

Unexpected camaraderie between rivals

Overlooking contentious issues, Trump engaged with Putin while Xi and Modi bonded over their anti-terror stance



THE OTHER SIDE

A V RAJWADE

The meeting of the Group of Twenty large economies at the summit level took place in Hamburg in Germany last week. While the G20 was formed in 1999 in the wake of the Asian financial crisis, annual meetings at the summit level started only in 2008, after the 2007-08 financial crisis. Both crises emphasised the need for greater economic cooperation between the large countries, both developed and emerging. Last week's meeting was supposed to focus on climate change and the US withdrawal from the Paris Accord on the issue.

While no progress was made on this, at least four leaders displayed the "bhai-bhai" spirit, overlooking their differences on more contentious issues — the US and Russia on the one hand, and China and India on the other.

In Hamburg, US President Donald Trump was happy to have been "privileged" to meet his Russian counterpart Vladimir Putin. The two also had a long private meeting during which a lot of time was reportedly devoted to discussing Russian interference in the US presidential election. (A couple of months back, the head of the Federal Bureau of Investigation was sacked by Trump for investigating Russian interference in the presidential election.) Prime Minister Narendra Modi and Chinese President Xi Jinping complimented each other on their anti-terrorist stands; Modi also praised Xi for his leadership of the BRICS group, namely Brazil, Russia, India, China and South Africa. (Given the current confrontation in the Northeast, cynics remembered the "Hindi Chini bhai-bhai" slogans of the 1950s, the non-

aligned nations' conference in Bandung, the 1962 war, etc.) To be sure, the International Monetary Fund and The World Bank's head drew the attention of world leaders to trade issues, as did Xi. Meanwhile, there were large and violent protests outside the summit venue over the US withdrawal from the Paris Accord on climate change.

While the US was isolated on climate issues, on trade, the final communique seems to have been an uneasy compromise: It says, "We will keep markets open, noting the importance of reciprocal and mutually advantageous trade and investment frameworks and the principle of non-discrimination, and continue to fight protectionism including all unfair trade practices and recognise the role of legitimate trade defence instruments in this regard." It is beyond my understanding how the last part of the sentence reconciles with the earlier averments!

Before reaching Hamburg, in Warsaw, Trump complained that "radical Islamic terrorism" threatened "our

civilisation and our way of life". Two thoughts occurred to me:

■ For one thing, Islamic terrorists are a bigger threat to each other than to the rest of the world;

■ Second, has marauding finance capital become the "dominant minority" that takes far more from society than it puts back, which is the underlying cause of the fall of civilisations, according to British historian Arnold Toynbee?

As for Trump's reference to "our civilisation", in economic ideology, Western Europe and the Anglo-Saxons have differed at least since the 1980s' Thatcher-Reagan era — the former comprising mostly social democracies with strong fiscal help to the worse off; the latter adherents of a far more neoliberal, laissez-faire economic ideology, and "light-touch" regulation of the financial sector. Arguably, the liberalised financial sector was at the heart of two major crises of the last 20 years — the Asian financial crisis of 1997-08 and the banking crisis of 2007-08, to which I will come back.

The Indian economy

Meanwhile, closer to home, some recent data lead to more worries about growth prospects. For one thing, incremental growth in fixed assets of listed companies is at a 25-year low — and today's investment is tomorrow's growth, though the stock market seems to think differently. One also wonders whether the Gujarat High Court's objection to the Reserve Bank of India asking the National Company Law Board to give priority to 12 non-performing accounts facing insolvency proceedings would make the insolvency process as time-consuming as court processes in India are prone to, delaying the resolution of large non-performing assets?

Nobel Laureate Paul Krugman, during his visit to Mumbai last week, emphasised the need for India to grow at eight to nine per cent; he also expressed the view that "monetary policy looks tighter than one can justify". In an interview, he also said "it is surprising in so many ways that India does not export more manufacturing goods". Surely, poor infrastructure, difficulties in doing business and the exchange rate have something to do with this, as I have often argued in the past?

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CHINESE WHISPERS

Whose mango is it anyway?

India-Pakistan disagreements range from the Kashmir dispute to the ownership of the legacy of a variety of mango. This variety is called Anwar Rataul in Pakistan and Rataul in India, named after a town in western Uttar Pradesh, barely 30 km from Delhi. In 1981, then Pakistan president Zia-ul-Haq sent a basket of Anwar Rataul to prime minister Indira Gandhi. She loved the fruit but residents of Rataul became upset after reading reports about the present and a delegation from the village came to Delhi to tell her that she had been gifted "fake" Ratauls and that the fruit originated in India, not Pakistan. The battle continues to this day. Recently, Pakistan High Commissioner to New Delhi Abdul Basit hosted Janata Dal (United) leader K C Tyagi and others and offered them Anwar Ratauls. Tyagi told Basit that Indians were willing to settle with Pakistan several of the disputes, like the one on Sir Creek, but ownership of Kashmir and Ratauls was non-negotiable.



