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# **BOOK REVIEW**

## TRIBUNE 19.12.10 BOOK REVIEW

### **Into the danger zone**

Reviewed by Sukhpreet Singh Giani

The Absent State: Insurgency as an Excuse for Misgovernance

By Neelesh Misra and Rahul Pandita.

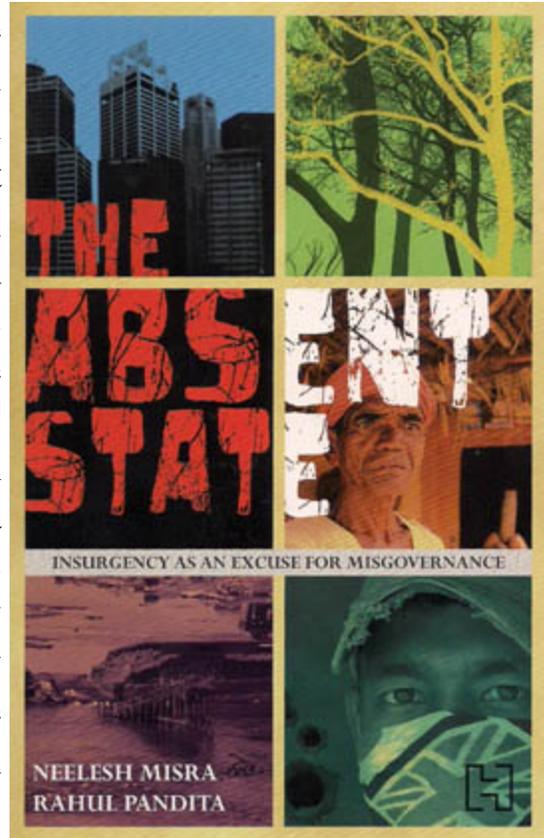
Hachette India.

Pages 266. Rs 495.

**F**OREST means minerals, minerals means money, money means guns, and guns mean power." Simple mathematics! The 60-year-old former engineer who is now a top captured Naxalite leader writes on India's biggest internal security challenge, one that the various governments, until recently, have shied away from recognising. As compared to the Kashmir issue, which has always been seen as "the insurgency", the Naxalite problem is seen as the poor rebel by the Indian government, elaborate the authors.

*The Absent State* is not only about insurgency but also about people and governance. Neelash Mishra and Rahul Pandita give an intimate view of the world's biggest communist insurgency and opine that it is set to become the ball and chain shackling a country poised to fly high and dream big. They travelled over thousands of kilometres for close to three years into some of India's remotest corners. The same is evident as they go about reporting with the precision of surgeons who peel off lies and lay bare the truth bringing forth important stories of the relationship between people and governance that identify the causes of growing social unrest in India.

India may now be regarded as one of the fastest growing economies with global powers trying to woe but in many rural areas, the Indian state simply does not exist. At least, 30 lakh people have been displaced by reckless and poorly planned mining in the mineral-rich lands across India, while tens of thousands of square kilometres of land have been diverted, yet not even a quarter of the population has been rehabilitated, let alone given a share of the earnings. The book provides tragic real-life stories as to how virtually every labourer had been cheated of a few thousand rupees that often means the difference between life and death for an Indian farm labourer.



The Naxalite movement is not only the biggest threat but also has become the prime opportunity, at least for thousands in the government and for contractors working on taxpayer-financed projects in those regions. Government officials have not administered many of these areas in any real sense for decades, with policemen fighting an impossible battle for their survival in a land of cruel geography, where ferrying ration is "like fighting a war". Teachers do not go to teach; doctors examine malaria patients on paper and so are the roads built. It is not the epidemic of cholera but the cancer of corruption that is brewing discontent. During their tryst with reality, Neelash and Rahul do find a true "socialist", too. The mosquito! "As it bites the villagers, the police and the Naxalite with equal intensity", the authors remark.

Referring to Kashmir as "The Valley of Denial", the authors highlight permanent presence of armed forces as the prime reason for apparent

hostility. "The amount of money New Delhi has spent `85 they could have built a new Kashmir," the authors sermonise. Be it Kashmir, north-east or the jungles of Bihar and Jharkhand, the authors find numerous reasons for the social discontent brewing in the insurgency-hit areas: unemployment, poverty, ethnic and tribal rivalries, forced recruitment by rebels, the high-handedness of security forces, the promise to thrill and power for the adventurous; they complete a picture of hundred rebellions eating away at the country.

