

BusinessLine

THURSDAY, JULY 13, 2017

Ta-ta Nano

Its much touted USP finally turned out to be the millstone around its neck

Reports have it that the people's car which Tata Motors launched with much fanfare at the 2008 Delhi Auto Expo will now be consigned to the archives. This is a sad end to what could have been a potential game-changer in India's automobile industry. When Tata Motors announced over a decade ago that his company was working on a ₹1-lakh people's car, the world sat up and took notice. This kind of pricing was unheard of for a full-fledged automobile and even while there were sceptics such as Osamu Suzuki, chief of Suzuki Motor Corporation, the likes of Carlos Ghosn, CEO of Renault-Nissan, were visibly impressed. And Tata kept true to his word with the now immortal line at the Auto Expo: "A promise is a promise..." when the ₹1-lakh price was announced for the base version. It was a heady moment for the then Tata Motors chairman who had, exactly a decade earlier, unveiled the Indica at the same venue to a rapturous audience. The Nano had taken the stakes to a new level with its astonishing price tag.

In retrospect, the car's USP of affordability would itself become a factor in its failure. The well-intentioned Tata who wanted to help middle-class families migrate to a car from a two-wheeler did not factor in their aspirations. Not for them a small box with four wheels that got them around the city. The aspirational middle-class car buyer desired bells and whistles to go with the basic functional features and there the Nano came unstuck. At its price point, the car could not obviously boast of features that even the next higher model did. With competitors flooding the market with affordable cars with all value-added features at only a slightly higher cost to the Nano, the fate of the car was sealed. It could be argued here though that the delay in the market entry of the car by more than a year due to the troubles at Singur proved crucial. With the Mamata Banerjee-led Trinamool Congress staging massive protests against the then Left government's decision to allocate fertile farmland at Singur, Tata Motors was forced to abandon its plans for a factory there that was to produce the Nano. Valuable time was lost and even while Tata Motors began producing small numbers of the Nano at its Pantnagar facility, the initial momentum had slowed down.

There was more trouble in store when stories began doing the rounds of Nanos catching fire. Suddenly, the people's car did not look so alluring with people wondering if this was the fallout of a ₹1-lakh price tag, never mind that the top-end version actually cost nearly twice as much. Tata Motors did attempt to reposition the car steering clear of the 'cheap car' tag but the damage had been done. When the history of India's automobile industry is written, the Nano will have a special place for sure. It may have failed in the market for various reasons but it certainly showcased India's "frugal engineering" prowess.

No early solution to the impasse in J&K

Blunting Pakistan's efforts to create unrest, and focusing on education and employment for Kashmiri youth is vital



G PARTHASARATHY

Barely two hours before Prime Minister Modi arrived in the White House on June 26, the State Department named Mohammad Yusuf Shah, better known as Syed Salahuddin, the Head of the POK-based Hizb ul Mujahideen, a "specially designated global terrorist," for "committing terrorist acts" that "endangered the lives of American nationals". The State Department added that Salahuddin had vowed in September 2016 to "block any peaceful resolution to the Kashmir conflict, threatened to train more Kashmiri suicide bombers" and vowed to turn the Kashmir valley "into a graveyard for Indian forces". Salahuddin was a member of the "Muslim United Front" (MUF) formed in the Kashmir Valley to contest in Assembly elections in 1987. The emergence of the MUF was a response to the rampant corruption during the rule of the National Conference (NC). Interestingly, the NC was overly tolerant of the Pakistan-backed and fundamentalist Jamaat e Islami, headed by Syed Ali Shah Geelani. Salahuddin participated in the elections of 1987, which were blatantly rigged. He was defeated in a seat which he was sure to win. Disillusioned with electoral politics, Salahuddin crossed the LoC and was co-opted by the ISI. He soon became the Head of the ISI-sponsored Hizb ul Mujahideen and the 15-member United Jihad Council, which included groups

such as the Lashkar e Taiba and Harkat ul Mujahideen. Salahuddin linked separatist violence in Kashmir with war waged by the likes of Al Qaeda and Taliban. Like other ageing leaders of armed groups, Salahuddin has yielded his place as a folk hero to newly emerging 'social media jihadis' like Burhan Wani in Southern Kashmir.