No special treatment, please

Uttar Pradesh Chief Minister Yogi Adityanath (pictured) would like to keep things simple. His chief secretary, S P Goel, has sent out instructions to commissioners, district magistrates, senior superintendents of police and superintendents of police of the state to avoid special arrangements if the chief minister comes visiting. There was much hue and cry recently when the local administration organised a sofa, AC and carpets when the Adityanath visited martyred Border Security Force jawan Prem Sagar's family. The chief minister has warned officials of stern action if the practice is repeated in future.

Tejashwi's ties with cricket

Bihar Deputy Chief Minister Tejashwi Yadav — who had once upon a time made it to the Delhi Daredevils team in the Indian Premier League although he never played a full-fledged game — found himself at the receiving end of a bounce from senior Bharatiya Janata Party leader Sushil Kumar Modi. Modi used a cricket analogy to express his desire that the Rashtriya Janata Dal accede to the demand of ally Janata Dal-United for a point-wise reply to allegations against Yadav's father and RID chief Lalu Prasad and his family. "The ball is in the RID court and let's see whether Tejashwi gets a hit-wicket or a six," Modi said. Yadav, whose name figures in the FIR filed by the Central Bureau of Investigation in the land-for-hotel case, was seen enjoying a game of cricket with his nephews earlier in the day.

How lines of role clarity are getting blurred

Successive governments have got Parliament to make laws empowering regulators to play the role of the judiciary. Every disappointment with such experiments leads to even more egregious experiments



WITHOUT CONTEMPT

SOMASEKHAR SUNDARESAN

The question of whether the Reserve Bank of India (RBI) can dictate terms to a quasi-judicial tribunal that presides over enforcement of loan recoveries is making news, with the Gujarat High Court asking how the central bank had the powers to regulate tribunals. That the RBI believed it could dictate terms to a quasi-judicial body is not important. What is important — rather, scary — is how easily role clarity can officially get mistaken in the running of our public institutions.

The foundational blunder that embeds wrong policy choice into the DNA and blurs role clarity is the Presidential Ordinance that specially empowered the RBI to direct commercial banks on the action banks must take towards recovery of dues owed by borrowers. This is a classic example of a simplistic policy solution, which is an outcome of its authors presuming that everyone else before them had not been clever enough to see an obvious fix to a serious problem.

It is not the RBI's job to take enforcement decisions for commercial banks. But having been given a cloak and a shining armour, the RBI perhaps came to believe that it could issue directions even to the National Company Law Tribunal on what it must do. Giving the RBI powers to direct

banks on how to act under the newly-legislated Insolvency and Bankruptcy Code presumes that commercial banks were napping despite having been empowered by a new law. By vesting in the RBI the executive function of banks that it regulates, in other sectors, too, such interventions could follow. The insurance regulator could be asked to run insurance companies, the securities market regulator could be asked to operate mutual funds, and the pensions regulator may be asked to run pension funds.

Worse, the foundation has also been laid for vigilance agencies to knock on the doors of RBI officials, say, five years down the line, for bad decisions that were taken in the course of such enforcement. The banks' problems will have become the RBI's problems. This is a real possibility as the poor non-performing assets may provide next to no recovery, and buyers of some of these assets may make profits buying assets cheap — fertile ground for the Central Bureau of Investigation to say in the future that even the RBI has become tainted by corruption.

The RBI jumping in to notify a declaration on what the tribunal must do is also a replication of a classic policy choice in the past few years. The very creation of the National Company Law Tribunal, with powers to take serious judicial decisions such as award of damages as if it were a civil court, is based on the erroneous policy choice of creating new institutions to deal with problems that hurt the performance of existing institutions. Since justice administration is ineffective (due to myriad problems that cannot be reduced to populist reasons such as length of court vacations or lack of judges), successive governments have been getting Parliament to make laws empowering regulators to play the role of the judiciary. The requisite training and capacity building to discharge such roles are never invested in. Every disappointment

