

## BusinessLine

TUESDAY, OCTOBER 15, 2019

## The right Nobel choice

*The economics Nobel has rewarded research that has improved lives of the poor*

By conferring the Nobel prize for economics on poverty researchers Abhijit Banerjee, Esther Duflo and Michael Kremer, the Nobel committee has once again sent out a message that economics must address pressing concerns of the people rather than confine itself to arcane pursuits, such as the intricacies of derivatives trading. In its citation, the Nobel committee has said that the winners of 2019 have helped break down the complex dimensions of poverty into simpler micro-level problems, such as education for girls and sanitation, for which specific policy solutions can be more easily tailored for a particular region. The Academy observes that as a result of micro-level studies, it was possible in India to tailor remedial education programmes that benefited five million children. Banerjee, who has created the Abdul Jameel Poverty Action Lab (J-PAL) in MIT, has worked with Duflo and Kremer in creating a methodology of 'randomised control trials' (RCTs) to assess the performance and potential of public policy. J-PAL has carried out over 500 RCTs in 10 countries, including India, which includes an audit of pollution control in Gujarat, MGNREGA schemes and numerous welfare programmes in Tamil Nadu. The studies in Tamil Nadu in partnership with the State government

pertain to disease control, improving breast-feeding outcomes and dealing with anaemia in children. Banerjee has notably been in the news for actively backing the Congress' Nyuntam Aay Yojana, which promised to provide ₹6,000 a month to 25 crore people estimated to be in need of income support. He has worked with French economist Thomas Piketty in pointing out the extent of wealth inequality in India, and in the context of NYAY observing that there was immense scope to raise money through taxes to fund such schemes. By focussing on poverty and the nature of policy instruments required to address it, Banerjee *et al* share the concerns of earlier Nobel prize winners who have focussed on poverty, such as Amartya Sen (1998) and Angus Deaton (2015).

But the similarities end here. While RCTs are based on the experimental methods of science, peers including Deaton have questioned this approach. Whether a problem of economics can be delinked from politics, history and culture is a moot point. Sen adopts an institutional approach, as does Deaton. Besides, it is possible to devise effective welfare schemes, such as Kudumbashree in Kerala, without resorting to RCT, if socio-political institutions are responsive to the needs of the people. Governance outcomes in India are superior where democratic and social institutions are more evolved.

Yet, RCTs are an effective evaluation tool and can work as a micro-guide in guiding the direction and finances of welfare policies. Governments of all political hues should take an objective view on the work of this year's Nobel prize winners to optimise gains for their citizens.

AJAY SHANKAR

In the context of the growing trade friction between the US and China, one view often expressed is that it provides India with a major economic opportunity. But this opportunity, as of now, is more theoretical than real. For some years, wages in China have been rising rapidly, and consequently, low-wage jobs have been moving out — just as they did from the high-wage economies of the US, Europe, Japan, Korea and Taiwan a generation earlier — as a part of mobile global supply chains.

These jobs, whose numbers are not insignificant, are going to other destinations, rather than India, which are more attractive to investors. To get these jobs into India as part of global supply chains, we need more than 'business as usual'.

## Labour reforms

The government's intention to move forward with the proposed four labour codes to replace the 40-plus labour laws is a welcome development. The easy one on wages has already been enacted. The complex one is on social security. Here, the intention is to provide universal coverage. The challenge would be to provide sufficient resources. Further, considerable ingenuity would be required to design a seamless transition of benefits in case of movement from self-employment to casual employment in micro and small enterprises, and then to the organised sector, and vice versa.

The code on industrial relations providing for labour market flexibility should be easier to navigate politically, if universal social security is in place. A modest initial step has been taken with the notification on Fixed Term Employment. It is not well-known that German Chancellor Otto von Bismarck introduced comprehensive social security in

Germany in the 1880s, not because he was a socialist at heart, but because he felt that this would facilitate rapid industrialisation and the rise of Germany.

