# The GST impact on media

What does the new tax regime mean for India's media and entertainment industry?

MEDIA SCOPE

VANITA KOHLI-KHANDEKAR

The goods and services tax or the GST is scheduled to be rolled out from July 1. What will it mean for India's ₹126,200-crore media and entertainment industry?

The answer depends on three things.

One, which segment of the industry a firm belongs to — film, TV, print, radio, online or integrated. And within that where in value chain does it sit — content production, distribution or retail. Much depends also on the structure of the industry and business dynamics among other factors.

Take the film industry for example. For production firms there are benefits. Unlike earlier producers can set off the GST on revenues against that in input costs. They couldn't earlier claim the value-added tax (VAT) paid on equipment or other things. However in the exhibition or theatrical part of the business things get more complicated. Entertainment taxes vary wildly across the country so the impact differs depending on which states a chain has a larger concentration of screens in.

Under the GST tickets below ₹100 will attract an 18 per cent tax while those above ₹100 are at 28 per cent. Nitin Sood, CFO, PVR Cinemassays, "Chains like PVR and Inox which are present in the top 50 cities of this country and deliver a bulk of the box office for India sell less than 10 per cent of their total tickets below ₹100. This represents 5-6 per cent of total box office collections."

Multiplexes typically average way over ₹160. An analysis of 20 states and union territories by the Multiplex Association of India shows that a 28 per cent GST on tickets will have a negative impact in 12 states, neutral in one and positive in 7. The 18 per cent on food and beverages will be negative throughout since earlier VAT was lower at 12.5 per cent.

The average price at single screens, which are in decline, is a matter of debate. But the better ones would average more than ₹100. So for all practical purposes the GST will have a negative impact. The good thing is it will force transparency on single screens, many of which operate in cash and simply do not pay entertainment or other taxes.

And that is the second variable. The impact of the GST cannot be measured blandly as negative, positive or neutral in tax terms. If it works, it will force discipline and transparency lacking in large parts of the business. For instance about two-thirds of all cable systems in India are owned by local politicos and their affiliates. And there are massive amounts of under-declaration of revenues. Since the GST process forces you to match input and output across the supply chain cable operators will have to start showing their revenues and pay taxes on it. If the GST helps achieve 100 per cent transparency it could release anything between a billion to two billion dollars into just the television ecosystem.

The third variable is the ability of the industry to manage the complexities involved. For example earlier companies needed to be centrally registered. Now "you need to have registration in each of the states you have operations in," says N Subramanian, CFO, ENIL. Its brand Radio Mirchi has 50 stations in 22 states. It will now need to register in each of these. This sounds more like a procedural hassle. However Subramanian points out that it has cost implications. Small towns for instance are not big ad revenue generators. So registering, putting in people and a framework for GST compliance in each state will add an estimated ₹4-5 lakh per person, per annum to fixed costs at every location. Multiple registration also complicates internal transfer of services within offices of the same company. Much of this holds true for newspapers and radio firms which operate locally and regionally. For TV networks which are national, it may not present the same challenges.

So the GST could mean complications in the short run irrespective of which segment you operate in. However it brings in undeclared revenues and streamlines taxation across the value chain, the benefits should be worth the pain.

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## CHINESE WHISPERS

### Scramble for GST coverage

The top four tax consultants are in a mad rush to get media coverage on the goods and services tax (GST) scheduled for a July 1 roll-out. The reason is simple: Higher recall would mean more clients. Last week, two consulting firms sponsored three events in Mumbai related to GST awareness. Their representatives were seen jostling to offer insights to journalists in a bid to grab more print space/air time. This is unusual as rival firms are rarely seen sponsoring the same event.

### Posturing over yoga

ILLUSTRATION: AJAY MOHANTY

Prime Minister Narendra Modi will mark the International Day of Yoga on Wednesday in Lucknow. Several farmer organisations have said they will also celebrate the day, but by performing *shavasana*, or the corpse pose, to highlight farm distress and farmer suicides. Samajwadi Party said its workers will undertake bicycle *yatras* to spread the message of environment conservation and healthy living. The bicycle is the election symbol of the Samajwadi Party. Bahujan Samaj Party chief Mayawati termed the Yoga Day celebrations a waste of public money at a time when the Modi government is pursuing policies that have caused jobless growth and people don't have enough to eat. India's missions and posts across the world will also organise the day with help from non-resident Indians and civic authorities.

