to 8.3% in Q3 2016. Finance, real estate and services saw growth collapse from 10.4% to 3.1%. Construction weakened from 3.2% to 2.7%.

But making up for these was the 6% rebound in agriculture (2.2% shrinkage last year), 6.8% increase in electricity, gas and water supply and a bumper 11.9% hike in 'public administration, defence and other services' which lifted the GVA.

Agricultural output bounced back due to a good monsoon after consecutive drought years. Electricity generation was up on better coal availability. 'Public administration' reflects higher government payouts on salaries and pensions after the Seventh Pay Commission.

December quarter results from listed companies also provide independent confirmation that the big picture wasn't much dented by the note ban. A *Business Line* analysis of over 1,700 listed companies showed that they just reported their best quarterly performance in three years, with sales growing over 9% and profits expanding 20%.

Commentary from listed firms suggests that urban discretionary purchases bounced back quickly as consumers switched to digital payments. Commodity industries, helped by global price rebound, did very well this quarter. In some sectors, business shifted from the unorganised to organised players due to digital payments.

Analysts also suspect that, in some cases, companies mopped up demonetised notes from their distribution channels and pumped them with inventory instead. (This would show up as 'sales' in the company's books and as 'output' in GDP estimates).

As the cash situation normalises, these one-offs should get ironed out, moderating GVA growth for the March quarter. But this doesn't imply that the Q3 GDP numbers are suspect.

Informal left out?

A third criticism of the CSO estimate is that it fails to capture the performance of the informal economy, which clearly bore the brunt

of the note ban.

This criticism is partly valid.

Over 40-45% of the Indian economy is informal and hardly any data points relating to it are available at a quarterly frequency. Therefore, what the CSO does to arrive at its quick estimates of the GDP is to take the available data from the organised sector and extrapolate it to infer informal activity. Thus, the GVA for agriculture is guesstimated based on *kharif* and *rabi* crop prospects. The GVA for services is inferred from sales tax collections, deposits and credit, telephone connections and so on. Manufacturing GVA uses the index of industrial production and listed company filings.

Owing to such guesswork, it is quite likely that the quarterly GVA estimate, which mainly uses data from the formal sector, painted a rosier picture of growth than the ground reality. But then, if the CSO – with its access to multiple data sources – has no way to estimate the quarterly performance of the informal sector, neither does anyone else.

As long as the CSO consistently follows the same method for measuring the informal sector and publicly discloses it, this is the only estimate we have to gauge economic activity. Both the methodology for estimating informal sector performance and GDP revisions are well-documented and disclosed on the Ministry of Statistics and Programme Implementation website.

More accurate estimates of what really transpired in the Indian economy post-demonetisation will be available when the CSO publishes its first revised GDP estimates, with more ground-level data, in January 2018.

Until then, critics must follow Keynes's tenet – when facts change, it is best to change your mind.

aarati.k@thehindu.co.in

All those who are out of the tax net

It is not entirely surprising that only about 3% of Indians pay income tax



PRAVEEN CHAKRAVARTY

Of nearly 127 crore Indians, only 2.6 crore pay income tax. The fact that less than 3% of Indians pay income tax is automatically construed to imply that a large majority avoid paying income tax. The Finance Minister, Arun Jaitley, made a sweeping statement in his Budget speech this year claiming that India is "a tax non-compliant society and too many people evade taxes". Not only is the perception entrenched that too few pay income taxes but also that most Indians under-report their incomes.

What data say

Prime Minister Narendra Modi exclaimed in his New Year's eve speech that "only 24 lakh Indians reported an income greater than 10 lakh rupees. Who can digest this?" This perception that India is a land of tax avoiders and black money hoarders was first mooted by former Finance Minister P. Chidambaram who, in his 2013-14 Budget speech, emphatically asserted that "only 42,800 persons admitted to an income of more than Rs.1 crore per year". The insinuation was that



there is massive under-reporting of income. Most readers will perhaps endorse this growing chorus that India has too few honest taxpayers. Except that data belies this claim. That a large majority of Indians are tax dodgers may well be an urban legend.