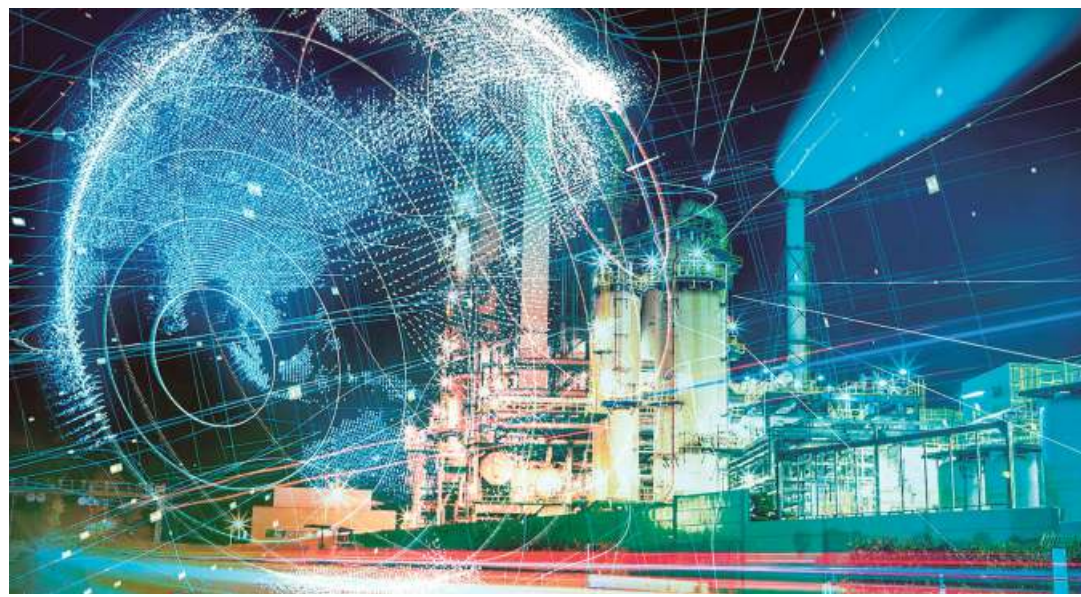
Indian firms have been able to manage the system and have allowed for *de facto* labour market flexibility by increasing the share of casual contract labour. This naturally appears daunting to a potential investor considering locating some part of his global supply chain in India, especially if it is labour-intensive. Labour market flexibility is intrinsic to global supply chains, given the increasing uncertainties in the global market driven by the faster pace of technological change.

Given India's reputation for not being an easy place to set up a factory and employ a large number of workers, it suited the commercial interests of MNCs to encourage India to get into FTAs, starting with Thailand, in the first decade of this century. Growing Indian demand could be then be met from existing efficient supply chains in these countries and there was no commercial need for relocating these to India. The theoretical case for preferential regional trading arrangements is a bit nebulous in any case.

It is also worth recalling that China was given conditional entry into the WTO only in 2000. But by then, it had already become the factory of the world, using a wide range of measures to succeed. Competitive advantage in the globalised industrial economy is not a natural endowment. It is created by firms. Intelligent state action can and does make a huge difference.

## Attracting investment

The dominant ideology in India of the virtues of free trade comes in the way of considering pragmatic, WTO-compatible measures for getting investment into specific sectoral supply chains. In recent years,



Changing trends Low-wage jobs have been moving out of China as a part of global mobile supply chains ISTOCKPHOTO

there has been some feeble discovery of the potential of policy. The result is the impressive number of mobile phones that are being assembled in India. But getting the supply chain for IT hardware manufacturing in India is turning out to be not easy. Nudging the process with changes in import duties appears attractive. But this goes against the principle of having low, predictable uniform tariffs across the board.

One unorthodox way around the problem would be to rework the idea of Special Economic Zones. Sales from these into the domestic tariff area should attract the lowest import duty applicable on these goods under any FTA. These Zones may have the benefit of duty-free imports of capital goods as well as raw materials, and components with the same value addition requirement that apply to FTA partner countries. Exemptions for taxes on profits need not be provided. Investment decisions in the brick-and-mortar economy are rarely taken on the consideration that there would be no taxes on profits.

In any case, the recent reductions in corporate tax rates have been steep enough. The requirement of being net foreign exchange earners may also be dispensed with. Sales to the domestic tariff area would replace imports from other destinations and reduce foreign exchange outgo.

For this to work, the state would need to develop these Zones with private partnerships to the extent feasible. The infrastructure and logistical connectivity to the ports and the National Highways could be made to match those of competitive destinations in South-East Asia. Such quality infrastructure would need Central government financing. There is a good precedent of Central funding in the development of the Delhi-Mumbai Industrial Corridor. Land and infrastructure of a quality and price that is comparable with those of alternative destinations is naturally essential for success.

## Art of negotiation

State governments in India have traditionally been competing for

investments and have been negotiating attractive terms to get high-profile investments, such as the Nano car plant of the Tatas in Gujarat.

The Central government has been liberalising the FDI policy, but has not showed belief in negotiations. It is time for the Central government to adopt this approach selectively.

