They also said this

Beyond the headlines, some global CEOs and observers, who have spoken on India of late, have invaluable advice for our policymakers

ACROSS THE BOARD

SHAILESH DOBHAL

First, the caveat. Most global business honchos and observers who have spoken on India, either during their visit to the country recently or with Indian media abroad, have a good word on the boldness and the direction of policy reform of the Modi government and India's — still strong by global comparison — around seven per cent growth.

So of late you have read the headlines that pat the government on the back — India on the right track, bullish on the country and its leadership, the country being the biggest focus for the multinational, Modi tackling difficult problems and all that kind of stuff. And all very right and proper, just what the companies' public relations machine will love to highlight. However, parse their statements, and beyond the platitudes these leaders have pointed to things that are not hunky-dory. It is not so much a criticism, but an honest advice and opinion that the powers that be can afford to ignore at their peril.

Take Lloyd Blankfein, CEO of Goldman Sachs and a big believer in the India story. In an interview with a business daily recently he said, in the context of risk versus reward in emerging versus developed markets, that "If things are going to grow faster, there is more likelihood that things are going to get done in a less careful way." Blankfein may not have meant it that way, but what he said could be a nudge to our policymakers to weigh before they move, as the hurry on anything from demonetisation, poorly drafted legislation to the shift to the goods and services tax regime is all too apparent all around us.

Die-hard India optimist Apple Inc.'s chief executive Tim Cook, speaking to another leading newspaper recently, has this to say on things that attract businesses to a country: "The ability to set up business quickly — I don't mean cutting corners on things like environment protection — but things like faster permissions and the ability to freely move money from business to business." Obviously, we have miles to go to improve the ease of doing business for foreign investors, and Cook's sincere advice, not discounting all the progress achieved in the last few years, is not to sit on our laurels and get moving if we really want to play the global manufacturing game, a la "Make in India".

And even as the world acknowledges that the Indian market remains a beacon of hope for the billions of investment dollars looking for good returns, word from Daniel Needham, CIO, Morningstar Investment — that manages over $ 200 billion in assets — could be instructive: "Sentiments are positive in India, people are expecting increased focus on infrastructure. They are keeping a close eye on progress." Jan Dehn, head of research at another big global money manager, Ashmore Group, too, is straight when he flags the perilous state of finances in some states and the bad loan situation not "being addressed fast enough", even as the insolvency and bankruptcy code is operational now. Complacency can be our undoing here, and we should do well to remember that the world is watching us very closely.

While most buy that a stable economy and ongoing reforms make India a safe bet, much like consultant EY's global chairman Mark Weinberger who says India's "massive reforms are aimed at the right direction". But equally, the ability of a country's polity to move in lockstep to actualise its potential is a big known unknown, as Weinberger opines: 'The money is coming, but a lot of execution has to occur for these reforms to translate from central government to each of the states." It is one thing for the central government to write up model laws for anything from real estate regulation, electronic agriculture markets to public-private partnership in health care, but unwilling or uncooperative states can put paid to all such noble designs.

Already on the fourth year of its five-year term, there is growing concern that the government may turn more populist in its last two years. Mohamed El-Erian, the chief economic advisor of Allianz Group that has around two trillion dollars assets under its watch, has this to say: "In this phase of the gradual middle income development transition, the policy requirements get tougher and require sustained focus, implementation, sequencing and coordination." It helps that "India has a leader who believes in disruption and is willing to take risks", in the words of another big believer of the India rising story, John Chambers, chairman of the US-India business council and executive chairman of tech biggie Cisco. Equally, as Chambers adds, "It doesn't mean everything he does is going to work", should temper the ruling dispensation on the infallibility of all mortals.

CHINESE WHISPERS

Bar on taking leave

Karti Chidambaram's (*pictured*) counsel offered to undertake before the Chief Justice of India on Monday that he would go to England and return to join the investigation in the graft case registered against him by the CBI. His counsel, Gopal Subramanium, asserted that the son of the former Union finance minister was a respectable person who could be trusted to return, given his family is in India. The look-out notice prevailing against him involves a lot of "odium and ignominy", it was pleaded. The Chief Justice was sceptical: he knew several respectable people giving such undertakings and never coming back, he said. He did not recount all of them, except mentioning one who was allowed to go to Malaysia with a promise to return, but one only saw his back. The court observed that Chidambaram couldn't leave the country until he took part in the probe.

Mum on rebel mentor

Janata Dal (United) leader Sharad Yadav (*pictured*) has become persona non grata for the Bihar Chief Minister Nitish Kumar-led party. However, he cannot gather the courage to expel Yadav, hoping that his one-time mentor would quit on his own. This, despite the suspension of several other rebel leaders on Monday. Party spokesperson K C Tyagi, who also counts Yadav as a mentor, said on Monday that Sharad Yadav should now be called Sharad Tyagi. Translates into English, "*tyagi*" means the renouncer.

