

Separate Illegality & Corporate Structure

Not all 'shell companies' have shady business

The threat of arbitrariness and excess hangs over Indian business today, after the Finance Bill has armed junior taxmen with discretionary powers of search and seizure and with the ongoing crackdown on shell companies. The term shell companies is loaded: some nefarious intent or the other is implied by its very nomenclature. All companies without an operational business are not meant for ulterior purposes. One company's purpose, for example, could be to accumulate shares in a takeover target, without triggering an open offer till the relevant threshold is reached, fully in compliance with the law. Another could be used to hold intellectual property licensed to companies around the world. Yet another's purpose might be to hold a company meant to be spun off after meeting some financial targets. There are any number of legitimate purposes for creating and operating so-called shell companies.

The reform that is required to prevent such companies from being used to anonymise undesirable transactions is a mandatory requirement for companies to declare their beneficial owner, on the lines of the reform brought about by the David Cameron government in Britain. The G20 has been trying to get member countries and other jurisdictions to adopt the requirement of a unique legal entity identifier. If all companies and persons have a unique identifier, like Aadhaar for Indian residents, the beneficial ownership can be traced along a hierarchy of holding and cross-holding companies. If a company is identified as carrying out money laundering, say, the beneficiary of that activity would become apparent, if such a reform is carried out. The point is to separate illegal transactions from the corporate structure in which it is carried out and to penalise illegality, not damn the corporate structure that has a great many legitimate uses.

Paradoxically, the twin reforms of anonymous electoral bonds and removing an existing cap on corporate donations to political parties encourages the setting up of shell companies for the specific purpose of funding parties.

Punish Drunk Drivers, Not Legal Business

The Supreme Court errs in banning outlets that sell liquor within half a kilometre of a national or a state highway, except in towns with fewer than 20,000 residents. This violates the constitutional right of a lot of people to earn their livelihood without addressing the threat of drunken driving. Bars and restaurants that have obtained a proper licence to ply their trade, which includes serving liquor to patrons, now lose the right to operate just because of their prime location, for which they paid a premium. At the same time, irresponsible drinkers are as free to drive and destroy lives, theirs and others', as they were before. Collectively, social welfare stands reduced.

Banning the sale of liquor near a national or state highway is neither necessary nor sufficient for ending the menace of drunken driving. It is easy to demonstrate the insufficiency bit. If someone is determined to get a drink before setting off on a long drive, the distance of half a kilometre is no deterrence. Smartphone apps would soon sprout up that show the nearest liquor vend, wherever you are. Drunks who stagger out of a party at a home are untouched by the ban, as are those who treat a bottle as a driving accessory.

What is necessary is to prevent people who have alcohol in their blood in excess of a medically determined threshold from driving a vehicle. Stiff penalties, including the scrapping of their driving licence if caught driving under the influence, are one option. It might help to instal breathalysers at public places licensed to serve liquor, to help people check their alcohol levels before they decide to drive. Encouraging a business of temporary drivers who earn good money ferrying drunken would-be drivers in their own vehicles to their destinations is another idea.

A police Lamborghini is just the thing to catch speed violators

And Now, Super Cops in Super Cars?

It takes one to know one, goes the old adage. It could also be said, in certain contexts, that it takes one to catch one too. Who better than a hacker to catch cyber criminals, for instance. Indeed, in crime-fighting, the greatest detectives have legendarily been those who could think like criminals themselves. Unfortunately, that principle has not been applied equally to all branches of crime-fighting—especially for the less-celebrated traffic police who carry out the usually thankless task of catching traffic violators. Speed lovers jump lanes and run lights and, all too often, run over people in their way, and speed off before the police—in their antediluvian vehicles—can even get going. Clearly, some Italians in law enforcement have got the right idea now: a Lamborghini is to join the ranks of the usual squad cars.

Besides the gratification of the officer who will be given the onerous task of driving the super car, imagine the consternation of crooks who find these hot on their trail as they attempt a speedy getaway! This could be the counterintuitive incentive that police forces the world over need, in order to improve arrest rates, curb crime—and get extra job satisfaction too. It could also open up a whole new genre of customers for companies selling high-speed luxury cars. What it would do for the brands' snob value is another matter.

Unlike the US Fed that takes care to prime markets, RBI seems to enjoy surprising them

Perhaps a Little Prep Talk?



Mythili Bhushurmah

It's over a fortnight since the US Federal Open Market Committee (FOMC) raised interest rates 25 basis points to 0.50-0.75%. Yet, markets have been largely unaffected. This despite the warning from Federal Reserve chairperson Janet Yellen that "the process of scaling back accommodation likely will not be as slow as it was during the past couple of years".