The book gives a tense account of dilemma that the masses face while highlighting how easy it is for them to get labelled as traitors or spies or terrorists in the war zones at times for even offering food to insurgents in disguise. While insurgents can tag anyone as informers and punish them for talking to the police, even if they do so out of fear.

While recording popular division, particularly in the territory under Maoists' command, the authors have refrained from portraying them as the people's saviours. However, the book highlights for a nation that has made insurgency a convenient excuse for misgovernance, it's the humiliation that gives birth to desperation which, in turn, gives birth to uncontrollable rage and the rebels have effectively harnessed that and are now using it against the state.

The book appropriately discusses how *not* to deal with armed rebels, especially when insurgency has become so deeply entrenched in the system that it resembles the system itself. Since democracy does not come from the top but from the bottom, the authors highlight that crushing the rebels with force would boomerang as the problem is not just like a strong headache for which the nation can pop an Aspirin and pretend it is gone. *The Absent State* is an essential read to better understand turmoil of our times for it addresses the need to go for the cure of the causes and not just the symptoms.

**Sitting on a powder keg**

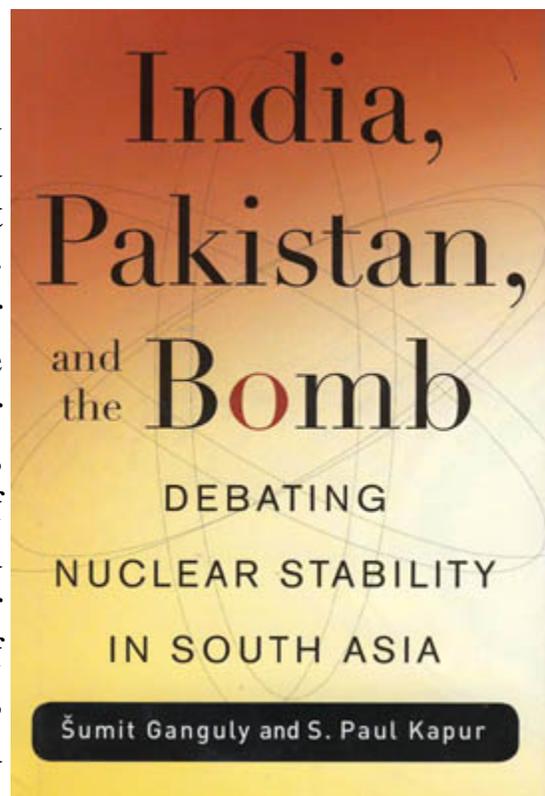
Reviewed by D. S. Cheema

India, Pakistan, and the Bomb: Debating Nuclear Stability in South Asia  
By Sumit Ganguly and S. Paul Kapur.

Penguin. Pages 132. Rs 325.

**I**NDIA and Pakistan have had a violent relationship since the Partition of 1947. Pakistan has remained unhappy with the territorial arrangements and continued to view the division of Kashmir as "illegitimate". This has resulted in both the countries fighting four wars, and the mistrust and bitterness between the two countries have in no way reduced since then. The possession of nuclear technology by both the neighbours since 1998 and rapidly growing economy of India in recent times make South Asia a major player in international affairs.

After the US used nuclear weapons on the Japanese cities of Hiroshima and Nagasaki, such weapons became the first category of weapons that appeared non-usable and the concept of "nuclear deterrence" was introduced, which made war obsolete. Countries with nuclear weapons realised that victory in war was too dangerous to fight for. The fear of irreparable damage prevented war and the escalation of conflict in the Cold War period. Presently, all available analysis of nuclear proliferation anywhere is coloured with the experiences of Cold



War history. However, Ganguly and Kapur have adopted the unique approach of debating the two different points of view related with the impact of nuclear weapons on South Asia's past, present and future. This helps the reader to develop a more pragmatic and balanced understanding of the issue on his own.

It is important that the entire debate about nuclear stability in South Asia in the book is seen in the background of how the term "deterrence" is understood and interpreted. Assured destruction is the essence of the whole deterrence concept, as massive retaliation raises the cost of war which outweighs the gains from aggression.