Blessing in disguise?

Sebi's stand on 331 "suspected shell entities" has drawn flak as it has abruptly halted trading in close to 160 actively-traded companies. However, some are looking at the positive side of the exercise. "Midcaps, small caps thrashed. Only people celebrating are holders of shell company shares as no trading there," tweeted veteran stock market analyst Shankar Sharma, referring to last week's five per cent market crash amid flaring up of tensions between the US and North Korea.

Defaulting on debt and disclosures

The Sebi circular of August 4 asking corporations to disclose delays/defaults addresses a number of issues. But that Sebi needs to ask corporations to do so speaks about their perfidiousness

THE OCCASIONAL ASIDE

AMIT TANDON

Sebi, for long, focussed on principles-based regulations. In the same spirit, its Listing Obligations and Disclosure Requirements Regulations of 2016 expected companies to disclose material information and events to the stock exchanges. While not being over-prescriptive, this was expected to mean:

■The omission of information which is likely to result in discontinuity or alteration of event or information already available publicly;

■The omission of information which is likely to result in significant market reaction if the said omission came to light at a later date.

At the risk of exaggerating, companies have taken "material" to mean being expeditious in reporting purchase orders won, but dallying reporting a default. Companies tend to follow the lowest common denominator on their approach to disclosures — so while changes in credit ratings were reported, since these are mandatory, defaults were not. Tired of haranguing companies to follow the spirit of the regulation and disclose defaults and delays in a timely manner, Sebi has put aside its principles-based approach and through a series of circulars, moved to rule-based disclosure and steadily tightened reporting requirements.

In a circular to credit rating agencies last November, it defined default for them and then in June, in a missive to debenture trustees, it asked them to confirm timely payment of interest and keep the rating agencies informed of any default within seven days. And now, in its most prescriptive circular of August 4, 2017, Sebi has asked companies to report delay in payments ("non-payment") within one working day — be it bonds, external commercial borrowings, loans, foreign currency convertible bonds, commercial paper etc. Sebi has also specified a format, eliminating (reducing?) the chance of unorthodox interpretation.

In one fell swoop, the August 4 circular puts an end to what my friend, Sandeep Parekh, calls the bond of Omerta between companies and banks. There was never any incentive for the company to make this disclosure — such an acknowledgement invariably results in immediately restricting access to cash. But, it was also not in the banks' interest to report the default, as they will then need to provide a capital charge. The circular, by putting the disclosure of delay/default in the public domain, breaks the unholy nexus.

If banks are not happy, there is a number that explains this. The rating downgrades will push up risk weights on these loans to 150 per cent. Credit Suisse estimates that this will "exacerbate the capital shortfall for the sector by US $40 bn until FY19E". On a separate note, given that this additional requirement is on account of a Sebi circular, the Reserve Bank of India has shown maturity as a regulator in not pushing back, and it needs to be applauded.

AJAYA MOHANTY

Rating agencies will now not be able to take cover under the garb that they did not have information about the missed payment — the trustee did not inform them, or the company was in breach of its agreement to them by not telling them, or that the bank was expected to let them know. Genuine all, but these excuses do not cut much ice when a little bit of leg-work could have established the truth. Not just this, Sebi has gone a step further and said that such companies cannot be moved to investment grade within 12 months.

The disclosure of delay/default, in the prescribed format, helps serve another function — that of acknowledgement of the debt itself and in doing so expedites the services an information utility will soon provide. This needs elaborating.

The Insolvency Code calls for setting up of an information utility with this very objective. The utility has been tasked with maintaining digital records of loan documents and a database of borrowers, lenders, lending terms, security etc. On references to the insolvency court, this information can be very quickly accessed by resolution professionals and courts like the National Company Law Tribunal. It will help them save time and foster expeditious clearance of cases. Even as the first information utility — National e-governance Services Limited (NESL) — is gearing up to roll out its services, Sebi prescribed format, with information on loan amount, loan covenants, number of lenders, total and current outstanding amount etc. The disclosures by companies will both ease and accelerate the roll-out of NESL's services.

Secondary markets, too, will benefit. Asymmetric information resulted in those in the know selling ahead of the news percolating to the market. When the news did hit the market, the share price plummeted resulting in margin calls — and further disruption. And while the disclosure on delay/default might still cause the share price to plummet, the Sebi circular at the base level ensures that information dissemination is more even-handed, and to this extent minimises the chance of mischief.

The recent instances of rule-based regulation — women on corporate boards, tenured auditor rotation, CSR spends — have all had a significant and positive impact on corporates. Based on this experience, I expect the delay/default disclosures to have a salutary impact as well. Having said so, to avoid more prescriptive regulation, corporate India must consider changing its focus from placing itself between the fine lines of regulatory requirements, to a more perspective-based disclosure regime.

