

A structural problem

Have you ever wondered why your electricity bill has only been going up when it is becoming cheaper to generate power?



VANDANA GOMBAR

ple explanation: Power market structure.

This structure does not allow you to dynamically change your power supplier, as you would, say your mobile phone service provider. There aren't options on tariff packages available or a choice to consume only green electricity generated from renewable sources. This situation will inevitably change, in line with what is happening in the rest of the world, with start-ups challenging the status quo.

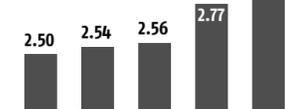
Two months ago, an interesting company called Griddy, based in the US, offered to charge customers in the state of Texas only the real-time wholesale price of power, for a nominal fixed membership fee. Since wholesale prices are depressed, partly due to generation from renewables, there is a significantly lower electricity bill promised. The CEO of the

company hoped such a move would challenge an "electricity system that looks like a snake pit." Mojo Power does the same in Australia, exposing its customers to wholesale prices, with its "0 per cent mark-up electricity rates."

Though less than 5 per cent of the power generated daily in India is traded, there is a clearing price across India that can be seen online on the government's site (www.vidyutpravah.in) or on the Indian Energy Exchange. The average price for traded power has ranged from ₹2-3 per unit in the recent past. Tariffs paid by consumers, however, could be as much as ₹10 per unit, as charges for transmission, distribution, power theft and other chronic system inefficiencies are piled on, particularly for non-residential users. With the transparency provided by real-time

AN UBER OPPORTUNITY

Average market clearing price (₹) of power per unit
Average* India retail price ₹6.45



(*Average of residential, commercial and industrial prices in the year ended March 2016)
Sources: Indian Energy Exchange, Bloomberg New Energy Finance

data, some consumers have started asking the right questions about the price and availability of power. If petrol and diesel prices can be adjusted daily, why is flexibility in electricity prices non-existent?

Residential consumers also have a choice of consuming only green electricity in some markets. In the UK, for instance, Good Energy supplies electricity from renewable sources only with nil carbon emissions and no radioactive waste. It is also a cheaper option — Delhi Metro is switching to solar power to curtail

its power bill. That is also what is driving the swing towards solar for India's airports, and various other facilities. As many as 96 companies have committed to use 100 per cent renewable energy under the so-called RE100 programme, including the likes of Apple, Google, Microsoft and Infosys. This option of consuming only green power is not available to residential users in India, even if some of them are willing to pay a premium for green power.

Interestingly, there would likely be no need for a premium payment for clean energy: A consumer, who taps into the 90 gigawatts of capacity locked in backup diesel generators, would see a reduction in bills on moving to renewable energy, and will also get the benefit of breathing cleaner air. Enabling such a scenario to unfold is what the power regulators should be thinking about. This is what should be on NITI Aayog's radar before a start-up offering these services forces their hand.

The author is editor, Global Policy, for Bloomberg New Energy Finance; vgombar@bloomberg.net

CHINESE WHISPERS

Office maze



The RM Lodha panel, which is overseeing the sale of assets of PACL, encountered various difficulties. One of these was in Gopaldas Bhavan, a prominent office building in capital's Connaught Place. PACL had purchased 27 offices on the 7th floor and 17 office spaces on the 6th floor. But, it removed the physical demarcation/division/walls separating each office. Now, with each office space in separate deeds, it has become a nightmare for the panel and prospective buyers to identify and match which office is where to be able to take informed decisions.

The art of stonewalling

An ex-banker recalled his experience with the late NT Rama Rao, popularly known as NTR, actor and politician who served as the chief minister of Andhra Pradesh. The banker was surprised at the way Rao deflected most questions from journalists at a press conference. And when he did answer the odd one, NTR said only what he wanted to say. At the end of the press event, the thespian explained his stance: "Journalists are paid to ask questions; I am not paid to answer those."



A tough task

The task of tackling the "underground mining and over ground mafia" in the coal sector was "easier" than what he is up against now, said former coal secretary Anil Swarup (pictured). As secretary, school education and literacy, now, he has to wage a war on the "education mafia". And, tackling the "underground mafia in the education sector" has turned out to be a far tougher task, he said in a LinkedIn post.

