Light Ahead, But at the End of a Tunnel

The Economic Survey is sanguine and cautious

Volume II of the Economic Survey holds out bright light at the end of a pretty dark tunnel: medium-term prospects are bright, but short-term ones are dim. Growth would be lower than 7.5% in the current fiscal, inflation would stay below 4%, state governments would find it difficult to spend on capital formation after using up their fiscal space to take on the debt of bankrupt power utilities and distressed farmers. The Centre is doing its best to prop up the flagging investment ratio, but is constrained to meet its fiscal deficit target in a year of low nominal GDP growth and promised spending on higher civil service pay. To help things along, the RBI must slash its policy rates aggressively and the ongoing process of tackling the twin balance-sheet (TBS) problem must continue apace. And the government must boost farm incomes by removing constraints on farm prices such as export bans, stocking limits and marketing restrictions.

The Survey's diagnosis of the economy's ills and its prescriptions are unlikely to blind observers of the economy with any dazzling originality. That does not mean they are not sound, although some qualifications apply. Is the goods and services tax (GST) guaranteed to keep prices in check? Improved tax compliance, on which higher tax collections are predicated, will mean that many habitual evaders would start paying tax. As the share of indirect tax in GDP goes up, prices would bump up in the year of GST implementation. The Survey is right when it says that remunerative prices for farmers and low inflation are convergent goals — but only eventually; in the short run, reducing distress on the farm would mean higher food prices. The Survey attributes most of the stress in the power sector to large additions to capacity and the welcome drop in renewable power prices. The hard reality is that continued power theft and paucity of the political will needed to make people pay for the power they consume are at the core of the crisis in power.

Volume II carries forward the tradition of the Survey serving as an aggregator of relevant research and guide to applied economics for students of all ages.

Time the World Asked China to Rein Kim In

It is time to call China's bluff on North Korea. Beijing has been remarkably quiet as US President Donald Trump and North Korea's premier Kim Jong-un have exchanged apocalyptic threats. Instead of using its considerable influence with Pyongyang to de-escalate the situation to prevent a military confrontation, Beijing has directed its ire at Japan and South Korea, both American allies.

A war between the US and North Korea would be disastrous for the region. Beijing needs to get off the bench. Its support for the recent UN resolution on sanctions against North Korea is not enough. North Korea is, for all practical purposes, China's client state. The tougher UN sanctions and loss of trade with countries like India will increase Pyongyang's dependence on Beijing. While a voluble North Korea with its threats of nuclear-enabled missiles gives China strategic leverage, as the only restraining influence on Kim, outright war would harm China, too. Beijing needs to accept that the threat of military strikes is now a credible one, and tell Pyongyang to pipe down. That would open up the possibility of a creative diplomatic solution. Posing as a potential threat gets Pyongyang and its patron bargaining power, but to turn an actual threat is to get stomped on.

A military face-off will not be limited to the US and North Korea. History has demonstrated that China will not sit out a war in the Korean peninsula, and US allies South Korea and Japan will bear the brunt. With Australia's Malcolm Turnbull pledging support to the US, the implications for the Asia-Pacific region are immense. A diplomatic solution that puts a check on North Korea's weapons programme works to India's benefit as well, given Pyongyang's readiness to pass parcels with radioactive markings from Beijing to Islamabad.

So why shouldn't monkeys, nilgai and others demand elected representation?

It's a Jungle Out There, These Days

It would not be out of place for some to surmise that it's a jungle out there, when it comes to political arenas in the country these days. And the Delhi Assembly has been no exception, with things getting pretty wild occasionally with allegations of snakes in the grass and monkey business flying about. Little wonder then that real snakes, not merely their purported political approximations, make themselves at home in the building until routinely evicted by the staff. It is even less surprising that a simian made an unexpected and energetic — but ultimately infructuous — intervention in a discussion on guest teachers in the assembly this week before making a hasty exit.

