

The Right Notes From the Red Fort

Prime minister snubs China by ignoring Dokalam

The most remarkable thing about the PM's speech from the ramparts of the Red Fort on Independence Day was its omission — of any reference to the ongoing standoff in neighbouring Bhutan, next to the where the borders of India, China and Bhutan meet, with the People's Liberation Army. The rhetoric on the Chinese side had been met with firm refusal to comply with China's demand that Indian troops withdraw, without any answering rhetoric from New Delhi. This tactic found its most obvious expression in the Prime Minister's refusal to mention the word Dokalam in his speech. This is sound. India protects its interest and leaves it to China to act the aggressor.

PM Narendra Modi did not surprise anyone when he claimed that demonetisation has helped unearth black money and that his crackdown on black money will spare no one. The claims to be accelerating the pace of rail and road construction, too, were on predictable line. That he had to repeat the claim of bringing power to villages that had been kept dark till now, a major theme in his Independence Day speech last year, stands testimony to the challenge the last mile presents in such tasks. Where the PM broke new ground was in making an unequivocal commitment to social cohesion and rejection of jingoism. Violence in the name of faith is not acceptable, he said. This is most welcome. He should keep saying this and get the state machinery to live up to this claim. Neither abuse nor bullets (na gaali se, na goli se) can solve the Kashmir problem, he said. We hope this sentiment will inform the response of the government and to the demand raised by Sangh Parivar outfits to end Kashmir's special constitutional status.

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Healthcare System's Absent Accountability

The death of 63 children in Gorakhpur's Baba Raghav Das Medical College and Hospital is the most recent manifestation of the poor healthcare system in the country. It is a tragic example of the lack of accountability and rampant inefficiency in the system, and absence of a public health policy that is focused on reducing the incidence of diseases like Japanese encephalitis, diarrhoea, malaria and cholera.

Public spending on health is low: 0.22% of the GDP in 1950-51 and a little over 1% of GDP in 2016-17, while the world average is 5.99%. Public spending on health has to increase drastically, especially in a country where the vast majority rely on public institutions for medical needs. India already has one of the highest out-of-pocket expenditures, 78%, for healthcare. Further, the system must have accountability, with a role for the local government in supervision of hospitals. While central and state governments have a role in making budgetary allocations and disbursing them on time, actual expenditure and management of healthcare is local. A public health approach that seamlessly addresses issues of sanitation, prevention and access to primary healthcare is essential if we are serious about stemming the tide of preventable deaths. Patients and their families go to hospitals at their most vulnerable and deserve to be treated with respect and provided the best care available. Their economic status should not define the quality of care.

The tragedy in Gorakhpur, unfortunately, is not a one-off incident. It is the latest manifestation of a dysfunctional healthcare system. Fixing this will require funds, dedication, better systems and accountability. The good news is that none of this is impossible: southern states, after all, do manage similar tasks in healthcare a whole lot better, on the whole.

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Especially the ones that are heard not from Bengal but from Big Ben

Bongs can Never be Silenced Forever

It reads like the crack of doom: no more bongs for at least four years. Some may regard it as providential given the din inevitably associated with full-throated bongs. However, no one would really want bongs to be silenced altogether, even in the short term. There is a comforting familiarity about the likelihood of loud bongs being heard on the hour every hour, and often in between too, no matter what. There is an appealing sweetness in their sound too most of the time, even if their rounded tones are not understood by everyone. It could well be said that without bongs chiming in all day every day, time itself appears to stand still. Their prolonged interventions — especially on days of national and international importance — are, therefore, of special significance. Big or small, loud or simply piercing, bongs are the very metronome of civilisation.

Of course, it depends on where the bongs are heard too, as their reverberations may not be regarded as crucial in all places. In some cases, they may be regarded as a nuisance, but at many tourism hotspots, bongs are usually present and loudly audible. And their absence or prolonged silence there would alter the ambience of certain areas. Four years is indeed a long time for them to fall silent anywhere. Even if the bongs in this case aren't those from Bengal but from Big Ben.

SWAMISPEAK After political dividends, notebandi can also yield economic dividends

Cash In on Demonetisation



Swaminathan S Anklesaria Aiyar

In his Independence Day speech, Prime Minister Narendra Modi said demonetisation (DM) was a great economic and moral success. The more modest claim of the Economic Survey, Volume 2, was that the long-term benefits would outweigh the short-term costs.

I believe the short-term term costs are understated, and were exacerbated by terrible bungling in execution. Even so, the long-term benefits may, indeed, exceed the short-term costs.