### Software skills: Delhi vs Bengaluru

Sachin Bansal, co-founder of Bengaluru-headquartered Flipkart, woke up from his month-long hibernation on Twitter to mock Paytm founder Vijay Shekhar Sharma with a curt "You wish!! :)". The retort came after NCR-based Sharma tweeted unsourced data that scored software developers in Delhi with 26.63 in their programming abilities, while their counterparts in Bengaluru scored a meagre 10.81.

# Is cyber security on your board's agenda?

Companies view it as an IT issue, not a business one. Boards should debate the merits of voluntary disclosures of such attacks

OCCASIONAL ASIDE

AMIT TANDON

The conversation on cyber security is all the rage: Dealing with the threat should rightfully be at the top of the board agenda. The irony of this will not be lost on boards. On the one hand, their companies are being exhorted to embrace all things digital, or risk having their business disrupted. But the fewer the sheets of paper that clutter office desks, the greater the cyber threat. This is the unfortunate reality, but companies have no choice but to keep chiselling away.

If companies are not doing more, it is because they view it as an IT issue — and not a business issue. This mind-set needs to change, and will happen only when boards understand its substance.

First the hackers are moving faster than the defenders. Marc Sorel of McKinsey, a consultancy, validates this in terms of the growing time gap between "time to exfiltrate (get in and obtain what the hacker is after)" and the "time to quarantine (stopping the hacker once it is known the hacker is in the system)".

Two, as more and more of the economy gets digitised, the cyber threat goes up exponentially (this may explain both the interest and the role that state-sponsored players have being taking in malware). At a firm level, as a larger portion of the supply and distribution chain get digitised and linked to the company's operations, the more vulnerable it is to cyber threats.

Some readers may be familiar with the story about two men are walking through a forest, when they suddenly see a bear in the distance, running towards them. They turn and start running away. But then one of them stops, takes out his running shoes from his bag, and starts putting these on. When questioned whether he think she will run faster than the bear with these, the first one replies, "I don't have to run faster than the bear, I just have to run faster than you." This brings us to the second aspect. Cyber attacks do not necessarily happen where the attacker can get the maximum amount as ransomware nor where the data is most sensitive, but where the systems are weakest. The WannaCry virus first attached itself to a UK hospital, before it spread.

John Wanamaker, a department store owner, is believed to have remarked "Half the money I spend on advertising is wasted; the trouble is I don't know which half." As boards begin to get their arms around cyber security, and sign-off on cyber security budgets, they will no doubt be similarly troubled by whether they are they prioritising spends in the right area. And as boards wrestle with their budgets, the nature of the threat implies that even companies that have progressed with regard to setting up strong defenses, need to keep running to stay in the same place.

Many boards continue to feel uncomfortable (or fear), dealing with cyber risks vis-à-vis some of other risks the company faces. The best way to get over this fear is to familiarise itself with the risks and the response (digital resilience). Hiren Shah, a cybersecurity expert, and president and mentor of Net-Square, suggests that "just as lawyers or chartered accountants are on a board because they bring in some expertise, have someone who has run an IT department on the board or at the very least have someone with the requisite knowledge as an advisor to the board."

It is important that issues regarding cyber security are reported to the board and more frequently to the risk committee. Depending on a company's digital strategy, having a separate cyber risk committee is also an option that needs to be deliberated. Direct oversight by the board will ensure companies to have systems and controls. This also assumes that someone in the company is responsible for this aspect.

Needless to add, companies need to have thought carefully about the configuration of its IT infrastructure. Its preparedness against cyber attacks must be monitored continuously and employees must have well defined access-rights and trained in best practices.

Finally, the board should not assume that just because they have built a firewall, and discussed it at every board meeting, they are protected. They need to have an emergency plan in place regarding how the company will respond if an attack is underway (the chance of which are very high), including a business continuity plan and how to recover as quickly as possible from this. This includes identifying external vendors and what role they will play, test the disaster recovery, and identify alternate means of communication.

In several markets, companies are regulatorily expected to disclose when they have faced a cyber attack and the implications (or damages) of such an attack. In India, this is yet to take place. But as law enforcement increases its attention on cybercrimes, it is not unimaginable for capital market regulators to step up their focus on cyber security. Till this happens boards should debate the merits of voluntary public disclosures. No company is fighting this battle alone: Each security breach risks spreading beyond a company's boundaries and each solution strengthens the digital environment.