It may be recalled that last year, a month after a nilgai was apprehended wandering outside Parliament in May, a monkey appeared to have business in the lawmakers' library in the high-security building but eventually only loitered without entering and left — significantly — by the VIP gate. Given recent decisions by several state assemblies regarding the "management" of certain species of animals including monkeys and nilgai, it must be determined whether such incidents indicate they could be exploring the possibilities of participating in the democratic process or, at the very least, demanding representation before extermination, so to speak.

Change in the CBFC marks the end of an anachronistic tool in the hands of an uncultured brigade

Censor and No Sensibility

Indrajit Hazra

Things have thankfully changed quite a lot since Culture, with a capital C, was the monopoly of a particular kind of aesthetics and its custodians. It was elitist, patronising, turning its nose up to popular culture, and came wrapped in expensive handlooms and was regularly seen — and seeing itself being seen — in the international film and cultural festival circuit. Today, that brand of Culture has a name that sticks: Lutyens' Culture — in hindsight, a curious division of the high arts and the low arts, its height being determined by the nature and class of its consumers and patrons.

Like the revenge of the nerds, however, when this social, cultural and political class started to recede into the background — rather, it stood still while the rest of the world moved into the foreground — the new lot of culture-keepers who took over started having their own notions of Culture poured into the old silos built by the ancien, now un-empowered régime.

While earlier, under Nehru-Gandhi rule and taste, cultural requirements for the masses were seen purely from the point of view of required entertainment, like gladiator fights during the Roman Empire to keep hoi polloi happy — and not bored enough to think up of dangerous stuff like insurrection. This was distinct from the finer stuff that the Culturewallahs saw themselves (and were seen) hardwired to appreciate.

So, Peter Brooks' theatre production of Mahabharata was the talk of the town, while Ramanand Sagar's gaudy pre-Ekta Kapoor TV serial Ramayan was the fodder of the masses. The ban on the import of Salman Rushdie's The Satanic Verses in 1988 during the Rajiv Gandhi government (the possession of the book itself was not banned by a 'liberal, literate' government, of course) after a bunch of Muslim clerics went loco, was appeasement as much of the 'Muslim electorate', as of unsophisticated rednecks.

The Pahlaj Nihilism

But in all this grand separation of Indian Culture was the nervousness of the culturati about the unwashed masses, slowly waking up to the virtues of branded soaps and deodorants, storming Lutyens' Bastille via some cultural slight, some aesthetic transgression. Thus, the honing of that colonial device that earlier kept a colonised class in check, now being used to ostensibly keep the peace of the land, the passions of a polyphonic (read: cacophonic) nation in check: the censor board.

Well, of course, post-Independence, the institution of the censor board would be called something suitably post-colonising: Central Board of Film Certification (CBFC). This was as benign-sounding as the ministry of information and broadcasting. And yet, its function, over the years, has been crystal clear: to control passions from spilling over.

With film being the most directly impressionable of cultural tools available to literate, literary or illiterate man, it was controlling the knobs and buttons of the CBFC that has come to become the dominant agency by which to keep the nation safe from marauding mobs and villagers with pitchforks easily susceptible to getting their sentiments hurt.

Which is when the change in the kind of people in power mirrored a change in the nature of control and censorship. If earlier, the authorities caved in to demands of ransacking goons who saw an M F Husain painting only in pornographic terms — if only to 'keep the nation safe' — it had, of late, become an exercise in the nation's taste-building. And no one personified this more proactively than CBFC chief Pahlaj Nihalani.

The litany of don'ts in movies became so long and weary that it really doesn't bear repetition. But one of the last calls the CBFC made during his tenure that ended on Friday, was the CBFC's objections to the words 'cow', 'Gujarat', 'Hindu' and 'Hindutva' in a documentary on the Nobel Prize-winning economist Amartya Sen, 'The Argumentative Indian' that was scheduled for release last month. That Nihalani and his cultural marms were overreaching their brief even by usual Indian standards of overreach became clear when such a film — not exactly a cinemakiller — was targeted as if the CBFC's whole point was to search and snip, search and snip, even the most irrelevant content.