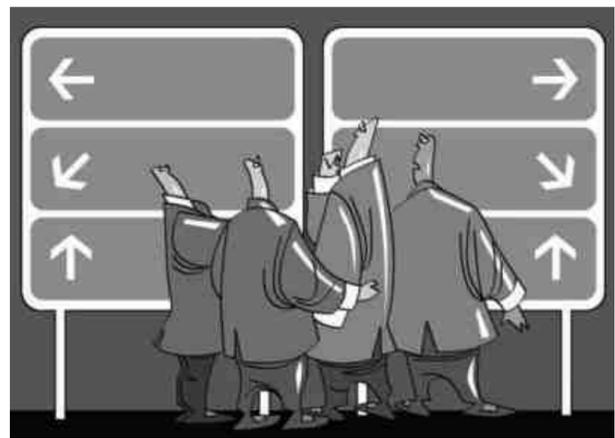


ILLUSTRATION: BINAY SINHA

with such experiments leads to even more egregious experiments, further blurring the lines of role clarity.

Examples abound. Sweeping powers given to capital markets regulator, the Securities and Exchange Board of India, despite being an executive organisation, to take serious quasi-judicial decisions without imparting judicial training, is a great example. Likewise, even the quasi-judicial tribunals that are being set up with serious responsibilities, face resource constraints. The National Company Law Appellate Tribunal is now empowered to play the role of an appellate tribunal not only for company law but also for competition law, as indeed in appeals from decisions under the new bankruptcy law. However, the tribunal has just two members — one is a retired Supreme Court judge, the other a retired officer from audit and accounts service.

One seat is lying vacant. The Securities Appellate Tribunal has been empowered to hear appeals against decisions of the insurance regulator, but it took forever for the government to even complete appointments to achieve a full bench.

When the alleged scam in the telecom sector was making news, many "creative" policymakers advocated involving the Comptroller and Auditor General in executive decision-making before a decision is made, so that the auditor does not later find fault with propriety of decision-making. This was an example of how little inter-institutional checks and balances are appreciated and how easily they can get disrupted if the clamour for "change" gets loud enough to drown out reasoning. Getting the banking regulator to take decisions that regulated banks must take on their own is in the same vein.

BUSINESS LIFE

In praise of sports stars leaving money on the table

Pro athletes accepting sub-market value contracts are making a business judgment

STEPHEN L CARTER

Lots of big salary news out of the National Basketball Association the past couple of weeks:

Stephen Curry of the league-champion Golden State Warriors just signed a deal that will pay him \$40 million a year for the next five seasons. James Harden of the Houston Rockets is guaranteed \$228 million over the next six years. Everybody's getting paid. Otto Porter Jr, the third-best player for the good-but-not-great Washington Wizards, will make \$25 million a year.

As long as professional sports have existed, fans have complained that players make too much money. But in an era when many disappointed Democrats still wish their most recent presidential ticket had been headed by a socialist, we should scarcely be surprised that vitriol is nowadays being directed against the team owners.

Consider a recent article posted at *The Ringer* entitled "The Empty Nobility of 'Taking Less'". The author, Michael Baumann, is concerned about the accolades that sports writers bestow upon players who agree to accept contracts paying them less than market value. The rationale for such deals is that the money saved helps the team sign other players and enhances the odds of a championship. Tom Brady, quarterback of the New England Patriots, is famous for accepting such deals. The five-time Super Bowl victor's most recent contract ranks only 27th when measured against the National Football League's salary cap. Sports writers credit Brady's



Fans have complained that players make too much money PHOTO: ISTOCK

unselfishness with helping win all those championships.

Similarly, Kevin Durant, the Warriors' star, just signed a two-year contract that will pay him around \$53 million, about \$10 million less than he could have earned under the collective bargaining agreement. Management used the savings to keep the core of the team together. At least that's the official story.

But Baumann, a very fine sports writer, is concerned about all of this cheerleading. Durant's action, he argues, writes, did not make the other contracts possible — "it made them cheaper, both in terms of the Warriors' overall salary outlay and in terms of their luxury tax bill". Management could have paid Durant his full \$62 million or so and also paid to extend its other veterans; the team simply would have faced a big tax bill from the league for exceeding the salary cap. But this is unpersuasive. A

professional basketball team is a business for profit. The product is the game that is sold to advertisers and fans. The players' labour is certainly the most important input. But it does not follow that the cost of the labour is irrelevant. As labour becomes more expensive, the team will cut elsewhere. Elsewhere can include the salaries of other players. No matter how wealthy the owner may be, the \$10 million that the Warriors are saving over two years because Durant agreed to take less is not Monopoly money. If the savings makes signing other players cheaper, the team is more likely to make that investment. If by contrast Durant insists on the full amount to which he is entitled, the labour of the other players the team wants becomes more expensive (because of the league's luxury tax on teams whose payrolls are too high), and the team is less likely to make that investment.

