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# **BOOK REVIEW**

HINDU 24.9.11 BOOK REVIEW

## **Review: Pakistan: Beyond the Crisis State**

Pakistan: Beyond the Crisis State

Edited by Maleeha Lodhi

Rupa

Rs 495

pp 391

The dedication of the book says it all: “For the people of Pakistan who deserve better.” Pakistan: Beyond the Crisis State edited by Maleeha Lodhi can be termed as a triumph of hope over reality, given the situation in Pakistan today. But this collection of essays by Pakistan’s finest minds does not fall into the trap of reiterating all the problems. Instead, it focuses on solutions. The themes in the book are governance, security, foreign policy, energy, militancy, economic and human development and the country’s troubled past.

In many ways, it is a poignant recording of the story of a hardworking and proud people so sadly shortchanged by an inept civilian leadership and a violently ambitious army. Historian Ayesha Jalal speaks of how a refusal to study the country’s history in a fair manner has acted as a barrier to people remodelling their emotional framework. An authority on contemporary Islam, Akbar S Ahmed writes with regret of Mohammed Ali Jinnah’s vision of an inclusive, modern State could have been the answer to the problems that Pakistan has faced in its tumultuous history. But Jinnah’s legacy has been frittered away, distorted by his political heirs, most of them unable to see beyond the here and now.

Novelist Mohsin Hamid is highly optimistic in his essay about Pakistan’s ability to pull itself up by the bootstraps. He identifies poor

and skewed tax collection as a reason for Pakistan's coffers not having enough to fund its own development and being trapped in a client State mode vis-à-vis the US. He is upbeat about the richness of Pakistan's tradition, its fledgling democracy and diversity as factors that will eventually pull it back from the brink.

Like Banquo's ghost, the Pakistani military features throughout the book, its influence in literally every sphere of life in the country. Saeed Shafqat is hopeful that the military that has held sway over the country for so many years since the creation of Pakistan will eventually be restricted by a national political consensus.

Zaid Haider's essay is perhaps the one that will be of most interest to Indian readers. It deals with Pakistan's daunting struggle against extremism and militancy. He is critical of the wasted opportunity that presented itself to Zulfikar Ali Bhutto when he became the first civilian politician to rule Pakistan after a 15-year military rule. Coming to power on a populist platform, Bhutto at first settled on a hotch-potch ideology of Islamic socialism. But along the way, he turned more hardline, banning alcohol and gambling and declaring the Ahmadis non-Muslims. Launching Pakistan's nuclear programme, it was Bhutto who came up with the concept of an 'Islamic bomb' to counter the 'Jewish', 'Christian' and 'Hindu' bomb.

But the Bhutto years were a Sunday school picnic compared to the tenure of Zia-ul-Haq who saw Islam as part of the revolutionary process to overhaul Pakistan. His Islamisation drive did not leave any institution untouched, including the judiciary. He cultivated a pernicious strain of Islam and under his benign gaze, many of the militant outfits which plague Pakistan and the region today began to flourish. Perhaps the greatest disservice he did to his country was the radicalisation of the army. His death did not make things better for Pakistan. In fact, it began a dangerous drift into political instability, isolation and jihadism, the effects of which are felt even today.

Journalist Zahid Hussain builds on this with his essay on battling militancy. He documents the rise of the Taliban and its ruinous effect on Pakistan. He doesn't see an armed response as the antidote to militancy but a more holistic approach in which there has to be political mobilisation of people to combat terror.

No volume on Pakistan can be complete without the India factor and this is what Syed Rifaat Hussain deals with. Tracing the fractious relationship between the two countries, he dispassionately examines why India has insisted on recasting any dialogue with Pakistan around the issue of terrorism. Yet, for all the problems and hostility, he sees hope in Pakistan taking note of India's rise in the global arena and setting its own house in order. The other option would be to step up jihadism so that India would bleed. But then again, so would Pakistan. He even sees Pakistan hitching its stars onto the Indian economic wagon while the two work out ways to bury the hatchet on a number of contentious issues.

The other chapters on Pakistan's nuclear quest, its economy, educational shortcomings and pursuit of energy make for compelling reading. Where this book scores is that it contains many viable solutions for a country that has so spectacularly failed to live up to its potential. If even some of the suggestions were to be taken up, it could be the beginning of the realisation of the vision of its great founding father.

## **Decadal journeys: debt and despair spur urban growth**

P. Sainath

From the late 1990s, as the agrarian crisis began to bite, communities that had not resorted to migration before did so.

The re-classification of villages and towns, and the changes this brings to the nation's rural-urban profile, happens every decade. Yet only Census 2011 shows us a huge turnaround, with urban India adding more people (91 million) than rural India (90.6 million) for the first time in 90 years. Clearly, something huge has happened in the last 10 years that drives those numbers. And that is: huge, uncharted migrations of people seeking work as farming collapses. We may be looking at — and missing — this cruel drama in the countryside. A drama of millions leaving their homes in search of jobs that are not there. Of villages swiftly losing able-bodied adults, leaving behind the old, hungry and vulnerable. Of families that break up as their members head in diverse directions.

Neither the Census nor the National Sample Survey capture the fastest growing human movement of all — footloose migration (That is, the desperate search for work that drives poorer people in multiple directions with no clear final destination.). They are not geared to record short-term, step-by-step movements. For instance, many of the two million Oriyas outside their State in any year fall into this group. Take those from the Bolangir or Nuapada districts. Typically, they might spend a month or two in Raipur pulling rickshaws. Then work two or three months at brick kilns in Andhra Pradesh. Then serve as construction labourers shuttling around Mumbai or Thane for a few

weeks each (Where they are often used on the higher floors in risky scaffolding. Local labour would demand more for that.).

Often, displaced farmers and workers simply move to towns and other places within the same State. As in Maharashtra or Andhra Pradesh for instance.

