Maoists: For Political and Physical Battle

Lest CRPF men's ultimate sacrifice go in vain

We condemn the killing of 25 men of the Central Reserve Police Force (CRPF) by Maoists at Sukma, Chhattisgarh. They were providing protective cover for building a road through and into the Maoist heartland. Such road-building activity must continue, with security forces taking extra care and deploying the best machinery to expedite construction. The experience of Andhra Pradesh under the late Y S R Reddy's chief ministership, when the state virtually eliminated the local Maoist problem, shows that what is required to contain the Maoist threat is a combination of targeted force against Maoist rebels and sustained development work to make the presence of the state tangible and permanent in the areas from where the rebels have been driven out. Building roads, police stations, schools and healthcare centres is part and parcel of the strategy of defeating Left-Wing Extremism.

The present attack comes a little over a month after 13 policemen of the CRPF were killed in a similar attack close by. The loss of lives and the effrontery of the Maoists together work up passion among the public, many of whom demand retribution. Revenge is not the business of the state. Its job is to secure law and order and deliver justice. This calls for restraining the urge to retaliate against just about anyone who can be considered to be a Maoist sympathiser, if not a Maoist. If the security forces attack ordinary villagers, that would play into the hands of the Maoists and reinforce their narrative of an exploitative state out to rob tribal people of their land, dignity and lives. Internal strife cannot be tackled by the use of force alone. Force is necessary and must be deployed with precision and intelligence, but has to be accompanied by politics that counters the Maoist strategy of creating enmity between local people and the state machinery.

Maoist combatants give no quarter and should expect none from the security forces. The challenge is in handling so-called Maoist sympathisers. They must be treated in accordance with the constitutional process the Maoists disdain, dealing the Maoists a double defeat.

APMC Act Revamp: A Sound Initiative

The Centre has reportedly recommended a new model law to replace the restrictive Agricultural Produce Market Committee (APMC) Act that makes it mandatory for farmers to sell only to designated middlemen, who then control trade in farm produce and corner the benefit of higher prices. An overhaul of the law to create a barrier-free single market is long overdue. State APMC Acts have created thousands of fragmented and inefficient markets. Bihar scrapped the law. Some states have modified it, but changes have been patchy because of the political influence of the middlemen. Reform would enable organised retail to procure directly from farmers, giving them better incomes and the incentive to produce more.

The new model law suggests single-point levy of a market fee and single registration or licence for trade in more than one market and delisting fruit and vegetables from the APMC Act. This makes sense. It also proposes to cap mandi taxes at 1% for food grain and 2% for vegetables, and pegs the commission agents' levy at 2% of the total transaction cost. At present, mandi taxes vary from 14.5% in Punjab to 10.5% in Haryana, driving the private trade out and eating up the Centre's food subsidy subvention. The procurement price must subsume all taxes and the Food Corporation of India must stop paying such huge levies.

Rightly, the model law also has provisions to declare warehouses and cold storages as market sub-yards to provide better access and linkages to farmers. This is welcome, and investments must be stepped up. A vast network of regulated warehouses, whose receipts are negotiable instruments, will also make middlemen redundant. The need is to develop marketing infrastructure and make the supply chain that links the farmer and the consumer efficient.

All Indian cattle to be given Aadhaar-type identification tags

Holy Cow! Look What's on the Cards

When told that a rancher owned 30,000 heads of cattle, the visiting city slicker asked, "Who owns the rest of the bodies?" Possibly it is in order to avoid confusion of this kind that the Centre is reportedly planning to provide the bovine equivalent of human Aadhaar cards to all Indian cattle. Addressing the Supreme Court on the issue, solicitor general Ranjit Kumar told the bench that "each animal will be tagged with a Unique Identification Number (UIN) with records kept of details such as age, breed, sex, lactation, height, body colour, horn type, tail switch and special marks".

However, some might feel that such identification is not comprehensive enough in that Aadhaar cards are not deemed to be proof of nationality. The need to distinguish between desi and videshi cattle is based on grounds not of nationalism but nutrition. The milk of desi cattle is said to contain A2 type of beta casein that is easily digestible. The milk of cows of udder breeds is said to have A1 beta casein that is believed to cause diabetes and heart disease. So, apart from Aadhaar-style identity tags, should our cows also be given CIO cards, denoting Cattle of Indian Origin, to distinguish them from illegal migrants? While sceptics might dismiss it all as a load of bull, such measures might find enthusiastic endorsement among those whose dil mange moo.

