

Amend EPF Act

Allow Voluntary Migration To NPS

THE finance and investment committee of the Employees' Provident Fund Organisation has approved investing in government-guaranteed bonds issued by infrastructure lenders like India Infrastructure Finance Company Ltd. Wildly exciting as this may sound, given the Fund's stoic preference for government bonds for the bulk of its investible corpus exceeding ₹3 lakh crore, it might well be shot down by the Central Board of Trustees, which prefers playing politics to maximising returns on employees' retirement savings. The CBT's tone is set by trade union representatives who shun the market on ideological grounds, condemn the private sector as all risk, and believe the government offers unalloyed safety. The CBT has prevented the EPFO from deploying even 5% of its corpus in equity. So, pension funds from around the world invest in Indian capital markets and generate high returns but Indian workers are prevented from sharing the gains of India's growth that filter into the stock market. And the fund struggles, every year, to declare a return of 8% and has to discover buried treasure, in the form of funds tucked away in mysterious accounting holes of the past, to jack up the rate of return to 8.5%. This, when the Sensex goes up 60%, mutual funds yield upwards of 30% and the New Pension System (NPS) generates a return of 14%. The EPFO is doing a signal disservice to its worker members. The government must allow the workers to vote with their feet, to persuade the EPFO to see reason. The law must be amended to allow individual workers and establishments to migrate out of the EPFO to the NPS. The NPS has the lowest asset management fee in the world, and offers members a choice of fund managers and allocation patterns with varying weightage for equities.

The EPFO's corpus is large enough to be diversified across the risk spectrum to generate high, yet safe returns. If it cannot do this job, it should at least allow its members to switch to a modern, regulated pension scheme that offers higher returns.

Growth signal from industry

Index Revision A Priority

THE surge in industrial production, as measured by the index of industrial production (IIP) that rose 10.8% in October ahead of the festive season, is comforting, both for recovery from the drop in the growth rate to 4.4% in September and for the rebound in capital goods and consumer durables. Industrial production saw extraordinary growth rates since December 2009, but moderated in May this year. After a spike in July, it plunged to a 16-month low in September. The base effects could be adverse over the next two quarters, given that the growth in industrial output in the base period was high, averaging 15.3% year-on-year between November 2009 and March 2010. Yet, the latest data holds out hope that the country would surpass the GDP growth forecast of 8.5%, given the potential for high farm growth this year.

Robustness is manifest across the board in mining, manufacturing and electricity. Only two out of 17 sectors reported negative growth. Transport, equipment and parts, a lead indicator of economic activity, recorded the highest growth of 39.5%. The disaggregated numbers reaffirm the sustainability of economic recovery, quelling some doubts that were raised after the slowdown in industrial production in September this year. Capital goods output, grew by 22% in October after a drop in September, signalling new investments. The 31% increase in the production of consumer durables — mainly passenger cars — is also a welcome sign, and gives hope that there would be a sharp revival in industrial activity. The recovery in exports, coupled with a rise in the manufacturing purchase managers index in November, also augurs well for consolidation of industrial growth. However, a slowdown in consumer non-durables still remains a concern. This is surprising as a rise in income levels should normally spur demand for consumer non-durables. Both consumer durables and capital goods carry relatively low weight in the index of industrial production (IIP). The high volatility in these two segments raises questions on the quality of data and the respectability of an index that includes alarm clocks and tape recorders. Instead of wasting its money on fuel subsidies, the government should beef up its statistical infrastructure to generate reliable data.

The Warne-ing of fate

Cricket And A Colonial Past

RETIREMENT," said some wise soul, "requires the invention of a new hedonism, not a return to the hedonism of youth." But such wisdom seems quite lost on some people. Seeking a return to days of yore, trying to reclaim past glory, or even bask for some more time in its reflection, can entice even those we'd ordinarily think have had enough of all that already, whether *babus* or sport celebrities. Take Aussie spin legend Shane Warne. Recent reports suggested that calls were being issued forth to recall the leg spinner. And the man himself left the question rather unanswered by only saying he 'was flattered'. Of course, the background tale is that the Aussies, used to dominating cricket for years, just can't seem to digest the fact that their run is well and truly over. Perhaps there was a faint hint of the mind-games with which the Aussies used to augment their prowess on the field, in putting out such speculation right after suffering their first innings defeat on home ground against England in 23 years in the second Test at Adelaide.

