This isn't it For A More Radical Cabinet Change

ERALA and Uttar Pradesh have gained larger representation in the Union council of ministers but there are few other constituents who are likely to break out into song over the Cabinet reshuffle effected on Wednesday. A change of the Cabinet serves two purposes: to underline the Prime Minister's authority and to reward/penalise good/poor performance, apart from improving the balance of regional and sectional representation in the power structure. Has the present reshuffle advanced these goals, and pushed the game to the ruling side's advantage vis-à-vis the Opposition? It does, but only to a limited extent. That extent is insufficient; which is a good reason to expect another, and more substantial, restructuring of the Union council of ministers after the Budget session. The Congress has clearly increased its bargaining power within the ruling coalition: it has added two more key economic ministries, food and civil supplies and aviation, to its kitty, in addition to telecom, wrested from an ousted Raja. In the process, it has resisted pressure from the DMK to hand telecom back to its nominee and also whittled down the NCP's area of influence. Sure, the NCP gets one more Cabinet minister, but it loses the elevated Praful Patel's key aviation portfolio as well as farmer champion Sharad Pawar's conflicted interest, consumer affairs, food and public distribution.

The lack of ambition in the reshuffle is borne out by the failure to drop anyone from the Council of ministers. All that we see is some wagging of the prime ministerial finger here, a mild rap on the knuckle there and a more liberal use of that mortification called making someone stand in a corner. The petroleum ministry stands out for both its erstwhile ministers having been given this last treatment. This does signal that poor performance will be punished. The signal, however, is weakened by the failure to ask poor performers to quit. A Cabinet reshuffle makes even those ministers who have not been disturbed aware of the PM's differentiating authority. That authority must be used more decisively, sooner rather than later, to improve the delivery of governance.

No more tax amnesties Penalise Evaders, Do Not Reward Loot

 $T^{ ext{HE}}$ government is reportedly formulating an amnesty scheme to allow repatriation of black money stashed overseas. This is a bad idea and should be dropped. All the more reason, after the Supreme Court's observation that "the government was wrong in treating black money as a tax issue when it was simple and pure plunder of the Indian economy". Amnesty schemes are morally corrosive as they offer relief to evaders, but penalise honest tax payers. Past amnesty schemes had amounted to an incentive to keep tax dues unaccounted and pay it, if circumstances so warrant, in the next scheme. The government should take every possible measure to ensure the return of ill-gotten money stashed away in overseas tax havens, but with no amnesty to evaders. Indians are estimated to have parked \$462 billion of unaccounted money overseas. This is not small change. Prime Minister Manmohan Singh on Thursday said that there was no instant solution to the problem. The government has, unfortunately, not been persistent in tracking and demanding more information on numbered accounts. With the G20 turning the heat on tax havens, countries such as Switzerland have agreed to share banking information. India should get Switzerland and other tax havens to exchange information with alacrity. Germany has shared information on names of Indians with accounts in LGT, a bank in Liechtenstein. The details of the account holders, as the Supreme Court has rightly held, should be made public. However, there should be no easy escape route for tax dodgers. In the 1990s, after the Voluntary Disclosure of Income Scheme (VDIS), the government had told the SC that it would not launch any more amnesty schemes. It cannot renege on this commitment. Such schemes also do not yield large revenues.

Credible measures are needed to clamp down on tax evasion. A countrywide goods and services tax (GST), the unique identification number and inter-related databases of the tax departments raise the chances of the evader being caught in the net. The key is to establish audit trails on all financial transactions, using the country's information technology prowess. In parallel, tax laws should be made simple and tax rates moderate.

Cat o' nine tales Beware Of The Meowist Plot

PEOPLE may think it is merely a kerfuffle over a kitty but it could well be a devious ploy by that Napoleon of Crime so adeptly identified by TS Eliot. English literature students know that Macavity the Mystery Cat is none other than a feline alter ego of the dastardly Professor Moriarty who stalked the pages of Sir Arthur Conan Doyle's detective novels tormenting even the redoubtable Sherlock Holmes. However, belying the general belief that the Machiavellian moggy had passed into history just like his fictional human counterpart, comes the news that a cat called Sal has been called for jury duty in Boston, admittedly a place rather far away from Macavity's usual haunts in England. Still, being in a position to sit on judgment on humans is something that Macavity would surely give eight of his nine fabled lives for. Besides, there is no denying only that treacherous tom could have managed to make even the honourable court a cat's paw. Not only did it summon the furry feline for jury duty but it also rejected the plea of his 'owner' that he be disqualified on the grounds that he is "unable to speak and understand English."