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## CONSUMER LIFE

# Conglomerates didn't die. They look like Amazon now

ANDREW ROSS SORKIN

The conglomerate was supposed to be dead, a relic of a bygone of era of corporate America. Investors, we have been repeatedly told, want smaller, nimbler, more focused companies.

And yet there is Amazon.

Just when it seemed that sprawling empire building had gone out of vogue — eulogies were written last week for General Electric after Jeffrey Immelt, its chief executive, retired under pressure from shareholders — Amazon announced that it was buying Whole Foods for $13.4 billion.

The deal will put Amazon in the brick-and-mortar grocery store business, which will exist alongside an ever-increasing bevy of disparate interests: The selling of everything from electronics to toothpaste online; payments and credit; cloud computing; production and distribution of movies and television programming; book publishing; shipping and logistics operations; and on and on.

It is actually a myth that conglomerates disappeared. They are now just dressed up with a bit of Silicon Valley flair, and dress down in the boardroom, with chief executives who wear sneakers.

Amazon is just one of these new-economy conglomerates. Alphabet, the parent company of Google, is another. Facebook is quickly becoming a conglomerate, too.

Michael C Jensen, a professor emeritus at Harvard Business School, famously — and successfully — made the case in the 1970s and 1980s that conglomerates like RJR, which owned tobacco and food brands like Nabisco, wasted "billions in unproductive capital expenditures and organisational inefficiencies."

That is very likely true of today's tech-enabled conglomerates, too, which are spending, and often losing, tens of billions of dollars annually on all sorts of projects and acquisitions that may or may not turn out to be successful. But investors are seemingly willing to give these new behemoths a free pass in the name of growth and innovation — until they aren't.

**Amazon buying Whole Foods for $13.4 billion is evidence of how conglomerates continue to exist, despite scepticism against such a business model**

If there is any lesson from the last breed of industrial conglomerates, it is that there is a natural life cycle to most of them.

The model begins like this: A company that is successful in one area turns itself into a conglomerate by using its free cash flow to finance the development or acquisition of businesses in other areas — at first, ones that are similar to their current business, and later often ones that are farther afield. And then the company does this again and again.

When such an economic machine works, it works extraordinarily well. But when any one of the major levers in the machine breaks or even stalls, the entire enterprise comes under pressure. Shareholders start complaining that the sum of the parts would be worth more separately than together.

"You look at companies that got really big in the world, the record is not very good," Charles T Munger, vice chairman of Berkshire Hathaway — the world's largest conglomerate — told investors several years ago.

His business partner, Warren Buffett, stunned shareholders this year when he suggested that he expected shares of Berkshire to rise immediately after his death because of speculation that the company would be broken up and thus would be worth more. (He and Munger both believe that Berkshire is better off intact, but Buffett thinks investors' knee-jerk reaction will be to believe the opposite.)

When it comes to Amazon (or Alphabet, or any of the new conglomerates), the question is whether there is something fundamentally different about these businesses given their grounding in digital information — especially as they expand into complex brick-and-mortar operations like upscale supermarkets.

In an age of big data and artificial intelligence, are businesses that look disparate really similar? And can one company's leadership really oversee so many different businesses? When does it become too big to manage?

Google's own internal list of top-10 principles seems to include an anti-conglomerate provision: "It's best to do one thing really, really well."

Leaving aside the question of whether that maxim may have been more suitable to the Google of a decade ago, it certainly hasn't stopped the company from jumping into all sorts of businesses outside its flagship search and advertising business. Some of these businesses — which include Android, YouTube, Waze, Nest Labs, self-driving cars and internet distribution — have been more successful than others. Most of these were brought under the Google umbrella through acquisition, evidence of how the company has used the enormous proceeds of its advertising business to subsidise its entrance into all sorts of other enterprises.



## LETTERS

### Good move

At a time when the Dalit groups continue to protest in Uttar Pradesh and elsewhere against atrocities by the upper castes and cow vigilantes, the Bharatiya Janata Party nominating Bihar Governor Ram Nath Kovind (*pictured*) — a Dalit leader — is a smart move.

There is a clear split in the Opposition, with some — Bahujan Samaj Party Chief Mayawati and Odisha Chief Minister Naveen Patnaik — lending their support. Bihar Chief Minister Nitish Kumar, too, has said he is happy with the choice. It is unlikely his party, the Janata Dal (United) that he also heads, will oppose Kovind.