True, the Census cannot capture these movements of labour. Yet, if it still shows us the urban-rural numbers it does, that suggests a giant drama we have not begun to measure. The urban population and towns are swelling. And the Urban-Rural Growth Differential (URGD) is at its highest in 30 years despite the population growth rates falling all around (**see Table**). The massive migrations have gone hand in hand with a deepening agrarian crisis. One that has also seen over 240,000 farmers commit suicide between 1995 and 2009, most of them mired in debt (*The Hindu*, December 27, 2010). All along, there have been non-official, fragmented and micro signals of the chaos. Easy to dismiss as anecdotal, but still there to see if we choose to.

In the first half of the 1990s, there were just around three or four buses a day from Khariar in Nuapada district of Orissa to Raipur in Chhattisgarh. Now there are 11. Earlier, these buses mostly set out from Bhawanipatna (Kalahandi district headquarters) and went via Khariar to Raipur. Today they start out from more towns and reach much smaller places en route to pick up work-seekers. There have also been massive spikes in train travel to Raipur from and via this region. Both in the numbers of trains and passenger load. And a huge increase in informal 'van' and jeep services ferrying thousands across the border. "What is left here to stay for?" Bishnu Podh, a footloose migrant in Nuapada, asked me. "Across the border there is a chance of work." When Raipur emerged as a State capital, the human flow became a flood.

In 1994, there were few or no Kerala state transport corporation buses between Mananthavady in Wayanad district of Kerala and Kutta town in Karnataka. Till the farm crisis struck, cash-crop rich Wayanad had been

a district of *in-migration*. So much so that it was called the “Gulf of Kerala.” By 2004, the KSRTC was running 24 trips daily between the two towns. “All work in Wayanad has come to a standstill,” Shinoj Thomas, a migrant that year, told me aboard a bus. “Just see the countless half-built houses in the district. These were begun when farming was doing well. Once the crisis came along, construction ceased. No one had any money to continue”. (*The Hindu*, December 26, 2004)

In 1993, there was barely one full service a week from the Mahbubnagar bus depot in the Telangana region to Mumbai. Ten years later there were around 40. (Not counting private, fly-by-night operators). “Without Mumbai and Pune we cannot survive,” Pandu Nayak, an Adivasi migrant had told me on a bus. “Our households are deep in debt. Our children, starving.” By 2003, the travellers too had changed. Earlier, there had been mainly Dalits and Lambada Adivasis, mostly agricultural labourers. Now there were carpenters, potters, small and even not-so-small farmers. A poignant moment during a 2003 trip was seeing a once-bonded labourer and his former master, a farmer, on the same bus to Mumbai, both seeking work. Meanwhile, each year, tens of thousands displaced by projects and SEZs from Polepally to Polavaram land up in Hyderabad and the surrounding urban regions.

The economic crisis of 2008 saw the closure of countless powerloom units in Gujarat. Yet in 2009, over 5,000 ‘unreserved’ travellers from Ganjam, Orissa, still boarded trains for Gujarat almost every day at the Berhampur railway station. These were and are mostly labourers migrating for work in Surat and Mumbai. “Our employers [in Surat] know we have few options,” says Ganesh Pradhan in Ganjam. There are no days off, no recess, and 12-hour shifts. “Work is up, pay is down. The lunch break has gone...we're losing money and strength.... [But] it's not as if we know that things are much better anywhere else.” The list of such examples from across the country is endless.

Who are these migrants? From the late 90s, as the crisis began to bite, communities that had not resorted to migration before did so. The Dalits of Kalahandi in Orissa were migrants much earlier. From the '90s they were joined by Adivasis, milk-producer OBC groups and others. "The migrations of these past 15-20 years are overwhelmingly distress driven, footloose and often disruptive of the lifestyle, roots and family bonds of the migrant," says economist Dr. K. Nagaraj, professor at the Asian College of Journalism, Chennai. "Very few of them gain in terms of acquiring skill and capital unlike those from the middle and upper classes. When the latter migrate, they usually make big gains in skill, capital and mobility in the jobs ladder." This exodus signals the ruin of petty production in the countryside.

And yet, this great outflow of human beings from their homes in the villages is not spontaneous. A massive chain has sprung up of middlemen and labour contractors who gain heavily from this exodus and thus seek to organise it to their benefit. They supply labour at cheap rates to a variety of patrons — from town and city contractors and builders to corporations, including multinational companies. This not only helps depress the local wage, but also offers the patrons a pool of cheap labour that is desperate, unorganised, and thus relatively docile. The employers don't have to bother about the migrants' security, workplace conditions or any standard benefits a city labourer might know of and claim. To the workers, this system offers quick if low payments, crushing debt and unending despair.

# **ECONOMIC DEVELOPMENT**

## **RUNNING ON AUTOPILOT**

### **- The RBI has not made a good case for a tight monetary policy**

Bhaskar Dutta



The Reserve Bank of India has once again increased the repo rate — the rate of interest at which banks borrow from the central bank — by 0.25 per cent. This is the twelfth rate increase during the course of the last year-and-a-half, and once again confirms the RBI's reputation of being a staunch and somewhat old-fashioned believer in the efficacy of a stringent monetary policy in moderating inflationary trends in the economy. The increase in the repo rate will result in a slight upward movement in the entire interest rate structure, and all borrowers, whether they are homeowners or entrepreneurs, will have to pay more for their loans. The corporate sector in particular has expressed disappointment — they were hoping against hope that the RBI would give them some breathing space.

Like all central banks, the RBI has the twin task of pursuing monetary policies which promote growth in the economy, while at the same time ensuring price stability. Central bank governors sometimes have to spend sleepless nights because these objectives are often in conflict with one another. The task of promoting growth will typically involve stimulating aggregate demand so that firms can find enough buyers for their products, and also ensure that there is adequate credit available at affordable rates of interest so that entrepreneurs can finance their expansion plans. On the other hand, if prices keep on increasing inexorably and this is caused because aggregate demand in the economy exceeds supply, the central bank may then have to follow a tight money

policy in order to bring aggregate demand more in line with supply.