Negotiating with Walmart, Amazon, Apple, Sony and Samsung to get their supply chains to India is worth attempting. It was a negotiating process which brought Suzuki and its supply chain of auto components for the Maruti car into India; it was the last successful example in India of creating competitive industrial capacity through state policy. For companies like Amazon and Walmart, some changes in the e-commerce policy could work.

The key lies in determining how best to leverage the size of the Indian market.

*The writer is Distinguished Fellow, TERI, and former Secretary, DIPPI*

## Women's welfare: We have a long way to go

Melinda Gates' \$1-billion gift for US women puts another spotlight on difficulties still faced by the gender, especially in India



RASHEEDA BHAGAT

As India celebrated Durga Puja last fortnight, a stunning piece of news caught headlines across the world. Melinda Gates, co-chair of the Bill and Melinda Gates Foundation, has committed a whopping \$1 billion to expand women's "influence and power" in the US. This bit of news puts the scanner back on the huge ground that needs to be covered in the area of gender equity across the world, irrespective of how developed, developing, or under-developed a country might be.

Interestingly, this money doesn't come from the Gates Foundation, but is committed to be given over 10 years by her company, Pivotal Ventures, to those entities that are tak-

ing "innovative and diverse approaches" to expand and advance women's reach in the community. In a signed article in *Time*, Melinda explained why she had taken this decision. "In 2018, there were more men named James running Fortune 500 companies than there were women. This year, only one CEO on that list of 500 is a woman of colour." She added that it was "frustrating—even heartbreaking — to confront evidence of the many ways our country continues to hold women back."

Well, if a leading American citizen finds it "heartbreaking" that an advanced country like the US has continued to hold its women back, what about a developing country like India? How many women CEOs do we have, and if in the US there is a wide gap in the opportunities that white women get compared to their non-white counterparts, then in India we need to ask how many Dalit women make it to top slots in boardrooms.

## Glass ceiling

Yes, Indian women have broken the glass ceiling in professions that were earlier considered male bas-



Women at work No dearth of hurdles

tions — finance and banking, science and technology (at the highly televised launch of Chandrayaan we saw many women in the august assembly of scientists) — but they are outnumbered by men by a mile.

But the barriers that American women face at their workplaces and homes surely become magnified when you shift the debate to a country like India. Oh yes, we can easily top the charts when it comes to paying lip service to women's "greatness, strength (*shakti*), patience, fortitude," etc, the last two actually being negative factors. Because if you show patience and fortitude, you can bet that more will be demanded of you! Brings to mind what a former News Editor of *Busi-*

nessLine said all the time: "Those who work hard, have more work piled on them!"

There is no dearth of barriers placed in the advancement of women at the workplace. Why the workplace; let's begin at home. In many parts of India, female foeticide is still rampant, and a girl child's life is snuffed in the womb itself. When it comes to education, in families with limited financial resources, no prizes for guessing whether the daughter or the son will get a shot.

## Sole caregivers

Another reason that Melinda Gates mentions for her donation is that even those women who work full time in the US continue to bear the burden of being principal caregivers. Well, in most homes in India, even though things are changing, working women continue to be the sole caregivers. Over the decades, we've watched scores of women rushing back home after office hours, as a fresh, hot meal has to be put on the table, with little or no help from any other family member. No hanging around with buddies for a *chai* or beer for them.

Who would then blame their daughters, now well-educated and

in good jobs, hesitating to get married at all? If that is all the institution of marriage has for the woman — cleaner, helper, cook all rolled into one — then why not "chill" with their carefree lives, instead of getting "trapped" into marriage.

\$1 billion is a lot of money, but then, we too have our own share of philanthropists in India. But I am yet to see such large donations exclusively for women's welfare. Slogans we have in plenty, beginning with *Beti Bachao, Beti Padhao* — a great initiative no doubt, but both our government and civil society needs to do much more for the girl child.

Meanwhile, proving that the "second gender" will not allow itself to be sidelined any longer, we have strong and strident voices, like that of Swedish teenager and climate activist Greta Thunberg, who made such an impassioned plea on the environment at the UN recently. Her "how dare you" speech will continue to haunt many world leaders for a long time as they struggle to find answers to her tough questions on the hypocrisy of our generation.

Never mind those who mocked the angry, scowling girl as a happy young girl who looks forward to her future!