The Kashmir 'Jihad' of the 1990s witnessed its ebbs and tides. With Kashmiris tiring of violence, it inevitably became a movement dominated by Pakistani Jihadis from groups such as the JeM and LeT. Security forces eliminated Wani last year. His successor Sabzar Ahmad Bhatt met the same fate a few weeks ago. It appears a question of time before the South Kashmir jihad is weakened and Pakistan is forced to again rely heavily on its Punjabi jihadis. Within the next two years South Kashmir's new young jihadis will likely become as marginalised as did members of Kashmiri armed groups that emerged in the 1990s.

Continuing turmoil

J&K is the only erstwhile princely state that has remained a hotbed of violence, tensions and intrigues, after acceding to India. In his report of a meeting with then CM Sheikh Abdullah in 1950, American Ambassador Loy Henderson noted: 'Abdullah, talking about future of Kashmir, was vigorous in restating his opinion that it should be independent; that overwhelming majority population desired this independence, and he had reason to believe that some Azad Kashmir (POK) Ministers also desired independence.'

There were suspicions that Sheikh Abdullah voiced similar sentiments to American politician Adlai Stevenson in 1953, resulting in his prolonged detention.



Troubled land Soldiers frisk civilians at Pahalgam, after the Amarnath attacks

After Pakistan's defeat in 1971 and the signing of the Shimla pact, Prime Minister Indira Gandhi decided that given his stature, an effort should be made to restore and reintegrate Abdullah in India's national life. This happened after prolonged negotiations between her representative G Parthasarathi and the Sheikh's representative, Mirza Afzal Beg. Sheikh Abdullah agreed that he would abide by Article 370 of the Constitution and that all subsequent measures, which had brought the State more into the national mainstream, will remain in force. The agreement ensured there would be no backsliding on the progressive integration of J&K with the Indian Union.

Pakistan's role

The Modi Government has been under criticism domestically, for its refusal to go by the advice of our "dialogue at all costs" advocates, who would like it to commence talks with the separatist All Parties Hurriyat Conference. There is no dearth

of information that the leadership of the 14 Party Hurriyat Conference has acted virtually as agents of Pakistan, with its two major factions, led by Mirwaiz Umar Farooq and Syed Ali Shah Geelani, constantly fomenting unrest in the valley. The Pakistani links of both these leaders are well known. A member of the Hizb ul Mujahideen assassinated Mirwaiz Umar's father, Mirwaiz Mohammed Farooq, in 1994. Mirwaiz Umar has not raised his voice against those who killed his father. On the contrary, he is known to have received patronage and protection from across the LoC.

The aging Syed Ali Shah Geelani makes no secret of his association with the Army-backed Jamaat e Islami in Pakistan. The NIA, CBI, Intelligence Agencies and Enforcement Directorate have enough evidence to charge virtually the entire Hurriyat leadership for sedition and money laundering. It is conveniently forgotten that the autonomy granted to J&K far exceeds the powers exercised by Governments

in PoK and Gilgit-Baltistan. Moreover, the Pakistan army is not going to relent on its support for terrorism, unless the domestic and international costs for its sponsoring terrorism become unacceptable. This would require imposing increasing political and diplomatic costs on Pakistan, altering realities on the ground within Pakistan and across its borders with Afghanistan.

What has been immense encouragement for those desiring restoration of normalcy in Kashmir is the enterprise and talent of Kashmiri youth in performing brilliantly in competitive examinations, whether for recruitment to the armed and paramilitary forces, or in all-India competitive examinations. The priority of Pakistan-sponsored jihadis has been to eliminate such people physically. Accompanying this are brutal killings of members of the J&K Police.

The way out

Mainstream political parties in the valley, such as the National Conference and PDP, need to reach out to wide cross-sections of people, including concerned parents, to encourage Kashmiri students to seek business and employment opportunities across the country, with support from the Centre. This will enhance prospects for peace, progress and economic development in the State. After acceding to the GST, people in Kashmir now have access to a fully integrated market of 1.3 billion people. The Mehbooba Mufti Government has sought to focus on economic development in difficult conditions. It needs to be assisted in getting public support to shift the narrative and discourse in Kashmir, from stone pelting and violence, to education and economic development.

The writer is a former High Commissioner to Pakistan

Trapped by conflicting loyalties?