Since these goals are conflicting at least in so far as monetary policy is concerned, a central bank has to balance the importance of the two goals at any given point of time since delicate trade-offs are involved. An excessively robust attempt to control inflation may send the economy into a tailspin with the gross domestic product growth rate plummeting. Alternatively, an unduly expansive monetary policy will stoke inflationary fires in the economy. It is also important to realize the limitations of monetary policy. Will quantitative restrictions on credit or higher interest rates actually reduce the level of inflation? Obviously, if a tight money policy is not going to be of much help in controlling the price rise, then there is not much point in running the danger of slowing down the economy.

So, the bottom line is that a sensible monetary policy has to be quite nuanced. Knee-jerk reactions or automatic adherence to rules of thumb have to be avoided. Unfortunately, the RBI in recent times seems to be running on autopilot, blindly raising interest rates at regular intervals without considering the wider picture.

Consider, for instance, the overall health of the Indian economy. The current year's budget was prepared under the assumption that the economy would grow at 9 per cent during the year. This had seemed a realistic estimate at that time. However, there are clear signs that the economy is slowing down. Industrial growth, measured by the index of industrial production, plunged to a dismal 3.3 per cent in July. Business confidence is low, and all forecasts are unanimous in their prediction — the projected rate of growth is going to be substantially below 9 per cent.

The storm clouds may become even darker. In this globalized world, no country's growth prospects are independent of what happens in the rest of the world. Despite massive injections of public funds into the American economy and interest rates which are close to zero, the

number of new jobs created is more or less insignificant. There is widespread apprehension that the American economy may slip back into the recessionary phase witnessed a couple of years ago. What is worse is that economies on the other side of the Atlantic face an equally grim future. The euro crisis grows more serious by the day with obviously serious consequences for the European economies. These countries constitute hugely important export markets for the Indian corporate sector: so any big calamity in these parts of the world will certainly be bad news for the Indian economy.

So, the current period is not a very propitious time to implement any policies which are remotely anti-growth — unless there are compelling reasons to do so. The RBI certainly has not made out a persuasive case for following a tight money policy at this stage in order to curb inflationary pressures. The only point it has established is that inflationary pressures continue unabated with the rate hovering just below 10 per cent. But the RBI governor's statement that announced the rate hike did not mention why the need to reduce the rate of inflation is more important than the necessity to take steps to revive growth. Nor did the statement spell out why a rate hike would be successful. Surely, the latter explanation is particularly pertinent since the previous 11 increases have not succeeded?

Indeed, there are reasons to believe that the increase in the interest rate structure will have at best a negligible effect on the level of inflation. First, a significant component of the current inflation is the large contribution of food prices, with the food price index itself rising sharply. Unlike in the past, food grains and pulses are not the principal 'culprits'. Prices of fruits and vegetables, dairy products, meat and eggs, and manufactured food items have shot through the roof. A more than 20 per cent increase in wages, and steady rises in incomes across the board have resulted in people spending relatively less on staples and correspondingly more on food items that are higher up in the food quality ladder. Unfortunately, the supply of these items has not kept pace

with the increase in demand. A rise in interest rates will not have any effect on demand for these products unless there is a precipitous fall in incomes. This is surely not the channel through which the RBI hopes to effect an abatement in inflationary pressures?

The second major component has been the steep rise in commodity prices. This is actually a world-wide phenomenon. As a matter of fact, this effect has been exacerbated in India because the external value of the rupee has been depreciating steadily in the last few months. Again, when prices rise because of steady increases in the costs of inputs, there is really no role for monetary policy on the price front.

Unfortunately, the RBI has become a hostage to outdated, mechanistic dogma. It seems to believe very simple (perhaps simplistic would be a better description?) policies can work wonders. That may well be true in elementary textbooks, but not in the real world.

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## **Prospects for Overall growth draggy and rather flat**

Jaideep Mishra

There is heightened economic uncertainty in the high-income nations, and political gridlock, poor consumer confidence and lacklustre investor sentiment - all appear to be keeping the overall prospects for growth draggy and rather flat, which, in turn, seems to be affecting revenue generation and generally making matters worse in the highly indebted rich economies.

The precariousness is reason enough to be more proactive on the policy front at home, so as, for instance, to rationalise taxes, with the objective of shoring up business confidence and boosting growth. Meanwhile, the [Central Board of Excise and Customs](#) has put out a concept paper on a negative (read: excluded) list for service tax on services, with the considered objective of levying such tax on all other services for a significant measure of certainty in the indirect tax regime.

The paper does emphasise that the views expressed and the tax design proffered 'do not reflect the position of the government'. And that the idea is to invite feedback and debate, and to do so well before the system and legislation for a comprehensive goods and services tax is in place. A well-thought-out and implemented goods and services tax (GST) would further modernise the indirect tax regime, provide setoffs for tax credit right along the value chain, across both goods and services, and both for central and state levies. However, the proposed negative list for service tax does appear to have a fair share of anomalies, and across sectors and industries.

A word on the economic approach to tax design. Now taxes are by no

means costless. For one, taxes induce economic agents to behave in disagreeable, untoward ways. For another, taxes (read with 't' as silent) reduce the welfare of those who bear their economic burden, either directly or indirectly. The point is that the negative drawbacks of a tax system on welfare and economic efficiency do need to be drastically curtailed. The mavens insist that a 'simple, neutral and stable' tax system is the most effective policy instrument in the contemporary practice of public finance. Note, however, that Adam Smith of *The Wealth of Nations* fame did elucidate the canons of taxation with remarkable clarity, back in the latter half of the 1770s.

Then, as now, the administration and compliance costs of taxes was vitally important : a tax system that costs less is much preferable, other things being equal. Besides, it is also essential that tax design involves fairness, and not merely in a progressive, distributional sense or that the levy of taxation be as per the ability-to-pay principle. What's required is fairness of procedure and non-discrimination. Further, what's warranted is transparency in the system of taxes. For, it cannot be gainsaid that a tax framework that people and corporates can figure out is far more preferable to the one that taxes in hidden ways and by 'stealth'.