Energy majors go for a major rethink

If large consumers are diversifying their fuel mix, energy majors must follow suit to retain their dominance



KAMESWARA RAO

Energy majors are, at last, starting to think about the future of energy. It was not always this way. Energy majors built their historic wealth in assets such as coal mines, oil wells and gas fields. The value came from discovering and developing these assets across the globe and putting them to market. They obsessed more with adding reserves and worried about hitting the "peak" that is, when they will start to deplete reserves more than add. This may still be the mindset but a fundamental rethink is starting to happen as consumers increasingly take to other energy sources closer home.

The growth in commercial energy use, for many years, has come largely from developing nations as their population and economies grew. In the normal course, as these countries matured over the years, their energy growth would have gradually slowed. But the change is coming quicker with many governments investing in energy efficiency programmes and in renewable energy. Already, the energy majors are facing softer demand for their traditional products, causing them to sit up and prepare for the low carbon economy.

The recent Reliance-BP deal hints that this is on their mind. They are not alone. Coal India, the world's sixth largest mining company, has embarked



NEED OF THE HOUR The renewable energy sector will truly benefit from large spend in innovation and market development that improves efficiency and reliability

on an exercise to relook at its vision. Canada's largest power producer, Hydro Quebec, invests considerably in research on electric mobility, which may give it a new set of consumers. Several large Indian companies (the RE100) are committed to sourcing green energy to power their entire operations.

This market opportunity is growing fast too and, as such, worthy of consideration. In fact, if large consumers are diversifying their fuel mix, energy majors must follow suit to retain their dominance. The government of India

has made its intent clear — to reshape our energy mix, and in the Paris agreement signed up to reducing carbon intensity. This makes a clear statement of the future state of our energy industry and offers an opportunity for new players to enter and grow. The utilities are increasingly opening up to renewable energy, as lower tariffs (ignoring the integration costs) displace costlier supplies in their merit order dispatch. Already, a number of diesel-based power purchase agreements signed in the 1990s have been terminated.

The renewable energy sector needs new players, too. The flood of newcomers into renewable energy, welcome as they are, have background largely in infrastructure and financing. They are not yet clean-technology players and look good in the reflected glory of declining costs of solar modules and wind equipment. The renewable energy sector will truly benefit from large spend in innovation and market development that improves efficiency (namely, to extract more energy from natural resources) and reliability (namely, to maintain a stable grid even as

the more variable renewables are used).

The large energy companies have an edge here. They have a culture of dealing with development of high risk natural resources, a technological capability to work in challenging conditions, and deep pockets to invest large capital necessary to reshape the industry. They can change the game in areas like offshore wind power, geothermal, and electric mobility. This can push down costs further. The recently released Bloomberg New Energy Outlook 2017, for example, suggests that offshore wind costs could decline by as much as 71 per cent by 2040, as experience and scale benefits grow with investment.

The government is encouraging large state-owned enterprises with cash reserves to invest in clean technology to drive scale. Unfortunately, this has only led to one-off tenders to set up a solar park or wind farm, which remain small and non-core, compared to their main business. Instead, public sector companies could get together, and pool their resources to invest in more fundamental requirements such as in pumped-storage hydro or in renewable grid integration.

The governments are also rethinking their role. In the recent years, the government has phased out production incentives, accelerated depreciation credits and moved away from guaranteed feed-in tariffs to reverse auctions. The interest of investors and flow of funds into clean technology, however, continues undeterred by this chop of sops. There is growing conviction that market economics and customer choice will rewrite the future growth of new energy. The only unknown today is which of the energy majors will be there to tell that story.

The writer is Partner & Leader - Energy, Utilities and Mining, PwC

BUSINESS LIFE

Why cold, hard cash remains king

Love for paper money is simply stronger than the ease of credit cards and apps

Leonid Bershidsky

We don't have to like the way technology is changing the world. Given the technological disruption that's happening everywhere, it's reasonable to expect a little Luddite pushback. The growing share of cash in advanced economies might fall in that category.

Economists rarely admit they don't understand something related to their area of expertise. But Daniel Gros, director of the Center for European Policy Studies, a Brussels think tank, did so in a fresh paper for the European Parliament. He called the increasing cash-to-economic output ratios a "mystery". Isn't cash supposed to be going obsolete with all the modern payment methods, from debit and credit cards to the latest fintech apps? Well, it's not, except in Sweden and Denmark, where conscious efforts are being made to create cashless societies.