The main reason for the muted response is that the Fed took care to prime markets. Apart from Yellen herself, more than one Fed governor had suggested the time was ripe for a rate hike. So, markets were well-prepared.

Surprise With a Price

Contrast this with our own Reserve Bank of India (RBI), which seems to enjoy surprising markets. In the run-up to its last bimonthly monetary policy announcement in February 2017, there was near unanimity the RBI would cut rates. But it maintained status quo. It had its reasons, of course. Only these were at variance with market expectations and there had been no prior attempt to groom them.

So, as we wait in anticipation for RBI's first bimonthly monetary policy announcement for 2017-18 later this week, the question uppermost on most minds is: will the Monetary Policy Committee (MPC) take a leaf out of the US Fed's books and maintain status quo in line with market expectations? Or will it surprise

with a rate hike? The case for a hike is not particularly strong. But given the combination of RBI's inflation-fighting credentials, the close to doubling in wholesale price inflation in February 2017, and the distinct possibility of more (aggressive?) rate hikes by the US Fed, one can't rule out a surprise.

Indeed, it is not only RBI's tendency to ignore markets that sets it apart from the US Fed. A careful reading of the two's statements shows the Fed as far more humble when it comes to its reading of macro fundamentals.

Take Yellen's speech in Chicago a few days before the FOMC meet. "Monetary policy cannot be and is not on a preset course." In Boston in October 2016, she had gone further, "The events of the past few years have revealed limits in economists' understanding of the economy and suggest several important questions I hope the profession will try to answer."

Contrast this with RBI's February statement. "The committee decided to change the stance from accommodative to neutral while keeping the policy rate on hold to assess how the transitory effects of demonetisation on inflation and the output gap play out.... This stance will continue [emphasis added]."

Can RBI be sure? And in a world where central banks, says the Fed, must be "ready to adjust [their] assessment of the appropriate path for monetary policy if unanticipated developments materially change the economic outlook"? Wouldn't it be more prudent for RBI to be a wee bit more circumspect about its future stance rather than stick its neck out and, perhaps, risk credibility?

Last, but not the least, the Fed is willing to look beyond inflation. Addressing the issue of rising income inequalities, it notes, "The economic circumstances of blacks and Hispanic



A little help from the touchline never hurt

ics, while improved since the depths of the recession, remain worse, on average, than those of whites or Asians.

"These unwelcome developments, unfortunately, reflect structural challenges that lie substantially beyond the reach of monetary policy. Monetary policy cannot, for instance, generate technological breakthroughs or affect demographic factors that would boost real GDP growth or address the root causes of income inequality.... Fiscal and regulatory policies are best suited to address such adverse structural trends."

Non-Performing Policies

Can you imagine RBI's statement mention income inequalities? The shift to inflation targeting has, actually, further narrowed the space for RBI. Unlike the Fed, which is quite unapologetic about its dual mandate, "In determining the timing and size of future adjustments to the target range for the federal funds rate, the committee will assess realised and expected economic conditions relative to its objectives of maximum employment and 2% inflation."

Unfortunately we, in India, seem blind to how good policy is necessarily

sui generis (unique to the situation), rather than be dictated by worldwide templates that may not be relevant for us. A policy that, for instance, fails to appreciate structural impediments in monetary policy transmission, or the interlinkages between non-performing assets (NPAs) in the banking sector and credit growth and liquidity, misses the wood for the trees.

As YV Reddy, one of our more prominent RBI governors, pointed out in a recent speech, "Monetary policy is becoming more of an art even if it is not less of a science." To ignore the first part of the sentence and treat monetary policy like a physical science must but lead to suboptimal outcomes.

To paraphrase former French President Georges Clemenceau, "Money is too serious a matter to be left to central bankers." While that might be an extreme political view, it is for RBI governor Urjit Patel—remember, he has a casting vote—to ensure the MPC's decision does give due weight to institutional realities and related political economy factors that cannot be wished away.

For now, that means maintaining status quo on rates, however much inflation hawks may urge otherwise.

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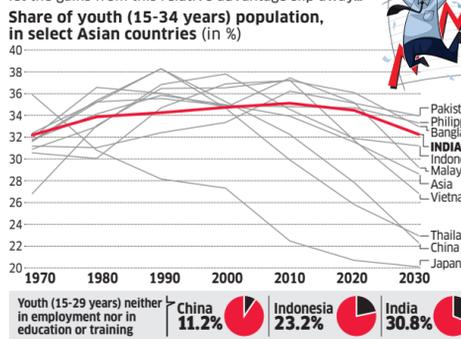
WIT & WISDOM

"Ocean: A body of water occupying about two-thirds of a world made for man—who has no gills."