The concept paper stresses that keeping certain service providers outside the tax chain would increase the effective tax on total supply by precluding the benefit of tax credit in subsequent stages of output. An efficient system of tax setoff would encourage sourcing from the most efficient suppliers and discourage doing everything inhouse. By way of definition, a service is deemed as anything that does not constitute supply of goods, money or immovable property, save for three specific instances: in the context of an employee and employer, that provided by a constitutional authority, etc, or local government, and that labelled as manufacture as per the Central Excise Act.

However, while electricity is included in the index of industrial production, and power is clearly not a good, yet the paper is explicit that

supplies of electricity may be specified as not comprising supply of services (para 7.3). A service tax on electricity distribution , characterised by huge revenue leakage, would be an effective instrument to keep tab on supplies. Similarly, service tax on clinical establishments with turnover above Rs 4 crore (other than public hospitals) is sensible. Because service tax exemption would be perverse incentive for health providers to offer such high-end services as recuperative beauty services, travel, even post-treatment asset management, and avoid tax!

Similarly, for education , service tax exemption for business schools, law schools, etc, would only encourage a panoply of highend services like placement and alumni travel so as to avoid tax! With the consensus building up on an 8% service tax rate - rather than the 12% rate suggested by the [13th Finance Commission](#) - we need not one but two rates of service tax: 8%, and 4% for 'essential' services such as power, education and health. A low service tax rate would broadbase the levy and provide ample scope for tax setoff . The proposed service-tax exemption on a single dwelling unit makes no sense when it is, say, a style or personal statement; renting of personal dwellings above, say, rates of Rs 25,000 monthly ought to invite service tax.

# **EDUCATION**

TELEGRAPH 24.9.11 EDUCATION

### **Closure scare for private schools**

**- HRD department mulls action against institutions without govt recognition**

ROSHAN KUMAR

**Patna, Sept. 23:** The private elementary schools daring to dodge the human resource development (HRD) department's directive to get registered with the state government could face strict action.

The deadline to seek the state government's recognition is September 30. The schools faltering would either be made to pay hefty fine or could be asked to pull their shutters down.

HRD principal secretary Anjani Kumar Singh today said the deadline for all private elementary schools (from Class I to Class VIII) to get recognition from the state government would expire on September 30. The schools have to submit their accounts details for the past three years while applying for recognition.

The objective behind making the government registration mandatory for the schools is to check their infrastructure, said sources in the HRD department. It would also help the government ascertain the exact number of private elementary schools.

Explaining the difference between the recognition and affiliation of institutions, Singh said: "Schools get affiliated to different boards like CBSE or ICSE for examination purpose. The recognition relates with assessing the infrastructure facility and teachers' strength in the schools."

According to the Right to Education (RTE) norms, the schools should

have certain minimum facilities like adequate teachers, playground and infrastructure.

Singh said: “The schools which lack infrastructure will be given time for improvement while the institutions having no infrastructure will be closed down.”

The state HRD department sent letters to all the private schools in May, directing them to seek recognition from the state government. But the private institutions are up in arms against state government’s directive.

The co-ordination committee of the Public School Association of Bihar has condemned the government’s decision, making registration mandatory for all the private institutions. The association claimed that as the case was pending in Supreme Court, the state government should have waited some more time.

Peter Arockiasamy, the principal of St Michael’s High School, said: “We are not against the RTE but the state government is forcing us to implement the RTE provisions. The government should have different rules for government schools, private schools and minority schools.”

Arockiasamy also said the private schools’ association members would meet the chief minister and discuss their problems.

Under the RTE norms, the teacher student ratio should be 1:30. The schools admitting up to 60 children should have two teachers. The institutions having above 150 students should have five teachers with a headmaster or a principal.

Schools running up to upper primary level (from Class VI to Class VIII) should have separate teachers for science, mathematics, social studies and languages.

The RTE norms state that the schools should be all-weather buildings

having at least one classroom for every teacher and an office-cum-cum-principal's room. The co-educational schools should have separate toilets for boys and girls.

The schools are supposed have safe and adequate drinking water facility for all children. They should also have playgrounds, sports kits and boundary walls.

With the HRD department contemplating strict action against the school authorities not following RTE norms, the biggest sufferers would be the schools operating from rented premises without basic infrastructure. There are several private schools in upscale localities of the state capital. Boring Road, Boring Canal Road, Patliputra Colony, Kankerbagh, Rajendra Nagar and other areas house several such institutions.

# **GOOD GOVERNANCE**

TRIBUNE 25.9.11 GOOD GOVERNANCE

## UNIQUE ... BUT NOT REALLY HELPFUL

**Simi Chacko & Pratiksha Khanduri**

**RANJANA**, the woman who made headlines in September last year for being the first person to get a UID number, was in the news again recently after complaining that the number was useless - she had tried to get a travel concession with it on the bus but the conductor bluntly told her to “dump the card in a dustbin”.

The Government of India embarked upon an ambitious exercise to provide a “unique identification” (or UID) number to every resident of the country. Each number is to be connected with three types of biometric data: iris scans, fingerprints (all ten fingers) and a picture of the face.

UID, it is claimed, will act as a useful identification facility and help the government to root out corruption from social programmes. The urgency in enrolling people has led to a series of misinformed assumptions. Misconceptions range from iris scans being taken for an 'eye test' to fear of ration cards being taken away from those who do not participate in this 'photography'.<sup>1</sup>



**Voluntary or mandatory:  
People line up to register  
for their UID numbers for  
which digital images of  
the face, fingerprints and  
the iris are recorded.**

**Photo by Manoj Mahajan**

UID is supposed to act as a general identification facility: “Once residents enrol, they can use the number multiple times - they would be spared the hassle of repeatedly providing supporting identity documents each time they wish to access services such as obtaining a bank account, passport, driving license, and so on.”

How useful this “facility” is (and whether it is itself hassle-free) remains to be seen. Aside from this, it is claimed that the UID project is a powerful tool to fight corruption in welfare programmes and enhance inclusiveness in government schemes.

Some of the specific areas where the benefits of UID are supposed to flow are the National Rural Employment Guarantee Act (NREGA), the Public Distribution System (PDS), public health, financial inclusion, etc. How this is supposed to happen is explained in a series of concept notes posted on the UIDAI website.