Obviously, the good lady has no idea what a cat can comprehend or get up to, which is why she did not file her plea based on the fact that Sal (probably Macavity's current alias) was too old, ill or a convicted felon—all legally valid grounds to keep him out of the jury box. But now that the court has brought animals on par with humans in the eyes of the law, the Americans may have ended up setting a cat among the pigeons. Jurisprudence hanging on the deliberations of a potentially disruptive meowist leader cannot portend well.

Who says it doesn't pay to default?

If the EU chooses sovereign default to solve the problem of solvency in its distressed economies, it will call the investors' bluff and ultimately prove to be a less costly option, says T T Ram Mohan

HE European Union is today the sick man of the world economy. The global economic outlook is more promising than thought a year ago. The world economy will grow at 4.5-5% in 2011. Emerging markets will grow at around 7%. The US is poised to grow at 3-3.5%. The EU will be stuck at 2% or less.

EU growth matters less to the rest of the world than its capacity to destabilise the world's financial system. Last year, the EU orchestrated a rescue of Greece and Ireland. What if Portugal, Spain, Italy and Belgium were to require rescue this year? Would the stronger economies of the EU, Germany and France, have the stomach to effect a bigger rescue if required? And if they didn't? These are questions that trouble the world's financial markets today. The rest of the world needs to worry less about exports to the EU than a disruption of financial flows as happened during the sub-prime crisis.

The EU is contemplating moves to reassure the markets. Support to the European Financial Stability Fund (EFSF), the bailout fund created to prevent the break-up of the euro, is to be improved. The EFSF was advertised as a €440 billion fund but not all of this is available for lending. Lending capacity is said to be around

€250 billion with the rest being held in cash to ensure that EU bonds get triple A status. The EU is inclined to top up lendable capacity itself to €440 bn. The quality of support is to be improved by buying bonds in the secondary market. This will help moderate interest rates for distressed economies

These are useful steps. But they may not suffice if contagion spreads to some of the larger economies. The bailout extended to Ireland is already proving inadequate. Greece will miss the budget targets set for it under the bailout target. It's clear that the standard approach of providing a support package in exchange for austerity measures will not solve the problem of solvency in EU's distressed economies.

When faced with a debt problem, you can grow your way out of trouble or run a



budget surplus or lower your debt burden through debt restructuring or default. High growth is not an option for EU's distressed economies. Running a budget surplus will require a decade or so of austerity on a scale that no electorate will tolerate. That leaves debt restructuring or default as the only realistic options. The first is an orderly resolution. The second is a messy one. Investors must choose.

It is not investors in sovereign debt alone who must accept losses. Today, banks hold substantial amounts of sovereign debt, thanks to huge recapitalisation by governments. As sovereign debt gets marked down, so will bank debt. Investors in bank debt too must accept losses. It is only when the costs of adjustment are shared by domestic taxpayers, investors and foreign taxpayers that the costs will be acceptable to electorates and the distressed economies have a reasonable chance of returning to solvency.

The alternative is a default. Sovereign default is not favoured because it is said to impose substantial costs: loss of access to financial markets, trade sanctions, political costs. But these costs can be exaggerated. As Reinhart and Rogoff

have documented in their book, This time is different, many of today's developed economies have a long and undistinguished history of default on sovereign debt. But this did not come in the way of their transiting from emerging to developed economy status

B ETWEEN 1300 and 1799, England, France, Germany and Spain were among those who defaulted on external debt. England led the way with eight defaults. The champion defaulter in Europe in the 19th century was Spain with seven defaults. Russia and Germany too figure in the list as do several countries of Latin America. In the 20th century, eight countries in Europe defaulted, China has defaulted twice but that has not prevented it from becoming the second biggest economy in the world

In recent years, Argentina's economic recovery since its tumultuous default of 2002 has been spectacular. As Joseph Stiglitz noted recently (ET, January 14) the Argentine economy grew at nearly 9% in 2003-2007. By 2009, national income was 75% above its pre-crisis peak. The Economist has compared the re-

its banks fail and their creditors took huge losses. Its GDP fell by 15% from its highest point before it reached bottom. Ireland rescued its banks and saw its GDP fall by 14%. Iceland's growth in the last quarter was better than Ireland's. It is also not true that Iceland did better be cause it could let its currency depreciate. Its trade balance improved more due to a fall in imports than a spurt in exports. Sovereign default carries substantial

cords of Iceland and Ireland. Iceland let

costs. But, as the examples cited above and the longer historical record show, the costs are not always higher than those entailed by continued servicing of debt Debtors will choose the less costly option

There is evidence to suggest that cap ital markets may be more forgiving than is supposed: access to financial markets often becomes available after just three years. Investors will demand a higher risk premium on defaulting countries. But Paul Krugman thinks the current vields on Greek and Irish bonds already price in the probability of default or restructuring.