The author is founder and managing director, Institutional Investor Advisory Service India Limited. Twitter: @amittandon_in

CONSUMER LIFE

Arguing about aspirations

MAHESH VYAS

Conventional wisdom states that unemployment rate in a poor country like India is bound to remain low because people cannot afford to remain unemployed. People may be willing to work even at very low wages rather than stay unemployed.

Perhaps, it is time to correct this understanding. India is not a poor country as it was in the past. It is a developing country with a large middle class, often described as a young, impatient and aspirational middle class. This aspirational middle class youth is not willing to work for a pittance. It'd rather sit out of the labour force than run after jobs that do not meet its, well, aspirations.

This aspirational neo-middle class is caricatured, not very inaccurately, as a smartphone-wielding shopping mall inhabitant with dreams fuelled by the information superhighway and a devil-may-care attitude. In reality, this attitude is fuelled by the recent prosperity of their families. India has progressed from being a largely poor economy to being a largely middle-class society. And, it has produced a generation with an attitude but without sufficient jobs and without sufficient hunger to work hard.

What are the preferences the middle classes have about jobs? Here is one piece of data to understand this. Seventy-three per cent of the respondents in a survey said their first preference of a job is a government job. Only 13 per cent said that a private sector job was their first choice. Even self-employment is preferred to a private sector job.

This is one of the results from a survey conducted by CMIE on the Consumer Pyramids sample for Lok Foundation. The survey was conducted during the current aspirational age — September-December 2015 over an all-India sample of 158,624 respondents.

Interestingly, a follow-up question regarding the choice of a job for children (the next gen) did not change the views much: Sixty-eight per cent preferred a government job for their children. The share of private sector went up to 20 per cent. But, it was still a far cry from the predominant preference for a government job.

Crowds at a protest by Marathas seeking reservation in Mumbai last week. Recent stirs by intermediate castes suggest government jobs command a premium REUTERS

Anecdotally, we know that intermediate castes (most prominently Jats, Patels and Marathas) have been agitating to seek reservations in government jobs. Clearly, government jobs command a premium.

We also know that government jobs are the least meritocratic and the most corrupt. It is revealing that it is these low-meritocracy and high-corruption jobs that the Indian new middle classes aspire for themselves and also for their children.

Part of the problem is that private investments have slowed down and correspondingly, private jobs have shrunk. It is revealing again that 25 years after liberalisation, the private sector is still not able to provide the jobs necessary to absorb the new workforce.

It is also true that private jobs are less secure and more demanding. It is therefore further revealing that labour has not come to terms with volatility of private jobs in a market economy. Most importantly, labour is unwilling to labour. Even within the private sector, office (air-conditioned) jobs are preferred to factory jobs or to field jobs.

But, does this preference indicate that labour can afford to be choosy? Maybe yes. The BSE-CMIE partnership at estimating and understanding unemployment provides a pointer in this direction. A relevant observation from this survey is that households are well-off enough to be run with only one person earning.

Only about a third of the total households have more than one working person. This is a low proportion for a population of young workforce. About six per cent of the households have no employed members. These include households that earn entirely from rent, dividends or transfers. Over 60 per cent of the households are run essentially on the income of just one working member.

The standard of living of the households has improved sufficiently so that it is no longer imperative that an additional person be sent out to work. Researchers have argued that this is the reason why female labour participation rate is falling. The same argument seems to be applicable to the youth.

Households earn well to support the family such that it is not necessary anymore to add a hand to the till. In the face of no government jobs or equally comfortable private sector jobs, an able-bodied workforce sits outside the labour force.

It is the recent increase in incomes that supports this luxury. But, this obviously cannot last for long without it beginning to hurt economic growth. Aspirations (as in desires) need to translate into ambition (as in a drive to grow).

The author is managing director and CEO, Centre for Monitoring Indian Economy P Ltd

LETTERS

Health care challenge

Kenneth Thorpe's brilliant interview by Veer Arjun Singh (August 13) should be an eye-opener for private service providers in our health care system. The Centre can only do so much to tackle the gigantic task of putting in place an ecosystem that reaches every nook and corner of India.

Health care delivery is abysmally poor not only in the hinterland but also in cities. The problem is so humungous that the government has neither the funds nor the managerial capability to handle the same. Few "centres of excellence" set up by the government in metros are overcrowded and over-burdened leading to loss of efficiency and credibility. Smaller hospitals and primary health centres are just not manned and maintained. The private sector has to come forward, give up a bit of its lure for lucre, and the doctors must remember the Hippocratic oath and pitch in with the government in a "mission mode".