### **UID and NREGA**

Unsuspecting readers of the UIDAI's concept note on “UID and NREGA” may be bowled over by the power of Aadhaar. However, a closer look suggests that scepticism is in order.

“Once each citizen in a job card needs to provide his UID before claiming employment, the potential for ghost or fictitious beneficiaries is eliminated.” Elimination of ghost beneficiaries would be an important contribution, but as the same sentence makes clear, it requires compulsory and universal enrolment. Yet public statements convey that UID enrolment will be voluntary.

“In many areas the wages continue to be paid in the form of cash,.” states the website. But in fact, the transition to bank payments is largely complete (83% of NREGA job card holders have an account). Tamil Nadu is the only “area” where wages continue to be paid in cash (retained for the sake of speed). The introduction of payments through

bank or post office accounts has made corruption quite difficult, but three ways of siphoning off money remain - extortion, collusion and fraud.

Extortion takes place when “inflated” wages are withdrawn by labourers from their account, the middleman turns extortionist and takes a share. Collusion occurs when the labourer and the middleman agree to share the inflated wages that are credited to the labourer's account. Fraud means that middlemen open and operate accounts on behalf of labourers and pay them cash. Biometric-enabled UID to authenticate identity can only help to prevent “fraud” but is of little use in preventing collusion or extortion.

Payment of NREGA wages through banks and post offices have been made mandatory since 2008. Transition from cash to bank or post-office payments is presently complete to a large extent. In fact, over 9 crore NREGA accounts (covering 83% of NREGA job card holders) were opened by 2009-10, without UID in the picture.

Benefits of the UID project are contingent on beneficiary verification at the point of service. Therefore delivery of service will depend on functional biometric equipment. This creates the following issues:

Every single point of service must be equipped with a biometric reader e.g., all NREGA worksites - there are about 600,000 and the simplest biometric readers cost at least Rs 2,000 each.

Damage of biometric readers, due to normal wear and tear or other causes (including possible sabotage), will disrupt service delivery. Any contingency measures that bypass biometric



**Fears over privacy, security and reliability have been voiced over the UID project. Photo by Parvesh Chauhan**

authentication will be vulnerable to fraud.

Corruption is rampant and requires comprehensive safeguards; a static single-point mechanism is likely to be unreliable in the medium to long-term.

Because of the potentially disruptive role of UID in NREGA, nearly 200 scholars and activists signed and circulated a petition called “Keep UID Out of NREGA!” in December 2010. The concerns raised in that petition are yet to be answered.

### **PUBLIC DISTRIBUTION**

Similar reservations apply to the UIDAI's concept note on “UID and PDS System”. The UIDAI claims that the project can help to deal with the fact that many poor people do not benefit from government welfare schemes such as the PDS.

The reason behind this, according to the UIDAI, is that people do not have an identity. However, in the case of the PDS, the two main reasons for the poor being excluded are that (a) the government is willing to provide subsidised food to too few people (“low coverage”) and (b) there is “misclassification” of households. This means that because the government's criteria for identifying the poor and the implementation of these guidelines, are faulty, many poor families are excluded. UID can do nothing about these two problems.

**Bogus cards and de-duplication:** One of the main claims is that UID will eliminate “bogus” cards. The UIDAI seems to be unable to distinguish between the various types of bogus cards: (a) “ghost” cards, i e, where cards exist in the names of non-existent or deceased persons; (b) “duplicates” where one person or household, entitled to one card, manages to get more through unfair means; and (c) “misclassified” cards, when ineligible households or persons claim benefits (or, inclusion errors).

The UID can help deal with the first two but not the third type of bogus cards.

The next question then is, how large is the problem of “ghost” or “duplicate” cards. That question is not easy to answer. It is not clear how large the problem of duplicate or bogus BPL cards actually is. If the recent example of Tamil Nadu weeding out bogus cards is any evidence, then it is only 2% (Planning Commission, 2004). Chhattisgarh tried to achieve de-duplication by computerising the database of ration card holders and distributing ration cards with holograms, without relying on UID. Eight per cent of cards were found to be “duplicate”.

The elimination of ghost and duplicate cards requires that UID enrolment be compulsory and universal. Classification errors: One of the major problems with the existing, targeted PDS is that of classification errors: many poor families are not identified as poor (“exclusion errors”) and better-off families often get the benefits (“inclusion errors”). According to Drèze and Khera (2010), nearly half of the poorest 20 percent did not have BPL cards in 2004-5. UID will not be able to correct this as it will only verify if the beneficiary exists and is unique. Consequently, the UID number won't be able to solve the problem of misclassification.

“Last mile” problem: Another common problem is that PDS dealers “short-change” their customers: they give them less than their entitlement, and make them “sign” for the full amount. Again, UID will be of little help here. If customers can be duped into signing (or giving their thumbprint) for more than what they are given, they can surely be convinced to give their UID number for the same purpose.

Upstream Leakages: A large part of the PDS leakages happen before the foodgrains reach the PDS dealer. For example, much of PDS grain used to be diverted between government godowns and the village ration shop. The UID project is not designed to deal with upstream leakages in the distribution and delivery systems.

Portability: The UIDAI also makes a claim of “portability of benefits”, i.e., that with a UID, beneficiaries can claim their benefits wherever they are. A PDS that allows beneficiaries to draw their rations from anywhere in the country would indeed be a desirable improvement over the present system. The portability argument is perhaps the most enticing aspect of the UID programme as far as the PDS is concerned. However, this too is not very well thought through. Though the UID is portable, benefits may not be, because the latter present operational issues that cannot be solved by the UID.

A more plausible contribution of UID to “PDS reform” is that it would facilitate the transition to cash transfers (instead of food entitlements), advocated by many economic advisers and policy-makers. This move, however, is itself fraught with dangers.

## **PUBLIC HEALTH**

A study by Oxford University holds that in India, more than a million people die every year due to lack of adequate healthcare. Also, 700 million people have no access to specialist care as 80 per cent of the specialists live in urban areas.