Ganguly believes that nuclear weapons have helped stabilise the security environment between India and Pakistan in the past, and are largely responsible for improved relationship between the two bitter enemies and that these improvements will continue in the future as well. Kapur, however, puts across a different argument that nuclear weapons have had a destabilising effect on South Asian security in the past, and have very little to do with the present improved relations and may destabilise the region in future.

Growing instability in Pakistan is not a new thing. The new thing is that she has not learnt any lessons from the history and is speeding towards self-destruction. This is dangerous for India, with whom Pakistan will continue a proxy war at all costs. When the focus of Pakistan should be fighting terrorism, it is focusing on development of more nuclear warheads. The well-known link between the Taliban and Pakistan and many other terrorist groups like Lashkar-e-Toiba (LeT) and its parent organisation Jammāt-ud-Dawā (JuD) operating in Pakistan has led to the growing fear of the bomb falling in wrong hands in future. This possibility has given a severe jolt to the US, a major player in the complex game, particularly after the 9/11 attacks.

A chapter assesses the past impact of the nuclear weapons on South

Asian security environment. While Ganguly asserts that three major confrontations of the nuclear era—the 1990 standoff, Kargil War and 2002 standoff—did not develop into a full-fledged conventional or nuclear war only because the two countries possessed the nuclear weapons. Kapur maintains that the three crises were facilitated by the nuclear weapons and had nothing to do with the crises not becoming major wars.

The current strategic environment in South Asia is the subject matter of another chapter. Here Ganguly argues that the possession of nuclear weapons is responsible for the recent thaw in India-Pakistan relationship, in spite of many provocations for India from across the border. Kapur, on the other hand, argues that the credit for any improvements in the relationship of the two enemies or the current cold peace does not go to nuclear weapons but to economic, diplomatic and domestic compulsions of the two countries.

The authors also look at the future Indo-Pakistani relations based on several global and regional levels. In this context, the role of the US and the evolution of existing political order in Pakistan are the two vital factors.

Detailed notes at the end of the book have a wealth of reference material which supports and reinforces the basic argument of the authors throughout the book. It provides a deep insight into the impact of nuclear weapons on the rivalry between India and Pakistan. This well-written book can be useful to policymakers, defence analysts and officers in the armed forces.

# **CORRUPTION**

TIMES OF INDIA 21.12.10 CORRUPTION

## **Layers of corruption**

V Raghunathan

That we are among the most corrupt societies in the world needs little reiteration. But that's not the real bad news. The real bad news is that our corruption has several layers - in fact layers upon layers - which may make it all but impossible to tackle corruption seriously in the foreseeable future or even within the next generation. This is because, in order to address the corruption at one level, we need to peel the corruption at the next level and then again at the next level and so on. Let us get to understand what we mean by several layers of corruption.

When a politician or a civil servant or a judge or a policeman or a journalist is corrupt, that is bad of course. But it is not the kind of bad that cannot be addressed in a well functioning society. In South Korea, Japan, China and elsewhere in the world for example, corrupt politicians or civil servants are routinely brought to book. This happens because while the individuals may be corrupt, the system is not. The system works without corruption and is held accountable.

In India on the other hand, not merely the individuals, but the systems governing those individuals, and the systems governing those systems and so on, are all flawed or corrupt. Consider the ED and CBI which are the agencies supposed to investigate, say some corrupt politician or bureaucrat. Now these agencies have deliberately been kept under the

control of the ruling government and hence the ruling political party.

Needless to say, a corrupt politician, civil servant or a top policeman will be investigated by this ED or CBI, at the whim of the controlling government or polity. Now, if the law of the land itself is so structured (ED and CBI as the hand-maidens of the government) as to not permit the law of the land to take its course, then that amounts to an additional layer of corruption - a layer of a corrupt system superimposed over a layer of corrupt individuals. This problem is capable of being fixed by providing ED or CBI with constitutional roles not subservient to the Government. Doing so could ensure that the guilty individuals are brought to book and punished under the laws of the land. In other words, if we want to fix the corrupt individuals, we must first fix the corrupt system of accountability of our enforcement agencies.