India's per capita GDP is roughly ₹1 lakh, i.e. the average Indian earns a lakh of rupees every year. Given India's large income inequality, it can also be inferred that when the average income is ₹1 lakh, a greater majority of Indians earn less than ₹1 lakh while a small number at the top earn large amounts. However, the income tax exemption threshold in India is ₹2.5 lakh, i.e. anyone earning below ₹2.5 lakh need not pay income tax. This implies that only those who earn more than 2.5 times the average income of ₹1 lakh will fall under the tax bracket. When a majority of Indians earn less than ₹1 lakh, an income tax exemption

threshold of ₹2.5 lakh is sure to leave a vast majority out of the tax bracket. We also know from recent research by the National Sample Survey Office (NSSO) and Peoples Research on India's Consumer Economy (PRICE) that the average income of the richest 20% of Indians is ₹95,000. This means that even a large majority of the richest 20% of Indians do not qualify to pay income taxes. In this context, it is not entirely surprising that only 3% of Indians pay tax. This is not a function of a large number of Indians avoiding tax, as portrayed, but merely a reflection of the fact that India is a terribly poor country with an extremely high income tax exemption threshold.

Global comparisons

India is the only large economy with an income tax exemption threshold that is 2.5 times the average national per capita income. In most countries, including in emerging economies such as China, Brazil and Argentina, anyone earning more than half the average national income falls under the income tax bracket. India has increased the income tax exemption threshold on seven occasions, from ₹40,000 to ₹2.5 lakh in the last two decades. Contrast this with China, where the exemption threshold has just doubled from 10,000 yuan to roughly 20,000 yuan in the same period even though average incomes grew

much faster in China than in India. If India lowers its income tax exemption to, say, ₹1 lakh from the current ₹2.5 lakh to be more in line with the rest of the world, nearly 1.5 crore more Indians will fall under the tax bracket. To be clear, such a move will not fetch any meaningful extra tax revenues for the government but will merely bring more people into the tax bracket. It is thus misleading and specious to conclude that India's small number of taxpayers is entirely a result of some genetic and cultural trait of dishonesty of Indian society at large.

Further, the Prime Minister's claim or Mr. Chidambaram's assertion is also not peculiar. ₹10 lakh equals 10 times India's per capita GDP. Even in the much richer United States, only 12.5 lakh people out of nearly 20 crore adults reported an income greater than 10 times the per capita GDP of the U.S. In the United Kingdom, only 2 lakh people out of an adult population of 4 crore reported an income of greater than 10 times the average annual income. Similarly, an annual income of ₹1 crore in India is equal to 100 times the average annual income. What proportion of people in other countries earn more than 100 times the average annual income? Just 43,000 people in the U.S., 5,000 in the U.K. and a few hundred in Canada. The number of people earning 100 times the average national income in most nations is ex-

tremely small. Against this backdrop, out of 68 crore adults in India, 24 lakh people earning more than ₹10 lakh per year or 42,800 earning more than ₹1 crore is not as abnormal as the Prime Minister or Mr. Chidambaram suggest. This is not to imply that there is no tax evasion in India but to say that the number of Indians paying income tax or earning high incomes is not nearly as outlandishly small as claimed.

Political rhetoric

Most urban Indians are unable to fathom the scale and size of India's poverty. Their immediate, lived experiences lure them into this belief that a significant majority of Indians earn more than ₹20,000 a month to qualify to pay income taxes. Casting aspersions on all of Indian society solely on the basis of the small number of taxpayers is plain egregious. The political compulsions of such class rhetoric are obvious as it serves as a good alibi for seemingly "tough" actions such as demonetisation. But the Finance Minister's grand proclamation that India is a tax non-compliant society can be true only if India is much richer than her GDP numbers reveal and is merely hiding behind a veil of feigned poverty.

Praveen Chakravarty is Senior Fellow at the IDFC Institute and founding trustee of IndiaSpend. The complete research is available on www.idfcinstitute.org

LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

A wave of hate

It is a misfortune that Indians living in the U.S. are now facing the music and hate killings are on the rise ("Sikh shot at in Washington", March 6).

How long can the Ministry of External Affairs adopt a wait-and-watch approach? Indians, who are contributing their mite to the U.S. dream, have a right to live in a safe environment.