Against this background, the UIDAI identified public health as a “killer application” (sic) for UID. As the UIDAI's concept note on “UID and Public Health” states:

“Existing data bases would probably still leave a large percentage of the population uncovered. Therefore every citizen must have a strong incentive or a “killer application” to go and get herself a UID, which one could think of as a demand side pull.

Mohan Rao, a professor at the Centre of Social Medicine and Community Health (JNU, New Delhi) had this to say in a critique :

“The UID working paper on public health would have us believe that these changes occurred because of a lack of 'demand' for healthcare, as it sets out what it calls a 'killer application' to provide citizens an incentive to obtain a UID card in order to meet health needs. This unfortunate language apart, the fact that we have not built a health system is hardly fortuitous. It is true that we do not have good quality health data or indeed even vital statistics; it is true that this should come from integrated routine health system and not ad-hoc surveys.”

He asserts that UID is not devised to deal with the public health challenges of our country. “On the contrary, given that many diseases continue to bear a stigma in this country, the UID scheme has the unique potential of increasing stigma by breaching the anonymity of health data collected. It thus violates the heart of the medical encounter, namely confidentiality. By making this information potentially available to employers and insurance companies, the scheme bodes further gross violations of health rights.”

( The writers are students from JNU and Delhi School of Economics)

# **INTERNATIONAL RELATION**

## **Growing US interest in India The evolving global balance of power**

G. Parthasarathy

THE rapid growth of what China calls its “Comprehensive National Power” has been accompanied by strong manifestations of what the Soviets used to call as “Great Han Chauvinism”. Responding to concerns expressed about China’s growing “assertiveness” in relations with its smaller neighbours, its Foreign Minister Yang Jiechi nonchalantly told his Singaporean counterpart in December 2010, with the arrogance reminiscent of the rulers of the Ming dynasty: “China is a big country and other countries are just small countries and that’s just a fact”.

The past two years have seen China resorting to coercion and even use of force in enforcing its maritime boundary claims with Japan, Taiwan, South Korea, Vietnam, the Philippines, Malaysia and Brunei. The same assertiveness, bordering on arrogance, is manifested in China’s dealings with India which it treats as what is yet another “small country” in its neighbourhood.

Leaving aside Chinese manoeuvres to undermine India in forums like the Nuclear Suppliers Group, China has actively colluded with Pakistan in blocking international efforts to get the Jaish-e-Mohammed, which masterminded the attack on our Parliament, declared as an international terrorist organization by the UN Security Council. It had acted identically in blocking efforts to get the Lashkar-e-Toiba outlawed, prior to the 26/11 outrage. More importantly, China now acts as though the PoK and the Northern Areas of Gilgit and Baltistan are an integral part of Pakistan, with only Indian-controlled Jammu and Kashmir being a

“disputed” territory. The “Chief Minister” of Gilgit-Baltistan, Syed Mehdi Shah, twice visited China in the recent past and was received at the highest levels. Contrast this with the entire issue of stapled visas for residents, including military officers, serving in J&K. Moreover, planned Chinese investment for infrastructure and hydro-electric projects in Gilgit-Baltistan is estimated to be of the order of \$10 billion, with growing suspicions that the tunnels being built are really meant for nuclear weapon and missile silos. All this is happening when Pakistan is tearing itself apart under the weight of its internal contradictions, combined with the stupidity of its military in cultivating radical Islamic groups to “bleed” India and force the Americans out of Afghanistan.

These were among the issues considered by a high-level non-official group from the Council for Foreign Relations (CFR) and the Aspen Institute India (AII). The group has now come out with a detailed report on shaping the contours of a US-India partnership to deal with global challenges. The Indian participants included former National Security Adviser (NSA) Brajesh Mishra and former Ambassadors to the US, K.S. Bajpai and Naresh Chandra. The American side included luminaries like former Director of Intelligence Denis Blair, Bush Administration NSA Stephen Headley and Ambassador Robert Blackwill. The CFR-AII report comes at a time when the US is finding that its two Cold War allies, China and Pakistan, are either directly challenging its global pre-eminence, or supporting terrorists killing its soldiers in Afghanistan.

The CFR-AII report notes that Pakistan’s intelligence agencies “support terrorist groups that target India, Afghanistan and ISAF forces in Afghanistan”. After the Abbotabad raid which eliminated Osama bin Laden, the US is finding that General Kayani, whom it had touted for long as a “tough professional”, is now arranging for the Haqqani group to even attack its embassy in Kabul. The report states: “Pakistan is showing alarming signs of systemic decline. Its economy continues to underperform peers in Asia.” It significantly notes that the US should

“condition military aid to Pakistan on concrete anti-terrorist measures by the Pakistan military against groups targeting India and the US”.

The American decision to declare the Indian Mujahideen as a Pakistan-backed international terrorist organization should be seen in this context. The “Dialogue with Pakistan Mantra” is alluded to, though Americans have no answer to the question whether “dialogue” will induce Pakistan to change its behaviour. The report dwells on the need for a regional framework, including the US, China, Russia, Iran, the Central Asian Republics, India and Pakistan to evolve measures for stability in Afghanistan.

Predictably, the report asserts that India and the US have no intention of “confrontation with China, or to forge a coalition for China’s containment”. But the sub-text is clear. It advocates a strengthened India-US partnership for a viable “balance of power” in Asia, covering the Indian Ocean— which is described as “home to critical global lines of communication, with an estimated 50% of the world’s container products and 70% of the ship-borne oil and petroleum transiting through its waters,” and the Asia-Pacific region. Interestingly, Hillary Clinton recently referred to the Asia-Pacific as the “Indo-Pacific,” quite obviously having taken note of India’s growing ties with Australia, Vietnam, Japan, Taiwan and South Korea. It is also clear that India-US differences will remain on relations with Iran and on the NATO propensity for selective regime change under the rubric of “Responsibility to Protect”.