Our industry's vast resources — money and capabilities — and the vision of our business leaders are up to the challenge. Of course, the government will have to accept the advice of some of our visionary "health care leaders" who have proven their mettle by setting up great institutes by their own initiative. The government will also need to strictly enforce "mandatory rural service" for all doctors — somewhat on the lines of military service in some countries — before they pick up their hard-earned medical degrees.

Krishan Kalra Gurugram

Promoting mediocrity

With reference to "Neet 2017: Centre to consider 1-year exemption for TN, says Sitharaman" (August 14), the Tamil Nadu government opting for the ordinance route to get exemption for its students from the National Eligibility Entrance Test (NEET) for the current year is a retrograde step. It was in the 1970s when the rot began to set in in the state's professional education sector, with seats in government medical and engineering colleges being sold in the open market, at the cost of merit. It even prompted the Supreme Court to express

dismay "at the spectacle of students who scored very high marks in the qualifying state board examination, scoring low marks in the interview and failing to get admission into professional courses". Years of corruption and mishandling resulted in students, especially engineering graduates from the state, being found to be "among the least employable" in India's IT sector, which witnessed spectacular growth in the past few decades.

NEET was introduced to "streamline the process of admission into MBBS and BDS courses and to act as a gateway to deserving applicants to get admission at the best colleges of India". Instead of taking steps to equip students to compete with their counterparts from other states on an equal footing, the state government's attempt to shield its students from the exam will only perpetuate mediocrity and backwardness, further endangering their future. The state's politicians should realise that they cannot make the weak strong by making the strong weak!

V Jayaraman Chennai

Cash in on red sanders

The Economic Survey II has a number of important suggestions on exports, which the commerce ministry should consider in the interest of pushing up India's exports to achieve the target of USD 900 billion by 2020. One of the suggestions — "demand-based export basket diversification" — warrants serious thought given the changing scenarios like protectionism by the US and others and rupee appreciation.

The demand for Indian products is not showing any significant signal of improvement. Therefore, it is wise to look into the suggestion. In the context of the Economic Survey II readings, the export of red sanders (*Pterocarpus santalinus*) can play a vital role to push up export figures. Locally, there is hardly any demand for this wood species, but it fetches mindboggling prices overseas. India has billions of hectares of this species, widespread in Andhra Pradesh. The Andhra Pradesh State Forest Development Corporation and a couple of other government agencies alone are allowed to export on a quota-scale basis on the recommendation of CITES which terms this species as endangered. But this species is not endangered; like any other tree it also re-grows when cut above the butt, a usually permitted logging practice. The government should turn a deaf ear to CITES and permit the export of this species freely by prescribing minimum export price so that price is not affected by free exports.

A Sathyanarayana New Delhi

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
All letters must have a postal address and telephone number

HAMBONE

BY MIKE FLANAGAN

Business Standard
Volume XXII Number 2
MUMBAI | TUESDAY, 15 AUGUST 2017

Expanding freedoms

A vast majority of Indians are yet to get true independence

Seventy years ago, India achieved political freedom from the British. It has, against the odds, maintained its unity and independence for these fraught decades. This is no mean achievement, given that few expected such success from the fledgling Indian state. But this minimal success — the maintenance of political freedom — has not been expanded upon in all these decades. In particular, Indians who have been granted political freedom have continued to be deprived of other aspects of freedom. The independence celebrated on August 15 is a strictly unidimensional thing.

The political freedom that Indians have understood as their right for seven decades has not been matched by a corresponding economic freedom. The Indian government, early on in India's tenure as an independent country, moved to strip many economic freedoms from the population; property rights were never truly protected, and socialist-style restraints on entrepreneurship were introduced. The two-and-a-half decades since 1991 have seen some of that being lifted — but far from all. India continues to be a state with a bias towards interfering in the normal conduct of business affairs, in private contracts between two citizens. The presumption is not towards economic freedom but towards the opposite. Economic activity is still seen as being conducted at the pleasure of the state. Until political freedom is accompanied by genuine economic freedom, Independence Day will continue to commemorate an incomplete freedom.

In any case, as Amartya Sen wrote, the links between individual freedom and a certain minimum level of economic prosperity and social dignity are deep — nominal freedom is meaningless without the capability to live a free life. This continues to be a facet of the Indian experience. Members of marginalised communities — some religious minorities, Dalits, women, indigenous tribes — possess the right to vote and the technical benefits of freedom, but widespread discrimination in their daily lives means that their capability to enjoy that freedom is greatly impaired. Even for those who were not born into social stigma or marginalisation, the continuing prevalence of abject poverty in India means that vast numbers of individuals live on a subsistence level of income, rather than one that permits them to take full advantage of the freedoms that have been decreed as being theirs since 1947. That is why beneath the glitz of the high-rise shopping malls or the sheen of start-ups, a vast, confusing and poor India lurches onward. It shares little with the country's jet-setting globalists, high-powered intellectuals or high-rolling industrialists.