There are a couple potential explanations here. Since the use of cash in payments isn't growing — cashless transactions increased globally to \$617 billion last year from \$60 billion in 2010 — it might be logical to assume banknotes are used as a savings medium in the era of near-zero interest rates. But, according to Gros, no correlation between rates and the cash-to-gross domestic product ratio has been found. Gros pointed out that in the euro area, €500 bills make up a decreasing share of the cash in circulation and the share of €50 bills is rapidly increasing; that's too small a denomination to keep large savings in. And in any case, keeping big amounts of money in cash is unsafe, inconvenient and subject to crippling regulation when one wants to spend it, not to mention abrupt moves such as India's clumsy demonetisation last year.

More cash could also be associated with a growing shadow economy. But the informal sector is shrinking everywhere, and the share of cash relative to



People salivate at the sight of cash because we're conditioned to feel its attraction

PHOTO: ISTOCK

GDP has increased the most in Japan, where the shadow economy is small, only about 10 per cent of GDP.

One could also argue that a lot of dollars and euros are used outside their domestic circulation areas. But that wouldn't explain cash growth in Hungary or the Czech Republic — no one uses the forint or the koruna outside their home countries.

I have argued that if governments want to eliminate cash — and, theoretically, they'd all like to, if only to shrink the black market and complicate terrorist funding — they should also promote the spread of cryptocurrencies such as Bitcoin. These are anonymous enough but still somewhat easier to trace than cash, striking a good balance between letting people trade privately, without supervision, and making criminal activity riskier and more difficult.

I miss the more durable, heavier, lower-tech objects of 20 or 30 years ago. The best car I've ever owned was a Land Rover Defender, which had barely any electronics in it. Three years ago, my family gave away all the books that filled our apartment and switched to e-books — but now my younger daughter shows a clear preference for dead-tree books, and I find a guilty pleasure in handling

them when I read to her. Clearly, Amazon is on to something with its expanding chain of brick-and-mortar bookstores. They are different from traditional ones in that they stock and display books according to their performance in the company's online store, but Amazon appears to cherish the physical interaction with customers, who, in turn, miss the tactile aspect of real-world browsing.

It's easier to use a service like Apple Pay or a plastic card than traditional money. But there's an old, pre-digital magic to cash. There's something of a ritual to counting out bills or to folding them to put in a wallet. There's also a physical reaction: A 2012 study found that people salivate at the sight of cash because we're conditioned to feel its attraction. Using cash also increases one's emotional investment in a purchase. I remember hesitating in a Kathmandu shop that sold traditional tangka paintings: The price seemed too high. So the seller urged me to pay with a credit card. "Easy money, plastic money," he said. The tangka over my desk at home reminds me of the episode every time I look at it.

Bloomberg

LETTERS

Stop polarisation

This refers to the article, "Muslims observe Black Eid over lynching" dated June 27, 2017. Advocating non-violent resistance to the racially discriminatory Asiatic Law Amendment Ordinance issued by the Transvaal government in 1906, Mahatma Gandhi made a powerful statement to bring the aggrieved on board, "They may torture my body, break my bones, even kill me. Then they will have my dead body, but not my obedience."

The disturbing pattern of intolerance and polarisation gradually pervading the country since the new regime got elected to power precisely sums up the fear of Gandhi. To make dissenters fall in line and make them "obey" with the prevalent line of thought, emotive matters are being allowed to culminate into acts of majoritarian lawlessness and violence, as the victims are rendered helpless to look up to the state for protection.

It is unfortunate that the legislation on cow slaughter and a communally venomous agenda are being misused by some fringe groups with impunity as a tool to harass and intimidate minorities.

The society is being increasingly coerced into conforming with an intolerant and hate-filled interpretation of faith. It is time the political parties stopped straining the social fabric by polarising their subjects along communal lines. Instead, the orientation of faith should be debated in a manner which is both politically correct and theologically permissible.

Shreyans Jain New Delhi

Hardened days

With reference to Chinese Whispers' item "Stressed employees" (BS, June 26), the situation seems to be quite worrisome for various high-debt companies in the current economic scenario.