Autonomy of independent directors will remain uncertain as long as they enjoy the blessings of controlling shareholders

SN ANANTHASUBRAMANIAN

SEBI chairman Ajay Tyagi's angst over the state of independence of Independent Directors (IDs) seems well founded and may have been born out of the recent unseemly episode of removal of an ID from the boards of several listed companies of a particular group at the instance of the controlling shareholder.

On more than one occasion, the chairman has expressed his concern at the lack of independence among IDs in listed private companies and continuing vacancies of IDs in listed public sector enterprises. This may well have prompted SEBI to place independence amongst IDs as the topmost agenda for the Uday Kotak Committee on Corporate Governance.

Contradictory provision

The existing legal framework requires IDs to be appointed by shareholders at a general meeting based on board recommendation. But the irony is all shareholders including the controlling shareholder are entitled to vote on this, which essentially means without the support of the controlling shareholder no ID

can be appointed. This goes against the concept of IDs appointed to represent interests of absentee/minority shareholders. This needs to be remedied for the institution of IDs to survive with credibility.

In the current practice, shareholders have to accept or reject a candidate proposed in the resolution; it is not election at all. Ideally, shareholders should get to know how the desired skills match the candidate's competence to help them elect one from options made available by the Nomination and Remuneration Committee.

Inasmuch as the institution of IDs is evolving fast to become robust and respectable, instances are not uncommon where it has witnessed cosy, mutually comforting arrangements. By and large, the identification and selection process in many companies has been based on the level of comfort of the controlling shareholder

(s). The question is — can IDs be expected to represent minority/absentee shareholders when

they are identified, selected, recommended and appointed (albeit in compliance with the regulatory requirements) with the tacit blessings and overt approval of the controlling shareholders? Can they be reasonably expected to exhibit independence when their continuation on the board depends on the controlling shareholder?

Exercising independence

In the case of transactions between related parties which require approval of the shareholders, the interested parties to the transaction are not allowed to vote. Similarly, in the election of directors from amongst shareholders in public sector banks, the government as the majority shareholder is not entitled to vote. In the case of election

of shareholder directors of the only listed public sector bank which is incorporated as a company — IDBI Bank — the regulations provide that even those entities which are owned and controlled by the union government will not be allowed to vote on the resolution proposing appointment of shareholder directors.

A similar exercise can be made applicable to all listed companies wherein potential directors, whose names may be required to be registered/authenticated in/by a central agency established and run by regulators, may be permitted to contest the election of IDs. This process may also be delegated to existing agencies which are already functional, albeit without much effect. After their nominations are processed and accepted by the BoD or a committee thereof, communication about contesting candidates can be sent to all shareholders other than controlling shareholders. In addition, along with those chosen by the

board or the committee, the controlling shareholder(s) may also recommend candidates for IDs with full disclosure by the company of relationships with them, if any. The controlling shareholder should not participate in the election. Candidates may be permitted to canvass through mails or other means and election can be held through the remote e-voting facility and also voting at the meeting. The candidates getting the majority of votes from amongst minority shareholders can be declared as elected. A similar method may be followed for removing IDs too.

This process at once eliminates the apparent nexus which seems to prevail between the controlling shareholder(s) and the IDs selected.

Of course, this process by itself cannot ensure independence in IDs; independence is a state of mind and cannot be mandated as of now. In the prevailing state of affairs, expecting independence from IDs may be a little far fetched.

Now, over to the Uday Kotak Committee on Corporate Governance.

The writer is former president of The Institute of Company Secretaries of India

LETTERS TO THE EDITOR

Send your letters by email to [bleditor@thehindu.co.in](mailto:bleditor@thehindu.co.in) or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Looking beyond Trump

This refers to the editorial "Beyond Trump" (July 12). Prime Minister Narendra Modi has been using every international platform to oppose terrorism as he believes that collective efforts of nations would succeed in combating it.

The G20 summit has adopted the Hamburg Action Plan (HAP) which is drafted to address a range of issues currently confronting the world — climate change, terrorism, displacement, poverty, job creation and energy security. In a nutshell, HAP outlines the actions to be taken to ensure our citizens and their families a better quality of life.