In the same vein, consider again the convoluted but institutionalized systems of 'auctioning' of various positions of power in the Government. Once a cop or a customs official or an octroi inspector has bought the position, it stands to reason that he must recover the 'investment'. So if you wish to crack the corruption of these officials, you must first crack the upper layer of the corrupt system of posting these officials. Similarly, the bureaucrats have perfected the system of deliberately leaving loose ends, grey areas and ambivalence in the drafting of policies to give themselves more ways to exploit their power through corruption. One could go on.

On top of it all is the layer involving the funding political parties. It should be conceptually possible to bring about changes in the system such that transparent, tax deductible contribution to political parties becomes possible. But this is not in the interest of the majority of self-serving politicians in cahoots with officials, who brazenly make millions

or even billions in the name to collecting money for the parties. And as is well known, it is this corrupt system that leads to corruption further down the line, as the political masters set a target to their civil servants, bank chairmen, public sector heads, police top brass and other power brokers, who in turn set sub-targets down the line, leading to the phenomenon we are all witnessing and suffering from.

See what I mean by layers of corruption? That is why none from the CWG scam, even if they looted the exchequer by tens of thousands of crores, will ever really be brought to book. That's why no one may really have to answer for the 2G scam running into lakhs of crores. That's why generals stealing apartments from Kargil Widows may romp home free. That's why it may be par for the course for judges to steal PF money from class IV employees. That's why a Yedurappa may cock a snook at the ruling party at the centre. They have rigged the system itself to be deliberately flawed or skewed or corrupt. If you want to tackle corruption at individual level, first you will have to address the issue of corrupt system. When you wish to address that layer, you may have to first address the layer of corrupt system of political funding.

Our politicians have nurtured these corrupt systems deliberately with the help of obsequious bureaucrats for decades in order to best serve their vested interests. In fact legislature is the only institution available in a democracy to change these systems, but ironically, they see little incentive to do so, given that the welfare of the nation as a whole was never their incentive for getting into politics in the first place.

So we run a democracy in which corrupt politicians are saved by brother politicians, corrupt IAS officers by brother IAS officers; corrupt Army men by brother officers; corrupt judges by brother judges; corrupt cops by brother cops and so on, so that all the big fish are effectively

cocooned by their own kind. The system is so rigged that only petty officials and citizens can ever be really brought to book. The system is not without a sense of humour though, considering not too long ago, I read a report in the Times of India according to which a government doctor was given a six month sentence because 25 years ago, he had charged Rs 25 from a school teacher for issuing a fake medical certificate - ah, the long arm and majesty of law!

HINDUSTAN TIMES 16.12.10 CORRUPTION

## **Dial P for purge**

Rajdeep Sardesai

Dear Dr Singh,

Greetings! This is my second open letter to you this year. The first was in May when I had raised the issue of political corruption. To quote from the May 28 letter: “There is little doubt sir of your personal integrity, but would you concede that its been difficult for you to check corruption amongst your ministerial colleagues? As a supplementary, may I ask that if the CBI had been investigating a Congress minister and not an ally like A Raja of the DMK, would you have shown the same leniency?”

Unfortunately, I did not receive a response to my query. Now I know why. It has become increasingly apparent as the 2G scam unfolds that the DMK was a law unto itself in your government. While you did write to the then telecom minister in November 2007, voicing your concerns over spectrum pricing and asking him to ensure a fair and transparent auction, the fact is Raja ignored your missive. Yet, instead of dismissing him from the Cabinet for challenging prime ministerial authority, he was ‘rewarded’ in May 2009 with the same portfolio, only because the Tamil Nadu chief minister staged a minor tantrum. Can there be any greater evidence of the clout which the DMK exercised within the UPA?

Had you acted against Raja three years ago, you might have been able to rise above the stench of corruption that now envelopes your government. More importantly, it has perhaps for the first time in your long and distinguished career in public life that the ‘Mr Clean’ image which you have so assiduously maintained has been stained.

Dr Singh, your life has been an inspiration for millions of Indians. The story of the rise of a young boy from Gah village, walking miles to his school, studying under the dim light of a kerosene lamp and working his way up through scholarship inspires hope in all our hearts. When you became PM, we rejoiced in the belief that at last we had found a leader we could identify with, someone who wasn't a spoilt dynast, but a genuine representative of the great Indian middle-class dream.