SWAMISPEAK FRBM-2 has good ideas but isn't tough enough to enforce financial discipline

Still a Mental Fiscal Exercise

Swaminathan S Anklesaria Aiyar

The N K Singh Committee has suggested a new Fiscal Responsibility and Budget Management (FRBM) Act to replace the old one. It has many eminently sensible proposals.

Its most obvious shortcoming is that its recommendations have no teeth, and rely on good sense and fiscal rules that can easily be broken — as often happened in the past. This asks a lot of Indian politicians who love spending sprees.

FRBM-1 called for the Centre's fiscal deficit to be cut to 3% by 2008. That target is finally going to be achieved a good 10 years later. It highlights how often finance ministers can push the 'pause' and 'reverse' buttons. State governments have used many gimmicks to evade fiscal rules.

FRBM Not Quite ICBM

This problem will not go away because a new committee has suggested new norms. However, despite many deviations, FRBM-1 did make fiscal prudence a serious issue in framing central and state budgets. FRBM-2 can build on that.

The main change in FRBM-2 is to make the public debt-GDP ratio the anchor for fiscal policy. Fiscal deficits will be adjusted annually to achieve an anchor rate of 61%, down from around 70% today. This will be achieved by lowering the Centre's ratio from 49.4% to 40%, while leaving the states' ratio at today's 21%. The glide path for the central fiscal deficit will be from 3.0% during 2018-20 down to 2.5% in 2022-23 and thereafter. The revenue deficit is to slide 0.25% every year, from 2.3% in 2016-17 to 0.8% by 2022-23. The states will follow a more complicated fiscal deficit glide path, from almost 3% today to 1.7% by 2025.

Far from being excessively tough, the targets are rather weak. The original FRBM-1 targets implicitly aimed to cut the debt-GDP ratio to just 50%. The new target is far laxer, at 61%. The combined fiscal deficits of the Centre and states will be 4.2% of GDP even if all goes well, and fiscal deficits of this size have been enough to bust many countries in Latin America and Africa.

India can afford much higher fiscal deficits and debt-GDP ratios than other countries since it has high rates of savings and growth, both of which make debt more sustainable. Keynesians seek a more activist role for governments, spurring growth through massive public investment. But the record of public investment is, with honourable exceptions, substandard.

Besides, history suggests that fiscal laxity will typically fund freebies rather than efficient investment. The government should focus on public goods like justice, security, health and education, while the private sector progressively takes the lead in investment. The lower the fiscal deficit, the more bank finance will be available for financing private investment.

A debt-GDP ratio of 60% can be sustainable at reasonably low interest rates, and quite unsustainable at high interest rates. The committee takes at face value the RBI inflation target of 4%, +/–2%. But history suggests that the RBI's weapons — mainly the repo rate — cannot deal with inflation caused by drought or a global commodity boom. Hence, an anchor rate of 50% may have been more prudent. That may be the battle to be fought by a future FRBM committee a decade hence.

FILE PHOTO

Money is still scattered around: Still from Satyajit Ray's Nayak (Hero), 1966

The committee has suggested escape clauses from the fiscal path in the event of unexpected disasters. In such cases, fiscal deviation of no more than 0.5% for one year will be allowed, after which the normal glide path will resume. This rule may be politically acceptable during minor setbacks.

Spender at Any Speed

But the Great Recession of 2008 would have slashed revenue and increased welfare spending by at least 1.5% of GDP even without Pranab Mukherjee's additional stimulus. Realistically, we can expect politicians to run much bigger deficits in really bad years. Politics will trump FRBM-2, just as it often trumped FRBM-1.

The revenue boom of the 2000s was frittered away without building surpluses for a rainy day. The committee has suggested that if GDP growth is 3% above the norm, the fiscal deficit should be an additional 0.5% of GDP lower than the glide path. This is a ridiculously high threshold that will rarely be met.