While the promoters could blame none but themselves for their predicament,



liability mismatches on a priority basis. An old saying says, a stitch in time saves nine.

S Kumar New Delhi

A welcome move

Prime Minister Narendra Modi's US visit marks an important milestone, with the US declaring Salahuddin, head of the Kashmiri militant group Hiz-bul-Mujahideen, a global terrorist. This will help in choking his movement and financing. First of all, all the terrorists must starve for finance. Lack of financial support can deliver a severe blow to the terrorists operating from the soil of countries providing financial support. Apart from blocking money-flow to the terrorist outfits, the countries that are backing militants with financial support must also be declared as "terrorist country".

The UN should take appropriate action on "terrorist countries". Declaration on Salahuddin by the US emphasises its commitment to end terror in all forms. The declaration also prohibits the US citizens from engaging in transactions with Salahuddin, and all of his property and interests in property, subject to the US jurisdiction, are blocked. It is a welcome move.

K V Seetharamaiah Karnataka

Letters can be mailed, faxed or e-mailed to: The Editor, Business Standard, Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi 110 002. Fax: (011) 2370201. E-mail: letters@bsmail.in. All letters must have a postal address and telephone number.

HAMBONE

BY MIKE FLANAGAN



Steady progress

Low-key diplomacy consolidates Indo-US ties

Prime Minister Narendra Modi's first meeting with US President Donald Trump may have lacked the razzmatazz of his earlier visits but nuanced preparatory diplomacy appears to have created a platform for steady consolidation of ties that began under George W Bush. Given the manifest unpredictability of the current White House incumbent, this is no small achievement. Indeed, unlike Mr Trump's relations with Chinese President Xi Jinping, which have swung from aversion to lavish friendship and back, Mr Modi has enjoyed a stable relationship with the US president. Mr Trump's consistent denunciation of Pakistan's support for terrorist groups — expressed in the short shrift accorded to its prime minister, Nawaz Sharif, in Saudi Arabia — and India's developmental record in Afghanistan have provided a strong common foundation. This equilibrium in Indo-US ties owes much to the Indian foreign policy establishment's careful management of the optics.

Acknowledgement of the Trump administration's ambivalent view of immigrants encouraged Mr Modi to eschew the stadium rock show-style meets with the Indian-American community in favour of a smaller meeting at a hotel. Even though a well-placed leader under Mr Modi's byline in the *Wall Street Journal* underlined the robust "digital and scientific partnerships between the two countries", a meeting with US technology giants may not have yielded visible results in terms of concessions on H1B visas, the single biggest issue roiling Indian information technology companies. But discreet give-and-take negotiations may yield better dividends than overt special pleadings, especially given Mr Trump's explicit demands for reducing trade barriers for US exports. In this context, a \$2-billion deal to buy Honeywell-manufactured Guardian drones and an invitation to the president's daughter and advisor, Ivanka Trump, to lead a delegation of US businesspeople visiting India later this year check two key boxes for the Trump White House, jobs and family ties.

If there were unambiguous gains for India, they came in the State Department's designation of Hizbul Mujahideen leader and Kashmir-focused jihadi Syed Salahuddin as a "global terrorist", a move that enables the US to block assets and entities that support his activities. This move by the US as well as multiple mentions of terrorism in Monday's joint statement are manifestly to India's advantage in its struggles in Kashmir. The better-than-expected outcome of this two-day visit, however, comes with some caution, principally in terms of what closer US ties may mean to the rising power over one mountain range, China, and its ambitions for regional domination embedded in the One Belt One Road initiative. Mr Modi made an oblique reference to this by talking about strategic cooperation with the US in the "Indo-Pacific region". China had not failed to express its opinion of closer Indo-US relations. A day ahead of Mr Modi's visit to Washington, it reiterated its refusal to endorse India's joining the Nuclear Suppliers Group and barred some 50 Indian pilgrims on their annual Kailash-Mansarovar journey from crossing the Nathu La pass. For Mr Modi, thus, managing relations with the superpower closer to home will demand similar shrewd diplomacy.