New Friday Release

For a country that has internet access on their phones growing every day, that has the old divide between 'vernacular-speakers' and 'English-speakers' shrink faster than shrinkwrap, for a prime governmental body to not just play 'kabab mein haddi' to young Indian men and women, but also actually outdo previous regimes by engaging in 'pre-emptive appeasement' came across as downright boorish and uncultured.

The appointment of Prasoon Joshi, admired as a scriptwriter and lyricist, could have been the only antidote to his predecessor's uncultured goonery. Joshi is the right person to also underline the fact that the division of high and low culture has become a false one. Perhaps, under his stewardship, the censor board will do what any modern, grown-up nation does with its film certification institution: decide what films are unsuitable for kids to watch and certify them as 'adult'. And that's it.

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Oh, honey! Let's celebrate: Devika Rani & Himanshu Rai in the 1933 film, Karma

Pahlaj Nihalani and his cultural marms at the CBFC were overreaching their brief even by the usual Indian standards of overreach

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INFORMATION PRIVACY

Masking Data to Protect It

**Atanu Biswas &
Bimal Roy**

Much of the debate being conducted these days on the efficacies of data collection for public good, primarily dealing with Aadhaar, rightly hinges on matters of privacy and the safety of the data collected. This has gained more traction after a software development engineer from Bengaluru, Abhinav Srivastava, was arrested on August 1 for allegedly hacking and accessing private data of individuals through the Unique Identification Authority of India's 'secure' database.

Which prompts the notion that there must be a trade-off between data collection and data security. Well, that certainly need not be the case. But let's first start with the important issue of the quality of data collected.

The more error-free the data the better, right? Wrong. Suppose you want to find out the percentage of students drinking alcohol in a hostel. If you ask, 'Do you drink alcohol?', it may be difficult for students to say 'yes' even if that is the correct answer. So, the surveyor may add a second simple question, such as 'Were you born between January and June?' Here, the probability of a 'yes' is 50%, and there is no reason of getting an incorrect answer.

The students can be asked to toss a coin (with 50% probability of 'heads') and to answer the first question if it's 'heads', and the second question if it's 'tails'. It is expected that everyone will give the correct answer, as the outcome of the toss is unknown to others. So, the answer to the first question is masked by the coin flip and the second question. But now, the surveyor can easily guess the proportion of students who drink alcohol in the hostel.

A study with 400 students results in, say, 140 'yes' answers. We can assume that around 200 students had 'heads', and the remaining 200 got 'tails'. About half of the second lot of nearly 200 students are expected to be born during January-June. So, roughly 100 'yes' replies came from the second question. The remaining about 40 'yes' answers are from roughly 200 students who have answered the first question. This means that about 20% of the students drink alcohol. It is also possible to estimate the amount of error in our calculations.

In this particular example, the survey could yield disastrous result without the mask of the second question, which obfuscated the student's personal information. Obfuscating information provides idea on drinking habit of the students as a whole, and that is all we need. We cannot get the students' personal information, we do not even need them.

This simple statistical example illustrates that we can get a lot of valuable information for society while ensuring the privacy of individuals. Suppose, for a complex and expensive surgery, there are options to choose between different available hospitals and doctors. Apart from the cost, the success rates of hospitals and doctors can certainly be very important criteria. Some hospitals might supply their success stories, sometimes only the number of cured people, not the total number of patients. In most of the cases, we do not have proper data in such context.

Well, what if the hospitals' websites had the full story of treatments of all patients? On one hand, it would have been very bad, because it could hamper the privacy of the patients. So, instead of ditto information of each patient, the data can be provided by incorporating some suitably chosen 'random error', and the distribution of the 'random error' should also be mentioned. The personal information of the patient is completely hidden and collective data, rates of successful treatments of patients in different hospitals and by doctors, can be obtained. Different types of e-health records and financial information have already been obfuscated for other purposes. GoI needs to provide appropriate regulations and softwares to obfuscate different types of information, and to maintain a countrywide balance.