It does seem highly unlikely that Warne will, indeed, return in time for the third Ashes Test in Perth, starting next Thursday. But, for the man himself, given the flamboyance he displayed during his playing days, it probably would be a grand idea. A coalescence of a grizzled gladiator, the veteran general, a cricketer James Bond coming back again in service of the nation and the baggy green. But times might have changed. Commentators are pointing out older age, the "delusional state", even not having players from a multi-cultural 'melting pot' as the reasons behind Australia's decline and England's rise. A colonial past, it seems, is good for cricket. And even Warne mightn't suffice now.

Alternatives to austerity

A deficit-reduction package that boosts efficiency, bolsters growth, and reduces inequality is possible but will be opposed by corporate and other special interests that dominate US policymaking, says Joseph E Stiglitz

IN THE aftermath of the Great Recession, countries have been left with unprecedented peace-time deficits and increasing anxieties about their growing national debts. In many countries, this is leading to a new round of austerity — policies that will almost surely lead to weaker national and global economies and a marked slowdown in the pace of recovery. Those hoping for large deficit reductions will be sorely disappointed, as the economic slowdown will push down tax revenues and increase demands for unemployment insurance and other social benefits.

The attempt to restrain the growth of debt does serve to concentrate the mind — it forces countries to focus on priorities and assess values. The United States is unlikely in the short term to embrace massive budget cuts, à la the United Kingdom. But the long-term prognosis — made especially dire by healthcare reform's inability to make much of a dent in rising medical costs — is sufficiently bleak that there is increasing bipartisan momentum to do something. President Barack Obama has appointed a bipartisan deficit-reduction commission, whose chairmen recently provided a glimpse of what their report might look like.

Technically, reducing a deficit is a straightforward matter: one must either cut expenditures or raise taxes. It is already clear, however, that the deficit-reduction agenda, at least in the US, goes further: it is an attempt to weaken social protections, reduce the progressivity of the tax system, and shrink the role and size of government — all while leaving established interests, like the military-industrial complex, as little affected as possible.

In the US (and some other advanced industrial countries), any deficit-reduction agenda has to be set in the context of what happened over the last decade:

- A massive increase in defence expenditures, fuelled by two fruitless wars, but going well beyond that.



GEETANJALI

- Growth in inequality, with the top 1% garnering more than 20% of the country's income, accompanied by a weakening of the middle class — median US household income has fallen by more than 5% over the past decade, and was in decline even before the recession.

- Underinvestment in the public sector, including in infrastructure, evidenced so dramatically by the collapse of New Orleans's levees.

- Growth in corporate welfare, from bank bailouts to ethanol subsidies to a continuation of agricultural subsidies, even when those subsidies have been ruled illegal by the World Trade Organisation.

As a result, it is relatively easy to formulate a deficit-reduction package that boosts efficiency, bolsters growth, and reduces inequality. Five core ingredients are required. First, spending on high-return public investments should be increased. Even if this widens the deficit in the short run, it will reduce the national debt in the long run. What business wouldn't jump at investment opportunities yielding re-

turns in excess of 10% if it could borrow capital — as the US government can — for less than 3% interest?

SECOND, military expenditures must be cut — not just funding for the fruitless wars, but also for the weapons that don't work against enemies that don't exist. We've continued as if the Cold War never came to an end, spending as much on defence as the rest of the world combined.

Following this is the need to eliminate corporate welfare. Even as America has stripped away its safety net for people, it has strengthened the safety net for firms, evidenced so clearly in the Great Recession with the bailouts of AIG, Goldman Sachs and other banks. Corporate welfare accounts for nearly one-half of total income in some parts of US agribusiness, with billions of dollars in cotton subsidies, for example, going to a few rich farmers — while lowering prices and increasing poverty among competitors in the developing world.