The proposed reduction of the fiscal deficit by just 0.5% in a huge boom cannot be called significant saving for a rainy day. Cynics will say even this tweak will be ignored for finance ministers being urged to use revenue windfalls for freebies.

The committee has suggested the creation of a technocratic Fiscal Council to prepare annual and long-term forecasts, raise alarm bells, highlight deviations and suggest ways to reduce these.

Such a council will not — and politically cannot — have teeth for enforcement. Yet, it can play a useful role as an honest research and advice outfit — like the Congressional Budget Office in the US. India needs such strong, capable institutions without political bias.

In sum, the N K Singh Committee has produced some good ideas for new fiscal rules, but not been tough enough. Whether the new rules will be followed strictly by politicians trying to buy vote banks is doubtful. But the climate for prudence should improve.

> Realistically, we can expect politicians to run much bigger deficits in really bad years. Politics will trump FRBM-2, just as it often trumped FRBM-1

NATURAL MONOPOLIES

Time to Break Up Google?

Jonathan Taplin

In just 10 years, the world's five largest companies by market capitalisation have all changed, save for one: Microsoft. ExxonMobil, General Electric, Citigroup and Shell Oil are out, and Apple, Alphabet (the parent company of Google), Amazon and Facebook have taken their place.

They're all tech companies, and each dominates its corner of the industry: Google has an 88% market share in search advertising, Facebook (and its subsidiaries Instagram, WhatsApp and Messenger) owns 77% of mobile social traffic and Amazon has a 74% share in the e-book market. In classic economic terms, all three are monopolies.

We have been transported back to the early 20th century, when arguments about "the curse of bigness" were advanced by US President Woodrow Wilson's counsellor, Louis Brandeis, before Wilson appointed him to the US Supreme Court. Brandeis wanted to eliminate monopolies, because, in the words of his biographer Melvin Urofsky, "in a democratic society, the existence of large centres of private power is dangerous to the continuing vitality of a free people".

We need look no further than the conduct of the largest banks in the 2008 financial crisis or the role that Facebook and Google play in the 'fake news' business to know that Brandeis was right.

While Brandeis generally opposed regulation — which, he worried, inevitably led to the corruption of the regulator — and, instead, advocated breaking up 'bigness', he made an exception for 'natural' monopolies, like telephone, water and power companies and railroads, where it made sense to have one or a few companies in control of an industry.

Could it be that these companies — and Google in particular — have become natural monopolies by supplying an entire market's demand for a service, at a price lower than what would be offered by two competing firms? And if so, is it time to regulate them like public utilities?

Consider a historical analogy: the early days of telecommunications. In 1895, a photograph of the business district of a large city might have shown 20 phone wires attached to most buildings. Each wire was owned by a different phone company, and none of them worked with the others. Without network effects, the networks themselves were almost useless.

The solution was for a single company, American Telephone and Telegraph, to consolidate the industry by buying up all the small operators and creating a single network — a natural monopoly. The government permitted it, but then regulated this monopoly through the Federal Communications Commission.

AT&T had its rates regulated, and was required to spend a fixed percentage of its profits on research and development. In 1925, AT&T set up Bell Labs as a separate subsidiary with the mandate to develop the next generation of communications technology, but also to do basic research in physics and other sciences.

Over the next 50 years, the basics of the digital age — the transistor, the microchip, the solar cell, the microwave, the laser, cellular telephony — all came out of Bell Labs, along with eight Nobel Prizes.

In a 1956 consent decree, in which the US Justice Department allowed AT&T to maintain its phone monopoly, the US government extracted a huge concession: all past patents were licensed royalty-free, and all future patents were to be licensed for a small fee. These licenses led to the creation of Texas Instruments, Motorola, Fairchild Semiconductor and many other startups.

True, the internet never had the same problems of interoperability. And Google's route to dominance is different from the Bell System's. Nevertheless, it still has all of the characteristics of a public utility.

We are going to have to decide fairly soon whether Google, Facebook and Amazon are the kinds of natural monopolies that need to be regulated, or whether we allow the status quo to continue, pretending that unfettered monoliths don't inflict damage on our privacy and democracy.

It is impossible to deny that Facebook, Google and Amazon have stymied innovation on a broad scale. To begin with, the platforms of Google and Facebook are the point of access to all media for the majority of people.