Moreover, compensation comes in forms other than money. Durant has accurately calculated that his chances of winning another title over the next two seasons are maximised if the Warriors are able to retain their core players. At 28 years old, he has already earned over \$130 million dollars in his career and is willing to take a part of his reward in championships rather than cash. This might not be the same calculation every player would make but there is every reason to grant that it is entirely rational. (Also, Durant will be eligible in 2019 for a deal that will be likely to pay him over \$40 million per year. So shed no tears.)

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LETTERS

The right skill set

With reference to the editorial, "An employment crisis" (July 12), demonetisation undoubtedly affected labour-intensive sectors badly and there is no way the government can act like an ostrich after the survey findings of Centre for Monitoring Indian Economy. The sample size of the survey is pretty large to be taken lightly.

This government has launched several schemes in the three years of its rule — for example, Skill India, Make in India, Digital India. But where are the jobs, both for skilled and unskilled manpower? There is a dearth of job opportunities.

Many things are interlinked here. For example, fresh investment will revive only when banks start lending; they will not do so until they come out of the non-performing assets crisis. Although there seems to be some momentum towards resolution of this crisis, a long distance remains to be covered.

The biggest issue is lack of skill; for that, there is Skill India. But the objective should be that a skilled person is able to get a job for a long term and that it is sustainable. Otherwise, the whole exercise of providing skills to the youth is meaningless. For this, the government has to bring about structural reform, as the editorial rightly mentions. However, the government needs to sit with Indian Inc to find out what skills are required from the youth.

In a country where citizens get no unemployment benefit, this is the least the government can do. This government has two more years left, hence it would only be advisable that it accords highest priority to finding the right skill set.

Bal Govind Noida

Innovative thinking

Please accept my appreciation for the editorial, "An employment crisis". Certain policies of the present government, including demonetisation, are responsible for the decline in jobs.

The informal sector has been adverse-



for structural reforms in key areas such as land, labour, skill development to enhance job prospects for the youth.

PS Mukhopadhyay Nagpur

Earning from coconuts

Surinder Sud's column, "Cracking the coconut commerce puzzle" (July 14), is relevant for policymakers and readers. He gives vital information that can make coconut commercially lucrative for coastal natives.

Research bodies could look at the Gujarat coastline for setting up coconut plantations. Coconuts can offer new avenues for boosting income in littoral Gujarat villages, where the main source of livelihood at present is fisheries. NGOs concerned with ecology, cooperative banks, new small finance banks can support coconut plantations and make them financially viable. There is already a successful income model of growing grass for paper pulp in and around Dediapada near Rajpipla in Gujarat.

Packed *neera* also needs to be popularised. Training self-help groups, mid-day meal workers, Asha workers, NREGA workers and *anganwadis* to make coconut products is sure to infuse the coastal population with an entrepreneurial spirit.

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) 23720201 E-mail: letters@bsmail.in

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HAMBONE

BY MIKE FLANAGAN



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Gold rush, again

Surge in bullion imports is a matter of concern

India's gold imports in terms of quantity in the first half of 2017 crossed the entire imports of 2016. The country imported 510 tonnes of gold in 2016, while the imports in January-June 2017 were 521 tonnes. Imports could cross 900 tonnes this year against an average of 709 tonnes in the past five years, according to data compiled by GFMS Thomson Reuters. The import bill is expected to cross \$40 billion this year, which will be the highest in value terms since 2012. There could be many reasons for this renewed focus on a traditional asset. Demonetisation made households wary about holding cash stashes and also temporarily suppressed gold demand. Also, low global prices have made gold look more tempting. The jewellery industry, too, stocked up ahead of the goods and services tax regime that kicked in on July 1. Speculation that the new tariff might be as much as 5 per cent for bullion traded locally, including for manufacturers buying from importers, had prompted a jump in imports to 126 tonnes in May. But much to the trade's relief, the gold rate was eventually set at 3 per cent.

Enhanced gold purchases point to an underlying sentiment. Gold hoarding is usually associated with fears of economic chaos, currency weakness or inflation. While none of this is anywhere on the horizon, fears of further government action against black money could have persuaded investors to convert illicit cash into gold prior to the imposition of the GST with its multiple checks and controls. It has also triggered a switch away from gold exchange traded funds (ETFs), which can be tracked easily. Another reason for the preference for the physical asset could simply be the lack of viable alternatives for a conservative investor. The real estate market is subdued partly due to the impact of demonetisation. At the same time, the stock market is at an all-time high, making valuations unattractive for long-term investors. Indeed, households parked a substantial chunk of their 2016 savings in mutual funds and may now be looking to diversify away from high-risk assets.