An especially egregious form of cor-

porate special treatment is that afforded to the drug companies. Even though the government is the largest buyer of their products, it is not allowed to negotiate prices, thereby fuelling an estimated increase in corporate revenues — and costs to the government — approaching \$1 trillion dollars over a decade.

Another example is the smorgasbord of special benefits provided to the energy sector, especially oil and gas, thereby simultaneously robbing the treasury, distorting resource allocation and destroying the environment. Then there are the seemingly endless giveaways of national resources — from the free spectrum provided to broadcasters to the low royalties levied on mining companies to the subsidies to lumber companies.

Creating a fairer and more efficient tax system, by eliminating the special treatment of capital gains and dividends, is also needed. Why should those who work for a living be subject to higher tax rates than those who reap their livelihood from speculation (often at the expense of others)?

Finally, with more than 20% of all income going to the top 1%, a slight increase, say 5%, in taxes actually paid would bring in more than \$1 trillion over the course of a decade.

A deficit-reduction package crafted along these lines would more than meet even the most ardent deficit hawk's demands. It would increase efficiency, promote growth, improve the environment, and benefit workers and the middle class.

There's only one problem: it wouldn't benefit those at the top, or the corporate and other special interests that have come to dominate America's policymaking. Its compelling logic is precisely why there is little chance that such a reasonable proposal would ever be adopted.

(The author is University Professor at Columbia University and a Nobel laureate in Economics) © Project Syndicate, 2010

CHAT ROOM

Redefine RBI's role

THIS refers to 'Americans want Fed abolished' (ET, Dec 10). When the central bank of the country fails to achieve the objectives such as avoiding the depression or coming up with measures to control recession, it becomes quite natural that more than half of Americans want the Fed reined in or abolished. When people do not have faith in the central bank, currency, and ultimately the government, it will further accelerate the uncertainty and instability. But it is also essential to

remember that intervention by political parties in the functioning of central banks will be dangerous. In India, falling share prices, inflation and ever-rising number of scams and stalled sessions of Parliament indicate a lurch towards instability. Against this backdrop, it's high-time to redefine the role of the RBI.

SHISHIR SINDEKAR
NASIK, DECEMBER 10

Empower citizens

THIS refers to 'The Cancer of Corruption' (ET, Dec 9). To fight corruption, what is needed is the empowerment of the common man. The Constitution needs to be amended to give the right to citizens to doubt the integrity of officials, judiciary included. At present, officials are shielded by a plethora of laws. As Chanakya rightly observed, a litigant can even doubt the integrity of a judge. Putting information about corrupt officials in the public domain is the best way to fight corruption, and defamation laws should not come in the way. And this applies to the judiciary also: judges have to be made accountable for the judgments they deliver.

DEENDAYAL M LULLA
MUMBAI, DECEMBER 9

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

BLINKERS OFF

SALAM



We have a great team which gets credit for all the good work...find some more people who can consistently deliver good work for them...

Vision for making India truly India

PERHAPS, it was time for LC Jain (LC as he was called) to go. His ideas and ideals had become out of place in today's India, which is trying to catch up with China and posing to be the America of the coming century. Maybe, that is the reason why we, the younger generation that he inspired, still need LC, his ideas even more, to change what must be changed and make India, India.

LC humbly picked up in his own small but significant way from where Gandhiji had to leave his great endeavour, by encouraging local leaders of civil society and panchayats to see the political and economic significance of their work in the new context of independent India: helping women's groups from the desert areas of Kutch promote their crafts; panchayats to conserve fodder in the arid areas of Rajasthan; small enterprise workers to make salt in the drought-prone districts of Surendranagar; or handloom weavers to revive cooperatives in Uttar Pradesh. LC wanted India's political economy to be shaped from the bottom up. As an economist, he firmly believed in the removal of poverty through non-violent ways. He could understand the reasons for the poor turning violent.