Let the market decide

Efficient and speedy resolution of NPAs needs Sebi's help

Last week, the Securities and Exchange Board of India (Sebi) took some important decisions to facilitate the turnaround of distressed companies with the underlying intention of providing relief to shareholders and lenders. However, although these proposals will help in the resolution of bad loans, they might not go far enough. Some of these steps are in line with the Reserve Bank of India's guidelines on strategic debt restructuring (SDR). If a bank exercises its rights to take over a defaulting debtor under the SDR scheme, it is exempted from making either an open offer to minority shareholders or a preferential issue to increase its stake, as is otherwise obligatory. However, and this is crucial, the rules made it obligatory for the new strategic acquirer to make a mandatory open offer. Sebi's board has relaxed this requirement. The need for making a preferential issue, too, has been relaxed, provided that the acquisition is under a resolution plan approved by the National Company Law Tribunal. These relaxations considerably reduce the financial commitments for investors in distressed listed companies and make it easier for lenders to realise some return on non-performing assets (NPAs). It will also provide investors some leeway to commit more funds to run the business.

However, Sebi has retained a couple of provisions that could still prove to be hurdles to such distress sales. One, the sale must be subject to approval of the shareholders by a special resolution. Two, the new investor must lock in their shareholdings for a minimum period of three years. The lock-in period presumably arises from an assumption that such an investor will wish to run the business. But this may not be the case always. In many cases, the distressed company cannot be rescued because the business model is not viable — for instance, several stalled infrastructure projects were set up on the basis of unrealistic assumptions. In such cases, it would be sensible for a "vulture capitalist" to buy the business at a deep discount from lenders and then break up the company and sell off whatever assets possible for whatever profit it can realise. That is the most efficient way of utilising blocked assets. Clearly, the lock-in condition is restrictive and it severely limits the resale potential of such distressed companies.

The concept of approval by a special resolution arises from a laudable desire to protect the rights of minority shareholders. However, this provision is cumbersome and will likely lead to deals being scuppered by vested interests. While the rights of shareholders should be protected, the rights of creditors cannot be compromised either. Sebi should look to guard the rights of minority shareholders by ensuring that there is no differential treatment in a case of asset-stripping. Whatever is left after settling debts should be shared equally among equity-holders. The NPA situation has been brewing for a decade and it has reached a crisis point. It cannot be solved without lenders and shareholders taking haircuts. In such a situation, the regulator should go the whole hog to ensure speedy resolution.

ILLUSTRATION BY BINAY SINHA



The decline of civility

The effects of creating 'baiting crowds' on social media, and their use by politicians, have diluted the civilising processes of parliamentary democracy

After returning to London on June 5, there has been one shocking event after another. A suicide bomber blew himself up at the entrance of a concert hall in Manchester as a hall full of teenagers exited. Three jihadists drove a truck through pedestrians on London Bridge before disembarking with knives and stabbing and killing people in restaurants and pubs nearby. Then on June 10, Theresa May's electoral gamble to turn her 20-point poll lead into an impregnable Commons majority spectacularly failed, as the electorate (again defying the pollsters) elected a hung parliament. In the ensuing political chaos, accentuated by the upcoming Brexit negotiations, yet another shock — heralded by an unseasonable heat wave in London as the 24-storey social housing Grenfell Towers burnt, with the upper floors becoming communal pyres. An air of hopelessness and of portending doom and gloom hangs over London.

This is matched by hardening divisions between political opponents within and across parties. There is a rising hatred on all sides in public debates. Emblematic of this was the latest edition of the BBC's Question Time where a heckler had to be evicted for being rude, butting into other people's points and talking over other people's argument before they had finished — something which has also become commonplace on Indian TV debates. In all this we are regressing from the civilising process begun in the 16th century by Erasmus and Montaigne to tame the more primeval habits and passions of our species. As Norbert Elias argued (in *The Civilising Process*) the evolution of civilised manners in the West was based on an amalgamation of aristocratic and bourgeois behaviour in post-Renaissance Europe. The division of labour, monetisation and the accompanying differentiation of tasks and integration of different classes and groups in society, required the personal internalisation of various forms of self-restraint on instinctual drives and passions. It

is these civilised restraints which are being weakened and more primal passions are being resurrected.