NICKIL AKHILESH KRISHNAN,
Tirupur, Tamil Nadu

The third incident, of an Indian being targeted in the U.S., shows that all is not well as far as foreign nationals are concerned. There is every reason for Indian-Americans to be apprehensive about recurring attacks on ethnic groups. Yelling "go back to your own country" buttresses the point. It is time people at the helm of affairs put an end to the attacks with an iron hand.

and created a sense of safety and security.

H.P. MURALI,
Bengaluru

■ It is unwise to dismiss the recent attacks as aberrations or one-off incidents. Though nothing can be done at the diplomatic level to arrest the trend immediately, all efforts must be made to ensure the safety of Indians.

V. LAKSHMANAN,
Tirupur, Tamil Nadu

Not a day passes without news reports on sexual attacks, the molestation of women and child abuse. This in spite of announcements made by governments and police that all precautionary measures have been taken. If despite such surveillance, crime numbers are going up, the main reason could be that punishment is not commensurate with the serious nature of the crimes.

committed. One reason could be the interference of the mighty in cases where we find the accused escaping imprisonment due to money and muscle power. Unless the police apply a uniform yardstick in all such cases and act honestly, and the judiciary shows no mercy, this "malady" can never be contained.

Under the circumstances, it is paramount that women and parents of children exercise extreme caution and avoid placing themselves and their children in suspicious circumstances and environments.

THARCIUS S. FERNANDO,
Chennai

■ The repetitive action of the government in identifying ecologically sensitive areas is a result of two lapses: the lack of involvement of knowledgeable people familiar with the subject, and a lack of complete understanding among government officials about various degrees of restrictions to be imposed

on different ecologically sensitive areas.

R.K. OJHA
Chennai

■ **Vive la Viraat**
INS Viraat as a floating museum would be a much better idea than reducing it to a luxury hotel ("A.P. govt. wants INS Viraat turned into

MORE LETTERS ONLINE:
<a href="http://www.thehindu.com/op

Waiting for the silent voters of Uttar Pradesh to speak

In an election where political parties have been unable to generate a convincing larger narrative, strategic voters have become crucial to the outcome

NEELANJAN SIRCAR, BHANU JOSHI
& ASHISH RANJAN

At a rural roadside tea shop in Kushinagar district in eastern Uttar Pradesh (U.P.), we strike up a conversation with the owners, a married couple from the Bania community. "I'm leaning towards voting for the Bharatiya Janata Party (BJP). But can the BJP win from here? I like the Samajwadi Party (SP) too," says the middle-aged man as he makes our tea. His wife interjects, "The SP will win." The middle-aged man continues, "(BJP leader) Yogi Adityanath has done so much for the area." His wife looks up from making fresh pakoras, pauses, and quips sarcastically, "Oh yeah, he's a good man." The woman seems to have made up her mind, but her husband seems genuinely torn as to whether he will cast his vote for the BJP or the SP, adding, "it's always good to cast the deciding vote for the winner."

As the election in U.P. comes to a close, it is becoming increasingly clear that it will turn on how individuals like the man in the tea shop will cast their votes. The key to comprehending the ways in which voters make electoral choices is to analyse how voters order the possible parties in front of them, and how voters choose to behave given this ordering-over of parties. An ordering-over of possible parties describes a voter's most preferred party, second-most preferred party, and so on, unadulterated by external considerations such as the competitiveness of the candidate.

Consider, for instance, a particular voter from the Bania community for whom the BJP is the most preferred party, the SP is the second-most preferred party, and the Bahujan Samaj Party (BSP) is the third-most preferred party. We may ask two important questions about this "preference ordering" of possible parties. First, how certain is the voter about this preference ordering; that is, is it plausible for the voter to change the ordering of the parties by the day of the vote? Second, is the voter strategic; that is, would the voter still cast a vote for the BJP even if the voter believed the BJP had little chance to win the seat in the constituency?