True freedom means individuals have the ability to access the broadest possible choices about how to live their lives. It also means these choices should not be affected by government interference, that they should be independent of prying eyes and prying actions. True freedom thus requires a certain basic level of income and a certain minimal level of personal dignity. This has been denied to much of India. How can the right to free movement, for example, be seen as anything but a farce when most Indians have no capability to move from one place to another in India in comfort? When they still have to sleep on the floors of railway carriages, ride on the roofs, or walk long distances alongside bad roads? How can freedom without the right to privacy be seen as complete? On Independence Day, Indians should reflect on how much of the struggle for freedom is still to be waged.

Seeking accountability

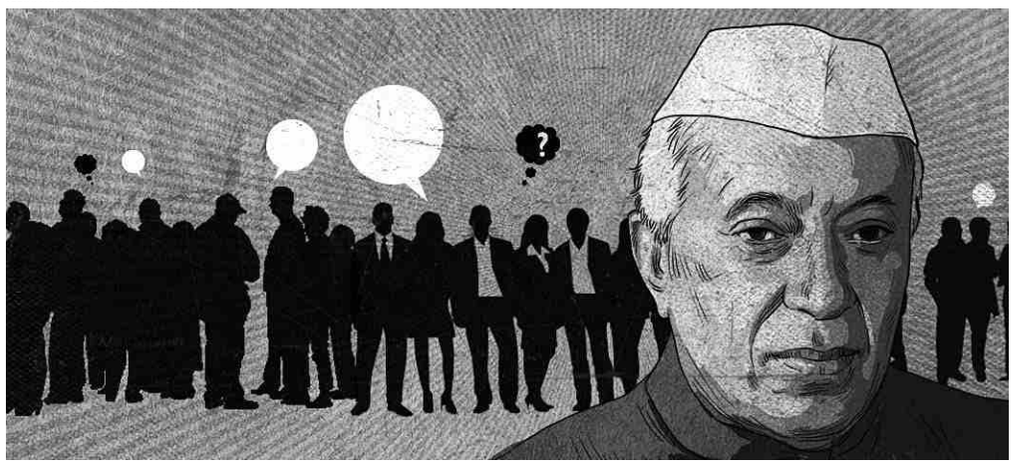
Gorakhpur shows political will necessary to reform health care

Reports that almost 30 children had died in 48 hours, and over 60 in five days, in Baba Raghav Das (BRD) Medical College in the eastern Uttar Pradesh town of Gorakhpur have naturally touched off something of an uproar. It is true that the area is subject to seasonal upsurges of Japanese encephalitis, a mysterious disease that is spread by a mosquito-borne virus, which has tragically afflicted children for decades. But on this occasion, the ravages of the disease appear to have been clearly compounded by administrative errors — oxygen in the hospital had run out, reportedly because the hospital was months behind in paying the dues to its oxygen supplier. And, further, on one of the five days in question, the hospital had actually been visited by Uttar Pradesh Chief Minister Yogi Adityanath — who till recently, not so coincidentally, represented the city and environs of Gorakhpur in the lower House of Parliament since 1998. It would be unfair to blame all these dozens of deaths squarely on the chief minister and the current government of UP. The failure to deal squarely with Japanese encephalitis is not entirely the fault of the local people's representative, and Mr Adityanath inherited a corrupt and creaking health infrastructure in the state.

That said, it is clear that there are problems in how he has set out to reform it. The UP Budget, when it was presented, did not appear to be structured to make health investment a priority, nor has there been any visible attempt to shake up the supervision of government hospitals. Mr Adityanath and the Bharatiya Janata Party do not appear, in effect, very different from their predecessors. All political parties seem content to let the existing health system continue unreformed, even if it is based around patronage, bribery, corruption, and exploitation. These four characteristics all seem to have been on display in the administration of BRD Medical College and appear to have led to these tragic deaths. Yet the first response of the government was to shift responsibility away from systems to individuals; a hospital administrator has been suspended, as has a surgeon who made the obvious mistake of talking to the press. And, most tellingly, a First Information Report has been lodged with the police naming the unfortunate private company that suspended oxygen deliveries after months of reminders about overdue payments.

This tragedy should focus attention, first, on the complicity of the political class in maladministration; and, second, on the lack of efforts to solve the puzzle of Japanese encephalitis. But the systemic problems with Indian government health care should not be lost sight of. Procurement, as is seen in this instance, is hopelessly corrupt. Doctors seek supplementary private employment. The regulation offered by the Medical Council of India can be charitably described as a joke. State governments use health care, medical procurement and hospital colleges as sources of patronage. But, as this newspaper has recently argued, a complete privatisation of health care, along the lines suggested by a recent NITI Aayog paper, is also not a reasonable way out. There is no alternative, in other words, to reform the institutional control of public health care delivery. That will take political will. And political will can only emerge from political accountability. Let there thus be political accountability for the Gorakhpur tragedy.

