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Watch out for trouble beyond Sensex bubble

SWAMINOMICS

SWAMINATHAN S ANKLESARIA AIYAR

Bubble ahoy! Across the world, stock markets are inflating crazily. Don't think that the Sensex boom is driven by Indian policies and economic results. Rather, global markets are highly interconnected today, and typically rise and fall together. The Sensex hit a record 32,000 last week even as the MSCI World Index broke records and the US Dow Jones Index scaled new heights.

So, most explanations of the Sensex boom in our media are misleading. Yes, India is the fastest growing major economy in the world. Yes, GST and Modi's other incremental economic reforms are significant achievements. But stock markets are booming everywhere else too. To grasp what is inflating the boom, look at the world economy.

The global economy is no longer growing at the breakneck speed of 2003-08. China, which became the growth star with 12-14% growth in those days is now down to 6.5% according to official data, and even less in reality, say market experts like Ruchir Sharma. The US, Europe and Japan are all recovering, but growing much more slowly than in earlier times.

The long-term outlook for the West is sluggish. In his book, The Rise and Fall of American Growth, productivity guru Robert Gordon showed that US productivity growth fell from 1.7% per year in its boom years after World War II to 0.7% per year after the 1970s, and is now not far from zero. The situation is roughly the same in the EU, Japan, and even China. The internet boom gave a fillip to productivity from the mid-1990s to 2004 but that then petered out. For all the talk of 3D printing, robotisation and artificial intelligence, no breakthrough in productivity is in sight.

Meanwhile, population growth in the US is slowing, and Trump's immigration curbs may slow it further. Population growth is zero or negative in most of Europe and Japan. China's workforce is about to peak, and is projected to start declining after 2020.

Now, GDP growth is nothing but the growth of population plus the growth of that population's productivity. If both are growing at zero or slow rates, then GDP growth will necessarily be slow. That is the big macro-picture, and it is not encouraging.

Developing countries like India have brighter prospects. They are far below the productivity levels of the West or even China, and so have much scope to catch up. In India, the gap between the backward heartland states and the progressive coastal ones is huge, and here too catch-up possibilities are large. But the Western economies, once the locomotives of global growth, are going to drag down emerging markets like India.

TRADING UP: Stock markets are booming everywhere because of a dollar flood, but it cannot last

Why, in these weak long-term conditions, are stock markets booming everywhere? Because central banks in Western countries have in the last seven years printed trillions of dollars in an attempt to revive their economies. The central banks have also bought trillions worth of bonds and other financial assets. This has sent market prices soaring.

It cannot last. At some point, central banks will have to reverse gear. The US Fed is gradually raising interest rates, and is preparing to sell the massive stock of securities it bought during "quantitative easing". The dollar flood will be followed by an ebb. That will end the money glut pumping up markets. Investors will realise that the main bubble-creator has shut down. They will start to panic and send markets crashing.

The central banks think, optimistically, that they can manage the money reversal smoothly. Alas, markets are creatures of euphoria and despair, and rarely adjust smoothly.

So, to judge coming trends, do not focus on just trends or signals from the government, RBI or Indian economic indicators. The big shocks will be global in origin, with unpredictable timing.

The bubble can continue inflating for years before bursting. Remember, Robert Schiller got rave reviews for writing Irrational Exuberance in 2005, yet the US bubble inflated for three years more. The end is always nasty, but can get postponed for remarkably long periods.

What can India do to prepare for that event? First, it must adjust margin requirements and discourage borrowing to invest in financial assets. If debt-free, an investor can ride out the worst storms. Investors should shift out of cyclical stocks. Corporations are still over-borrowed, and the RBI should tell banks to aim for lower debt-equity ratios for their borrowers. The RBI should also build up forex reserves to withstand big withdrawals by foreign portfolio investors.

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GOOD VERSUS BAD IMMIGRANT: IT'S A BULLSHIT BINARY SCALE

*Last year, **Nikesh Shukla** asked 21 BAME (black, Asian, and minority ethnic) writers to contribute essays to The Good Immigrant on their non-white experiences in Britain. The 37-year-old Briton of Gujarati-Indian origin crowd-funded the money in just three days with publisher Unbound, and the book went on to win the Readers Choice Award and was shortlisted in the British Book Awards. **Naomi Canton** talks to Shukla on what it's like to be a brown novelist in Britain*

FOR THE RECORD

What made you do The Good Immigrant compilation?