The US President Donald Trump pulled his nation out of the Paris Agreement on Climate Change and also defended his stand on protectionism. German Chancellor Angela Merkel's view on trade protectionism is that "there can be no return to a pre-globalisation

world", as also agreed by the members of G20 (to fight against protectionism and unfair trade practices). The G20 Summit has also praised the reforms taking place in India for promoting ease of doing business — a boost to the Modi government in its endeavour to place India in the list of top 50 nations in terms of ease of doing business.

S Lakshminarayanan  
Cuddalore

By pitting his nation against the G20 grouping, Trump repudiates two civilising forces of the human collective, diplomacy and science, to then undercut man's chances of surviving global warming. The G20 nations represent advanced scientific mettle and yet Trump reduces climate change to a mere equation in trade arithmetic. Sitting pretty on an oil reserve rivaling Saudi Arabia and a huge reservoir of natural gas, he is em-

boldened to defy consensus. Trade isolationism could even give a transient boost to growth at home. In doing so he cedes global leadership to others who are as capable. This gives the G-19 an opportunity for greater coherence to change the narrative and break new grounds on the flip side of globalisation and remedies thereat. US would discover soon enough its voice carries less decibels in such a progressive forum. Change it must, to look back with regret at the Trump years.

R Narayanan  
Ghaziabad

Hero no more This refers to "Dirty picture" (July 12). The arrest of Malayalam superstar Dileep halts his acting pursuits, and producers of his films will despair about the uncertainty of their completion. The actor in question plays the hero's role in

films but in real life is becoming a villain, placed in an unenviable position.

HP Murali  
Bengaluru

The arrest of Dileep is an eye-opener to those top stars living in ivory palace. How fast a household name for many has turned into an object of public anger! Those who loved Dileep now hate him most. Many, despite being admirers of the actor, have adopted a clear critical stance against the actor. It is, therefore, time for stars to stop funding their fan clubs. The growing mob mentality indicates that people are now critical and they no longer tolerate any vice in cine idols.

KA Solaman  
Alappuzha, Kerala

Needed quality teachers

It's learnt that the pass percentage in the Tamil Nadu Teacher Eligibil-

ity Test (TET) 2017 is just 4.64 per cent.

One can imagine the standard of graduates and post-graduates of the State's educational institutions.

Of course, it is not wise to conclude that those who have fared well will be excellent teachers, and those who haven't cannot shine in the noble profession. However, aspiring teachers must have a passion for teaching and this trait can make them clear the test and become teachers in the government sector.

People have a penchant for working in the public sector for security of service. But they in turn should guarantee a great future for the children by dedicated and committed teaching.

As the age-old saying goes "The nation's destiny is shaped in classrooms".

S Ramakrishnasayee  
Ranipet

OTHER VOICES

The Japan Times

Japan-EU agreement on a free trade pact

An economic partnership deal between Japan and the EU — over which leaders on both sides reached a broad agreement last week — should serve to emphasise the value of free and open trade at a time when it's been challenged by the protectionist policies of US President Donald Trump, who pulled the US out of the Trans-Pacific Partnership pact among 12 Pacific-rim economies. The Japan-EU agreement should add momentum for reviving the TPP pact among its remaining 11 members, including Japan. TOKYO, JULY 11, 2017



Mr Prime Minister, step aside

Whatever the law may permit, Prime Minister Nawaz Sharif must do the right thing by democracy and step aside, at least temporarily. The JIT report submitted to the Supreme Court has now been pored over by experts, politicians and citizens alike. It is not a perfect report and the PML-N has already raised some important objections that will eventually have to be addressed by the court. But the JIT report has laid out a number of very serious and specific allegations against Prime Minister Sharif and his children. Simply, no democratic order ought to have a prime minister operating under such a dark cloud of suspicion. KARACHI, JULY 12, 2017



Making work good: will slowly do it?

The gig economy has transformed the nature of work for some people. The essential question for this new category of workers is their employment status. Businesses such as Uber and Deliveroo insist they are self-employed contractors. Employment tribunals have found that where there is a significant element of control and supervision they are workers, entitled to benefits like sick and holiday pay, and most importantly to the minimum wage. Uber is fighting this decision, and the Taylor report appears to back away from endorsing it. Instead, it proposes that government rebadge a "worker" as a "dependent contractor"; dependent contractors would get the benefits workers receive but no automatic entitlement to the minimum wage. LONDON, JULY 11, 2017

# The Great Firewall

China's VPN ban will hit the economy

ADAM MINTER

Will it be RIP for China's VPNs? On Monday, China had ordered telecommunications providers to block access to individual virtual private networks by February 1. VPNs are popular and widely used services that allow internet users to bypass web restrictions. In effect, the new rules would block the most popular means for Chinese netizens to see beyond the so-called Great Firewall.