Governments are terrified that restructuring proposals or a default announcement will cause an exodus of in vestors. This fear is entirely valid when only one economy is involved. Today sovereign debt has soared across developed economies, including the US. In vestors must deal with the possibility of losses in several economies

Are investors ready to dump sovereign and bank debt as asset classes and move elsewhere? If yes, where will they go? They cannot get exposed to emerg ng markets or other asset classes beyond a point. Faced with collective action from the EU, investors will have to accept the benefits of orderly restructuring vis-à-vis serial defaults. To put it bluntly, the EU should call the investors' bluff.

Whatever the resolution, the irony of the present situation should not be lost on us. Debt restructuring or default was supposed to be an emerging market problem. Today it has become an advanced economy problem. How the mighty have fallen!

Citings

BREAK FROM THE PACK: HOW TO COMPETE IN A COPYCATECONOMY Oren Harari

F COMPETITORS aren't

L bewildered or infuriated by what you're doing, and if industry observers and even customers don't think you're a little nuts, then you're probably not doing anything that will break you from the grips of the Copycat Economy. In today's hypercompetitive environment, organisa tions which break from the pack have these characteristics: They're curious — possessed of a culture built around inquisitiveness, and willing to explore uncharted, unorthodox, and even controversial paths. They're cool — exhibiting an organisation-wide willingness to be edgy, unconventional, and even defiant. They're crazy eager to make decisions that seem insane but are also the result of calculated discipline — or what I call "disciplined lunacy." Curious, cool, and crazy companies – and the leaders who run the em — approach things so differently that outsiders sometimes seriously wonder whether they've gone bonkers.

Of the companies that made its "most admired" list a few years ago, Fortune magazine said, "Their managers are willing to take some risks so bold they may cause shareholders, stock analysts, and employees to seriously question their sanity—at least until they turn out to have been right." Their craziness is always rigorously organised, however, and it's infused with a fundamental, adventurous interest in what's new, as well as delight in what's arrestingly fresh, fun, and cool.

CHATROOM

Corruption riddle

■ THIS refers to the edit 'To combat corruption' (ET, Jan 18) Corruption in India is a low-risk and high-profit activity, as famously said by N Vittal, former CVC. No politician, bureaucrat or businessman has ever been punished for acts of bribery and corruption in an exemplary manner. But to everyone's amazement, many politicians bureaucrats and businessmen proudly flaunt their ill-gotten wealth. There is plenty of scope in the system for indulging in corruption with safeguards like

BLINKERS OFF



I don't believe that success is 10% inspiration and 90% perspiration...but it is 90% imagination and 10% inspiration..

prior government permission for prosecuting a minister, civil servant and undue influence on investigating agencies.

People are aware that at present, there are no saints when it comes to fighting corruption. On its part, the media weakens the fight against corruption by its selectivity. In India, if there is one obstacle to alleviation of poverty, it is corruption.

G DAVID MILTON MARUTHANCODE, JANUARY 18

The state of education

■ THIS refers to your edit 'Primary Education inches Ahead' (ET, Jan. 18) Pratham's report is a realistic one. If similar surveys are conducted in upper classes, the condition could be no better there, too.

The whole issue is complicated by the fact that in multitudes of very poor families parents are incapable of extending any tutorial support to their wards because their own this context, the editorial has very rightly pointed out that motivation of the teachers can bring changes in the existing bleak scenario. But the million-dollar question is, who will motivate or monitor them?

> AMANULLAH ANSARI Kolkata, January 18

Letters to the editor may be addressed to editet@timesgroup.com

NEURAL NET

A shrinking of world views

weta Devi tells the story of its eponymous hero, Choti Munda, legendary archer and tribal leader. In his long life, Munda saw colonial rule, lived through the early decades of independent India, and saw the Naxal unrest of the 1970s. All periods of massive change for tribal communities in India. In the beginning, tribal societies were dis-

turbed as non-tribals were moved in by the British administration to settle in their lands. The traditional relationship between the tribals and the forests was disrupted with the state asserting its right over the great jungles of the country. A series of uprisings followed—the Ulgulan—only to be stamped out by the British. With independence came development, with its debates on whether to mainstream the tribals, and attendant migration into tribal areas and a virtual assault on their habitation.