Elias Canetti's *Crowds and Power* is useful in understanding this regression in public debate and social intercourse. He was particularly concerned with those instincts which arose when we were still small roving bands fending off numerous predators in the savannas. His starting point is the fear of being touched. "Man always tends to avoid physical contact with anything strange", including when we are among other humans who are strangers. It is only in a crowd that "man can become free of this fear of being touched. That is the only situation in which the fear changes into its opposite." The reversal of the fear of being touched belongs to the nature of crowds. Canetti then distinguishes between different types of crowds and their attributes. For my purposes the most important of these is the pack. Of the four types Canetti distinguishes, the one most relevant is the "war pack" which differs from its hunting variant as it "postulates a second pack of men" whose destruction is its goal.

The evolution of parliamentary democracy was part of the civilising process which transformed the "war pack" by taming its basic instinct for killing the other pack, but kept "the psychological structure of opposing armies". The final parliamentary vote is decisive and is all that is left of the original lethal clash of war packs. "In a parliament there are, and can be, no dead". This is ensured by a two-fold parliamentary immunity. "It operates both in relation to the government and its agents and in relation to other members...All members of parliament share in a common immunity. It is this measure of equality which makes them a crowd and there is no distinction here between members of either party". This crowd unlike the war packs can be friends as their lives are not threatened by their losing a vote on supporting the losing conviction. This civilised political process has been poisoned by the outcomes of the 2016 UK Brexit referendum and the US



DEEPAK LAL

Demonetisation has cost us a lot

Demonetisation, or DeMo, is back in the news. And, it's not good news. In articles written for this paper (December 7 and 26, 2016), I had argued that: Total transactions would contract; economic activity would be seriously disrupted; there would be lag effects; and the disruption will continue into the first quarter of 2017-18 (and probably beyond that). It is time to take stock of what DeMo did not achieve, what it did and its continuing impact.

First off, DeMo neither stopped the flow of black income nor the acquisition of black wealth. Since it did not address these problems, understandably, it had no impact. Result: After January 1, 2017, it is back to business as usual.

Second, it did not stop counterfeiting. Since the Reserve Bank of India (RBI) is still counting the money that came in, there are no official figures for fake notes. But, estimates are that they were a minuscule percentage. Any way, counterfeiters are back in business. Bottom line: The objective of killing the fake note industry (used to finance terrorism) was not realised.

Third, the most important objective of DeMo was to render worthless the black wealth held as cash assets, i.e. in currency. Owners of such black currency would not be able to declare it and this amount would be worthless paper. The government expected that a large amount would not return to the system. This too was not realised. The latest RBI Weekly Statistical Supplement of June 9, 2017, reports: Notes in circulation declined from ₹179 lakh crore on November 8, 2016, to ₹14.7 lakh crore on June 2, 2017. Over the same period, total deposits of banks with RBI and under market stabilisation scheme (MSS) increased by ₹2.31 lakh crore and ₹0.947 lakh crore viz. ₹3.25 lakh crore on account of deposits of demonetised bank notes. Now, do the math: ₹14.7 lakh crore plus ₹3.25 lakh crore (₹17.95 lakh crore) on June 2, 2017 as against ₹179 lakh crore on November 8. Ergo, virtually all the demonetised currency has come back to the system. (Drawn

to my attention by my friend of 40 plus years, T C A S Raghavan). Thus, DeMo failed in its most important objective.

Well then, what did DeMo achieve? As predicted by most economists, the volume of transactions fell, economic activity was adversely impacted, and some sectors (which were more dependent on cash transactions) witnessed greater disruption than others.

The Ministry of Statistics and Programme Implementation (MoSPI) recently released official figures clearly show that there was: A slowdown in the annual growth rate of gross domestic product (GDP); in terms of gross value added, the deceleration in growth is larger. There was a contraction in the last quarter's growth rate by over 3 percentage points when compared to the fourth quarter in 2015-16. Clearly, economic activity was adversely impacted by DeMo.

The MoSPI numbers also confirm a number of "speculations". Construction sector saw a virtual collapse. Manufacturing slowed down. Services sector saw a slowdown (except for public administration, etc.). And, all this when the data does not accurately capture what is happening in the informal sector (in manufacturing and services).

Private final consumption expenditure as a share of GDP declined in the last quarter. The same is true of gross fixed capital formation. DeMo reduced consumption and investment demand.