## OTHER VOICES

## The Washington Post

## India's Kashmir repression against democracy

When India's Parliament abruptly stripped the state of Jammu and Kashmir of its autonomy on Aug 5, the government of Narendra Modi claimed it was a prelude to a new era of economic development and expanded civil liberties for a region that for decades has been torn by sectarian violence. The harsh, repressive measures that were imposed were only temporary, authorities said. These included the detention without charge of thousands of Kashmiri politicians and other leading public figures, and suspension of Internet and phone services. WASHINGTON DC, OCTOBER 14

## The Guardian

## Syria and Trump: A disaster, still being made

"Total disaster," wrote the former US anti-Islamic State envoy, Brett McGurk, on Sunday, summarising the events of the past few days. Donald Trump's decision to abandon America's Kurdish partners in north-east Syria and wave in Turkish forces was made so abruptly that parts of his own administration were taken by surprise. The grim consequences have arrived with equal speed. But they were widely predicted. LONDON, OCTOBER 14

## GULF NEWS

## Russia and the UAE share similar values

Russian President Vladimir Putin's visit to the UAE today is a milestone in relations between the two countries. Putin's meeting with His Highness Sheikh Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, is expected to enhance the growing strategic ties between Abu Dhabi and Moscow. The Russian president's visit comes at a time when the geopolitical landscape of the region is evolving fast. DUBAI, OCTOBER 14

## LETTERS TO THE EDITOR

Send your letters by email to [bleditor@thehindu.co.in](mailto:bleditor@thehindu.co.in) or by post to 'Letters to the Editor', The Hindu Business Line, Kasturji Buildings, 859-860, Anna Salai, Chennai 600002.

## Cotton policy

With reference to 'Plight of cotton farmers still unresolved' (October 14), Indian cotton growers have been exploited for a long time. Technology of Bt varieties helped boost average incomes by 60 per cent. Economic reforms gave a filip to exports and now close to 90 per cent of cotton acreage is under cultivation of Bt variants.

But leveraging of modern bio-sciences was not matched by its acumen in agro administration. The coordination between the various Ministries — Agriculture, Commerce, Foreign and Trade — remains tenuous. Never could a holistic view be taken, particularly on exports.

The instincts of control over leveraging trade instilled during the British rule persist, and we now are unable to iron out disparities in the WTO. Regional/vote

bank politics too, play a role in this situation.

**R Narayanan**  
Mumbai

## Fair competition

Appropos the article 'Plight of cotton farmers still unresolved' (October 14). The authors vividly bring to fore the poor status of developing countries pertinent to their cotton prices, which are not competitive in the global market. African countries which depend heavily on cotton exports for agro income are especially at and disadvantage due to the US' subsidy-backed prices.

We cannot find reason why the US is continuing to protect its cotton farmers with subsidies. Indeed, celebrating 'World Cotton Day' will be more meaningful when all the cotton-growing countries stand on an equal platform with open competition. The joint

proposal by India and China for capping product specific subsidies to 5 per cent on production value seems to be the right way forward.

**NR Nagarajan**  
Sivakasi

## Equal opportunity

This refers to 'India Inc needs a gender correction' (October 14). It is not shocking to learn about findings of the CS Gender 3000 Report, which only revealed the usual facts. Barring few big names like Kiran Mazumdar Shaw, Anu Aga, Renuka Ramnath, Kalpana Morparia etc, there are hardly any women representing boards or senior management in India Inc. This has more to do with our poor mindset rather than anything else, as Indian women have broken all glass ceilings and ventured into all so-called 'male' domains.

It is about time we change as a

society and start giving women equal opportunity. We surely can bring lot of good Western practices like compulsory maternity leaves and the 'work from home' option in all sectors.

**Bal Govind**  
Noida

## Top-level vacancies

This refers to 'With Jayakumar's MD/CEO term ending, BoB is headless' (October 14). It was intriguing to learn that Bank of Baroda has become the second largest public sector bank to become 'headless', even as the same scenario unfolds at the Bank of India, as the one-year extended tenure of its incumbent MD & CEO ended on Saturday. Needless to say, such a 'vacuum' at this level does not augur well for the image of the government of the day.

One just shudders to imagine

the real reasons behind the government's inability to timely and wisely 'select' the best suited persons to fill such a key position for some obvious reasons. But, if the government is currently beset with any 'suitability syndrome' from amongst the PSBs, it may always consider the names of any of its hot favourite bureaucrats, as was done earlier in case of the RBI. Mind you, Shaktikanta Das was strangely yet quite conveniently chosen (even without any banking expertise) to replace Urjit Patel, who had exited the RBI's governorship in December, 2018, following some sharp differences with the government. Reasonably speaking, such a top level 'vacuum' in two government-owned banks should be addressed without further delay.

**Vinayak G**  
Bengaluru