The choice of appropriate 'random error' is a delicate question. That collective information is properly obtainable from the obfuscated data should be ensured. But the original and the obfuscated data should differ in mathematical language, and the probability of a large difference between them should reasonably be high. And this obfuscation should be one way: it should be seen that the original individual information can never be retrieved from the obfuscated data.

Various government and private sector organisations can be brought under compulsory obfuscation, where publicising obfuscated data will not be detrimental to national security. Policymakers may decide and encourage on the issues where disclosure of obfuscating data in the public domain can be helpful to society.

The writers are professors, Indian Statistical Institute, Kolkata

All the relevant facts are there

FOLK THEOREM

Drowning Out All Concern

Abheek Barman

A Times of India report published on August 2, 1915, said, "Referring to the extensive damage caused by heavy floods in Assam, 'The Englishman' today…says that the great earthquake of 1897 in some way affected the drainage of the country and since that time, floods have been of great duration and intensity."

102 years later, a newspaper published an article on August 4, 2017, headlined, 'Flood Fury: Why Brahmaputra's trail of destruction has become an annual ritual in Assam'.

This year's floods in the Brahmaputra basin have hit more than 1.7 million people, spread across nearly 2,500 villages across 19 districts in Assam. Around 85 people have been killed so far, many see their livelihood in peril. In recent memory, this year has seen the worst flooding since 2012, where 110 people were killed and around 2.4 million affected.

Apart from physical discomfort, there is a high likelihood of diseases like cholera. The government's response in terms of aid has been tardy. It is engaged in a war of words with state-owned utilities and contractors, dodging blame.

The Brahmaputra starts in the ice deserts of Tibet, flows east and then takes a sharp turn south and west across the 7,750-metre-high Namcha Barwa, the highest peak in the region. This turn is called the 'Great Bend'. Here, water plunges vertiginously from 3,000 m in Tibet to 500 m in India. This river is called Dihang. It is joined by two mighty tributaries, Dibang and Lohit. Many more major tributaries join it along its east-west flow across Arunachal Pradesh and Assam. Even in winter, when the Brahmaputra is at its lowest ebb, it's spectacular, stretching 10 km across in some places. From spring through summer, as ice melts in its upper reaches, the volume of water swells. By end-June, monsoon strikes the region.

The volume of water jumps five times, from around 20,000 cu m to 1,00,000 cu m — every second. It brushes off reinforced earth embankments, drowning villages and farms along the river.

The disaster has opened the floodgates of debate. One question is whether the embankments moderate flood losses, or whether they add to destruction. All governments believe the former. After every major flood, the Centre and the state claim to have spent hundreds of crores of rupees to strengthen embankments. But some experts say these earthen walls hem the river in, so water levels rise and flow faster. These embankments stretch for 4,500 km along the Brahmaputra, its 103 tributaries and Assam's other big river, the Barak.

The walls, built over the last 40 years or so, are ageing. Locals construct paved roads over these embankments and the regular movement of traffic — two-wheelers, cars and light trucks — add to the damage. Repair and construction are slow and shabby. A contractor lobby, in cahoots with mantris and babus, allegedly siphons off money.

Also, for years, engineers, planners and bureaucrats have pushed to build dams in the upper reaches of the river, where its course is relatively narrow and water flows at high speed. In theory, these dams, largely in Arunachal, would stabilise the flow across seasons. By different estimates, they would also generate 30,000-60,000 MW of hydroelectric power.

Over the years, Arunachal has issued tenders, invited private sector investors and talked such projects up. None took off. Investors failed to reckon the difficulty of building projects in such tough territory, or ran into financial trouble.