Critical to this identification process was the knowledge that this was a PM who was personally incorruptible. It was a bit like being transported back to the 1970s Amol Palekar era of cinema, where the honest bank manager in a bush shirt touched a chord with audiences through his old-fashioned values of simplicity and decency. We warmed to stories of how you still owned a 20-year-old Maruti car, how your family members had been resolutely kept away from the trappings of power, how your lovely wife Gursharan Kaur still went shopping for vegetables at Khan Market.

I am sure that Gursharanji still keeps a tight rein on the household budget. But with due respect sir, being PM is not about family budgets, it's about the national treasury that you have been empowered to preserve. A bank manager may well be of 'impeccable' personal integrity at home, but if he allows his clerks to loot the bank, then he clearly is failing in his primary responsibility at the workplace. Sadly, that's exactly what seems to have happened in the UPA cabinet, and your continual hand-wringing is now becoming a sign of impotence.

At one level, there is obvious empathy with the situation you find yourself in. A coalition government is by its very nature a political arrangement based on compromise. Part of the compromise appears to be a readiness to allow every constituent to set its own rules of engagement, including when it comes to cornering the 'ATM' cash-rich portfolios. The NDA which is planning a national campaign on

corruption would be well-advised to examine its own track record in this regard.

Frankly though, one is weary of reducing corruption to a zero-sum UPA versus NDA political battle. The average Indian citizen is not interested in knowing who is more corrupt, the Congress-NCP government in Maharashtra or the BJP government in Karnataka. The left may have a better track record, but let's not forget that its prime ally in Tamil Nadu is Jayalalithaa who still has serious corruption cases against her. Taking a moral high ground may work in a television studio debate, it's unlikely to attract cynical voters.

What the aam admi seeks (and presumably the UPA still claims to be an 'aam admi government) is a readiness to act against the corrupt and make examples of them. Your leader, Sonia Gandhi, claimed to her parliamentary party that the Congress has 'acted' against corruption. Can the notion of 'action' be defined please? Forcing a minister to resign is not action, prosecuting him would be. Handing over a case to the CBI is not action, ensuring that the investigation is taken to its logical conclusion would be. The nation is not a set of gullible MPs who will be taken in by rhetorical flourishes. We don't need to become a lynch mob, but the fact is an alert and enraged Indian citizenry will no longer settle for fine words alone.

Here's a concrete suggestion: why don't you amend the Prevention of Corruption Act to ensure that all corruption cases involving public servants, be they officials or politicians, are put on fast-track? If they are proved innocent, restore their dignity. If they are guilty, have them jailed and their properties confiscated. You may lack political support for your move, but trust me, an entire nation will cheer you on.

Post-script: May I also suggest a brief year-end family holiday to rejuvenate yourself in this make-or-break fight against corruption. The country needs a re-invented Manmohan Singh who is willing to crack

the whip in 2011, not a passive observer of the muck around him. Happy New Year!

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# **ECONOMIC DEVELOPMENT**

### **Recovery despite disharmony**

The world economy, according to most forecasters, is expected to grow in 2010 by nearly five per cent. This surprisingly good performance, however, hides the fact that the recovery continues to be uneven among the three broad categories — the United States, the Euro zone, and the developing countries. Equally significantly, the recovery is taking place despite a marked lack of coordination among the major economic powers in solving their common problems. Dire predictions of a year ago have not materialised to the extent feared. Financial sector concerns shared by many countries have dissipated in recent months, although, as the world's leading central banks never fail to warn, the possibility of another global financial crisis cannot be ruled out. In the U.S., regulatory rules for the financial sector had to be toned down. Going by several indicators — including the relatively buoyant stock markets, greater investor confidence, and the pick-up in cross-border flows — the world economy is a more confident place today, with the deep pessimism of just a year ago receding. To be sure, deep-seated problems remain. High up in the list is rebalancing of the global economy, which remains elusive despite being an important part of the agenda at all the G20 summits. The highly publicised currency wars — the most visible manifestation of the global imbalance — are now seen in a muted fashion.