But there are at least two reasons why a preference for gold is bad news for the macroeconomy. One is that gold is an asset that cannot be easily put to work to finance business expansion and generate returns. This implies that a huge amount of money could be stuck in an effectively unproductive asset. A large chunk of that money consists of savings which should, ideally, have been deployed in financing entrepreneurial activity. This is also a symptom of the slow investment cycle — credit demand is down and private enterprise is wary of committing to capacity expansions. The second issue is that these are imports which directly and adversely affect the trade balance. In fact, gold is the second largest item on the import list. The government has no option but to take confidence-restoring measures to persuade households to switch savings away from such an unproductive asset. But that could take a while. The GST will need to settle down and associated fears about an inspector *raj* will have to be allayed. Most importantly, the private investment cycle needs to revive. If private enterprise sees avenues for higher returns, the asset mix will automatically move away from gold and back to financial assets.

Reboot e-NAM

The electronic agriculture market remains largely on paper

Prime Minister Narendra Modi's advice to chief secretaries of states during a conference earlier this week to focus on the electronic national agricultural market (e-NAM) is well timed, considering that inept marketing is a major snag in ensuring reasonable prices to farmers. The e-NAM, meant to serve as a seamless, transparent and all-India market for agricultural products, has failed to take off a year after its launch amid great fanfare. Though over 400 of the country's 585 main *mandis* have been equipped with e-trading facilities, hardly 4 per cent of the total wholesale agricultural business has actually been transacted through them in the past year. The bulk of this e-trade, too, is either within the same *mandis* or within the same states. Thus, the main objective of providing a wider buyer base to farmers to sell their produce at the best price available anywhere in the country has not been served.

Clearly, the groundwork needed to make the new marketing system workable was neither undertaken before its launch nor is being carried out now. The e-NAM is not supposed to be a parallel marketing structure but essentially a means to leverage the physical infrastructure of the existing *mandis* to enable sellers and buyers to participate in countrywide trading through the electronic platform. It requires a single licence for traders, a single-point levy of market fees and hassle-free movement of the traded goods across the country. Sadly, none of these basic prerequisites has been met so far. Only a few states have issued some trading licences, which are not valid outside the state boundaries. The process of harmonising *mandi* charges across states, an essential initial step to facilitate single-point collection of levies, is yet to begin. The much needed mechanism for assessment of the quality of goods and ensuring their timely transportation has also not been put in place. And, at the more fundamental level, the states' Agricultural Produce Marketing Committee (APMC) Acts have not been amended strictly on the lines of the Centre's model law to facilitate interstate transactions in agricultural commodities. Most of the amended laws fall short of allowing private markets, direct sale to bulk buyers or end-users, and capping market fees and middlemen's commission charges payable by farmers.

The states that have already created *mandi*-level infrastructure for e-trading should, therefore, lose no time to, first, link all markets within the states with each other and, later, connect them electronically to the main *mandis* in other states. A true national agricultural market will take shape only when the *mandis* in the major production and consumption hubs all over the country are linked to a single electronic platform for trading in farm goods. Also, given that not many big buyers will be interested in picking up the small quantities offered by individual farmers, aggregators will be needed to collect the growers' produce and sell it through the e-NAM platform. Moreover, since spot trading in agricultural products, even if conducted electronically, is not supervised by any regulator, extreme caution will be needed to guard the e-NAM against manipulations by speculators or cartels. Unless such issues are suitably addressed, the e-NAM will not be able to help farmers sell their produce at remunerative prices.

ILLUSTRATION BY BINAY SINHA



GST: Present at the creation... and beyond

The story of India's fledgling indirect tax regime goes back a long way before 2000

A column in July 2017 has to be on the newly launched Goods and Services Tax (GST), indubitably the most significant and complex tax reform undertaken in independent India. So much has been written on its merits and demerits, there is nothing really new I can add, except to caution that we will only find out the true economic, social and administrative benefits and costs of this nation-wide overhaul of indirect taxes in the months and years ahead. Instead, I will share a few thoughts on the early years of the evolution of this tax, which is, in its essence, a national level system of value added taxation (VAT) of goods and services.

and stability were horrendous.