While profits at Google, Facebook and Amazon have soared, revenues in media businesses like newspaper publishing or the music business have, since 2001, fallen by 70%.

There are a few obvious regulations to start with. Monopoly is made by acquisition: Google buying AdMob and DoubleClick, Facebook buying Instagram and WhatsApp, Amazon buying, to name just a few, Audible, Twitch, Zappos and Alexa. At a minimum, these companies should not be allowed to acquire other major firms, like Spotify or Snapchat.

The second alternative is to regulate a company like Google as a public utility, requiring it to license out patents, for a nominal fee, for its search algorithms, advertising exchanges and other key innovations.

The third alternative is to remove the 'safe harbour' clause in the 1998 Digital Millennium Copyright Act, which allows companies like Facebook and Google's YouTube to free ride on the content produced by others. The reason there are 40,000 Islamic State (IS) videos on YouTube, many with ads that yield revenue for those who posted them, is that YouTube does not have to take responsibility for the content on its network.

Facebook, Google and Twitter claim that policing their networks would be too onerous. But that's preposterous. They already police their networks for pornography, and quite well.

Removing the safe harbour provision would also force social networks to pay for the content posted on their sites. A simple example: one million downloads of a song on iTunes would yield the performer and his record label about $900,000. One million streams of that same song on YouTube would earn them about $900.

With libertarian tech moguls like Peter Thiel in US President Donald Trump's inner circle, anti-trust regulation of the internet monopolies will be a priority. Ultimately, we may have to wait four years, at which time the monopolies will be so dominant that the only remedy will be to break them up. Force Google to sell DoubleClick. Force Facebook to sell WhatsApp and Instagram.

Woodrow Wilson was right when he said in 1913, "If monopoly persists, monopoly will always sit at the helm of the government." We ignore his words at our peril.

The writer is director emeritus, University of Southern California's Annenberg Innovation Lab
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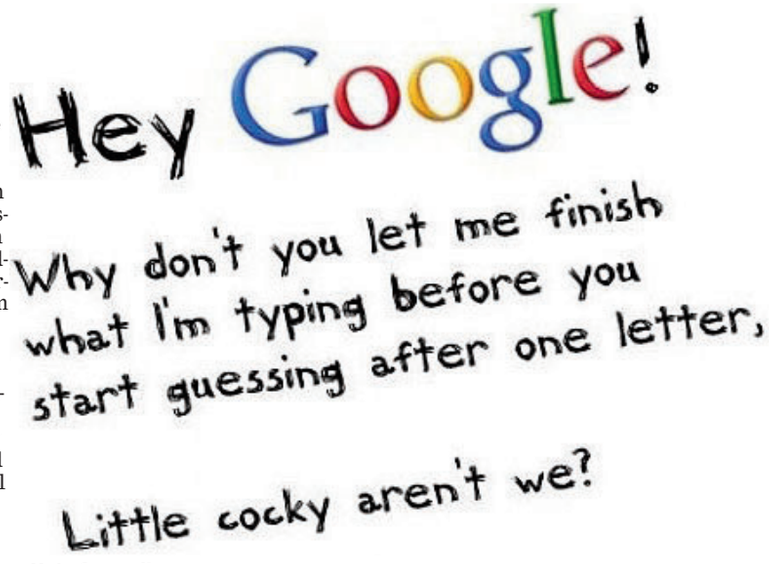

Not a fan mail

Citings

Retailing Strategy

MARSHALL FISHER

Wal-Mart's compounded annual growth rate in its first 20 years was 43% a year. If Wal-Mart had kept growing at that rate, its revenue [today] would be more than triple the world's GDP. It's obvious that you eventually run out of places to put stores. Or if you're an internet retailer, rapid growth depends on attracting new customers. There's a finite number of people in the world, so you're going to have to slow eventually. Why is so much emphasis placed on topline growth? It's glamorous. It's cool. Everybody likes it.... What happens when topline growth inevitably slows? As a group, [the retailers in our study] had been growing at around 15% [a year]. In the last five years, that growth has slowed to 4.6%.