Many now argue that even existing dams, run by state-owned North Eastern Electric Power Corporation (Neepco) are threats. During winter, they allege, these dams turn downstream stretches into beds of sand. In the monsoon, they're overwhelmed by the flow and release it in destructive volumes.

The biggest problem, mostly unsaid, is government apathy, inefficient funding and suspected graft. All departments related to construction of roads, bridges, embankments and so on, outsource work to private contractors, who allegedly kick money back.

Governments spend money in two ways: capital spending is used to build assets and invest; revenue spending measures how much the government spends on itself, including salaries, pensions and chai-pani. Ideally, governments should invest more than blowing up cash on itself.

In Assam, it's a different story. In fiscal 2015-16, it splurged 88% of total spending on itself. In 2016-17, its total spending was doubled, but 80% was frittered away on itself. Himanta Biswa Sarma, a Congress defector who holds the finance as well as eight other portfolios in the new BJP regime, recently budgeted for 2017-18. Revenue spending is again 80% of total expenditure.

With so little left to invest, Assam will have to paddle frantically to keep its head above water.

How thick-skinned can we get?

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the
**speaking
tree**

National Character

WILLIAM & DEBRA MILLER

Several years ago, we met Kapil Jawa, an MBA student. He shared with us a fascinating subject he had researched for his thesis: a values-based approach to measuring economic development. Just as economic growth is necessary for human development, human development is critical to economic growth.

One of the most startling things he demonstrated was that the lack of wealth was not the barrier to overcoming our world's hunger, poverty and social problems. Citing data from the UN World and Human Development Reports 1998, he showed that in 1997, Europeans and Americans together spent more on cosmetics, perfumes and pet foods than it would have taken to provide reproductive health, basic health and nutrition for all people on the planet. And military spending in the same period was 20 times that.

Kapil pointed out that Kautilya's Arthashastra inspired the revival of many kingdoms after his reign. The healthiest state of affairs was one in which values higher than material possessions received honour and approval; maximum production was not the supreme objective of the economic organisation; commerce or wealth-making was not an end in itself; and merchants and manufacturers carried out their activities in a trust for the society they lived in.

The word economics comes from the Greek word oikonomos, or 'household management'. When we begin to manage our companies and our economies with the same character and interest as we would our households, it becomes easy to build the gross national character.

Citings

Digital Skills and Training

ZOË BAIRD

One hundred years ago, we invented the high school, but today we haven't really invented the paths to be part of this digital economy. Today, the digital economy is transforming the country, and we need to create the institutions for people to be able to make that transition.

Skilful is an effort to create a labour market that works for the 70% of Americans who don't have a college diploma. Our labour market now is going in the direction of requiring a bachelor's degree, a four-year degree, for most growth jobs. And we know that that isn't the singular path for people to get into those jobs. So we're working with employers to use data on what skills are needed in jobs and make job seekers to understand that.

We're working with coaches… we're working with educators to understand better how what they're teaching can be connected with the skills that people need for work.… It's important to focus on job-training funding and make sure that they can be used for a variety of training options. But to also have data behind that that helps the states understand where the growth jobs are, what the skills are, where to make the investments.

So, the federal government can direct the dollars it spends, and we need much more skills-training funding, but it can, at the same time, make the dollars spent much more wisely by enhancing the data that's available.

From "The Evolution of Employment and Skills in the Age of AI"

Chat Room

Fitting Tribute to Saumitra

Apropos the Edit, "The One-Handed Economist, Anyone?" (Aug 11), it's a fitting tribute to the late Saumitra Chaudhuri, who was among the most versatile home-grown economists employed by government with a perfect understanding of all domains and the determination to deliver results. As rightly pointed out, C Rangarajan, Rakesh Mohan, Montek Singh Ahluwalia and Pronab Sen, among others, are also brilliant economists. India has enough potential to create talented home-grown economists who can make sound policies, understand and work within the government and deliver the best under any situation.

S C SHARMA
Greater Noida