As is now evident, the agriculture sector — highly dependent on cash transactions — has borne a huge burden. Harish Damodaran (*The crops of wrath*, *The Indian Express*, June 12, 2017) shows that prices of a number of crops have fallen significantly and that the simultaneous fall of prices of some products is unprecedented. This post-harvest disaster is an outcome of DeMo; cash-based transactions/contracts could not be concluded. So, two years of drought have been followed by a good harvest but poor price realisation viz. three years of depressed incomes. The agricultural distress



RAHUL KHULLAR

presidential election. Why?

One important factor has been the widespread use of social media. Canetti in his classification of crowds had identified the "baiting crowd" which goes back to the hunting pack. From the throwing of Christians to the lions in the Roman Coliseum to the collective executions by guillotine in the French Revolution, the importance of this form of primeval instinct cannot be doubted. The disgust at collective killing in the West is very recent. Nevertheless, "today everyone takes part in public executions through the newspapers", notes Canetti. Often justified as part of the classical liberal liberty of free speech, Mill's principle of liberty is still preserved — at least in the English Common Law — by the victim having recourse to the law of libel. But the anonymous baiting of victims on social media does not allow any such redress. Most egregiously amongst school children in England it has led to the formation of anonymous bullying packs on the internet. Their elders in the public eye are beset by unaccountable trolls. Whilst young school girls are reported to have been traumatised by their number of "likes" and "dislikes" on social media. Canetti rightly called the "baiting crowd" of the newspapers even worse than those of yore, as "because of its distance from events it was a more irresponsible one". Also, "it is the most despicable and, at the same time, most stable form of such a crowd. Since it does not even have to assemble, it escapes disintegration". Today's internet "baiting crowds" are even worse because their anonymity does not allow any legal redress.

Much worse, the effects of creating "baiting crowds" on social media, and their growing use by politicians, have led to the dilution of those civilising processes of parliamentary democracy which had tamed the primeval instincts of war packs. Now, rival social media war packs make it more difficult for their representatives to compromise on contentious public policies, leading to the growing public hatred, political polarisation and dysfunction seen in both the US and UK. This has been made worse as the newspapers lose their advertising revenue to the social media sites accommodating these "baiting crowds". They have countered by pandering exclusively to specific "baiting crowds". Though always having been sympathetic to particular viewpoints in their opinion columns, newspapers of record such as *The New York Times* (*NYT*) prided themselves: "to report the news in a fair and straightforward manner. Today all that has changed", as Michael Goodwin a former *NYT* reporter and now at the *New York Post* states in his "The 2016 Election and the Demise of Journalistic Standards", (*Imprimis*, May/June 2017, www.Hillsdale.edu) He sees the 2016 US election as the turning point when the *NYT*'s top editor Dean Baquet explicitly abrogated the standard for fairness and keeping the news separate from opinion set by its legendary editor Abe Rosenthal, which was summed up on his tombstone as "he kept the paper straight".

My conclusion can be brief. To restore the civility which had tamed our basic instincts through the humanist civilising processes of post-Renaissance Europe, we need to take on social media recreating untamed "baiting packs" and the "war packs" based on our basic instincts, which are deleterious to the classical liberal social and political order and the civilising processes they represent.

has spawned a flurry of loan waivers (with more to come) by state governments. It is far from clear that states have the capacity to bear the fiscal burden. Cashless transactions did indeed pick up after DeMo. But, going cashless happened only for those with access to a digital system. And, after remonetisation it is back to cash. In any event, we did not need DeMo to promote digital payments.

What lies ahead? The sharp fall in rural incomes implies no pick-up in rural demand at least for the first two quarters of 2017-18. And, if construction and other informal sector activity does not revive (as looks likely), the prospects for consumption demand are gloomy. The excess capacity problem, therefore, continues.

The decline in the share of investment expenditure must be reversed. But, slow expansion of consumption demand does not augur well for a pick up in investment. Here, too, there is no good news for the first two quarters.

Agriculture now poses other risks. If the crash in prices induces a cutback in kharif sowing of certain crops (pulses), be ready for a spike in prices in the third quarter. And, that can re-start food inflation.