Pathetic planning meant that DM led to an acute cash shortage. Basic maths would have shown that printing enough new notes to replace the old would take 6-7 months. Modi could have issued ₹2,000 and ₹5,000 notes in 2014, inducing black money operators to hoard these, and demonetised these in 2016, sparing the ₹500 and ₹1,000 notes held by ordinary folk.

Size Does Matter

That would have greatly reduced dislocation and distress. It was crazy to change the size of the new notes, shutting down ATMs designed for the old notes. This led to enormous queues at banks in which many people died. This government's first Economic

Survey said India was in a "sweet spot" for achieving 8-10% GDP growth. In fact, after achieving 8% in 2015-16, GDP growth fell in every quarter of 2016-17. The fall in the last two quarters was clearly exacerbated by DM.

Gross value added (GVA) in the final quarter grew by just 5.6%. Excluding public administration and defence, it was only 4.1%. Excluding agriculture (boosted by a good monsoon following a drought), it was only 3.8%.

Even these are underestimates, being based on data from mainly large industries, not the informal sector that was worst hit by DM. When the revised data arrive next January, GDP and GVA will be 0.5-1.0% less than the current estimates.

Got hoped that a big chunk of the outstanding ₹15 lakh crore of cash would not be submitted for re-monetisation, hitting big holders. Alas, it seems — though RBI has yet to give its final tally — that virtually all black cash was laundered.

Black money operators didn't go scot-free. They spent maybe 30-35% on laundering cash through middlemen, comparable to the income-tax rate. The Centre for Monitoring Indian Economy (CMIE) found that in the second week after DM, employment and public satisfaction were up, probably because lakhs of people had been hired to stand in queues for laundering. That's one reason for its popularity with voters.

Data mining after DM revealed 1.8 million accounts getting huge cash deposits from people paying little or no tax, rich fodder for future investigation. New taxpayers in 2016-17 totalled 8.07 million, against 6.35 million



Rupiya vasool

The Survey estimates that DM accounted for 0.54 million of the increase. Income taxpayers totalled barely 30 million before Modi came to power. So, the additions since then are very impressive. However, the average income reported by newcomers in 2016-17 was only ₹2.7 lakh. The big fish have not been netted.

Net tax collections in the first quarter of 2017-18 rose 14.8%, faster than nominal GDP. DM aided this improved compliance.

Cashing Out

A secondary objective of DM was to shift from cash to digital transactions, and from the informal to the formal sector. (This will be greatly buttressed by GST.) Before DM, India's cash-GDP ratio of 12% (and rising) was among the highest globally. DM caused the ratio to crash in December 2016, followed by partial recovery. In June 2017, currency was ₹3.5 lakh

crore, or 20%, below the earlier trend. Digital transactions showed a similar encouraging trend. If these trends are sustained — which is not yet certain — that will mean major progress.

Black money operators keep few of their billions in cash. Almost all is in assets yielding returns. DM has barely touched the black hoard. Nor can it stop fresh black money generation without several supporting reforms.

Knowing this, Modi has gone for supporting measures, such as the benami property law, crackdown on shell companies, income-tax amnesties and cut in the first income tax slab to 5% (making honesty cheaper). Around ₹800 crore of property has been seized under the benami property law, and 1.75 lakh shell companies have been de-registered. Between April 1 and August 5, 5.5 million newcomers filed income-tax returns, against 2.2 million in the same period last year. GST will also improve compliance.

Modi came to power promising jobs for all and good governance. He has failed dismally to accelerate formal sector employment. Wages for casual labour have risen substantially, suggesting improved job conditions in the informal sector. But overall employment has been an area of failure for Modi.

Hence, he has shifted focus to his other main promise: better governance. He has successfully projected himself as the first Prime Minister for decades to be serious about integrity. He cannot end corruption in the bureaucracy or state governments (which account for 62% of government spending and over 90% of governmental contact with citizens).

But DM is one of many measures that have convinced voters that Modi is serious about raising moral standards in business and politics. That has already yielded political dividends. If sustained, it will also yield large economic dividends.

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NEW INDIA

A Transparent Naya Daur



Anjana Menon

The goals for India in 2022 have been set. At 70, we are aiming for a youthful 'New India'. The vision, articulated by Prime Minister Narendra Modi on Tuesday in his Independence Day speech, delivers a country, free from the tyranny of abysmal public delivery of goods and services.

This miraculous turnaround must begin with the government, by introducing transparency on how it spends every paisa of the exchequer's money. Without spending right, and showing it to be so, New India will remain just another political promise.