Given his credentials, an affable Kovind seems to have all the requisites to occupy the highest constitutional office. His low profile persona is a necessary attribute. The Left parties, rapidly losing relevance, must not repeat their political brinkmanship of opposing A P J Abdul Kalam in 2002, which left them isolated. The parties would betray their lack of political maturity and sagacity if they go ahead sponsoring even some other Dalit member to contest for the sake of putting up a fight. Instead, they must demonstrate a certain degree of statesmanship. By not doing so, they would only be committing political harakiri.

**S K Choudhury** Bengaluru

### A big whimper

Even the most politically aware asked "Who?" when the National Democratic Alliance announced its presidential candidate. Another Pratibha Patil déjà vu. An E Sreedharan or Ratan Tata would have had a Kalam-ic effect on the nation and made the world notice. Lofty ideals are mouthed — he should be above politics, religion, caste considerations, etc etc. But these are the considerations that ultimately decide the candidate. Enough proof, since his caste is the only thing being trumpeted.

A president who is grateful to the PM and the party president for having chosen him, clearly feels that he does not deserve it, and is hardly likely to do much. That this man is going to shake hands with Xi Jingping, Vladimir Putin etc. boggles the mind. Apart from sending out ballot box messages the presidential choice is influenced by the fact that he will sit in judgement on the general elections to be held in 2019, should a clear majority elude any party. So naturally the ruling party would want an amicus curae in the seat when the time comes. There has been a demand that all the elections in the centre and the states must be simultaneously held. There is also a case for coinciding the term of the President with that of the government.

**T R Ramaswami** Mumbai

### Loan waiver effect

This refers to the editorial "Bad timing". Not only is the timing bad but even this decision is bad — on state finances as well as overall credit discipline. Telangana, Andhra Pradesh, Uttar Pradesh and Maharashtra have waived off farm loans to the tune of ₹100,000 crore. It is a very wrong precedence. Not long back State Bank of India Chairman Arundhati Bhattacharya had said if such a waiver were granted it would disrupt the credit discipline among farmers across the country.

I agree with your concerns that states finances are any how in a bad shape and this burden will further drag them down. The Seventh Pay Commission award will also put them behind, and there is no revenue generation of this proportion in sight. It is really alarming.

The domino effect of these waivers is for everyone to see as farmers from states where elections are due soon will start demanding waivers. Good political decisions will end up hurting our economics. The government needs to think beyond farm loan waivers, as that is only a short-term solution. Access to technology should not be restricted to rich and large farmers, it must reach small farmers also so that agriculture remains a viable and sustainable profession, otherwise we will keep reading about suicides distress across the country.

**Bal Govind** Noida

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HAMBONE

BY MIKE FLANAGAN

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# Forced marriage

## Merger of public sector banks can be tricky

There appears to be a growing consensus among policymakers about greater consolidation in the public sector banking space through mergers. As an idea, it's nothing new as there have been several rounds of discussions on mergers of state-run banks in India at periodic intervals. But the move has gained momentum of late as many of the public sector banks (PSBs), which together have a 70 per cent market share, are hugely stressed. While Finance Minister Arun Jaitley has said the government will not wait any longer for mergers and has asked the NITI Aayog to give its recommendations on the matter, the Reserve Bank of India is also on board. The key question, however, is whether PSB mergers can solve the problem that the Indian banking sector is facing.

For one, given the trigger, a merger may be an unwise step. To be sure, in the past several experts have suggested mergers among PSBs as an important reform. In particular, a panel led by former RBI governor M Narasimham in 1998 had argued for a three-tier structure for Indian banks: Three large banks with international presence at the top, eight to 10 national banks at tier two, and a large number of regional and local banks at the bottom. But the fact is that both the structure and logic have changed. With more and more private banks providing differentiated services, the banking industry's demands have changed. More importantly, the recent calls for mergers are being driven by a desire to hide weakness in the form of growing non-performing assets (NPAs) in almost all PSBs. Will merging two banks with significant NPAs on their books help matters? The answer is obvious.

Part of the reason why mere mergers will not change banks' performance is that most of the NPAs were accumulated because of the inefficient manner in which PSBs are governed. The P J Nayak committee report, released in 2014, shares the unedifying details. Yet, no substantial change in PSB governance seems to have taken place since then. A merger in the private sector has to contend with checks and balances in the form of shareholders but there is no such luck as far as PSBs are concerned, where the government is the dominant shareholder. Moreover, merger for merger's sake also overlooks issues of cultural compatibility among banks. Also, employee integration could be tricky, apart from other reported challenges such as provisions for pension liability due to differing employment benefit structures and synchronising accounting policies for recognition of bad loans. That is why share prices of the some of the banks, such as Bank of Baroda, Canara Bank, Vijaya Bank, Dena Bank and Bank of Maharashtra, which are rumoured to be involved in mergers, have dipped.