ILLUSTRATION BY AJAY MOHANTY



The unfinished tryst

We need to mature into a democracy that gives everyone a voice, and an economy that lifts our masses out of poverty

NITIN DESAI

Seventy years ago, on this day, was our tryst with destiny. The hopes, articulated forcefully by Pandit Nehru in that great speech, seemed reasonable and reachable for those of us who grew up in that era. How far have these hopes been met and how far belied?

The consolidation of parliamentary democracy was perhaps the most significant achievement of this era. The effectiveness of the political process in maintaining national unity was seen in the rapid integration of Princely States by Sardar Vallabhbhai Patel and the management of the linguistic reorganisation of states by Gobind Ballabh Pant. The legislative achievements of this early phase of independence are substantial and unmatched, not just because of the formulation of the Constitution but also the large body of economic and social legislation that was passed.

We were fortunate that unlike many of our neighbours, a leader from the freedom movement, with mass appeal, remained at the helm for 17 years. But not just that. The collegiality of the political leadership, forged by their shared time together, in and out of jail, during the freedom struggle was a major asset in the difficult years immediately after independence. Pandit Nehru was a great mass leader. But men like Sardar Patel, Dr B C Roy, Gobind Ballabh Pant, Maulana Azad and C Rajagopalachari did not think of themselves as his subordinates and dealt with him as equals. During this era we were effectively a one-party polity and the checks and balances within the party were important for preventing one-party rule becoming a one-person rule. The loss of collegiality at the highest political level later led to precisely this and remains a threat even now.

The other element in the consolidation of democracy was the respect for parliamentary etiquette and for Opposition stalwarts like Hiren Mukherjee, H V Kamath or Nath Pai that Pandit Nehru and his party showed. Once again the contrast with the present state of affairs is disheartening.

One weakness of this early era was that the political leadership came largely from the upper classes and castes reflecting wealth inequalities and the skewed access to education, opportunity that prevailed then. But this changed rapidly with the emergence of region, religion and caste-based parties. The one remaining gap is the absence of the tribal voice in national politics. But though this has given voice to those who were silenced for centuries, parties based on such atavistic loyalties are preventing the emergence of a true broad-based national social democratic movement.

When it comes to social progress there are some positives like the advancement of women's rights, the greater representation of middle and lower castes in positions of power, and the reforms in Hindu personal law. But the continuing violence against Dalits, the persistence of communal tensions, the worsening vigilante violence by *gaurakshaks*, and similar fanatics and the insecurities they create in the minds of Dalits and minorities are a complete negation of what independence promised. The authorities tolerate social violence and the intrusion of obscurantist ideas and distorted history in textbooks and curricula. This is not just a hope belied but a hope being destroyed.

The record on economic progress is perhaps less disappointing. The Nehru era was not quite the missed opportunity which today's commentators suggest. A stagnant economy started to grow at a rate that was quite comparable with that of peers right up to 1964. There is a creditable record on institution building for science and technology, higher education, development capital, rural credit and community development and the growth of managerial and technical capacity at technology frontiers. Yet one has to admit that we could have done more on the poverty front and for basic education and health. The growth breakthrough comes when the entrepreneurial energies of people were released from the 1980s onwards. But eliminating poverty and ill-health remains an unfinished agenda.

For those of us who were young then, the most exciting feature of the early Nehruvian era of independence was the promotion of a scientific temper, which looked at issues and challenges with the lens of science, rationality and empirical evidence. The hope was that if people became rational and objective, ancient prejudices of caste and community would disappear, democracy, equality and social harmony would be promoted and we would find scientific answers to our development challenges. It is a hope enshrined in our constitutional obligation to "develop the scientific temper, humanism and the spirit of inquiry and reform". Perhaps the greatest disappointment has been the continuing failure to live up to this.

As far back as July 1981, Shri P N Haksar, Dr Raja Ramanna and Dr P M Bhargava, warned in *A Statement on Scientific Temper* that "...we are witnessing a phenomenal growth of superstitious beliefs and obscurantist practices. The influence of a variety of godmen and miracle makers is increasing alarmingly. The modern tools of propaganda and communication are being used to give an impression that there exist instant and magical solutions for the problems that confront our people... The ancient period of our history is interpreted to inculcate chauvinism which is false pride; the medieval period is misinterpreted in a way that would fan communalism". This concern resonates even more strongly today. That is why the Scientists March on August 9, 2017 called for a stop to the propagation of unscientific, obscurantist ideas and religious intolerance, an education system that imparts ideas that are supported by science of the day, and for policies to be enacted based on scientific evidence.