Ambrose Bierce
Writer

Demographic Dividend

Compared with other Asian countries, India is projected to remain younger longer. However, the challenge is to not let the gains from this relative advantage slip away...



CAMERADERIE



But aren't you going to fact-check?

RED HERRING

The Reluctant Racist



Indrajit Hazra

The niftiest thing about racism in India is that in the mind of its practitioners, it doesn't exist. Racism in India, that is. Communalism, communism, vegetarianism, hooliganism, casteism, crony capitalism and Mughal-Islam, yes. But racism? Not in this country. How can it, since we have, since the dawn of pre-post-colonialism and other malapropisms, been the victims, and, as far as nationalism goes, been glorious 'tryst with destiny' victors against it.

For Indians, who at least don't 'look Chinese', it is that horrid thing that gets Indians beaten up in Australia, Sikhs mistaken for West Asian Muslims in the US, construction workers and maids in the Gulf leading miserable lives, and the Mahatma thrown off the train at Pietermaritzburg.

And in those rare cases when the Indian is actually not the victim, racism is what US President Donald Trump supporters 'do' against Mexicans, swathes of the US practised before Jay 'Success is the Biggest Revenge' Z became one of America's BR Ambedkars, and why Nelson Mandela became famous for being the Indian Gandhi. (More on the Mahatma a bit later.)

Last Monday, four Nigerians—Nigerians being from a country in Africa, the way Srinivas Kuchibhotla, who was shot dead in a racist attack in Kansas in February, was from the Asian country of India—were brutally attacked in Greater Noida by a mob. The mob had morphed from a reported group of angry protesters who believed that a Class 12 (Indian) boy died of a drug overdose from drugs allegedly supplied by his Nigerian neighbours.

It is important to note that the four Nigerians beaten up on Monday—or the fifth Nigerian attacked in another part of Greater Noida on Wednesday—and a fifth were detained but released after the police found no evidence against them. Perhaps the mob and the cops can be forgiven, since it is really, really hard for Brown people to differentiate between Black Africans going about their own business and Black Africans peddling drugs. After all, when did another kind of -ism stop enough people from believing that Pakistani actor Fawad Khan also had a hand in the attack on the Indian Army headquarters in Uri, Kashmir?

Since last week's racist attacks, much has been aired about the traditional Indian prejudice against dark skin, with the usual examples of marriage adverts putting a premium on fair skin and 'whitening' creams trotted out. That is, indeed, a prejudice, and a deeply embarrassing one. But not fundamentally different from the 'traditional aesthetic' bias for large breasts or—among the 'hipster' crowd—big beards. Racism is both more toxic and, ironically,

easier to stamp out. It is more toxic because it not only harbours a prejudice that is cooked in vats of noxious stereotypes, but it's also regularly acted upon. Racist action can take the form of, as cited by Monday's victims, name-calling and taunts, restricted entry and inflated prices to more violent forms.

South African social scientist Ashwin Desai and historian Goolam Vahed in their 2015 book, *The South African Gandhi: Stretcher-Bearer of Empire*, extensively collate Gandhiji's own writing in the period in which the future Father of Another Nation lived in South Africa between 1893 and 1914. In this startling work of scholarship, the writers quote passages where Gandhi had described Black Africans as "savage", "raw" and living a life of "indolence and nakedness" and making a case through campaigns of being "treated differently" from the indigenous Black population.

So, the bull must be caught by the horns if racism in India is to be tackled with a little more seriousness than via parliamentary sermons and tut-tuts about creating a bump in India-Africa trade, happy post-colonial ties and other pleasant things between the people of the 'Great Continent' and of the 'Great Subcontinent'. Or rather, the bull must be caught by the horns and put before the cart: by cracking down on racist crime when it takes place in Mother India.

As Monday's attacks—and countless other anecdotal evidence that goes beyond Africans—and includes fellow Indians from the northeastern part of the country—point to once again, the functionaries of law and order find these 'crimes' to be nothing but 'incidents' in a country where you don't either have to be 'kaalu' or a 'chinky' to face a lynch mob. And 'incidents', as we all know, get taken as seriously as a prospective paying guest with a name that can be so hard to pronounce.



Racism? What racism?