It is clear that, in the context of the global recovery, countries have fewer incentives to negotiate and reach an agreement on the outstanding problems. Besides, the uneven recovery has prompted many countries to address domestic concerns first. Protectionism has resurfaced in the U.S. and some other developed countries. There is very little chance of concluding the Doha round any time soon. Beset with persistently high

unemployment rates and low demand, the U.S. has fashioned an ultra-loose monetary policy that is akin to a stimulus for its economy. But it is flooding the emerging markets with cheap dollars. The tax cuts agreement reached two weeks ago by President Obama with the Republicans will also act as a stimulus. In contrast, Europe as a whole has embarked on a programme of austerity. Some of the European countries like Greece, Portugal, and Spain are facing economic stress, while a few led by Germany are posting robust growth. A weak recovery in the developed world might have an adverse impact on exports from the developing countries. The divergence in economic policies, however justified by short-term domestic concerns, militates against global harmony. One hopes the divergence in performance does not lead to trade and currency conflicts that may derail the economic recovery.

## **Managing the anticipated food crisis**

M.S. Swaminathan

FAO has warned that 2011 may witness a global food crisis. Proactive action is needed to meet the challenge of price volatility, chronic hunger, agrarian despair and climate change.

The Food and Agriculture Organisation of the United Nations (FAO) has alerted developing countries about possible steep rises in food prices during 2011, if steps are not taken immediately to increase significantly the production of major food crops. According to FAO, “with the pressure on world prices of most commodities not abating, the international community must remain vigilant against further supply shocks in 2011.” World cereal production is likely to contract by 2 per cent during 2010 and global cereal stocks may decline sharply. The price of sugar has reached a 30-year high while international prices of wheat increased by 12 per cent in the first week of December, 2010, as compared to their November average.

The quantitative and qualitative dimensions of the under- and mal-nutrition prevailing in our country are well known. The Steering Committee of a High Level Panel of Experts on Food and Nutrition set up under my chairmanship to advise the UN Committee on Food Security (CFS) recently concluded what we need urgently is a comprehensive coordinated approach, not piecemeal approaches, to tackling chronic, hidden and transitory hunger. This is also the lesson we can learn from countries which have been successful in combating hunger such as Brazil which, under its “Zero Hunger” programme, has achieved convergence and synergy among

numerous nutrition safety net programmes. To some extent, this is what is being attempted under the proposed National Food Security (or Entitlements) Act of the Government of India.

What should be our priority agenda for 2011 on the food front? At least six areas need urgent and concurrent attention. First, the National Policy for Farmers placed in Parliament in November 2007, on the basis of a draft provided by the National Commission on Farmers (NCF), should not continue to remain a piece of paper, but should be implemented in letter and in spirit. This is essential to revive farmers' interest in farming. Without the wholehearted involvement of farmers, particularly of young as well as women farmers, it will be impossible to implement a Food Entitlements Act in an era of increasing price volatility in the international market. The major emphasis of the National Policy for Farmers is imparting an income orientation to agriculture through both higher productivity per units of land, water and nutrients, and assured and remunerative marketing opportunities. The Green Revolution of the 1960s was the product of interaction among technology, public policy and farmers' enthusiasm. Farmers, particularly in north west India, converted a small government programme into a mass movement. The goal of food for all can be achieved only if there is similar enthusiastic participation by farm families.

Second, every State government should launch a “bridge the yield gap” movement, to take advantage of the vast untapped yield reservoir existing in most farming systems even with the technologies currently on the shelf. This will call for a careful study of the constraints — technological, economic, environmental and policy — responsible for this gap. The Rs.25,000-crore Rashtriya Krishi Vikas Yojana of the Government of India provides adequate funding for undertaking such work both in irrigated and rainfed areas. Enhancing factor productivity leading to more income per unit

of investment on inputs will be essential for reducing the cost of production and increasing the net income. Scope for increasing the productivity of pulses and oilseed crops is particularly great. The programme for establishing 50,000 Pulses and Oilseed Villages included in the Union budget for 2010-11 is yet to be implemented properly. The cost of protein in the diet is going up and Pulses Villages will help to end protein hunger.

There are outstanding varieties of chickpea, pigeon pea, moong, urad and other pulses available now. What is important is to multiply the good strains and cultivate them with the needed soil health and plant protection measures. The gap between demand and supply in the case of pulses is nearly 4 million tonnes. We should take advantage of the growing interest among farmers in the cultivation of pulses, both due to the prevailing high prices and due to these crops requiring less irrigation water. Such high value, but low water requiring crops also fix nitrogen in the soil. Before the advent of mineral fertilizers, cereal-legume rotation was widely adopted for soil fertility replenishment and build-up.