The policymakers would do well to remember that merging two weak banks, or a relatively strong bank with a weak one, is more likely to make things worse, particularly if the entire process is forced upon the merger candidates. For example, the financial performance of the merged State Bank of India was in stark contrast to standalone SBI's sterling show in the fourth quarter of the last financial year. This shows simply merging several laggard PSBs with one big profitable one is more likely to hurt the latter.

# A smart choice

## Mr Kovind's background prepares him to be President

The ruling Bharatiya Janata Party has announced that one of its seasoned leaders, Bihar Governor Ram Nath Kovind, will be the National Democratic Alliance's candidate for the post of the President of India. Mr Kovind, one of the 11 governors who have had association with the Rashtriya Swayamsevak Sangh and its affiliates, is a good choice. He is a trained lawyer who has practised in the Supreme Court and was a member of the Rajya Sabha from Uttar Pradesh for two six-year terms, where he developed a reputation for hard work and honesty. Mr Kovind also has experience as governor and has had a good relationship with a chief minister who is not part of the National Democratic Alliance – a background that prepares him to be President. Further he is not involved in any controversy and his personal conduct is unexceptionable. His career may be considered by many as undistinguished, but his choice does tick a lot of boxes.

If elected, Mr Kovind will be the second Dalit to live in the palace that crowns Raisina Hill. K R Narayanan, India's 10th President, was also the first Dalit to hold the office of President. Before becoming the President, Narayanan had an outstanding career that took him from a thatched hut in Kerala to India's embassies in Beijing and Washington and the council of ministers. Unsurprisingly, he was a fine choice for the office; President Narayanan carried out his duties and extended the powers of the presidency with considerable ability and care for the Constitution. There is no reason to believe that Mr Kovind will not be able to carry forward this legacy.

Politically as well, Mr Kovind's selection is a very smart choice. That he is a Dalit means that many parties will find it uncomfortable to run a sharply divisive campaign against him. Indeed, it appears that there is already some talk about whether an alternative candidate from the Opposition is, in fact, necessary. Already, many parties across the spectrum have started lining up behind him. One can argue that in choosing him for the highest position in the land, the BJP was impelled by considerations of identity and politics above all. But the counterpoint to that would be that often enough, identity politics genuinely broadens the domain of power to include hitherto marginal groups.

But it should not remain mere tokenism. The three years since the BJP took power in 2014 have seen a series of unhappy developments which together suggest a culture of impunity about anti-Dalit violence is taking hold. Whether on campuses, as seen in the events surrounding the suicide of Rohith Vemula, or on the streets of India's towns and villages, as in the merciless flogging of Dalit men in Gujarat last year, such stories of violence and intimidation suggest that all is not well. While choosing a Dalit candidate for President is a good signal, especially when Mr Kovind has shown real commitment to the Dalit cause, the government should also bring in real change in the lives of Dalits, and ensure that law and order and the protection of the helpless are more central to its administration than has hitherto been the case.

ILLUSTRATION BY AJAY MOHANTY

# The inexorable rise of insignificance

## Individual autonomy is crucial for a new social 'imaginary'

PARTHASARATHI SHOME

The age of insignificance has crossed the threshold of democracies. Cornelius Castoriadis, a Constantinople born (1922), Athens raised economist, brought insignificance to the world's attention in *El Avance de la Insignificancia* in 1996. Today, two decades after *El Avance*, the rise of insignificance, or an absence of sense, is an unanticipated surprise to those who are fortunate enough to recognise it. Many may not even recognise that reality as yet.

Castoriadis was a Communist since the age of 13 with the encouragement of his Communist father. His arrival in Paris for doctoral work in December 1945 after his Athenian Master's degree, enabled him to consort with various versions of leftism and in running the journal *Socialisme ou Barbarie* (1949-66). He eventually rejected it all, in particular the Marxist theory of economics and history, viewing it as "bureaucratic capitalism" mixed with despotism and exploitation. Remarkably he spent a significant part of his professional life (1948-70) at the Organisation for Economic Co-operation and Development (OECD), known as a conservative rich-country club during which period his political writings were under pseudonyms. As a philosopher, he studied individual motivations and their impact on society and vice versa. To firm up his theories, he trained as a psychoanalyst. A basic tenet of his hypothesis was the incontrovertible emergence of insignificance from the spectrum — Left to Right — of organised societies thus far formed and experienced.