Gandhian economics — monuments of economic ideas shattered soon after *azadi* that now reappear as 'green' and 'clean' economy — was a serious matter for him. He showed us a more holistic role that panchayats could play not only as political institutions but also economic agents fighting poverty, promoting local production, and balancing top-down prosperity of large industrial plants in

their neighbourhoods with the rights of the ecology of drinking water.

LC combined the idiosyncrasies of direct experience and the power of systematic and system-wide economic thinking to bring local realities to the high table of national policymaking — before and after he served as a member of the Planning Commission in the early 1990s. He would blend reminiscence of post-partition refugee camps in Delhi with esti-



mates of the number of job losses for leather workers in Gujarat while addressing members of local cooperative leaders, a portrait of a poor woman artisan digging earth all day-long on a roadside in Madhubani in Bihar with criticism of the deteriorating political economy of investments in infrastructure in Delhi to a US-educated young number-cruncher in the finance ministry. Neither India, nor anything Indian, could be separated into small boxes as far as LC was concerned.

LC showed us a larger role for India, in

and outside India, despite and because of its large numbers of poor, and also because of its longer and diverse traditions of tackling the problem of poverty. In South Africa, as India's high commissioner, he knew India from outside in. He pointed out to us the innovations that empowered the poor on a large scale and used that knowledge to inspire all those who dream of an India free of poverty. LC was always informed and even-handed and spoke and wrote about poverty in India as if he was poor himself. What he said had the ring of truth, and it rang for a long time in the minds of younger listeners when they imagined their India.

LC's untiring efforts to reach out to us, the younger generation, were a labour of love, the love of a man who has witnessed the worst of India — Partition and Emergency as much as continued poverty — and yet, he found hope and optimism in India's future. He wanted us to wait for future prime ministers who would declare that poverty in India would fall at 9% per annum and not be satisfied with merely the GDP growing at a robust 9% rate.

LC shaped our budding sense of politics in 1970s that played with the poor and made us aware in early 2000s of the chilling and unacceptable fact of continued poverty in a rapidly growing India economy. He inspired those of us who had missed the last years of the freedom movement and the early years of *azadi* to make India truly India.

MIHIR R BHATT
ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD

Hurdles facing plan against Maoists

GUEST COLUMN

JAMAL KIDWAI



- Ensuring transparency and accountability in the Integrated Action Plan is a major political challenge for the government
- A proper implementation of the plan can take place only if the target group is aware of its rights
- Social audits in all government schemes should be made mandatory and should not be left to NGOs or civil society groups

who are the main source of corruption. They are the main implementing authorities for such programmes and without their knowledge and consent, it would be impossible to misappropriate funds.

Similar is the case when big companies acquire tribal land for mining purposes. Under the PESA, no one can acquire tribal land without the permission of the gram sabha. Yet, it is common that villagers come to know that the acquisition has taken place only at the time they are about to get displaced. Here also, it is the elected representatives who are "bought" by the big companies to subvert the PESA by illegally fabricating the consent of the gram sabha. All political parties are implicated in subverting Acts like the PRL, PESA and the Minimum Wages Act that seek to empower the poor, dalits and tribals.

Second, a proper administration and implementation of these Acts can only

happen if the target group is aware of its rights enshrined in these Acts. Until that happens, how can we expect them to demand their rights from the government and elected representatives? What is striking when one travels in rural Bihar, Jharkhand, Orissa and other Maoist-affected states is the complete lack of awareness amongst the vast majority of the poor about MNREGA, Indira Awaas Yojna, Widow Pension Scheme and hundreds of other government programmes. This is a major challenge because the target group is illiterate. Education and awareness will not only put pressure on the elected representative to deliver, but also create a sense of ownership among the beneficiaries. There are entrenched and powerful vested interests who would like the poor to remain ignorant. Again, what is required is political will and not pumping in more money that will encourage these vested interests to ensure that the poor remain ignorant while they pocket the funds.