It's an epic story. As epic as Shrilal Shuk la's sardonic (and prescient) description of how corruption was spreading across India in Raag Darbari, his novel about a village Shivpalgani, Reading such narra tives, one cannot help feeling that fiction has done a better job of describing India's tumultuous vears since Independence than historians. In part because there are few good histories of this period. And in part because fiction, written sensitively, can communicate far better what those years were like and what it was like to live through these changes

Why is it that we hardly see fiction about al pull of the cities, and only too aware that

present-day rural India either written in English or translated into English? Seen any fiction recently about how the new lot of self-selecting government programmes are impacting rural India? Take NREGA. In Chhattisgarh and elsewhere, while the lot of the agricultural labour has improved after NREGA, small farmers are unable to afford labour now. Across the country, attracted by the avalanche of development monies being pushed by the Centre directly to the panchayats, the number of candi-



dates vving to be sarpanches has skyrocketed. Some candidates are even selling their

lands to raise money to buy votes. ronmental change in rural India? There is climate change, manifesting itself in erratic rainfall patterns across rural India. Or, for that matter, seen anything in your local bookshop about how villages are changing as our cities spill outwards—the rise in land values; the buzzing of real estate agents in and around villages looking for farmers willing to sell their land; and the younger And that raises an important question. rural generation, drawn by the gravitation-

agriculture promises hard labour and uncertain gains, urging their parents to sell?

What is going on? According to a colleague, it is a question of centres and peripheries. Urban India, he says, is busy redefining its periphery. And, as the success of books like *Maximum City* and *White Tiger* shows, the periphery we are now interested in is the underbelly of our cities. Not the villages. The sole exception to this lot of books would have to be Kota Neelima's Death of a Moneylender. We see this in our films as well. The purely rural story, like *Do Bigha Zameen* or Mother India, has all but vanished. The few exceptions to that norm, like Shyam Benegal's Welcome To Sajjanpur or Well Done Abba, are also, ultimately, feel-good films about rural India. Even the excellent Peepli (Live) is an urban look at a rural problem. On the whole, the lumpen is the subject, not the subaltern or the proletarian.

This is a serious loss. Again, take Mahasweta Devi. Not only have her books vividly captured slices of what historians would call subaltern history, they have also posited the truth against power. In lint Ke Upar lint, first published in 1984, she described the des perate lives of tribals working in brick kilns off Kolkata, with all the financial and sexual exploitation that involved. In Imaginary Maps, published in 1993, she wrote about bondage prostitution in Palamu district. This is fiction that describes the present, powerfully. Fiction that, like journalism. seeks to "monitor the centres of power" Sorely needed in this age where much journalism is fiction and subservient to power.

M Rajshekhar

The best investments for humanity

NTHE eastern edge of Kolkata, Dulu Bibi, a 25-year-old mother of four, worries about the cost of treating her two sick boys. Her husband earns ₹80-90 (\$1.90) a day. The family's basic diet is low in the essential micronutrients that children need to thrive. Dulu's two sons, aged three and one, are weak and feverish, lack appetite, and cry a lot. "If I have to spend₹150-200 on medicine," she asks, "what will I eat and feed my children with?

Dulu's story is heartbreaking — and heartbreakingly common—in the developing world: three billion people survive on diets that lack micronutrients like vitamin A and Zinc, and are at increased risk of illness from common infections like diarrheal disease, which kills nearly two million children annually. Micronutrient deficiency is known as "hidden hunger". This is a fitting description, because it is one of the global challenges that we hear relatively little about in the developed world. It draws scant media attention or celebrity firepower, which are often crucial to attracting charitable donations to a cause.

But there is a larger point here: billions of dollars are given and spent on aid and development by individuals and companies each year. Despite this generosity, we simply do not allocate enough resources to solve all of the world's biggest problems. In a world fraught with competing claims on human solidarity, we have a moral obligation to direct additional resources to where they can achieve the most good. And that is as true of our own small-scale charitable donations as it is of governments' or philanthropists' aid budgets.

In 2008, the Copenhagen Consensus Center, which I direct, asked a group of the world's top economists to identify the "investments" that could best help the planet. The experts – including five Nobel Laureates compared ways to spend \$75 billion on more than 30 interventions aimed at reducing malnutrition, broadening educational opportunity, slowing global warming, cutting air pollution, preventing conflict, fight-

GUEST COLUMN

BJØRN LOMBORG



- One little publicised global challenge is the "hidden hunger" or micronutrient deficiency that afflicts three billion people
- Experts believe the best investments to help the world involve community-based nutrition promotion, immunisation and micronutrient supplementation
- Communities bolstered by nutrition will be less vulnerable to climate change

ing disease, improving access to water and sanitation, lowering trade and immigration barriers, thwarting terrorism and promoting gender equality.