And so the question one must ask, 70 years after independence, is when will we step out "from the old to the new"? When will the promise of August 15, 1947 be redeemed? When will we mature into a democracy that gives everyone a voice, for a society that discards caste, community and religious prejudice, for an economy that lifts our masses out of poverty and places us on the frontiers of technology and for an enlightened mindset imbued with a scientific temper?

nitin-desai@hotmail.com

Don't blame it on demonetisation

FINGER ON THE PULSE

TT RAM MOHAN

India's economic growth is faltering. Part-II of the Economic Survey, just released, thinks that growth in 2017-18 is likely to be closer to the lower end of its projection of 6.75-7.5 per cent than to the higher end.

Many commentators have a ready explanation for the worsening outlook: The disruption caused by the demonetisation of the rupee last November. They are wrong. There was little deceleration on account of demonetisation in 2016-17 and there is likely to be even less in 2017-18.

Former prime minister Manmohan Singh had said in Parliament that he expected demonetisation to impact growth by 2 per cent. GDP growth fell from 8 per cent in 2015-16 to 7.1 per cent in 2016-17, a reduction of 0.9 percentage points. Even this deceleration was not fully the work of demonetisation. In 2015-16, the price of oil had fallen sharply giving the economy a substantial consumption dividend. In 2016-17, it stayed at about the same level thus robbing the economy of the dividend.

Many analysts have said the impact of demonetisation would continue over at least two quarters in 2017-18 rendering a growth rate of 7 per cent difficult. They say that the informal sector especially will take a long time to recover from the beating it has taken from demonetisation.

Part-II of the Economic Survey makes no mention of the demonetisation impact in downgrading its forecast for 2017-18. Indeed, the Survey is of the view that since January 2017, monthly indicators such as the Index of Industrial Production and real credit growth to industry point to a bounce back. Data on two-wheeler sales suggests that the impact on the informal sector has "disappeared" since March 2017.

The Survey addresses one other problem laid at the door of demonetisation: The rise in agrarian distress. Many analysts have said that the disappearance of cash has caused prices of agricultural items to tumble and led to widespread distress among farmers. The Survey does find evidence of a fall in farm revenues for select items such as pulses and some vegetables. However, it ascribes the fall, not to demonetisaton, but to factors such an increase in supply, stock limits on wholesalers and retailers, limits on exports and liberal imports.

If GDP growth were to decelerate this year, demonetisation would not be the villain. The Survey identifies the factors that would hold back growth in 2017-18. One, the rupee has appreciated by 1.5 per cent in real terms since February 2017. Two, several states have announced farm loan waivers and many others may follow. The Survey estimates that farm loan waivers could reduce growth by as much as 0.35 per cent this year.

Three, given that inflation rate has declined to as low as 1.5 per cent, the real policy rate is higher than was assumed in Part-I of the Survey earlier in the year. Four, the problem of excess corporate debt and high non-performing assets in the banking system is now complicated by growing stress in two sectors: Power and telecom. Credit growth will remain weak as banks are unable or unwilling to lend more. Five, there are the transitional frictions that the goods and services tax would cause.

Demonetisation may not have impacted growth significantly but what has it achieved? Many analysts think it has achieved nothing other than disrupting growth — and for longer than the Survey believes. The Survey attempts an answer to the question.

Demonetisation was supposed to reduce cash transactions and increase digitalisation. This has indeed happened. Cash transactions are down by 20 per cent relative to the level that might have been expected had demonetisation not happened. Excess cash has been transferred to the banking system. Digitalisation has increased across various income categories. But a key outcome, a reduction in real estate prices due to lower use of black money, has not materialised. Real estate players will tell you that cash is alive and well.

Demonetisation was also expected to improve tax compliance and boost tax revenues. The Survey estimates that 540,000 taxpayers – about 1 per cent of the total — were added on account of demonetisation in just a few months. But the average income reported was ₹2.7 lakh, only marginally above the tax threshold of ₹2.5 lakh, so tax collections will not benefit much.

However, this may not be the whole story. It could also be that existing taxpayers end up declaring more than in the past. In 2016-17, tax collections rose by 23 per cent over the previous year. But this was driven mainly by the one-off Income Disclosure Scheme, which netted ₹65,250 crore of undisclosed income.

The crucial question is whether the rise in income tax collection of 25 per cent estimated for 2017-18 will materialise. In August, advance personal income tax collections were up by 41 per cent over the previous year. This augurs well. If the projection for the year is met, demonetisation could be called a success. It would have met three key objectives while having a limited impact on growth in the short-run.