This jungle of taxes was reviewed by the excellent L K Jha Indirect Taxation Enquiry Committee Report of 1978. One of its major recommendations was to replace the Central Excise Tariff by a manufacturing level VAT, "MANVAT". As with many good government reports, this one gathered dust for nearly eight years, until V P Singh became finance minister in the Rajiv Gandhi Congress government and launched modern tax reform in India. In his first (1985) Budget he undertook major reforms of direct taxes and committed to delivering a Long Term Fiscal Policy (LTFP) statement within a few months.

By a happy (for me) coincidence I had joined the finance ministry as Economic Advisor in February 1985 from the National Institute of Public Finance and Policy. Within a few weeks, I was tasked by Chief Economic Advisor (CEA) Bimal Jalan to be the anchor official for preparing a draft LTFP document. It was a fascinating and fulfilling opportunity to bring my academic training and international experience to the ground realities of fiscal policy-making in India. Under Jalan's able leadership and intellectual guidance we were able to coordinate effectively with key colleagues in the Revenue and Expenditure departments and Montek Ahluwalia in the Prime Minister's Office (PMO). Within about



A PIECE OF MY MIND
SHANKAR ACHARYA

Many newspaper accounts of GST, including the front page report in this paper on July 1, start the story of India's GST around 2000. That is misleading, by at least 15 years. Through the 1970s and right up to 1985, India's structure of domestic indirect taxes at both central and state levels (and leaving aside the equally complex and badly designed customs tariffs) was a jungle of multiple rates, (about 25 major ones in the Central Excise Tariff alone), hundreds of end-use-specific concessions and exemptions and a conspicuous absence of the key VAT principle of allowing set-offs or credits for taxes paid on inputs used in production. The consequences for economic efficiency, equity, simplicity

The world's most disastrous CEO

A gormless elder son who may have just pushed his father into treasonous hot water, a controversy involving a Russian lawyer with close links to the sinister Vladimir Putin and a playboy tabloid journalist turned music producer with Kremlin oligarch connections — if they're looking for one, the scriptwriters for Season 6 of *House of Cards* have a ready-made plot at hand. But business leaders who have openly or secretly admired Donald Trump's heretical chutzpah should consider his five months in charge as a cautionary tale.

"The reality is that his 'Make America great' policy is going to make America a wonderful place to invest in," Anand Mahindra had said at the annual Nasscom summit in February.

The reality is that Mr Trump's governance style has revealed the business world in the worst possible light.

Had Mr Trump been the CEO of any publicly listed company, his first five months in office would have persuaded the board to dismiss him forthwith. How many boards would have tolerated a CEO whose first few months consisted of the following: Drawing a blank on his stated agenda — the equivalent of being unable to pass any significant legislation despite his party controlling both houses of Congress; stirring up serial petty controversies through incessant, undignified tweets; setting himself in open confrontation with key stakeholders (the judiciary, investigative agencies, the press, and European allies); opening his campaign to investigation for collusion with a major adversary; and exposing himself as a serial liar?

If his approval rating were a proxy for a stock price, then Mr Trump has critically eroded share-

holder value.

If Mr Trump's stint in office has demonstrated anything at all, it is the limits of applying corporate practices and values to the business of running a country. The talents that can maximise personal wealth or shareholder value are not always compatible with the skills required to maximise public welfare. Not that Mr Trump is a unique thinker in this respect. Several corporate leaders, from HP's Carly Fiorina, to Meg Whitman (the current HP chief, formerly of eBay) and Mitt Romney (former CEO of Bain Capital), have been lured by a belief in the illusory benefits of transposing corporate management praxes on public office.

Mr Romney, to be sure, had some relatively respectable credentials to run for President, having served as Governor of Massachusetts. His chief achievement there was introducing health insurance reform that became the model on which Barack Obama based his signature Affordable Care Act. In a quirky inversion of positions, Mr Obama and his administration openly admitted to this; but Mr Romney, running against him on the Republican ticket in the 2012 elections, did his best to repudiate his own achievements because it contradicted his party's pro-business, free market principles (which is why his party is trying to undo Obamacare now).

If the best practices of constitutional democracy are keeping him in office, Mr Trump represents the very worst practices of corporate America. His unlisted, family-run real estate and event management business had a well-established reputation for dubiousness and a simplistically crude management style, none of it remotely applicable to the realities of governing a republic as complex as the United States.