A 2015 Centre for Global Development study ('Promoting the Development Power of Economic Transparency'), Owen Barder, goo.gl/0PCBbD) cites why openness and accountability matter for development. It says, "Underdeveloped countries are characterised by 'extractive institutions' that prevent political and economic competition and that enrich a narrow political and business elite at the expense of the broader population. "These institutions are not the re-

sult of ignorance or lack of capacity to improve them; instead, they persist because they serve the interests of political and economic incumbents... Greater transparency and openness improve domestic revenue collection and facilitate greater accountability of governments, firms and institutions to their citizens."

Modi's idea assures all villages water and electricity, a doubling in the income of farmers, a country free of black money and a clean India. It promises the well being of all, with goods and services accessible to the underserved and the middle class.

To get 1.3 billion people on to the development bandwagon will need heavy book-keeping and last-mile management. Tracking spends will need a gigantic effort, unseen in India's history because its data-keeping has always been tardy and geared to obfuscation. Still, the government has five years to get it right, given its bet on winning the next elections.

To be fair, the current government has already introduced some measures to curb crony capitalism, including the e-auction of coal blocks to private firms. But that's a wafer-thin component in the multiple opportunities for theft and corruption government finances offer.

Go! also has an Open Government Data Platform that collates outcomes and some big numbers, theft of public money happens in smart ways. It's



Dig in to clean up: Still from BR Chopra's Naya Daur, 1957

pipet out through dummy companies, in small numbers over the long haul, and inflated billing on contracts.

Slowing that is only possible through total transparency. More importantly, taxpayers have a right to know where their money is being spent: be that to improve facilities at public hospitals or commemorative monuments.

Globally, citizens are demanding the right to know where their money goes. In 2014, the US, the world's largest economy, introduced an open data programme to tap government spending. But private citizens have taken this further: Former Microsoft CEO Steve Ballmer has unveiled USAFacts.org, a website that lets the public track how the country spends.

It's unlikely that in India, any private citizen would spend millions to develop a data mine on government spending, especially given the rich

are oftentimes beneficiaries. The initiative will have to come from GoI, and when it does, it will cement the idea that the government is dead keen to plug leakages and make the New India happen.

The PM must enlist states to introduce a standard accounting principle in rupees spent and outcomes delivered, so it can measure effectiveness and perhaps eventually adopt the best models. And the electorate must have the right to access this information and question this through a public portal.

For it to be a truly democratic process, citizens must also have the right to question the priorities of the local administration in allocation of resources, and flag where it feels the funds haven't been spent as claimed, because there are no outcomes to show. This could be something as simple as street-cleaning and other municipal services.

All of this will still not transform India radically in five years, but it may go some ways in shifting the 'anything goes' attitude that Modi was alluding to in his speech.

For too long, canny politics has led to bad governance. GoI's attempt for change has to start at transparent governance, which is mostly bad politics. The choice then boils down to its appetite for disruption.

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LETTER FROM WASHINGTON

Remembrance of Things Past



Seema Sirohi

Sometimes, it helps to remember the good things and contemplate. No, I am not turning New Age-y and stuff. I'm just being strategically mindful.

As we celebrate 70 years of independence, it's useful to recall US contributions to our democratic project. Yes, we have spent more decades in the passive aggressive, barely hidden dislike of each other, and fewer trying to work intelligently together. But that's not the point of this column.

As an old 1940s song goes, "You've got to accentuate the positive./ Eliminate the negative./ Latch on to the affirmative./ Don't mess with Mister In-Between..." Working those lines can be strangely restorative, to say nothing of getting a fuller perspective on the complexities of life.

A memory jog to pre-1947 brings up Franklin D Roosevelt, the US president who famously took on Winston Churchill on the question of Indian independence. Churchill, the man behind the 1943 Bengal Famine and countless other atrocities in colonised India, blustered and lied to FDR to take the heat off.

It was a pleasure to re-read accounts of the Atlantic Conference in August 1941, when FDR made Indian independence a precondition for US involvement in World War 2. Churchill huffed and puffed that the US president was trying to end the British Empire. Indeed, that was FDR's aim.

"I can't believe that we can fight a war against fascist slavery, and at the same time, not work to free people all over the world from a backward colonial policy. America won't help England in this war simply so that she will be able to continue to ride roughshod over colonial peoples."

FDR's son Elliott Roosevelt's account of his father's bitter fights with Churchill — supported by declassified documents from the time the Atlantic Charter was written — shows a US president with his heart in the right place. Harry Hopkins, an FDR confidant, said the "no US involvement" suggestion was "so wrathfully received as those relating to the solution of the Indian problem". Alas, FDR's messages to Churchill, unless delivered in person, were often scuttled or fessed by a top bureaucrat at the State Department.