The floating vote

One may distinguish between two types of voters: core voters and floating voters. A core voter is one for whom the preference-ordering of possible parties



Electoral benefit: "Unlike the BJP, which is unlikely to receive votes from Muslims, and the SP, which is unlikely to receive support from a subset of Hindu voters due to its association with the Muslim and Yadav communities, the BSP has the capacity to draw a strategic vote from across the landscape of castes and religions." Prime Minister Narendra Modi, Congress vice-president Rahul Gandhi and U.P. Chief Minister Akhilesh Yadav, and BSP supremo Mayawati campaigning in U.P. RAJEEV BHATT/PTI

will not change before the vote, and who will always vote for her top choice. Empirically, in a three-cornered fight like in the U.P. election, these are voters who display a strong emotional connection to one party as well as a strong dislike for another party. This includes, for instance, a Muslim individual who strongly supports the SP and dislikes the BJP, or a Hindu nationalist with a strong BJP preference who is particularly turned off by the SP's association with Muslims.

A floating voter is still uncertain over the preference-ordering of possible parties and is often persuaded by a larger narrative that appeals more broadly. But it seems that all of the major parties are struggling to build such a narrative. As we discussed in our previous article "Bywords in Bundelkhand", Feb. 28, Akhilesh Yadav's attempt to rebrand the SP on the basis of broad-based development has been largely undercut by frustrations with local domination by Yadav leaders, the backbone of the SP organisation. This leaves

an opportunity for the BJP to build a larger narrative as the party that does not cater to any specific caste (unlike the SP and the BSP).

Religious polarisation

But the BJP may have missed a golden opportunity. Since a commanding performance in the 2014 national election, the BJP has been haemorrhaging supporters in U.P. Rather than building its campaign around Prime Minister Narendra Modi's appeal as an efficient leader and around larger goals of economic development, which has the power to unite broad swathes of the population, the BJP has once again opted for religious polarisation, as it did during the Bihar Assembly elections in 2015. In a recent speech in Fatehpur, accusing the SP of bias towards the Muslim community, Mr. Modi proclaimed, "If a village makes a *kabristan* (Muslim burial ground), then a *shamshaan* (Hindu cremation ground) must be made as well."

Despite being the home for rabble-

rouser and BJP leader Yogi Adityanath, we found little evidence of serious religious polarisation, especially in comparison to western U.P., in the eastern part of the State – commonly referred to as Purvanchal – which brings up the final two phases of the election. The inability to develop any other narrative in this region may prove to be problematic for the BJP.

There is a large Bhojpuri-speaking population in these parts, and the social structure in this region of U.P. is similar to western Bihar and quite different from the rest of U.P. Many voters here seem uncertain about whom to support and who will become the largest party in U.P. Just outside Banaras Hindu University, we meet an elderly Brahmin shopkeeper branded with a tilak on his forehead, demonstrably a core BJP supporter. He recounts meeting an anxious BJP candidate a few days earlier, noting, "If this candidate is so unsure of himself, how many of our candidates will Mr. Modi realistically be able to help?" Truth be

told, the BJP faithful from the region are far more nervous about the BJP's prospects than the Delhi-based media.

The strategic vote

The standard approach for a party to win in an election involves cultivating enough support among floating voters who, in addition to core supporters, generate a large enough coalition of voters to win the election. In an election where parties have been unable to generate a convincing larger narrative to construct a strong coalition of voters, strategic voters have become more important. Unlike a sincere voter, who always votes her most preferred party, a strategic voter is a voter who is averse to "wasting" a vote on a party that has little chance of winning in the constituency, and, thus, votes for the preferred party among the top two parties in the constituency. The explicit aim of strategic voting is to impact electoral outcomes.

In Etawah and Mainpuri, our driver, from the Chaudhuri sub-caste, openly

declared his intent to vote for the BJP, as he was a great admirer of Mr. Modi and strongly disliked the SP. As he travels with us, he becomes convinced that the BJP has little chance of winning in his home constituency. "I want to vote for the BJP, but I don't want to waste my vote. Should I vote for the BSP?" After a discussion with other voters about likely outcomes in the constituency, he determines that it is in his best interests to strategically cast his vote for the BSP. Similarly, as we described in detail in a previous piece, most of the Muslim voters we meet in Meerut district are worried about the religious violence that has characterised the region and are willing to support either the SP or the BSP, whichever had a better chance of defeating the BJP. Strategic voting involves a calculation that is typically performed at the last minute, and is thus difficult to ascertain for most political analysts. And, contrary to popular belief, strategic voting is not limited to a particular caste or religion; most voters exhibit some modicum of strategy.