SWOT
KANIKA DATTA

of the Foundation of Commerce", "Why Government is Necessary for Business" and "Virtue in Business". Of these, the most interesting is the first chapter. As Mr Davis explains, "What were these Brahmin men (and, with very few exceptions, they were all Brahmin men) trying to do?...The first topics had to do with the family and household, the rules and rituals that governed the daily and cyclical lives of ordinary Brahmins.... From the legal and religious perspective, therefore, business, like all social institutions, had to follow specific rules and work within certain categories in order to qualify as dharma. To be precise, procedural and substantive law (*vyavahara*) fell under the dharma of the king (*rajadharma*) and eight of the eighteen headings or titles of substantive law deal with business or commerce.... Following Manu, the eight are: (1) non-payment of Debts, (2) Deposits, (3) Sale without Ownership, (4) Partnerships, (5) Non-payment of Wages, (6) Breach of Sale or Purchase, (7) Violation of Business Standards, and (8) Disputes between Employers and Employees... The eight business-related

titles of law will form the backbone of evidence to be used in this book." The perspective is "new" in the sense that, even in India, one often approaches business with a Western and corporate lens. Having said that, those excerpts from the first chapter illustrate a problem with this book. Mr Davis has constrained himself by presuming a book on commercial law will have to be restricted to those eight of the 18 headings. *Vyavahara* is a sub-set of *dharma*; one can't look at it in isolation from broader aspects of *dharma*. Commercial law is a sub-set of *vyavahara*; one can't look at commercial law in isolation from broader aspects of *vyavahara*. Even if this wasn't going to be a book on *dharma*, I don't see why it couldn't have been a book on *vyavahara*. That would have meant an inclusion of the 10 topics, from the traditional list of 18 excluded. Examples are inheritance laws, marriage laws, theft, gambling, defamation, assault, adultery/rape and robbery/murder. That would have made for a thicker and richer book.

As it stands, the promise of the first chapter peters out a bit in the subsequent

four. But indeed, those eight topics are presented within a structure and will be useful to those who don't know what the *dharma* texts say.

There is an interesting point the author makes. "In my view, the first thing to remember is that *dharma*, much like other legal systems from Jewish law to Islamic law to Roman law, was a scholars' law or a jurists' law. When you approach a *dharma* text, you can't have lawyers and legislators in mind to start with, much less [that of] business people. Instead, you should think of law school professors." As such, they weren't necessarily prescriptive, or even descriptive. For example, even though not stated explicitly, this seems to be obvious in the first few verses of the much-maligned "Laws of Manu".

There is a deeper point that takes us beyond this book. The composers were "Brahmin men" concerned with "the daily and cyclical lives of ordinary Brahmins". According to Manu (10.75), a Brahmana was allowed six kinds of acts — teaching, studying, performing sacrifices for himself, performing sacrifices for oth-

three months we had a draft LTFP which we discussed page by page in a series of meetings taken by the finance minister, with those present including finance secretary S Venkitaraman, revenue secretary Vinod Pande, Montek from PMO, Jalan and myself.

The LTFP, which was laid in Parliament in December 1985, was a unique policy document marrying a medium-term public financial programme with a detailed agenda of direct and indirect tax policy reforms. The flagship reform in the chapter on indirect taxes was to usher in "a modified system of VAT, or 'MODVAT' for short", whose key objective was to "progressively relieve inputs from excise and countervailing duties" through a comprehensive system of credits and set-offs in the central excise duty structure. Two months later, V P Singh's 1986 Budget duly implemented MODVAT in 37 chapters of the Central Excise Tariff. This marked the first serious beginnings of VAT/GST principles in India.

In my next 15 years in the finance ministry (the last eight as CEA), I maintained an abiding interest in tax policy reform and was fortunate to work with mostly receptive and supportive finance ministers, and finance and revenue secretaries. As regards VAT/ GST, other pieces fell into place gradually: MODVAT was extended to virtually the entire domain of central excises, the hundreds of end-use specific exemptions were chipped away, the large number of excise tax rates was whittled down, services taxation was introduced (in 1994) and rapidly expanded in scope and coverage, and, by 2000, major initiatives had been launched to reform State sales taxes into VAT format.

In this long (and not always linear) journey, a personal high point for me occurred during the preparations for Yashwant Sinha's Budget of 1999/2000. As usual, the long meetings of the "Budget group" (finance minister, secretaries and CEA) on indirect tax policy were held in the specially secure, "engine room" of the Commissioner, Tax Research Unit of the Central Board of Excise and Customs (then the very able and reform-minded T R Rustagi). As we searched hard for ways to reduce the number of excise tax rates, I was able to help with some acceptable rules of thumb to collapse the extant eleven major excise tax rates (ranging from 5 to 40 per cent) into just three (8, 16 and 24 per cent), buttressed by two non-Modvatable additional special excises of 6 and 16 per cent on a handful of luxury consumer goods. The following year, 2000, the Budget group, led by Yashwant Sinha, conflated these three rates into a single CENVAT rate of 16 per cent, along with three non-rebatable special excises of 8, 16 and 24 per cent.