The report is upbeat on US-India economic ties and makes significant recommendations for enhancing cooperation in areas like space, defence production and defence R&D. Goldman Sachs estimates that the Indian economy will expand at an average rate of 8.4% through 2020. The report stresses the significant potential for cooperation in areas like infrastructure, transportation, energy and agriculture. While it calls for US support for Indian membership of export control forums like the

NSG, the MTCR, the Australia Group and the Wassenaar Arrangement, should India really show interest in joining these cartels, especially given the US-led move to get the NSG to ban the export of reprocessing and enrichment technology to India, because it is not a signatory to the NPT?

No Indian interest is served in joining such forums, where it is considered less equal than others. We need to bide our time and see how US pressures influence our other partners like France and Russia, which do not share the American aversion for the transfer of important reprocessing technology to India. Moreover, both France and Russia appear unhappy, but ready to live the provisions of India's Nuclear Liability Act, even though they may require higher insurance cover for their nuclear power plants.

The CFR-Aspen India report carries wide-ranging recommendations which South Block should look at seriously. With its economy set for a continuing high growth path, India now has the luxury of having multiple partners, without having to compromise the autonomy of its decision making. Ironically, the wheels of history appear to have turned a full circle. The US, which partnered China and Pakistan for over four decades at the cost of India, now finds merit in partnering a democratic and economically vibrant India in facing an assertive China and a jihadi Pakistan.

# **POLITICS AND GOVERNMENT**

## **Yes ministers**

Pratap Bhanu Mehta

Two senior ministers squabbling, and then rushing to authority figures to complain, makes for good soap opera. But the soap opera is a symptom of a deeper political crisis. P. Chidambaram is in the dock not because of Pranab Mukherjee. He is in the dock because the UPA has wrecked the basic premises of government; and this wreckage will now haunt each minister.

Chidambaram's problem is not Pranab Mukherjee. It is Manmohan Singh. The prime minister has distorted the entire structure of ministerial politics by not frontally owning and defending the decision not to auction 2G. He has tried to play an avoidance game, implausibly distancing himself from his own government.

This avoidance strategy of the prime minister has landed Chidambaram in a mess. In the public debate, two issues have got confused. There is the policy issue: could a case be made for not auctioning 2G? There is the implementation issue: were there improprieties in the process of implementing the policy (like changing the time), and can these be connected to money trails? But the prime minister's way of protecting himself is to distance himself from all decisions. This gives the impression that anyone who was associated with the policy decision not to auction must be suspect. This is the tack the opposition and the public are taking. But how did we come to such a pass? The prime minister consistently chooses to protect himself rather than credibly defend the government. This makes it easy to impute guilt to other ministers. His evasions also contribute to intellectual confusion. When the prime minister can't tell you honestly what decisions he took, all decisions get tainted.

The prime minister's evasion set the tone for other ministers. In this climate, who would not want to earn political brownie points, or protect their backs, to try to show they are above the fray? This is the game ministers are playing. If the PM disowns his government, as it were, why will others not follow? So it was inevitable that the cabinet would look like a bunch of schoolboys tattling on each other. You can almost hear the dialogue in the presence of Sonia Gandhi, "He did it, ma'am." And the only thing worse for a minister is the prime minister defending him. The PM's defence, to the effect that Chidambaram was trustworthy, damned him more than anything else. What Chidambaram needed was a ringing defence of the decision not to auction 2G. But the PM has not been upfront about his own role. With his own credibility diminished, his defence of Chidambaram does Chidambaram more harm than good.

But there is also a larger crisis in government that flows directly from these avoidance games. This crisis has to do with two relationships: between the bureaucracy and government, and the way in which the public perceives this relationship. The culture of avoidance at the level of the PM has also created a culture of avoidance at the level of ministers. But this manifests in an unfortunate way. A normal process of government ought to be this. Officials express their professional opinion with full candour. A minister takes due cognizance of all the considerations. He then takes a decision. Unfortunately, what is happening in government is this. Ministers don't want officials to write notes that might turn out to be contrary to their eventual decision. Just the fact that they are seen as overruling bureaucrats can be grist for the political mill. It says something about the politicians' lack of self-confidence that they don't want to be seen to be overruling opinions. And it is often officials rather than ministers who are then asked to defend decisions. The result is a rather curious culture of subterfuge. Files will be prepared according to the narrative that leads up to the decision required. But somewhere the "fact" will be planted that opens up intriguing possibilities.

In the 2G note by the finance ministry, there is a delicious Humphrey Appleby-type interpretive possibility. The note was written in the context of the PMO wanting a full “factual” account of the 2G episode. You can imagine a bureaucrat saying, “I will give the full facts.” It is a “fact” that Chidambaram could have done more to insist on an auction. But this fact is neither here nor there. It puts Chidambaram on the spot only when you assume three things: that the policy was wrong, that being associated with the policy does put a question mark on your integrity, and that the decision was not the responsibility of the prime minister or cabinet as a whole. Unfortunately, the prime minister has contributed to confusion over all three assumptions.

The prime minister has set a bad example by trying to protect himself by distancing himself from his own government. This in turn gives ministers a licence to show they are not responsible. They, in turn, pressure bureaucrats, so that ministers are not seen to be overruling professional opinion. Ministers then don’t take ownership of their decisions. These avoidance games diminish the credibility of government. This credibility is further diminished when the CBI does not follow all leads, uses double standards in questioning and then other files come out. This in turn ends in a scenario where a mere policy decision begins to carry the odour of a conspiracy. This leads to an outcome where a minister’s greatest achievement is to be able to say, “I did not do anything.” If governance is to be restored, we need a rebooting of several roles: the role of the PM, the role of the cabinet, individual ministerial responsibility, and the relationship between the bureaucracy and ministers.

We also need to be more nuanced in the distinction between policy disagreements and corruption. It is a bit like saying that if someone can prove corruption in one particular PPP contract, anyone associated with the formulation of PPP contracts in general stands tainted. This is a recipe for government paralysis.

But the fundamental issue is this. If the crime is not auctioning 2G, then the whole government is responsible. If the issue has nothing to do with the decision not to auction, but is limited to decisions within a first-come framework, then we need a more nuanced consideration of guilt. But the prime minister's equivocations have given ammunition to those who think that the policy issue and the issue of corruption in the 2G case are now one and the same thing. Chidambaram is a victim of this confusion, which is now endemic in government and civil society alike.