Their stock had been flat in the last five years. But a handful were really rocking. Foot Locker, for example, had experienced single-digit growth in the last five years, but [had a] stock market return of 33% per year, which is triple the S&P [index] over a five-year period. That's impressive.... We define success as five-year total stock market return that exceeded the S&P 500 return, so 17 companies were above [that level]; 20 were below. They did a couple of things. They stopped or greatly slowed their rate of opening new stores. The winners got that growth mostly through existing stores, whereas the less successful group got their growth mostly by opening new stores.

We learnt that a segment of retailing — bricks-and-mortar retailers that have gone through a life cycle of high growth and are now in maturity — is struggling because the majority of them are following the wrong strategy. By the way, this applies not just to retailers but to any company or countries that need to adjust their strategy at different points in their life cycle. China was a high-growth country after its economy opened up in 1979.

They had huge growth through basically labour cost arbitrage. Well, wage rates have [since then] gone up in China by double digits, which is good and that's what the Chinese government wanted, but eventually you can't play that game any more. So, their growth has slowed and they've got to play a different game. So, retailers, companies and countries need to adjust their strategy over time as they start with high growth and inevitably see that growth not decline, but slow.

From "Topline Detox and Strategic, Small Shifts: Lesson from Successful Retailers"

the speaking tree

Manifest the Unmanifest

YOGI ASHWINI

Shiva is often described as adi, unborn; anant, endless; akhand, indivisible; nirakaar, formless. Yet, shivling has a form. Why is that?

Shiva is beyond birth and yet He has a form. And this form was brought into creation by Adi Shakti. Adi Shakti manifested itself and then created gravity around it through a whirling motion, through rotation, or 'pradikshina'. Rotation is the basis of gravity, of magnetism, of the energy of prana that is in every microcosm of Creation. When something rotates, it creates a pull or magnetism around it. When you do pradikshina of a Shakti, you are able to relate to it very easily. This practice is used in advanced sadhnas of Sanatan Kriya.

When Adi Shakti created the force, yoni manifested. And shivling manifested in that yoni. A shivling encompasses the entire brahmand (creation). When you do sadhana on the shivling, then the entire creation unfolds in front of you, and you are able to access any energy therein.

A specific kriya in Sanatan Kriya called the pradikshina kriya is one in which the guru prescribes certain mantras to the practitioner and by chanting those mantras while doing the pradikshina of a shakti — surya, chandra, dasmahavidyas — the energy of that shakti comes inside the practitioner. However, to become shakti, the bondages of maya need to be opened and, so, it is important to practice the kriya under the sanidhya of a guru who knows your attractions and guides you as per your individual capacity.

Chat Room

Twin Solution to Maoist Problem

The killing of 25 of our CRPF soldiers by Maoists in Chattisgarh is a grim pointer to the striking capability of the insurgents. Fuelled by entrenched socioeconomic deprivation among the marginalised sections such as tribals, Maoists have emerged as a grave threat to the country's internal security. A two-pronged strategy of winning the trust of locals by addressing their legitimate concerns relating to their lives and livelihoods and use of force while strengthening intelligence mechanisms holds the key to tackle the Maoist insurgency in an effective manner.

M JEYARAM
Sholavandan

Tackle Kashmir With Sensitivity

Apropos the news report, 'MHA Meet to Work for Early Disbursal of ₹84K-cr Package' (Apr 25), the decades-old Kashmir problem can only be solved with sensitivity. The people of Jammu and Kashmir have suffered enough due to terrorism, lukewarm response of successive governments towards their problems, lack of development, etc. With economic growth, development peace and prosperity, Kashmir will emerge the top tourist destination because of its beauty and grandeur. With good governance, infrastructure and peace, the state can march on the road to development.

VEENA SHENOY
Thane

Opposition Must Unite to Win

This refers to 'Left Standing at the Gate' by Nilanjan Mukhopadhyay (Apr 24). Narendra Modi-led BJP is on a winning spree because of better connect and mass mobilisation. The entire Opposition should unite and face the challenge through sacrifice of petty ego, clan loyalties and old-style politics, and forge an understanding that is more liberal, left, democratic and abiding by constitutional and human values. Make no mistake, the BJP is on a firm footing and the counter-strategy has to be firmer and realistic.

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