Of course, a great deal more had to happen in the years beyond 2000 to arrive at the landmark inception of GST on July 1, 2017. And compromises had to be made to amend the Constitution, enact the necessary legislation in Parliament and State Assemblies and retain consensus in the GST Council over the past year. But the story of India's fledgling GST goes back a long way before 2000. And I was privileged to play a small part in that story.

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Consider: Mr Trump equates negotiating with deal-making and he prides himself on these skills. His technique might work in his realty and event management empire. In politics, agendas are rarely so clear cut and demand weighing policy options. For example: Selling weaponry to the Saudi Arabians and Qataris may be a great "deal" for the stock prices of America's arms manufacturers. Such humdinger packages may hold the promise of creating the thousands of manufacturing jobs Mr Trump spoke of on the campaign trail, though growing automation makes this appear unlikely. That such deals may seriously compromise peace in West Asia does not seem to have occurred to the administration as it now scrambles to contain the fallout from the Saudi-Qatar stand-off.

Running a business empire that favours family, however inept, may be acceptable in the corporate world, especially if those firms are not subject to the scrutiny of the markets. As president, Mr Trump has placed his family in roles that are conveniently outside direct accountability to Congress. His daughter's unspecified advisory role in the White House is not even the most egregious of these appointments. Appointing in a similar role a son-in-law who has made a mess of his own family-run real estate business and has been a disaster in foreign policy surely does not serve America's interests.

Jared Kushner has, in fact, proved himself singularly unfit for his position. "Bringing peace to the Middle East" was one of his multiple Key Result Areas, to use corporate-speak. Look how that's worked out. With nothing to show for the awesome responsibilities that the President heaped on him, he's in the spotlight because suspicions of collusion with Russians during the election campaign are coagulating into hard evidence, thanks in no small measure to his dim-witted brother-in-law Donald Trump Junior's aim revelations.

An amoral businessman in Trump Tower presents few dangers. An unprincipled businessman in the White House is a liability for the world.

The pursuit of artha



BOOK REVIEW

BIBEK DEBROY

Gurcharan Das is the editor of a series on the story/history of Indian business and this volume is the eleventh in that series titled *The Dharma of Business*. As everyone acknowledges, *dharma* is a word that is impossible to translate satisfactorily into English. It has different nuances and meanings in different contexts. In the context of this volume, it means the *dharma* texts. There is a slight distinction between earlier *dharma* texts and subsequent *dharma* texts. Apastamba, Gautama, Baudhayana and Vasishtha (something like 500 to 200 BCE) represent the former, while Manu,

Yajnavalkya, Narada, Vishnu, Brihaspati, Katyayana represent the latter (something like 2nd to 7th century CE). Then there are later commentaries (*bhashya*) and digests (*nibandha*) spanning the 6th to 17th centuries CE.

Donald Davis has written on Hindu law earlier, therefore he knows the ins and outs of the texts. Depending on what you count, the number of texts can range between 20 and 100. In addition to *sutras*, *smritis*, *bhashyas* and *nibandhas*, the author includes the *Arthashastra*. These texts cover a wide variety of topics — *sadachara* (good behaviour), *prayashchitta* (atonement) and *vyavahara*. The latter means commerce, administration of justice and customary laws.

The blurb on the back of the book states, "This exciting book provides a new perspective of commercial law during this period." The five chapters in this slim volume are titled, "How to Read a *Dharma*", "Business Law in Context", "Relationships

giving donations and receiving donations. This is repeated in many other texts too. The traditional objectives of human existence were *dharma*, *artha*, *kama* and *moksha*. The Brahmana's acts did nothing to create *artha*. Brahmanas survived on wealth created by others. Therefore, if one seeks to understand commerce and pursuit of *artha*, one can't depend solely on texts authored by Brahmanas and for Brahmanas.

This is not meant to belittle the importance of this book. Within its narrow construct, it is a very well-written one. Difficult though it may be (because most texts were composed by Brahmanas), one needs parallel books to understand the subject at hand.

The reviewer is a member of the National Institution for Transforming India Aayog

THE DHARMA OF BUSINESS

Commercial Law in Medieval India
Donald R Davis
Portfolio/Penguin
155 pages; ₹299