Herein lies an electoral benefit for the BSP. Unlike the BJP, which is unlikely to receive votes from Muslims, and the SP, which is unlikely to receive support from a subset of Hindu voters due to its association with the Muslim and Yadav communities, the BSP has the capacity to draw a strategic vote from across the landscape of castes and religions. In particular, the BSP can draw Muslim voters strategically where the BJP is competitive and can draw anti-Yadav and (to some extent) anti-Muslim voters where the SP is competitive. When this is added to a stable group of supporters among the Jatav community (about 11% of the State's population) and significant vote share among the rest of the Dalit community (another 10% of the State), the strategic vote may be enough to construct a large vote share for the BSP. But in order for the strategic vote to have this sort of impact for the BSP, it must be seen as competitive (i.e., in the top two parties) in a large number of constituencies.

The BSP has received little press coverage. But come election day, the BSP's "silent voters" may help the party pull a surprise. After all, no one ever hears the voices of strategic voters.

Neelanjan Sircar, Bhanu Joshi and Ashish Ranjan are affiliated with the Centre for Policy Research in Delhi

SINGLE FILE

Cost of Internet shutdowns

Digital India can be a blessing or a curse depending on how we carry our democratic values into this new age

MISHI CHAUDHARY AND EBEN MOGLE



Digital India is now a reality. Demonetisation has reminded us of the state's power over essential facilities in the economy and society, while the push towards a cashless India demonstrates the necessity of the mobile Internet for the economy. Family life and human relations in business processes, both within and between firms, are now dependent on the availability of digital communications, which is why the increasing spread of government-imposed Internet shutdowns throughout the country is a matter of concern. The restrictions can cancel peoples' civil rights, imperil livelihoods, and cost businesses their ability to function.

In Digital India, every policy decision about the Internet affects the rights of citizens. In a cashless India – where Aadhaar numbers identify and control all buying and spending – every Indian's privacy and freedom to participate in the market depends on Internet policies as well as the decisions of the Supreme Court concerning constitutional rights in the face of such policies. Before we can teach ourselves what is at stake, the technical and social "facts on the ground", now being created at top speed, will determine the nature of our political, social and economic life for generations to come.

SFLC.in has released a real-time map of ongoing Internet shutdowns in India, along with resources for people to report shutdowns affecting them and information on the legalities and economic effects of these shutdowns. We can say, using data collected by SFLC.in and parties around the world, that just between 2014 and the end of 2015, Internet shutdowns cost Indian businesses almost \$1 billion.

Insufficient justifications

The legal justifications offered for shutdowns, including the prevention of unlawful assembly, are far too narrow to sustain any measure with this breadth of undesired social consequence. Exigent circumstances may make it "reasonable" in our constitutional order to prohibit certain forms of speech. But a routine assertion of urgency is not sufficient justification for limiting all communications across the economic, educational and private lives of tens of millions of citizens. Another justification is that this is done to prevent the circulation of rumours. But rumours have been propagated by word of mouth since long before the printing of newspapers, let alone the adoption of the Internet.

The rights of technology users, and how to protect them, are the most important issues for the next five years in India. Living in Digital India can be either a blessing or a curse depending on how we carry our democratic values into this new age. Shutdowns, which are a negative expression of the idea of digital sovereignty, are not just for undemocratic societies any more. How we cope with this issue has much to say about whether Digital India can be, and will be, a positive example to the world.

Mishi Choudhary is executive director of Software Freedom Law Center (SFLC), a donor-supported legal services organisation. Eben Moglen is founding-director of SFLC and professor of law and legal history at Columbia University



CONCEPTUAL

Sapir-Whorf hypothesis/ Language

Developed by Edward Sapir and Benjamin Lee Whorf, the Sapir-Whorf hypothesis suggests that language determines thought. The most significant corollary of this is that if some cultures lack words for an idea, they don't have a concept of that idea. By the 1960s, the hypothesis was in the dustbin of academia because Noam Chomsky's idea of a "universal grammar" – that all language structures are essentially the same and have to do with our biological make-up – was on the ascendant. However, the Sapir-Whorf idea that Eskimos have six words for "snow", which implies that their mental world is significantly different from that of single-language English speakers, has never gone away.