The government has been moving in this direction for a long time. But, up until this year, it seemed to have struck an uneasy balance between its desire to control information and the desires of its most educated and cosmopolitan citizens to engage with the rest of the world online. A VPN ban would both upset that balance and endanger several prized government initiatives designed to foster a more innovative Chinese economy. While there's little doubt the government can get its way, the costs could be higher than officials expect.



China's always had a complicated relationship with the internet. In the 1990s, President Jiang Zemin was an enthusiastic proponent of the technology and the free flow of information, even as his government began a hugely expensive, multi-year project to control the digital realm. That effort evolved into the Great Firewall; its initial targets were foreign news sites and bulletin boards where sentiments perceived as contrary to Communist Party interests were posted. In the past decade, the list has expanded to social media sites.

For most Chinese, not having access to Facebook, Google and the Wall Street Journal isn't a major concern. Chinese companies have developed robust alternatives to many Western online services. But those alternatives can't satisfy the

needs of all Chinese. For example, scientists, engineers and programmers need access to forbidden sites such as Google Scholar and GitHub; journalists hoping to follow the flow of global events will want Twitter; and Chinese students who studied abroad are looking to keep up with their overseas friends via Facebook. In general, all of these groups are educated, relatively affluent and important to the Chinese government's legitimacy and hold on power.

As a result, when the use of VPNs began to boom in the mid-2000s, the Chinese government mostly ignored the phenomenon. If someone could afford a VPN, the reasoning went, then they were probably the kind of citizen that the Chinese government trusted to use one — middle-class, worldly and with a great deal invested in the stability of the system.

These days, nobody knows how many VPN accounts are active in China. But Twitter claims 10 million Chinese users, and that's certainly a small subset of the total number of people who buy individual VPNs. Even now, a Google search for "China VPN" brings up dozens of options.

While mass protests aren't going to break out if the ban is put in place, the Chinese government can ill afford to alienate a middle-class anxious about slowing economic growth. Developing globally competitive products like software is already more difficult behind the Great Firewall; blocking VPNs certainly isn't going to foster greater creativity. And China's ongoing effort to lure science-and-technology talent from abroad will inevitably be undermined by policies that make it impossible to access Facebook on an iPhone. Even Chinese academics have openly acknowledged that it'll be impossible to reinvent China as a hub for global innovation as long as the country remains cut off from the rest of the world digitally. **BLOOMBERG**

# Don't stymie evolution of new therapies

Our quest for cheaper healthcare should not choke R&D for innovative, game-changing medical products

SHIRISH HIREMATH

The burden of coronary artery diseases (CAD) is assuming epidemic proportions in India, contributing to almost a quarter of all deaths in the country. Health innovations that embrace new knowledge and technology possess the potential to revolutionise management of CAD.

A multi-stakeholder effort is needed to promote an enabling ecosystem to incentivise medical breakthroughs and state-of-the-art techniques that have given doctors new tools to improve treatments for heart disease.

As someone who has been a part of evolution of interventional cardiology in India, I feel that a disproportionate focus on cutting costs could lead to regressive steps that disallow the benefits of innovation to people.

Any new or breakthrough research should be valued and embraced for long-term patient well-being. Newer technologies are evolving to deal with conditions that were once considered inoperable.

Here are some examples of the evolution that has happened over the years and how it is positively impacting patient outcomes and quality of patient lives.

## Matching global standards

To begin with, coronary interventions — also called coronary angioplasties — have come up in a big way and are now done in India at par with standards of the western developed nations.

These procedures need implant of coronary stents. This particular invention has progressed from basic 'bare metal stent' to the now-widely-used 'drug eluting stents'.

The drug eluting stents have undergone a lot of changes and evolved over the last 20-25 years; they are getting finer in terms of the basic structure, polymer coating and the drug used.

With innovation impacting the design, delivery and procedure approaches, there is a new generation stent coming up at an interval of every two-three years.

Innovative medical device companies are using novel designs to make them better suited for a particular case for both short-term and long-term results, giving way to more accurate treatment of multiple complexities and challenges which were suboptimal earlier.