Finally, transparency and accountability in public welfare schemes is a major political challenge if the government wants to regain the confidence of the people in Maoist-affected regions. The practice of social audits in states like Andhra Pradesh and Rajasthan in MNREGA has given a sense of ownership to the people in development works. They have become less cynical towards politicians. Yet, this is easier said than done. On September 1, hundreds of *sarpanches* staged a demonstration and clashed with the police in Jaipur demanding an end to social audits of MNREGA works. Obviously, they were enraged because social audits in Rajasthan have exposed the corruption of the *sarpanches* in the MNREGA works. None of the political parties in Rajasthan had the courage to tackle the *sarpanches* and endorse the practice of social audits. Social audits in all government schemes should be made mandatory and should not be left to NGOs and civil society groups.

(The author is director of a Delhi-based organisation Aman Trust)

Defiling living gods

HOW chaste we are when we visit our places of worship! A Hindu bathes before he goes to the temple. A Muslim does *wudu* (washing ceremony) before entering the mosque. Both leave their footwear outside. This is out of respect for the deity and its sacredness. In some temples of the south, one is also required to change his dress. He is given a clean *dhoti* and an *angavastram* (vest) to wear. This is done so that no devotee enters the temple precincts in soiled clothes. Some temples also have a little shallow pond: for rinsing of feet before you enter the *sancum sandorum*. Some religious places even ask men to fold up their trousers so that they do not rub against the floor and cause a rustle which might disturb the calm of the place.

Our religions tell us to honour every human being as divinity resides in him. Let us see how do we treat our living gods. As he gets out of his apartment, he sees *paan* stains in the corridor. He gets into the lift which might be smelling of *bidi* smoke and there might be some litter too. He gets out of his apartment complex, to find us urinating, spitting and even disposing of our snot on the streets. The traffic gives him a honking welcome which will

continue for his entire ride. By the way, the spitting continues. Men sitting in tempos on the last bench facing against the flow of the traffic spit the most. In a way, they are spitting in your face. The drivers and the passengers in cars spit in different ways. The passengers will take their head out of the window and spit, whereas the driver will hold open the door ajar and spit. Why does he do that? He is responsible for cleaning the vehicle. If his spit lands on the body of the car, he will have to clean it. He wishes his master know this art.

In smaller towns we also puke out of the buses. We have seen the spit and the puke landing on people. Some sprays would have surely landed on us when we used to drive a two-wheeler. Some two-wheeler riders who travel between towns say that they wear helmets not so much to save them if they fall but to protect them from the puke and the saliva hurled at them from moving buses.

This is how we treat human beings who have divinity alive in them. Till we have concern for the other, we are not religious. Till we have civility, we can't claim to be spiritual people. We need to redefine spirituality. In the Indian definition of spirituality, civility should be an important component.

■ KIRAN BEDI & PAVAN CHOUHARY

Citings

HOW TO MANAGE STRESS EFFECTIVELY
Dinesh Dagar

BE FLEXIBLE. You will not be compromising on things only when you are flexible. There may be more than one solution for the encountered problem. If you are flexible enough to try out the alternative solution, the act may save you from becoming anxious and depressed. You should learn to prioritise your tasks. Breaking a big task into smaller one and prioritising the broken down tasks will in fact reduce the challenges involved in completing the job. The most sought-after effect will be unfolding the moment you start finishing the smaller tasks one by one based on your prioritised list. If you learn the art of saying 'No', it will prevent you from taking extra tasks that may take more of your time otherwise.

The rule is — Do not say 'Yes' when you want to say 'No'. You must set realistic and achievable goals in your life based on your abilities. Making unrealistic goals may result in increased stress in you the moment you fail in accomplishing the goal. In fact, the positive stress involved in achieving the more realistic goal will be the driving force for achieving the next goal. You must learn the art of delegating responsibilities. Delegation will save you from the emerging stress. If you have more work at your hand and if you start allocating smaller works to others, it may turn out to be working wonders. You may do this both in your office and at home. A planned break, be it for five minutes or a vacation for two days, will reduce the harmful effects of stress.