Third, the prevailing mismatch between production and post-harvest technologies should be ended. Safe storage, marketing and value addition to primary products have to be attended to at the village level. Home Science colleges can be enabled to set up Training Food Parks for building the capacity of self-help groups of women in food processing. A national grid of ultra-modern grain storage facilities must be created without further delay. In addition to over 250 million tonnes of food grains, we will soon be producing over 300 million tonnes of fruits and vegetables. Unless processing and storage are improved, post-harvest losses and food safety concerns will continue to grow.

We should also expand the scope of the Public Distribution System by including in the food basket a whole range of underutilised plants

like millets and, where feasible, tubers. The NCF pointed out that eastern India is a sleeping giant in the field of food production. The sustainable management of the Ganges Water Machine (this term was first used by Professor Roger Revelle) will provide uncommon opportunities for an evergreen revolution in this area. Fortunately Chief Minister Nitish Kumar is taking steps to make Bihar the heartland of the evergreen revolution movement in this region. The Ganges Water Machine is capable of helping us to increase food production considerably, provided we utilise ground water efficiently during rabi and replenish the aquifer during kharif.

Four, a nutrition dimension should be added to the National Horticulture and Food Security Missions. Hidden hunger caused by the deficiency of micronutrients like iron, iodine, zinc, Vitamin A and Vitamin B12 can be overcome at the village level by taking advantage of horticultural remedies for nutritional maladies. Popularisation of multiple fortified salt will also be valuable, since this is both effective and economical.

Five, a small farm management revolution which will confer on farmers operating one hectare or less the power and economy of scale is an urgent need. There are several ways of achieving this and these have been described in detail in the chapter titled, “Farmers of the 21st Century” in the NCF report. We need to foster the growth of a meaningful services sector in rural India, preferably operated by educated young farmers. The services provided should cover all aspects of production and post-harvest operations. Group credit and group insurance will be needed. Contract farming can be promoted if it is structured on the basis of a win-win situation both for the producer and the purchaser.

Finally, there is need for proactive action to minimise the adverse impact of unfavourable changes in climate and monsoon behaviour and to maximise the benefits of favourable weather conditions. For

enabling farmers to develop a “we shall overcome” attitude in the emerging era of climate change, we need to set up in each of the 128 agro-climatic zones identified by the Indian Council of Agricultural Research a Climate Risk Management Research and Training Centre. These centres should develop alternative cropping patterns to suit different weather probabilities. They should develop methods of checkmating potential adverse conditions. Along with a climate literacy movement, a woman and a man from every panchayat and nagarpalika will have to be trained as Climate Risk Managers. We will then have over half-a-million trained Climate Risk Managers, well versed in the science and art of climate change adaptation and mitigation. Such a trained cadre of grassroot Climate Risk Managers will be the largest of its kind in the world.

The present year is ending with damage to rice and other crops in Andhra Pradesh and Tamil Nadu due to excess of rain towards the end of the crop season. Farming is the riskiest profession in the world since the fate of the crop is closely linked to the behaviour of the monsoon. Even if there is assured irrigation source, natural calamities like cyclones, hail storms and very heavy showers take their toll. The National Monsoon Mission proposed to be taken up with the participation of U.S. expertise will certainly help to refine the prediction of weather as well as the status of crops and commodity prices. Also, the Mahatma Gandhi National Rural Employment Guarantee Programme provides unique opportunities for strengthening our water security system through scientific rain water harvesting and watershed management. This valuable benefit can however be realised only by integrating technology with labour. Once a national grid of Climate Risk Management Research and Training Centre comes into existence, it will be possible to build up seed banks of alternative crops, which can be grown if the first crop fails. Drought and Flood Codes should specify the action possible at the end of such calamities. For example in the flood affected areas,

soil moisture will be adequate to grow a short duration fodder crop or a Vitamin A rich sweet potato.

Eternal vigilance is the price of stable agriculture. Early warning helps to take timely action. Food and water security will be the most serious casualties of climate change. 2011 will be a test case to assess whether we as a nation are capable of initiating proactive action to meet the challenges of price volatility, chronic hunger, agrarian despair and climate change.

(Professor M.S. Swaminathan is Member of Parliament (Rajya Sabha)).