This idea of the good immigrant. You start off in the UK as a bad immigrant, here to steal the women, the jobs and an NHS place, and then when you win a gold medal or a TV baking competition, you become a good immigrant. It's a bullshit binary scale that should not exist.

Whenever you complain about the lack of books by writers of colour in the UK, you are always told people don't read these books. I thought what better way to show this readership exists than by crowd-funding for a book featuring writers of colour.

In 2016, only about 100 books out of the thousands that were published were by British writers of colour. Year 2017, on the other hand, has been really good for BAME writers — with authors like A A Dhand and Abir Mukherjee — but it needs to be sustained.

But what about writers like Hanif Kureishi and V S Naipaul?

Kureishi and Naipaul are now part of the (Western) canon. Are they still writing about issues relevant to young and millennial British readers of colour? Where is today's Buddha of Suburbia?

Has racism decreased in Britain since the '70s?

I feel like it never really went away. We went through a blissful period of political correctness in the '90s and the Noughties. I miss those years but maybe it was a plaster.

I think people now feel emboldened by Brexit, by the Conservative attitude towards immigration and by UKIP, to say what they always thought. What we have seen in the past year shows it is as bad as the 1970s. The immigration conversation lacks nuance. People move to escape wars, for economic reasons, for family, and yet the only thing we hear about are the growing numbers.

Do BAME writers face discrimination?

They don't have as many opportunities to be published. Historically, editors found they can't relate to the characters in BAME books because they are not white. There have been a lot of moves to diversify the workforce in publishing in the UK, and the more you diversify it the more they will find voices that are relatable. I related to Spiderman with his dual identity when I was growing up. There is anecdotal evidence that people of colour work hard to relate to characters not from their background but white consumers can't because they are so over-represented. The universal experience is written by straight white men and that becomes the default.

I once had a script rejected by a UK broadcaster because they said people don't relate to an all-Asian cast.

The actor Riz Ahmed says in the book he just wants to get to a point where he plays a person called Dave.

Does multicultural Britain work?

There is a lot of institutional stuff in Britain that makes it difficult. I think British colonisation should be taught properly. There are all these statues and buildings named after huge slave traders like Cecil Rhodes and Edward Colston. Their legacy should be appropriately shown rather than heralding them as heroes.

What is your background?

I was born in Wembley and raised in Harrow. My dad was born in Nairobi and grew up in Mombasa. My mum was born in Aden and went to boarding school in India. Her family moved to Keighley in Yorkshire as it was one of the few places with lodgings for coloured people that my uncle could find. He was the first person to bring a case under the Race Relations Act after he tried to buy a house in Leeds and was refused because he was coloured.

Do you feel integrated?

I have always struggled with dual heritage. It took a really racist EU referendum campaign to make me feel British. There is this tension between feeling British and trolls. The online discourse goes like this. "I was born here." "That doesn't make you British." "I feel British." "You are not. Go back to brownland." It has taken me years to feel like I have got a sense of my place in the country and now I am going to fight for this multicultural society that is possible.

What's it like being a brown novelist in Britain?

I was told that diversity is on trend right now, but that suggests some people think the current spate of exciting BAME writers is a marketing trend, so what will happen when we are not on trend? I don't find the word brown offensive but I want to get to the point where I am just a novelist.

Help! Why Moderne India is terrified of India across its gates

UNDER THE INFLUENCE

INDRAJIT HAZRA

"'I've always imagined that my name was Cordelia — at least, I always have of late years. When I was young I used to imagine it was Geraldine, but I like Cordelia better now. But if you call me Anne please call me Anne spelled with an *e*."

"What difference does it make how it's spelled?" asked Marilla with another rusty smile as she picked up the teapot.

"Oh, it makes *such* a difference. It *looks* so much nicer. When you hear a name pronounced can't you always see it in your mind, just as if it was printed out? I can; and A-n-n looks dreadful, but A-n-n-e looks so much more distinguished.'"

Like the orphan girl Anne Shirley in L M Montgomery's 1908 classic Anne of the Green Gables, the poor residents of Mahagun Moderne know how much difference an 'e' at the end of a name makes. If they had lived in Mahagun Modern, they would have found themselves living in a housing society in Uttar Pradesh. The fact that they live in Mahagun Moderne makes them members of a residential community in Noida's Sector 78. Even as the architectural term, 'moderne', denotes resembling the art deco style 'marked by bright colours and geometric shapes', Mahagun Moderne residents are happy that their white-grey vertical flats — sorry, apartments — look "so much more distinguished" than many other housing societies in the area.