Loan waivers imply a cutback in public investment by states. Moreover, waivers take time to work out, sometimes more than a year. So, do not expect an immediate revival of rural demand. However, fiscal liabilities are apparent immediately. Moral hazard for lending will only compound the already serious non-performing assets problem. This will surely influence RBI's monetary policy stance.

All in all, DeMo has cost us a lot. And, if that was not enough, we now have the attendant risks of the goods and services tax roll-out and the clean-up of the public sector balance sheets. So, keep your fingers crossed.

Writing in December 2016, I had concluded thus: "How much time is it going to take to put the economy back on the rails? There will be lag effects. Rational expectations will have to be reversed. The revival of investment may be staggered into 2018... in the Ministry of Finance, senior management ought to be looking at more serious issues than 'digitally cashless' India." Today: Some even more serious issues have come their way.

The writer is a former Trai chairman

An awkward dance



BOOK REVIEW

ISHAN BAKSHI

And so it begins. Under the full glare of the international media, the two leaders lurched towards each other, embracing in an awkward bear hug, as they seek to define the broad contours of the relationship between the two countries under the new US presidency.

Compared to his meetings with the former US president, Barack Obama, Prime Minister Narendra Modi's first meeting with Donald Trump was scarcely an extraordinary affair.

But coming on the heels of Mr Trump withdrawing the US from the Trans-Pacific Partnership (TPP), the

Paris climate accord and the flare-up over the contentious issue of H1B visas, its extraordinariness lies in it *not* being extraordinary.

Considering that Mr Trump's approach is a complete departure from that of his predecessors, what can India expect? And how should it prepare itself?

In a new book, *India Foreign Trade — Trumped Up or Down?*, Amiya Chandra, a civil servant with experience in foreign trade, attempts to explore these questions and more by looking at India's foreign trade against the backdrop of the Trump presidency.

The first section of the book begins by analysing how Mr Trump negotiates deals by drawing on his views as elaborated in his widely read book *The Art of the Deal*. Never mind that books of such nature are generally self-aggrandised accounts and, as such, may not accurately reflect Mr Trump's views or how he will navigate his presidency.

Based on his analysis, Mr Chandra suggests that India should work on four key pivots. To wit: Mr Modi must forge a personal relationship with Mr Trump; he must also ensure an alignment of the administration; India must proactively set the agenda; and work in solution mode.

Ignoring, for the moment, the lack of specificity embedded in these motherhood statements, this is hardly a new approach.

Mr Modi has gone to great lengths to establish a personal relationship with other leaders hoping that personal chemistry would surmount other obstacles. If anything, this has been a hallmark of his foreign policy.

On the issue of alignment of the administration, considering that Mr Chandra is a civil servant, this is a rather unusual yet bold statement to make. "The most frustrating thing for any leadership is to see its good work being undone by a non-aligned bureaucratic set up," he writes.

Is he implying that various initiatives the prime minister has taken have been undermined by the bureaucracy? If so,

Mr Chandra doesn't offer proof to back his claim.

He argues, perhaps rightly so, that access to India's market is our greatest leverage against the Americans. This can be used to our advantage in negotiations with the US.

"The Indian government will have to put in serious thoughts on opening the Indian market to American companies if India wishes to have a far greater access to the American market," he says, implying that India can offer American companies greater access in return for meeting its needs. In fact, Mr Trump has also goaded Mr Modi into doing the same.

But the fundamental question is whether Indian companies are ready to face such competition. Unfortunately, the author does not offer any detailed analysis on this.

It is also surprising that at a time when many in India are questioning the benefits accruing from free trade agreements (FTAs), Mr Chandra makes a strong pitch for an FTA between the two countries.

There are some useful suggestions

such as the need to rejig the organisational structure to promote exports.

"The conventional way of forming committees and assigning them the task to suggest and recommend policies within a short duration of time, and merely pass on their suggestions and demands to the government is not going to increase India's exports in America," he writes.

But then, precious little is said on what should replace the current setup. Simply importing ideas from other countries may not work given differing institutional structures.

Another useful idea is to classify US states into three categories based on how much India exports to them. These, then, could be mapped sector wise, providing some indication of where the export potential lies.

But the practicality of his other ideas is debatable.

At one place, he suggests that the three million Indian Americans in the US be roped in to help boost our exports by providing market intelligence and launch pads for companies.