In the prevailing spectrum of country environments, Castoriadis' anticipation of insignificance seems terribly relevant. In a 1993 interview with Olivier Morel, he elaborates, "...(it) does not emerge from a dictator or from a handful of capitalists, or from a group of opinion makers: it is an immense historical-social current that moves in the direction that transforms everything to insignificance.... Humans have not degenerated biologically; they continue to be capable of paying attention to a long, argued discourse; but the system and means of communication 'educate' — deform systematically — people in a manner that finally disables them from remaining interested in anything that surpasses a few seconds or, more precisely, a few minutes."

Castoriadis is not partial to any particular form of societal organisation, for this degeneration may be associated with the ...."gradual crumbling of left ideologies that accelerates with the triumph of the consumer society, with the crisis of significance in modern society —all this manifests a crisis of 'meaning', of ' sense', thus robbing the 'social imaginary'." Castoriadis defines and assigns an important role to "social imaginary" in his early (1975) work, *L'Institution imaginaire de la société*, Editions de Seuil, Paris. Marcela Tovar-Restrepo, writing at the New School University, New York, elaborates in her *Castoriadis, Foucault and Autonomy*, Continuum Press, London, 2012, that the 'social imaginary' characteristic emanates from Castoriadis' concept of individual 'autonomy' or 'agency', or the power to think, as opposed to insignificance, or 'heteronomy'.

Thus Castoriadis offers hope by exhorting the individual in his *Culture in a Democratic Society* (1994), "(Art)...is a window on Chaos; it abolishes our tranquil and stupid assurance about our daily life; it reminds us that we forever live at the edge of the Abyss—which is the main thing an autonomous being knows." And he verily laments the steep descent of society, pointing out that the degeneration of even ancient Greece accelerated when its intellectuals began meandering from questioning, to rationalising, the established order. He criticises compatriots including Paul Sartre, the novelist, of such typical rationalisation through seeking solace in supporting Fidel Castro and Mao Zedong as the failure of European communism became evident.

In his interview, Castoriadis is critical of the intellectuals who "continue glorifying.... regimes as 'democratic', perhaps not ideal (I do not know what its meaning is) but the best humanly achievable...(for it)...allows the setting aside of today's burning questions: the decomposition of... society, the apathy, the cynicism and political corruption, the destruction of the environment, the challenges of (the) poor ....better put, an escape to the ivory tower to carefully nurture one's precious personal outputs". This seemed a direct accusation to academicians.

He continues that, in contrast, even if one may not recognise it, we all reflect on emerging challenges though only "platonically". "The writer, the thinker, with his particular means that represent his capacities and his culture, exercises an influence on society that comprises his role as a citizen: he says what he thinks... None can abandon this responsibility, even those who do not speak out and leave it to others to speak, thus leaving a historical-social space to be occupied by monstrous ideas."

Let me ask whether prevailing democratic societies, let alone non-democratic ones, are producing the type of individual Castoriadis exhorts. Is it possible when societies reward and are led by "managers", the new Pied Piper, who correlate time, money and people in a 3-variate financial model in slash-and-burn money generation that smirks at deep reflection? This is an era of financialisation of commodities, worshipping the generation of monetary returns and financial wealth through successful bets on market futures, without any increase necessarily in the production or supply of real goods and services. These agents of global destabilisation have become the new philanthropists. Thus Castoriadis asks, "....where the only value is money, can such a society continue to function and produce on this basis alone?"

Castoriadis died in 1997 but the relevance of his work, with its horns, has emerged tellingly for the world to lend its ears. Faint rays of hope shine from France and Germany. France continues to lead the debate, to think, to reflect, not to abandon responsibility, not to recoil, but to speak out. Rabindranath Tagore said, "Break every obstacle," and Mohandas Karamchand Gandhi took up Tagore's,"...if no one responds to your call, then move forward alone." And the mountain moved. Where has polyphony flown from filling the air with music and song? But there is a murmur. Subhash Chandra Bose's clarion call, Azad Hind – free India – beckons. Such expressions and actions of individual autonomy must remain the cornerstone for an Indian "social imaginary". Otherwise, this phase in human history "defies the quest for deeper significance."