They were happy, that is, until one of the key features that brought them there — 'The secured gated community is protected with multi-tier securities that are very safe,' as advertised by the builders — was breached last Wednesday.

Zohra Bibi, who worked as a domestic help (that is the right way to describe a maid not employed at Downton Abbey, right?) in Mahagun went missing on Tuesday evening. Perhaps uncharacteristically for a family of a domestic help, a frantic search followed on Wednesday, involving the police going to the apartment that Bibi was last seen working at.

Bibi was found there, in a distraught condition. She revealed, as such revelations go, that she was accused of theft, slapped around by the lady of the manor, and locked in a room without food or water (or air-conditioning). On hearing this, residents of the nearby jhuggi jhopri — let's call it a 'temporary settlement', lest real estate prices dip in an already dipped property market — where Bibi lives with other domestic helps and daily wagers, went on a rampage, that too two days before Bastille Day.

The distraught residents of Mahagun Moderne, after being also told that Bibi had stolen her employers' money and had stayed over at another resident's apartment, have been terrified since. Even the arrest of 13 men from the nearby colony festering with Jacobean hatred, and the demand made by at least one resident of Mahagun Moderne to remove the domestic workers 'illegally occupying' the area that some of them may be able to see from their balconies, have not quelled fears of insurrection.

As their narrative now has it, despite the police confirming that Bibi had the right documents, the colony is a den of 'illegal Bangladeshi immigrants'. Bibi and many of her companions there are Muslim, and Bengali, you see.

After this little Kashmir brewing outside the no-longer-secured gates of Mahagun Moderne, the entry of domestic helps has been banned 'until security concerns are addressed'. This means the burden of residents having to roll their own chapatis and swab their own floors.

Replace 'housing society' with 'society', and 'two Indias', visualised usually by highrises sprouting next to fungal slums, emerge across India. The latter provide the daily workforce for the former, with the cooks, maids, drivers having the insidious advantage of knowing their employers' terrain intimately.

A former colleague once told me, without batting her eyelids, how she would lock her domestic help (who stayed with her family) each time she set out of the house, "in case she runs away". Even as that may horrify some socialist socialites among us, institutional apartheid thrives in broad daylight. A prominent club in Kolkata bears the sign, 'No ayahs, servants and drivers are allowed in the pool area.' Club rules. In the same city a lady was barred from bringing in her driver into a restaurant for a meal because 'he *looked* like a driver'.

India may be increasingly het up by the violence unleashed on minorities, whether on Dalits or on little green men found sitting in train compartment seats. But a bigger threat is brewing from a majority that is largely treated by the more affluent lot as scum and disposables. There are two options: treat them as equals. Or make them vanish, which would actually be very Western. And moderne.

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Fruit for thought: To pay less for tomatoes, can prejudice

RUMINATIONS

CHIDANAND RAJGHATTA

Whether you pronounce it to-may-to or to-maa-to (or tamaatar), there is nothing very Indian about the tomate, as Spanish Conquistadors called the fruit (yes, it is a fruit) that grew wild in the Andes. The word "tomato" itself comes from the word "tomatl", its name in the Aztec language Nahuatl. Anglophones likely corrupted it to rhyme with potato. The French, trust them, called it pommes d'amour (love apples), believing it had aphrodisiacal properties.

Stop right there if you are reaching for one. Even without libidinal attributes, the price of this squishy everyday companion to cooking (along with onion) has already hit a new high in India, arousing ire. At Rs 70 a kilo last week, it surpassed the price of mangoes that are on their way out of the market. By this weekend, it had raced into record territory at Rs 100-plus a kilo.

Famously, the rising price of tur daal and onion — our meat and potatoes — is something governments are leery of. But tomato is, by comparison, an orphan.

Remember, it was only weeks ago that we read about tomato growers in distress — selling their produce at as low as one rupee a kilo or simply throwing it away in protest on highways in drama reminiscent of La Tomatina, the festival held in the town of Buñol, Spain — sans the festivities. In fact, this appears to be as much an annual occurrence in parts of India — particularly in the districts of Nasik and Kolar, the biggest tomato-growing areas — as the Valencian festival. What gives?