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Citings

Inorganic Growth

CRISTINA FERRER

Deal activity slowed in 2016, after four years of rapid growth, as companies retreated to smaller deals. At the same time, excess cash and pressure for growth pushed deal prices higher, even as economic and political uncertainty grew.

Those are the highlights of dealmaking in 2016, according to our analysis of 8,057 deals announced globally and valued at more than \$25 million. The number of deals fell in 2016, by around 5% below the year before. But the value of deals fell by more than 17% from the year before—falling below the 20-year average as a per cent of global market capitalisation.

Much of that decline can be attributed to sharp reversal in the total value of mega deals—those valued at more than \$10 billion. Their share of global M&A activity fell by 40%, from around a third in 2015 to less than a quarter in 2016. One bright spot here was cross-regional M&A, which went up by nearly 20%, even as cross-border and domestic activity fell by 28% and 24%, respectively.

Most of the rise in cross-regional M&A came from investors in Asia acquiring companies in Europe, up 111% by deal value, and in the US, up nearly 80%. By industry, the largest two sectors—industrials, and telecom, media and technology—clocked a third of activity for 2016. The sectors that grew in absolute terms were transportation and logistics, from \$285 billion in 2015 to \$368 billion in 2016, and energy and utilities, from \$217 billion to \$272 billion.

From "M&A 2016: Dealmakers Catch Their Breath"



the speaking tree

Tool for Life Management

YOGACHARYA KUNDAN KUMAR

Yoga enables us to unite the individual soul with the ultimate eternal One. And, to achieve this union, we are faced with innumerable obstacles. But all hurdles are removed when the sadhaka, or practitioner of yoga, obtains the grace of God.

The nine main hindrances (vikshepa) are: (1) Vyadhi, or disease, (2) Styana, or disinclination towards duty, (3) Sanshaya, or doubting one's capability, (4) Pramada, or neglecting duties that lead us towards the goal of yoga, (5) Alasya, or inertia due to dominance of the tamasic, or negative, element, (6) Avirati, or generation of lack of vairagya, or dispassion, (7) Bhrantidarshan, or development of a false notion about yoga, (8) Alabdha-bhukmatva or non-attainment of the yogic accomplishments despite sadhana, leading to discouragement, and (9) Anawasthitatva, or non-permanence of a yogic accomplishment.

The five subobstacles (upvikshepa) appear according to the circumstances: (1) Dukh, or sorrow, (2) Daurmanasya, or pain caused by non-fulfilment of desires, (3) Angamejayatwa, or the shivering of parts of the body, (4) Swasa, or disturbances in the external kumbhaka, or breath retention, and (5) Praswasa, or disturbance in the internal kumbhaka.

Sadhakas can overcome these hurdles through abhyasa, or practice, and vairagya. Pranayama has its rules, too: it should be preceded by the sodhana (cleaning) of 72,000 nadis, or nerve channels in our body. Then the body becomes lighter and healthier, and the nasal passages are filled with a divine fragrance.

Chat Room

Sahaj Step for I-T Returns

The simplified one-page income-tax return form for assessment year 2017-18 should make the salaried class breathe easy as it makes filing of I-T returns a breeze. The Form 1 (Sahaj) will replace the cumbersome seven-page form and will benefit more than two crore taxpayers. The government has also done well to reduce the number of income-tax return forms from the existing nine to seven, and increase the income limit for filling up the simplified one-page I-T return form from the earlier ₹5 lakh to ₹50 lakh.

N J RAVI CHANDER
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Warped History, Memorial Nagar

The Punjab government is going to remove all vestiges of the British Raj on roads and textbooks. What an irony. All this under the descendant of one who not only supported the British in 1857 but also lent a force to them. In 1861, the British enlarged the Central Legislative Council and included the Maharaja of Patiala. How will this be hidden in the textbooks? The issue is the tendency of a political or ethnic group to make known its identity through the name of one of its historical heroes.

This can be done in various ways. However, the easiest one is to usurp the efforts of others and ascribe their hero's name to it. However, today, it is only a change in name. The more important question: what's the guarantee that such a group will not tomorrow usurp the asset itself from someone who has created it by the sweat of his brow?

Today an airport is named after someone who was long dead when air travel became a feature. In another 100 years, his fanatics may even claim that he brought aviation to the country. In the same manner, the usurping of historical buildings for an individual's memory is another social bane starting with Jawaharlal Nehru. If a family desires a memorial, let his own house become one or let the family pay the market rate for the land and building. In a democracy, Memorial Nagars have no place.

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