In fact, the newly launched bio-absorbable stents have been devised to suit relatively younger patients to avoid unnecessary metal in the heart. As compared to earlier days, these innovations in stent designs offer more predictability and precision to treatment.

Stents are becoming socially more acceptable and thus unnecessary open heart surgeries are avoided for a lot of patients.

## Value innovation

Having said that, all these innovations need a lot of R&D, clinical evaluations, proctoring or implant training sessions, which are to a large extent borne by the stent industry as a cost of innovation.

Making healthcare affordable through price-cutting measures is a welcome move, but the same should not disregard the value of innovative technologies in treating heart patients.

Measures with singular focus on pricing should not be encouraged as they may hamper the investments made in research and innovation which the entire world has embraced. Having done so, we will close the doors to achievable medical treatment goals making us inferior on the world map.

Another life-saving device worth mentioning is the pacemaker that is helping a lot of patients keep up with their lifestyles. It is a small device implanted inside a patient's body.



Bioabsorbable stent Just one of the many healthcare innovations PV SIVAKUMAR

The pacemaker technology has evolved from a very primitive stage when they were desk-sized bulky boxes plugged into walls for power to small portable device weighing few grams only — these can be wearable ones, implantable ones or transcatheter ones.

Innovators are working towards making pacemakers even smaller, longer-lasting, improving its functionality in a manner that it almost mimics natural heart beat and suits most of the bodily functions.

Medical device companies have made a constant endeavour to innovate pacing technology over the years. The newer MRI compatible pacemakers are now freely available for use and allow patients to avail a lot of flexibility in treatment with other medical conditions, an option that is not available in case of non-MRI compatible pacemakers.

Furthermore, the newer generation of pacemakers for the weak

hearts are making a humongous impact over the quality of life and longevity of these patients. The leadless pacemaker is now a reality after many years of research and clinical evaluation and the product and procedural benefits associated with this invention has transformed outcomes.

These huge revolutionising advances in technology have been devised to improve the treatment related caveats with the earlier pacemakers. This is synonymous with technological advances in any other field such as computers, cars, aviation, etc.

## Science is precision

We believe in the doctrine, "Science is Precision" and our thirst for innovation will get the horizons closer.

All innovation, regardless of the sector need a lot of R&D and funding apart from voracious desire. There are still a lot of things which are medically approved and prac-

tised currently in the developed world. Indian scientists and developers are attempting to master and bring the art to our soil to address the catastrophic disease burden in our country.

Percutaneous valve surgeries and heart transplants are a few examples. All these treatments are, at present, prohibitively expensive and not aided by the Government like in the developed nations.

Hence, despite the cost involved in these therapies the Indian market should be chiselled to suit their implementations.

Cheaper healthcare is a well-intended target in everyone's mind, but not at the cost of quality and innovation. Newer and relatively expensive therapies should not be allowed to perish as no one else but the patients will stand at a disadvantage.

The writer is the President of the Cardiologist Society of India

## 5 THINGS to WATCH OUT for TODAY

**India's largest** IT company TCS will report its earnings for the first quarter today. IT companies are expected to post weak results as they face continued sluggishness in traditional business and contend with a strong rupee. The June quarter has always been a strong quarter for TCS, but experts suggest this time it may be different.

**The trial** in the FERA case against AIADMK (Amma) general secretary VK Sasikala and nephew V Bhaskaran is set to begin today. The over-two-decade-old case relates to alleged forex violations, including remittances for a transponder and uplinking charges for the erstwhile J TV channel.

**Czech** car maker Skoda will launch the much-awaited new-look Octavia today. Octavia has got a twin-eyed look with split headlamps. The bonnet slab has also got a makeover with additional creases and surfaces to make it look more muscular. The ex-showroom prices are likely to be in the range of ₹17.5 lakh to ₹23.5 lakh.

**The country's** first ever professional table tennis league kicks off in Chennai today. Top Indian paddlers will rub shoulders with the best in business as Ultimate Table Tennis, which will have six-franchise based clubs fighting for top honours.

**Asus** will launch its high-end ZenFone AR device in India. The phone was first unveiled at the CES 2017 show in Las Vegas. After Lenovo's Phab 2, the ZenFone AR is the second device to support Google's augmented reality technology — Tango. The handset also supports Google's virtual reality platform, Daydream.