At first blush, it would seem the tomato is getting squished entirely by seasonal factors and market forces, like so much other agricultural produce in India — particularly fruits and vegetables — that does not get government support price. Growing tomatoes is particularly dicey, says Aruna Urs, a farmer-in-residence at the think-tank Takshashila Institution, comparing it to a Las Vegas crapshoot. Unseasonal rain or unexpected heat, a mandi strike or market glut, could be the difference between boom and bust.

Over the years, farmers have learned to navigate the treacherous terrain — not always successfully — using seeds that yield thick-skinned tomatoes (for longevity and ease of transport) and timing the pick to market. Urs himself speaks of planting this April by car headlights in the dead of the night to catch the right temperature (too warm and the seeds die).

The result has been a bonanza — Rs 68/kilo in the wholesale market last week when anything above Rs 10/kilo is considered rich pickings. So if farmers who got crushed by Rs 1/kg price during the market glut are making a killing at Rs 100 a kilo, who can blame them? By the way, stories about middlemen milking it are vastly exaggerated. They do, but not to the extent of some of the "tomato crore-pati" farmers who gamble by leasing hundreds of acres in what is a high-wire — high-vine — act.

Still, the price variation of 100x is not just a factor of seasons and market forces, but also of cultural and culinary habits. India is notoriously shy of eating frozen and canned goods. No self-respecting Indian would be caught using tomato that is in any way processed or pureed, sliced or diced, into a can or container. Thanks to vast tracts of arable and fecund lands, landing fresh produce is no problem in most parts of the country even if there is a groundwater crisis.

SQUISHY BIZ: The tomato's steep price hike has a lot to do with our preference for fresh produce

By contrast, in the US, where tomato accounts for 22% of vegetable consumption (outside the technicality of it being a fruit), more than 50% of tomatoes are consumed as tomato products — processed, pureed, pasted etc. "What did the papa tomato say to the baby tomato? A: Hurry and ketchup!" goes the joke. Q: How do you get rid of unproductive tomatoes? A: Can them. As a result, retail price of tomatoes in the US has hovered between a low of $1.21 and a high $2.47 per pound over the last 20 years — nothing like the Rs 1 to Rs 100 variation in India.

To be sure, there's enormous merit in the way Indians consume fresh produce, including the tomato in all its "fiery colour and cool completeness" (Pablo Neruda). Instead of eating fruits and vegetables in their original state, much of the West, particularly the US, soup them up with sodium and sugar, adding needless calories and subtracting dietary fibre. Last year, the grocery chain Whole Foods invited outrage and ridicule by selling pre-peeled oranges.

But there is now sufficient research to show that frozen produce is not always nutritionally leached, and in some cases, enhances it. Sans sodium, canned is not dicey either. Of course, there is nothing to beat fresh, but as long as India does not accept enforced longevity of produce, both farmers and consumers will have to periodically deal with crapshoots in the fruit and vegetable market.

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RHYME & REASON

AMIT VARMA

DEMON NOTES

Urjit Patel let out a big groan.
I said, "Urjit Bhai,
why do you moan?"
He replied, with a sigh,
"Amit, I will not lie.
I've been counting the notes
on my own."

DEAR MR MODI

I know that there's nothing
that you abhor
Like being made fun of.
Well, just ignore.
Do not try to suppress.
Be a sport. Show finesse,
Or else the world will laugh even more.

INBOX

Timely warning

Swaminathan Aiyar's ominous warning might well turn into reality if the flames of communal hatred slowly spreading across the country are not doused immediately ('Those who sow Hindu terror will reap Muslim terror', July 9). With every act of aggression inviting a reprisal, more innocent blood will be spilt and those keen to drive a wedge between communities will gain. It's high time regressive forces are reined in and transgressors face the full brunt of the law.

C V Aravind, Bengaluru

Wait for justice

Shobhaa De reiterates what we all know too well ('There's no justice when the system damns the defenceless', July 9). Ironically, the system that's meant to dispense justice is groaning under its own weight — lack of staff, antediluvian laws, judges with suspect character, lakhs of pending cases, political influence, delays, etc. Expecting justice under such fraught circumstances is a chimera.

Avinash Godboley, Dewas

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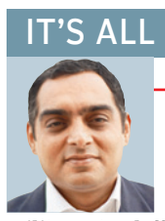
As China changes border script, India can't afford to back down

IT'S ALL POLITICS



NALIN MEHTA

If there were any doubts that China is systematically changing the famous 'tao guang yang hi' (TGYH) approach that underpinned its foreign policy since the late 1980s, the ongoing military standoff in Doklam — which started with the People's Liberation Army trying to change the status quo at the border tri-junction of Bhutan, India and China — has laid them to rest.