# Different strokes in North Block

NEW DELHI DIARY

A K BHATTACHARYA

The office of the chief economic advisor in the finance ministry has always been one of the most coveted positions among professional economists. Many of India's well-known economists have donned that role. Some of them have contributed a great deal towards shaping the government's economic policies, while many others have grown in stature and gone on to become top-notch economic administrators and one of them even became the country's prime minister.

The purpose of this piece, however, is not to evaluate the performance of these illustrious economists as chief economic advisors, but to point out a recent trend in their style of functioning and reflect on what implications that shifting focus may have on economic governance in the country.

A key function of the chief economic advisor is to produce an annual pre-Budget document that outlines the key developments in the Indian economy during the year under review and present the many policy issues that the government must grapple with to achieve the goals of higher economic growth. Apart from producing this document, the chief economic advisor also acts as the eyes and ears of the finance ministry on key economic issues.

This role has remained largely unchanged as chief economic advisors have continued to engage with the government's economic policymaking with their inputs, even though in recent years there has been a debate over the degree of their involvement in some areas, particularly the management of the external sector, including trade and balance of payments, and data reforms like updating base years of various economic indicators. In particular, the relations between the office of the chief economic advisor and the Reserve Bank of India in the last couple of years have been a focus of attention.

But the most noticeable change in the chief economic advisors' functioning in the last few years pertains to the way they have approached their task of preparing the annual pre-Budget Economic Survey. Till 1990-91, the Economic Survey used to be a document that focused on sectoral reviews and an introductory chapter on an overview of the economy that also dwelt on the key policy issues and challenges that the government must tackle. In addition, there would be a rich section on statistics covering public finances, economy and key infrastructure as well as social sectors.

Ashok Desai, who played the role of the chief economic advisor but was designated Chief Consultant from 1991 to 1993, brought about a significant change in the structure of the Economic Survey. He split the Economic Survey into two volumes — the first volume was written by him focusing on an assessment of the key challenges before the economy and the second volume retained the earlier structure of providing chapter-wise assessment of different sectors of the economy and an updated section on data. Dr Desai also improved the way economic statistics were presented.

Economic Surveys prepared by subsequent chief economic advisors made further improvements in the presentation of data. But they went back to the earlier single-volume format with the first chapter focusing on the key economic policy issues, highlighting the challenges and opportunities for the government, while the remaining ones dwelt on different sectors of the economy. But all these chief economic advisors made sure that there was no excessive importance given to what they wrote in the first chapter. Indeed, no chief economic advisor lent their own name as the leader of the team that authored the Survey.

That culture changed somewhat with Arvind Virmani who introduced himself and his team as the author of the Survey for 2007-08. Kaushik Basu, who succeeded him in 2009, continued that practice. But the chapter that Dr Basu wrote overshadowed in importance and significance all the other chapters in the Survey. New ideas to tackle governance challenges were presented, even though they did not have any direct connection with the Budget.

Predictably, much of the discussion that followed was on what Dr Basu's views were on the state of the economy and what needed to be done. Little attention was focused on what the other equally important chapters had to say on various social and economic infrastructure sectors. The statistics section also lost its relative importance, partly because more recent data were available from other sources, particularly from the Reserve Bank of India, and partly because there was no distinct improvement in the way the available data were presented in the Survey. Raghuram Rajan, who succeeded Dr Basu, maintained the same trend of leaving his personal mark on the document. The current chief economic advisor, Arvind Subramanian, has continued the same practice and has brought about a remarkable improvement in the quality of analysis and content in the Economic Survey.

Two implications of this shift are worth noting. One, there is now a disconnect between the central messages of the Economic Survey and the finance ministry's approach to economic policymaking. Earlier the Economic Survey would provide a clue to the official thinking of the finance ministry or the finance minister on key policy issues. Today, that disconnect is disturbing because the Economic Survey now represents the voice of the chief economic advisor and not necessarily that of the finance minister or the finance ministry, let alone the government.

Two, the overemphasis on the first chapter has taken an avoidable toll on the quality of the other chapters on economic and social sectors. Precious little has been done in the last few years to bring about similar improvements in the quality of other chapters of the Survey. The last Survey, in fact, did not even have the chapters on the other sectors. Nor did it have the statistics section and a promise was made that these sections would be produced by June with updated information.