## What Wimbledon can teach us about economics

VENKY VEMBU

### THE CHEAT SHEET

#### Wimbledon-nomics? That's some heavy top-spin!

Not at all. There are economic and business lessons to be derived in the most unlikely places, including on Centre Court at Wimbledon.

#### Okay, serve it up.

Indicatively, the format of the tournament, which celebrates its 140th anniversary this year, helps companies fashion efficient compensation structures. It also explains why some countries are able to unleash entrepreneurial forces, but others can't. In fact, this year's Wimbledon seeding can also somewhat explain the relative economic decline in the US.

#### That's a lot of economics...

Yes, so let's get the ball rolling. First, the economic theory of workplace compensation. In 1981, economists Edward P Lazear and Sherwin Rosen propounded the 'tournament theory', which argued that a compensation mechanism that converts the work-

place into a "tournament" (such as Wimbledon), where workers are rewarded for relative performance, is more efficient than conventional pay structures, where workers are paid a piece-rate. Their point: "the large salaries of executives may provide incentives for all individuals in the firm who, with hard labour, may win one of the... top positions."

#### How does the theory work?

At Wimbledon, where prize earnings abide by a 'winner-takes-it-all' model, players are compensated not for performance in absolute terms, but for relative performance vis-a-vis other players. Typically, the winner of each match is guaranteed to make about twice as much as the loser, and gets a chance to progress further in, and maybe win, the tournament. As economist Tim Hartford notes, turning offices into tournaments similarly provides incentives for a worker to perform better than one's peers and, ultimately, to occupy that corner office with a view.

#### The equivalent of the

#### Wimbledon trophy.

Exactly. And Nick Williams, associate professor in enterprise at the University of Leeds, cites Wimbledon, with its clear and transparent rules and norms (including the 'predominantly white' dress code) that are not discriminatory, where breach of rules invites punishment, to argue that countries with tax codes and enterprise rules that are not complex and are administered equitably can create an ecosystem where entrepreneurship thrives, unlike countries where rules are opaque and implementation is haphazard.

#### Sounds intuitive.

Yes. And economics professors Franc Klaassen (Amsterdam School of Economics) and Jan Magnus (University of Tilburg), authors of *Analyzing Wimbledon*, used tennis stats to devise a model to rein in excessive risk-taking by the financial industry. Based on their analysis of data from Wimbledon and other Grand Slam events, they conclude that players are more careful on points where an error has a bigger negative impact, like losing a

game or a set. "This would be an argument to introduce a penalty in the financial industry... to ensure safer choices when their consequences are bigger. This might even help to avoid the next financial crisis."

#### But what the deuce have seedings to do with US decline?

At Wimbledon this year, the highest seeded American in the men's draw is Jack Sock, at 17. The last American to win at Wimbledon was Pete Sampras, in 2000! As New York Governor Eliot Spitzer noted a few years ago, citing seedings and winners at the US Open, this serves as a metaphor for the relative economic decline of the US, and the rise of other economic/tennis powers driven by the winds of globalisation.

#### So the world is a tennis court?

Sort of. Tennis has strikingly proved a laboratory for many economic theories, including labour economics and gender pay disparity. But that's a story for another day.

A weekly column that helps you ask the right questions

## BusinessLine TWENTY YEARS AGO TODAY

JULY 13, 1997

### Chidambaram hints at 'hard options' if VDIS fails

The Union Finance Minister, Mr. P. Chidambaram, today hinted at the Government exercising hard options "if the people do not come forward to disclose their unaccounted money under the Voluntary Disclosure of Income Scheme" (VDIS), which came into force on July 1. Expressing the hope that the rationalised tax rates would motivate those who have been evading taxes or not filing returns, he however said "we are not without remedy. We have ways means to identify who evade paying taxes". He was in Hyderabad as part of his programme of visiting most of the 12 cities where the VDIS has been launched.

### Bandh paralyses Mumbai

Today's bandh in Mumbai, called by the Republican Party of India in protest against Friday's police firing on Dalits following the desecration of a bust of B.R. Ambedkar, was total. The firing had claimed 10 persons and one more person died after police opened fire today at Kurla in the city's suburbs, the Deputy Chief Minister and Home Minister, Mr. Gopinath Munde, told a press conference here. He said no one had been arrested so far in connection with Friday's incidents. The Leader of the Opposition, Mr. Chhagan Bhujbal, said a decision on a State-wide bandh for Tuesday would be taken at a meeting of Opposition parties.