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# **POVERTY**

## **Why India is a Poor Country**

Tavleen Singh

Last week, the Planning Commission proved that its smug, cloistered officials have never met a poor Indian. If they had they would have known that beggars and homeless people in Delhi and Mumbai need Rs 100 a day just to survive. All of it goes on food. By telling the Supreme Court that Indians living in cities could not be officially poor if they spent more than Rs 965 a month, and in villages if they spent more than Rs 781, the Planning Commission showed how insulated it has become. But, its ludicrous assessment gives us a chance to examine why millions of Indians remain desperately poor despite thousands of crore rupees being poured into their welfare annually.

The truth is that we have failed to remove poverty in India because we have gone about it the wrong way. We have invested in massive, unmanageable centralised schemes that spend more on administrative costs than on delivering benefits. An anti-poverty scheme that costs taxpayers thousands of crore rupees often ends up delivering no more than Rs 100 to a beneficiary. It is estimated that we spend seven rupees on a rupee's worth of aid. So our poverty alleviation schemes have become as useless as the Planning Commission. Perhaps because they have been devised by the same sort of officials who inhabit Yojana Bhawan.

Had these grandiose poverty alleviation programmes worked even a little, we would not today face the shameful reality that 45 per cent of Indian children are malnourished. That is if they live to see their fifth birthday. India's infant mortality rate (53 per thousand) is worse than

Bangladesh and little Sri Lanka, with no more than eleven deaths per thousand, is decades ahead.

These statistics should shame our officials but they do not. Go to any Government of India website and you will be plied with boastful claims. It has been my experience that the worst of our poverty alleviation programmes is the Integrated Child Development Services (ICDS) Scheme. But, if you look it up online, you will discover that it is the 'largest and most unique' child welfare programme in the world started as a showpiece of the Emergency on

October 2, 1975.

On two occasions I have seen it in action during a drought. In Maharashtra's Nandurbar district, it could have saved the lives of thousands of starving children by opening free kitchens in the affected villages. Instead it provided for children only if they were brought to hospital in Akkalkuwa when they were on the point of dying. Then they would be given Rs 40 worth of food a day and once they recovered sent home to starve again because they came from families who could spend no more than Rs 10 a day on food for the

whole family.

What I saw in Orissa's Kalahandi district was even more sickening. The drought was so bad in 1987 that in remote villages, people had eaten nothing but birdseed and mango kernels for months. The Congress government (in 1987) under the ICDS started a feeding programme for children, in towns many kilometres away, but even here only children under the age of five were fed. So they took their 'khichdi' home to share with their older siblings. And, the ICDS is a programme we continue to be proud of.

These programmes should have been abolished long ago and replaced with more effective, decentralised ones. This may have happened if Sonia Gandhi's National Advisory Council had not come along to invent even more grandiose, centralised programmes like the employment guarantee scheme, MNREGA. State governments are forced to implement them and in doing so, lose all the money they may have been able to put into smaller, less leaky schemes.

It is easy to blame an absence of political will for India's enduring, hideous poverty. But, having investigated the problem for many years now, I have come to the conclusion that real blame lies with officials of the kind that sit in Yojana Bhawan. Since they do not need to get voted out every five years they have time to understand the flaws in the schemes they devise. But, they never tell their political masters what they are because leakages from unwieldy schemes leak directly into the pockets of officials all the way down the line.

These officials are not just corrupt but evil because they steal from the mouths of India's poorest most needy children without losing a moment of peace. They are able to do this because they never see India's poverty except when it is served up to them in their insulated offices in the form of statistics. But, even by the high standards of insensitive officialdom that we maintain in India, the Planning Commission's latest appraisal is in a class by itself. The Planning Commission is clearly an idea whose time has gone.

*Follow Tavleen Singh on Twitter @ tavleen\_singh*

# **TERRORISM**

## **Villagers bear brunt of anti-Red ops**

Satyanarayan Pattnaik

KORAPUT: Security personnel's exchange of fire with Maoists at Kanchanpadu forests on August 24 was followed by the murder of Sankar Rao (30) of Langalbeda and Santosh Kumar Patnala (20) of Borgi, under Narayanpatna block on September 10.

Mishra Khosla, a handicapped person from Ichapur, bore the brunt of [Maoist](#) vengeance, who was murdered on Tuesday night after security forces destroyed a Maoist camp in Musulmunda forests under Narayanpatna police limits on September 19.

Whenever a major [anti-Maoist operation](#) takes place in Narayanpatna it is followed by the murder of a civilian at the hands of the Red ultras on charges of being a police informer, the new trend causing panic among locals in the region.

"Maoists killing civilians in the area is nothing new. Maoists have killed scores of people on the charges of being police informers in the past months. But the new trend is very disturbing as civilians are killed soon after any counter insurgency operation," said a Narayanpatna resident.

"Now we panic whenever we hear of any major anti-Maoist operation in our area as nobody knows who will be the next target of the Maoists after the counter insurgency operation. In the fight between police and the Maoists, civilians are suffering," said another Narayanpatna resident.

Police admitted the new trend is very disturbing, but said the deceased persons had nothing to do with the recent anti-Naxalite operations in the area.

"Maoists murdered the three people on the suspicion that they were police informers and had helped police in the two major anti-Naxalite operations in the area. But in reality they were never our informers and we have never ever received any information from them. One of the deceased was a handicapped person," said Koraput SP Anup Kumar Sahoo. "We have our own source to gather information. Naxals kills civilians to settle their scores and then brand them as police informers to terrorize people," the SP added.

Narayanpatna block on Orissa-Andhra border is considered a Maoist hub in the district, which the Naxals are planning to turn into a liberated zone on the lines of Lalgah in West Bengal. In recent times, the Maoist-hit block has witnessed several Naxal offensives and some major counter insurgency operations.

Suspecting the presence of a Central Committee member of the CPI (Maoist), Ramakrishna, in the thick forests of Narayanpatna, police is gearing up for a few more operations in the area.