Fast forward to years immediately after India's independence, when the framers of India's Constitution sat down to work. They found inspiration in the US Constitution. In fact, when India's Constituent Assembly first met in 1946, chairman Sachchidananda Sinha called the US Constitution "the soundest and most practical", and urged the delegates to study it carefully.

The belief in fundamental rights, freedom of speech, separation of powers and an independent judiciary came from the US example. That a newly independent country precociously declared itself a democracy moved many Americans.

At several points during the Cold War, various US presidents thought about India's example and fate. What happened to India was deemed important for other Asian countries even if New Delhi wasn't an ally like Pakistan.

Americans supplied desperately needed food aid, helped engineer the Green Revolution, and set up IIT Kanpur, which offered the first computer

science course in India. It was on an IBM 1620, one of 2,000 such machines in existence at the time. It's also pertinent to recall John F Kennedy's generous help in the 1962 Sino-Indian war, even as he dealt with the Cuban missile crisis. US C-130s dropped arms, ammunition and clothing for Indian soldiers on the battlefield when morale was low. They provided crucial aerial photographs.

In November 1962, when India suffered further setbacks and the situation was desperate, US Air Force squadrons in the Philippines were alerted. The US apparently conveyed to the Chinese through contacts in Warsaw that it would come to India's help.

It's possible that the threat prompted — at least in part — the Chinese decision to declare a ceasefire. The Soviets, meanwhile, had taken a hostile position, putting the entire blame for the war on India.

When Kennedy was assassinated, Indians mourned. I remember my mother crying as she listened to the radio broadcast. We all remember the iconic black-and-white photograph of JFK and Nehru walking down.

Fast forward to the present, and similarities to the current India-China stand-off are uncanny: the US is in the middle of a North Korean nuclear crisis, China and Russia are again close, India is kind of alone, and Pakistan is ready to fish. If push came to shove, what would the current US president do?



Practice is the Key

ANIRUDH MEHRA

As sport lovers, we are awestruck when Virat Kohli exquisitely drives the ball through the covers, or when Leo Messi magnificently manages to dribble past his opponents. The ease and grace with which players of such genius display their skills at the highest stage, makes us wonder if certain individuals are born with special abilities and talents; and that we, the not-so-gifted ones, will never be able to match their levels of ingenuity. But this is not true.

The one thing common in Kohli and Messi is that their talents were identified early in their lives, but talent alone did not guarantee them the name and fame they rightfully deserved. It was practice — years and years of intense practice — that raised them to the ranks of legends. It all came down to what they decided to do each day after school, and throughout every weekend, year in and year out, that turned them into the greats in their respective sport.

The recognition of talent might act as a kick-start in the pursuit of excellence. But talent alone won't take you much farther. Sooner rather than later, the child with talent will be outrun by the child who practices eight hours a day. And this formula of achieving excellence through daily practice is effective for each and every goal we set in our lives.

So, whether learning a new language, clearing a competitive exam or honing professional skills, it does not matter where you start from or how good you are at the beginning; committing yourself to a daily practice routine can make all the difference in the world.

Chat Room

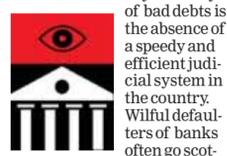
Be Responsible as a Citizen

The 71st Independence Day celebration is over. If we turn the pages of history, we would discern that the common man understood his responsibility towards the nation then, which was supporting those who fought for our freedom. In independent India, the sense of responsibility is sadly missing in all walks of life. The celebration of Independence Day will be meaningful when every individual in the country feels responsible. Let us forget, industriousness, sincerity, passion, enthusiasm and mutual respect are a must for the country to flourish and grow.

S RAMAKRISHNASAYEE
Ranipet

Loan Default as Criminal Offence

Apropos the Edit, 'Get On With Reform of Banks' Bad Debts' (Aug 14), the government should have minimum interference in the market operations, with the regulator ensuring timely and safe settlements. The real reason for the tardy recovery



of bad debts is the absence of a speedy and efficient judicial system in the country. Wilful defaulters of banks often go scot-free with no meaningful action taken against them. The reform required for recovery of bad debt is to treat wilful default as a criminal offence and completing court proceedings within a timeframe.

S KALYANASUNDARAM
Byemail

The Writing on the Typewriter

After providing bread and butter to millions of white-collar workers for more than hundred years, the good old typewriter has decided to call it a day. It will now join the likes of fountain pen, comptometer, telegram, money order, etc, on the shelves of museums. The next candidate to follow them into oblivion seems to be the landline telephone. The exception appears to be that of the radio that has held on to its place despite cutthroat competition from its audio-visual rival.

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