### SEBI panel studying issue of quarterly disclosures

The committee established by SEBI to evaluate the feasibility of "continuous disclosures" by listed companies is addressing the issue of whether corporates should be required to publish audited working results on a quarterly basis. Reacting to the July 6 announcement of its audited quarterly results by Infosys, a SEBI spokesman said that the regulatory authority is "in favour of (listed companies) giving more and more information to the investors so that they may take well-informed investment decisions."

## EASY

### ACROSS

- Mistake made by clerk (8,5)
- System of bookkeeping (6,5)
- Has relation to (6)
- Hot season (6)
- Irritations (6)
- Makes one irate (6)
- Without restraint, informal (4-3-4)
- Perpetually (13)

### DOWN

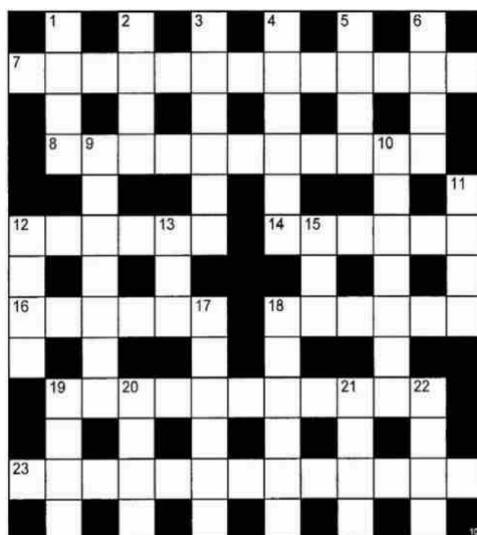
- Dressed in (4)
- Malayan boat (4)
- Termagants; ticks off (6)
- Makes different (6)

- Instrument fingerboard bar (4)
- Politically conservative (4)
- Person with public duty (7)
- Play-clothes for child (7)
- Branches of service (4)
- Devastation (4)
- Type of bread, whisky (3)
- Ballot-box, vase (3)
- Mariner (6)
- Verifies accounts (6)
- 'V' represents it (4)
- Ireland (4)
- Former Indian coin (4)
- Egg yellow (4)

### SOLUTION: BL Two-way Crossword 891

ACROSS 1. Past masters 7. Revised 9.. Edit 11. Mince 12. Charge 14. Letterpress 18. Caring 20. Erato 22. Nigh 23. Insists 24. Centrifugal  
DOWN 2. Advance 3. Aids 4. Rider 5. Tramp 6. Stead 8. Sweetens 10. Shortens 13. Cry 15. Swansea 16. Scant 17. Louse 19. Rogue 21. Mini

## BL TWO-WAY CROSSWORD 892



## NOT SO EASY

### ACROSS

- Car (Roller) Eric takes out due to mistake in calculation (8,5)
- There are twice the number of candidates for bookkeeping (6,5)
- Turns to marijuana smokes left by the East once (6)
- The whole lot get semi-merged when it's hot (6)
- It irritates women who spell but lack a leader (6)
- It makes one cross a variety of ranges (6)
- Informal way to let one go: simple, too (4-3-4)
- Unceasingly made strange, vilely distorted (13)

### DOWN

- Is dressed in no end of lace confection on the day (4)
- In back-up, an Academician can show Malayan craft (4)
- Rebukes one for the loss CD makes (6)
- Changes the sound made by communion tables (6)
- Worry as to what one may find

- on a stringed instrument (4)
- The Right will attempt to conceal nothing (4)
- One holding commission by force, if necessary (7)
- Right to promise, having lost one set of child's clothing (7)
- Gets sling in which babe may be carried (4)
- Run one in and bring about utter collapse (4)
- In every enterprise necessary, show some spirit (3)
- One will be soundly deserving of the ballot-box (3)
- Naval rating changing name as required (6)
- Checks accounts for fraud, it seems, internally (6)
- In iron, four can add one to that (4)
- See Ireland before it takes one in (4)
- In India, old money went to the King of Siam (4)
- Some egg on one's dress, one is told (4)