The TGYH approach, created in the context of a China that was wrestling with domestic discord after the Tiananmen Square massacre and what it saw as an existential global threat as other Communist regimes crumbled, was summed up in Deng Xiaoping's Twenty-Four-Character strategy of 1992: "Observe calmly; secure our position; cope with affairs; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership." That diffident era is now clearly over.

The current Bhutan standoff, which started with the Chinese starting to build a road towards the Bhutan army camp in Zompelri on June 16, illustrates how the internal Chinese foreign policy debate between the pragmatists who emphasised a low profile and the muscular nationalists who want the 'Fen Fa You Wei' (striving for achievement) approach is being won by the latter.

Ironically, Geng Shuang, spokesperson for China's foreign ministry, recently accused New Delhi of having "trampled" upon the principles of 'Panchsheel' outlined by Nehru in the heyday of Hindi-Cheeni bhai-bhai. Yet, on the ground, Beijing's actions are seemingly being driven by what a witty TOI cartoon pithily described this week as the spirit of "Punchsheel".

PUNCHSHEEL: Deng advocated a low-profile foreign policy for China. Doklam shows that era is over

Admittedly, the absence of mutually agreed-upon clarity over large parts of the Line of Actual Control on the map — like we have on the Line of Control with Pakistan on the western border— in what is the world's largest border dispute stretching over 310,800 sq km of territory, has often led to periodic disputes. Even so, the current Chinese rhetoric is best characterised by the old colourful Hindi metaphor, *ulta chor kotwal ko daante* (the thief, instead, scolds the policeman).

The Doklam incident is significantly different from recent ones in Depsang (Daulat Beg Oldi sector of Ladakh, 2013), Chumar (eastern Ladakh, 2014) or Demchok (Ladakh, 2016). First, this time China is attempting to change the status quo as it has existed since the 1993 Border Peace and Tranquillity Agreement, as former NSA Shivshankar Menon has argued. The Chinese gambit of building a road in this strategically important sector pushes Chinese de facto control below Bhutan's claim-line, about 5km southwards, thus changing the status of the border tri-junction.

Beijing's claim to the additional territory invokes the old 1890 Britain-China border convention relating to Sikkim and Tibet. It argues that India accepted this as the basis for border demarcation in 1959 and 1960. Yet, this claim is belied by letters written by Nehru in the same period, as foreign secretary S Jaishankar told opposition leaders this week at a meeting at home minister Rajnath Singh's residence. Also, in 2012, as Menon has said, special representatives from both sides "had a broad understanding that tri-junctions will be finalised in consultation with the third country concerned." China is now unilaterally trying to get away from that.

Second, this incident is not just about India and China, but about a third country: Bhutan. Though Thimpu did ask on June 29 for status quo on the boundary to be maintained, the fact that it took two weeks for this public statement to be issued and Delhi's measured tone indicate what is at stake: India's strategic equation with Bhutan itself.

While Bhutan has long been an Indian ally and virtually a military protectorate, it has been having separate border talks with China and several observers have noticed subtle shifts in its stance on a final border settlement. The debate within Bhutan seems to be towards equidistance between India and China and the matter of fact manner in which its media has covered the issue so far is instructive.

Third, unlike in past incidents when both sides mutually agreed to withdraw troops, this time China is setting preconditions for talks. It didn't expect Indian troops to intercede in Bhutan, and for India to back down now would be a strategic disaster.

Previous incidents with China have shown that diplomacy works, but only if it is backed up with strength on the ground. In that sense, the symbolism attached to the Indian navy's biggest-ever participation, with nine warships including aircraft carrier INS Vikramaditya, in the ongoing India-US-Japan naval exercise, Malabar, in the Bay of Bengal becomes even more potent.

With bilateral trade worth over $70 billion annually, China is India's biggest trading partner but the fact is that despite recent moves over greater market access, it has been aggressively moving to reduce India's strategic space — from blocking its entry into the Nuclear Suppliers Group to stonewalling efforts for a UN ban on Jaish-e-Mohammad chief Masood Azhar, to propping up Pakistan as a client state.

The fundamental drivers of Delhi's Beijing policy are inexorably changing and as a stronger China shifts its strategic calculus, so must we.

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