Guided by their consideration of each option's costs and benefits, and setting aside matters like media attention, the experts identified the best investments — those for which relatively tiny amounts of money could generate significant returns in terms of health, prosperity and community advantages. These included increased immunisation coverage, initiatives to reduce school dropout rates, community-based nutrition promotion, and micronutrient supplementation. This last initiative, which could do so much to help Dulu Bibi's family in Kolkata, is extraordinarily cheap. Providing Vitamin A for a year costs as little as \$1.20 per child, while providing Zinc costs as little as \$1.00.

By highlighting the areas in which even small investments can accomplish a great

deal, the project influenced philanthropic organisations and governments. This month, the Copenhagen Consensus Center releases the Guide to Giving (www.covenhagenconsensus.com) so that those of us without a government treasury or charitable foundation at our disposal can also consider how to use the experts' lessons.

Often we hear catchphrases like "without an education there is no future" or "without water one cannot survive", as if it is obvious that we should focus first on one or the other. But many people go without proper education and access to clean drinking water. The difficult task that the expert panel undertook was to look at the extra good that an additional donation - even as little as \$10 - could achieve with respect to many good causes.

By putting all benefits to individuals, communities, and countries in monetary terms. we can compare the two options. Expert researchers for the Copenhagen Consensus found that carbon offsets are a relatively ineffective way of reining in global warming and reducing its effects — \$10 would avoid about \$3 of damage from climate change. By contrast, \$10 spent on Vitamin A supplements would achieve more than \$170 of benefits in health and long-term prosperity

One lesson we can draw is that while lobal warming may exacerbate problems like malnutrition, communities bolstered by adequate nutrition will generally be less vulnerable to climate-based threats. Overall, we can typically best help through direct interventions. including micronutrient supplements, fortification, biofortification. and nutritional promotion. There are billions of stories like Dulu Bi-

bi's and billions of other stories that demand our attention. By embracing simple lessons from economics, all of us — individuals, governments, and philanthropies -can ensure that our generosity yields the greatest benefit possible. (The author is head of the Covenhagen

Consensus Center)

Like Aristotle who believed that the heart was the seat of

Hail the Ganayogi

USICIAN Shushila savant held that nada rose in the Rani Patel says when she went to Mauritius years ago to perform she was overwhelmed by the number of encores she got for a Meera bhaian made famous by late Pandit D V Paluskar. "For seven consecutive days, wherever I sang, people used to keep asking for Panditji's Payoji Maine Ram-ratan-dhan payo," she recalls in Ganayogi, a recent biopic made on cosmic world spirit (vivruttam

the late Gwalior Gharana maestro. prompted That the wife of the pioneering film journalist Baburao Patel to introspect on the secret of Paluskar's popularity Was it was due to

his bhakti or his towering talent? heart or was it the

how sound or nada arises in the

human body and how it mani-

fests in three places or sthanas of

the human anatomy.



Was it due his UPLINK

pati Rajaram. "Mahtahead (dil ya dimakh)? She won- ma Gandhi used to love this song," says noted Marathi writdered. Generations of seekers had tackled that question with er-director Aniali Kirtane, who varying degrees of success. shot Paluskar's biopic after doing Consider the spin provided by intensive research all over India Sharangadeva, the Kashmiri for five years. "It sounds so simmusicologist who was a jewel at ple: and vet, in the hands of the master, it is so profoundly subtle the glittering court of Singhana, the Yadava king who ruled that it's almost impossible to imi Maharashtra from Devagiri. tate, and very easy to mangle!" Sharangdeva's magnum opus, Sangeet Ratnakara, describes

That element might also ac count for what has been described as spiritual or auratic dimensions of great music. Years of rivaz or practice are equal to tap sva or sadhana. That puts the halo of a saint on to an accomplished

performer. Hail the Ganayogi!

human emotions, the Kashmiri ■ VITHAL C NADKARNI

region of the heart or (hrd) as the lowest octave or mandra saptak. As it arises in the upper hierarchy of subtle chakras, inner sound in the throat or kantha gives rise to the *madhva* or mid-

dle octave only to culminate in the *tara* or higher octave in the murdha region of the head. Sharangadeva starts his treatise by bowing to nada as the

iaaad-atmakam)

which resides in all beings (chaitanvam sarva bhutanam). By happy stroke

of serendipity, Pa-luskar had used that very verse of Sangeet Ratnakara to begin his phenomenally popular bhaian. Raghu-

Raghava