The writer is a professor at IIM Ahmedabad
ttr@iima.ac.in

How Gandhi fought the caste system

BOOK REVIEW

C P BHAMBHRI

Leaders who organised mass struggles against colonial oppressors — Mahatma Gandhi, Jawaharlal Nehru, Nelson Mandela, Fidel Castro, Ho Chi Minh to name a few — have always been subjected to clinical analysis by professional academics to evaluate their real contribution to nation-making in their newly-liberated countries. Nishikant Kolge's study focuses on a critical aspect of Gandhi's anti-colonial struggle — his bid to eradicate the caste system. The Mahatma considered social reform of the Hindu society an integral part of his political opposition to colonial rule. As Gandhi saw it, a comprehensive libertarian agenda could be achieved by eradicating caste-based tyranny in the Indian society. Mr Kolge has done yeoman's service in highlighting not just the philosophy but also the praxis embedded in Gandhi's agenda.

The author presents his narrative in a chronological order, dividing Gandhi's ideas about caste and his social agenda into five periods starting with his return from South Africa, to better trace the evolution of his thinking.

The first two chapters — titled "Was there a strategy in Gandhi's approach to fight against the caste system?" and "What did Gandhi stand for and what did he intend to achieve?" — focus on clearing many controversies surrounding Gandhi's views on the caste issue in Hindu society. This is important because many of Gandhi's statements can be misunderstood or misinterpreted when taken out of context to suggest he supported the social status quo. In his foreword to this study, Rajmohan Gandhi sought to rescue Gandhi from misinterpretation by quoting him as saying, "What you do not get from my conduct, you will never get from my words." This is Gandhi's answer to his critics, especially the new Dalit leadership. As the author points out, in Sevagram Ashram "Gandhi encouraged local untouchable participants in every activity". He also arranged tanning classes where skinners were taught improved methods and a variety of ways to use the flesh and bones of animals. "This was in the teeth of reactionary opposition from orthodox Hindus," Mr Kolge writes.

This brings us to the most critical question Gandhi faced — how to eradicate untouchability and other evils of caste system in the face of stiff opposition from orthodox, high-caste Hindus. He understood the challenges here, saying, "if I live up to 125 years, I do expect to convert the entire Hindu society to my view". Gandhi's basic philosophy was formulated on the basis of his struggles in South Africa where he wrote *Hind Swaraj*, (1909) which can be described as his "strategic document". Gandhi described *Hind Swaraj* "as a critique of modern civilization" for propagating "the exploitation of the weaker race of the earth". Many critics of Western modernity have appropriated Gandhi's views, forgetting a basic fact that they sprang from his struggles against British colonial rule and the sacrifices he made to liberate the untouchable castes.

Chapters 3 and 4 focus on Gandhi's evolving strategy to abolish the caste system. These two chapters cover his efforts to secure equal access to Dalits in educational institutions and share in political power and economic development. Gandhi insisted on "manual labour or bread labour for everyone" because he wanted to restore the dignity of manual labour "as a means of removing caste hierarchies and differences". Obedience to the law of bread labour, Gandhi wrote, would "bring about a silent revolution in the structure of society". His entire package of reform — inter-caste marriage, dignity of labour, entry of Dalits to schools and temple, and so on — was designed to erode the caste hegemony of orthodox, high-caste Hindus. He established, for instance, the Gujarat Vidyapith for educational equality because "untouchables must be permitted in every public school".

A point to be noted is that Gandhi's comrade-in-arms differed with him on many occasions, especially during his fast-unto-death in protest against the Communal Award of 1932. That fast ended with the Poona Pact under which 148 seats were reserved in joint electorates instead of 78 seats in separate electorates reserved for Dalits. Gandhi and Ambedkar clashed on this issue because the latter felt that the Communal Award represented the real empowerment of Dalits.

On the one hand, Hindu orthodoxy was a stumbling block to Gandhi's social reform agenda, on the other were Ambedkar and the Dalit critique of Gandhi's movement. These contestations are discussed in Chapter 5: "Critical Analysis: Ambedkar, Gandhi and the Arya Samaj". Comparing the Arya Samaj's Shudhi movement and Ambedkar's anti-caste movement, the author points to the limitations of the Gandhian approach, though he highlights the important fact that "it did not bring upper caste Hindus and the untouchables into direct confrontation ....". Gandhi's critics do not agree with his approach of caste negotiations because they think he applied the brakes on the radicalisation of the Dalit movement. His own rationale for doing so he explained thus: "I have removed untouchability completely from my mind.... I shall not thrust my opinions on you. I shall try to remove untouchability as well as the difference between high and low by argument, persuasion and, best of all, by my own experience". This is the essence of Gandhi's philosophy, take it or leave it.

GANDHI AGAINST CASTE
Nishikant Kolge
OUP
336 pages; ₹695