MORE ON THE WEB

thehindu.com/opinion
INS Viraat bows out of service
<http://bit.ly/INSViraatadieu>

ABSTRACT

Reforming funding of polls and parties

A case for adopting small-donor contributions

SIRRAM LAKSHMAN

Election finance reform has once again bobbed up to the surface of public consciousness with debates on black money and the Budget proposal to cap anonymous cash donations to political parties.

In their 2012 *Election Law Journal* paper, "Reforming India's party financing and election expenditure laws", M.V. Rajeev Gowda and E. Sridharan present a review of party and election financing in India and suggestions for reform. The results are based on anecdotal rather than empirical evidence and are, therefore, "tentative".

Mr. Gowda and Mr. Sridharan argue that corruption in India has thrived despite some legal and civic will to fight it. They argue that the post-Independence Licence Raj combined with a ban on corporate donations – instituted to prevent corporations from exerting a disproportionate influence on the elections – meant that there were those seeking regulatory favours

from the government and a paucity of electoral funds. A good match, to say the least.

By the time corporate donations were legalised in 1985, it was too late. The system had grown used to black money and there were neither tax incentives nor privacy laws to aid corporate donations. While there was some improvement in transparency in the first decade of this century, the system continued to incentivise evasiveness and false declarations. For instance, a 2003 law that capped expenditure by candidates but allowed parties and independent supporters to spend on their behalf meant that candidates were under-reporting expenditure. The Congress and the Bharatiya Janata Party, the authors say, were spending four to six times the ceiling.

The implications of the current regulatory environment include a dependence on black money due to a lack of public funding, low financial accountability caused by a lack of transparency and demo-

cracy within parties, and the transaction costs of numerous small donations relative to a few large ones.

The authors argue that confidentiality of contributions, rather than tax deductions, will help corporations make donations without fear of political reprisal. Raising the ceiling of corporate donations too would help transparent funding. However, to altogether shift away from donations by large corporations or a wealthy few, the authors suggest nudging the system towards many smaller contributions as has been done successfully in a number of countries, such as Canada, France, Germany and the Netherlands. Indirect subsidies and individual offsetting tax credits for political contributions have helped effect this shift. Additionally, parties could receive monies from a public fund in proportion to how much grassroots funding they receive. These policies come with their own risks but are possible steps in the right direction.

FROM The Hindu ARCHIVES

FIFTY YEARS AGO MARCH 7, 1967

DMK takes office

Shortly after the D.M.K. Ministry was sworn in to-day [March 6] at Rajaji Hall [Madras], the Chief Minister, Mr. Annadurai told Pressmen that "some of us" would be going back for Party work. Asked if that would mean some of them leaving the Ministry, he answered in the affirmative. He did not indicate at what stage this would happen. Mr. Annadurai made this remark while explaining that he wanted to appoint Deputy Ministers in order to build up a second line of leadership in the administration. He said he had a panel of names in his mind for appointment as Deputy Ministers "as and when the need arises." The swearing-in ceremony earlier was a colourful affair. Perhaps for the first time in the history of free India, thousands of people heard the oath-taking by Ministers through loud-speakers which had been installed on the grounds of Rajaji Hall. As the Governor, Sardar Ujjal Singh, administered the oath in English, the Ministers repeated it in Tamil.

A HUNDRED YEARS AGO MARCH 7, 1917

Indentured labour: protest at Calcutta

A largely attended public meeting was held this evening (March 6, Calcutta) at the Town Hall under the presidency of the Hon. Maharaja of Cossimbazar to urge on the Government the immediate abolition of the system of indentured labour. On the motion of Babu Surendra Nath Bannerjee, a resolution was passed demanding abolition of indentured labour in Fiji and other places immediately and unconditionally and in any case before May 31st whether the proposed Conference in London was held or not. Mr. Gandhi spoke in support of the resolution which was carried.

DATA POINT

Parched earth