This may already have had an adverse impact on the morale of the staff of the Economic Division within the finance ministry. There is need to improve that morale as also upgrade the overall quality of the Economic Survey. The pre-Budget Economic Survey should become the voice of the finance ministry or the government on economic policy issues, and not just that of the chief economic advisor.

# India's long-standing tryst with coal

BOOK REVIEW

NAVROZ K DUBASH

Writing about India's coal sector, *circa* 2017, can be both potentially rewarding and fraught. The sector has been through a turbulent few years in India, providing more than enough material for an engaging and rewarding narrative about the past. But the sector is also likely poised at the edge of a global decline, albeit a slow one, after a century and a half of dominance over the industrial landscape, which makes speculating about the future a risky prospect.

Through most of its 246 pages, Subhomoy Bhattacharjee's *India's Coal Story* focuses on the former, to take the reader through the substantial interconnections between India's economic and political history and its quest to find, manage and use coal. This is a fascinating story in its own right, and, for the most part, ably told. But the author also tries to comment on and explain the forces that are roiling global energy and particularly coal markets and in this, perhaps inevitably given the speed of change, he is somewhat less successful.

Mr Bhattacharjee begins with an effort to draw out the main strands in a compressed opening narrative but the book's real value lies in the details. A lengthy early chapter details how energy in general but coal in particular was central to the see-saw debates over nationalisation of industries in the early post-independence period. As the book zig-zags through time, Mr Bhattacharjee unearths fascinating nuggets, such as the link between the rise of the opium trade and the early boom period for coal, presided over by Rabindranath Tagore's grandfather, Dwarkanath Tagore.

Another section focuses on the actual moment of nationalisation of coal, in 1973, and the roots of the committee-based coal allocation system. The author picks up and develops the arbitrariness of this process in what is, to my mind, the most compelling chapter, "Notes from an Auditor", that traces the Comptroller and Auditor General's investigation into coal mine allocations and the subsequent court proceedings. Peppered with insights from interviews with former bureaucrats and Coal India Limited officials, the chapter describes the coal rush as companies scrambled to get in on an anticipated electricity boom in the early 2000s, and repeated failed efforts to bring in the private sector in more measured ways, notably through an auction system. Subsequent chapters deal with the drastic coal shortages of the early 2010s, the high-level interventions and representation by industry, the tussles between the coal industry and Jairam Ramesh's ministry of environment and forests efforts to impose a "go no-go" approach and the unexpected collapse of coal prices in 2014.

In all of this the book is comprehensive and rich in detail, which is a strength. But sometimes extraneous detail gets in the way of telling the main coal story. Readers are treated to perhaps more than needed on the circumstances behind Manmohan Singh's appointment as finance minister in 1991 and to a long detour explaining the genesis of the Somali pirates (the latter in the context of ensuring the security of sea lanes for coal imports).

The author also engages the material from a conviction on the importance of coal to India's economy as also his sense that India has wasted its opportunity through flawed processes of private engagement and tolerated a slothful Coal India Limited for too long, themes that run through the book. But this perspective also leads to some blind spots. For example, while the book is exhaustive at the macro-political and bureaucratic levels, we learn much less about the subaltern politics of coal, its distorting effects on mining communities and the growing concern around and evidence of linkages to local air pollution in the country.

In the last two chapters, the author seeks to engage with the question of coal in India's future in a fast-changing global environment. He discusses, for example, India's juggling act at the Paris climate conference, positioning the country both as a forward-looking climate-responsible power and retaining the right to use coal to power India's development. The challenge, however, is that narratives on the Indian energy landscape are changing so fast that the book already feels a little stale in its forward-looking dimension.

To be fair, this is beyond the author's control; the price of renewable energy has tumbled in the last two to three years, and government studies have emerged proclaiming far less need for coal-based power than was imagined possible at the time of Paris. These changes have happened on the time scale of months, a challenge for any book-length study to keep up with. In the process, in the international as well as the Indian media, the pendulum seems to have swung, on a very thin evidence base and likely far too quickly, from the impossibility of a future without coal to its inevitability.

Mr Bhattacharjee's book gives us a solid platform for understanding India's long-standing tryst with coal. A reader can fruitfully pick up this book to understand this complex history. But she will need additional, and even more current, information and views to draw conclusions about India's future coal story.

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**INDIA'S COAL STORY**
**From Damodar to Zambezi**
Subhomoy Bhattacharjee
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