## **Causes and no effects**

Ila Patnaik

The Reserve Bank credit policy has given conflicting signals about the stance of monetary policy. The RBI has many instruments in its hands. Perhaps that is part of the problem. Faced with high inflationary expectations on one hand, and tight liquidity in money markets on the other, it has left interest rates and the cash reserve ratio unchanged, while announcing open market operations to ease liquidity. In recent months, it intervened in foreign exchange markets in amounts that could not possibly impact the rupee, and perhaps only help increase liquidity. The result is a state of confusion about the stance of monetary policy.

In the last one month the RBI has announced three open market operations to buy government bonds. These were designed to inject liquidity into the system. This step is similar to that of the US Fed's recent quantitative easing, QE2, except that QE2 was undertaken after the US had run out of all other instruments for monetary easing. It had hit the zero lower bound on the policy rate, and could not reduce it any further. The only way to ease monetary policy in the US was through the Fed buying government bonds. India, however, has not hit the zero lower bound. The repo and reverse repo rates, which stand at 6.25 and 5.25 per cent, could have been cut. But Indian money markets have a different problem. It is not that policy rates cannot be reduced, it is that cutting policy rates would not have transmitted to market interest rates. There are so many restrictions on the functioning of money, bond and credit markets that they fail to respond to the RBI's policy rate changes. The market determined interest rate (the call rate) has been above the policy rate corridor for three months now. The operating framework of

monetary policy, which works by keeping money market rates within the policy rate corridor of the repo and reverse repo rates, has broken down. This has rendered policy rates irrelevant.

When the RBI started tightening monetary policy in response to inflation, in order to give a strong anti-inflationary signal, it employed many instruments. These included policy interest rates and the cash reserve ratio. Today it is trying to use a third (SLR) and a fourth instrument (open market operations) to address the liquidity situation.

After a sustained period of having a floating exchange rate, in October 2010, the RBI purchased \$0.9 billion on the currency market. It was a pointless gesture, as far as the exchange rate is concerned, to hit a market. The BIS has recently released data which shows that rupee-related transactions add up to \$40 billion per day. The same data shows as much as \$20 billion worth of rupees are transacted per day outside India. In addition to this, a few billion dollars a day of currency futures and options are transacted on exchanges. These markets are, for all practical purposes, well linked together through arbitrage, making them effectively one liquidity pool. Impacting the price of the rupee in this market requires a different magnitude of intervention. The rupee-dollar market turnover in October 2010 is estimated at \$800 billion. Transactions of \$0.9 billion can achieve no impact on the rupee.

If the RBI wanted to make a difference to the exchange rate, its trading would have been much bigger. On the equity market, we see that market manipulation generally happens in the small stocks. By the time we deal with the largest companies, market liquidity is so great that a manipulator would require very large transactions in order to impact the price. If the RBI wants to force the exchange rate away from the market outcome, it would need to undertake some pretty big transactions. With a market size of \$800 billion a month, it would need to buy or sell perhaps \$40 billion to \$80 billion a month in order to achieve a significant impact. Transactions of \$0.9 billion in the month are

pointless in terms of impacting the rupee. So one wonders whether the objective of the intervention was to increase the supply of rupees in the economy.

The RBI needs to come up with a clear set of monetary policy rules and a framework. The multiple objective, multiple instrument framework is essentially a lack of framework where on a day to day basis the RBI reacts to the situation in the market. Even if inflation control is one of RBI's objectives, the index and the target rate need to be stated. Lack of a framework results in policy reactions like the ones we see today where different instruments have been moving in different directions. Another serious consequence of this lack of framework is rising inflationary expectations. As an RBI survey in September that covered 4,000 households across 12 cities showed, households expect inflation to rise to 12.7 per cent by October-December next year. India is one of the few countries in the world witnessing high inflation in the post-recession period. The inflation in China can be attributed to the dollar purchases and resulting increase in liquidity, but in India where the RBI has not intervened much in currency markets, the rise in inflation and in inflationary expectations seems to be much more a consequence of the lack of a central bank committed to inflation control.

If a central bank has a commitment to low inflation and is credible, then tightening the stance of monetary policy is a way to bring down inflationary expectations. But in India we are faced with a situation where, even though inflation has been high for many months, the tightness in the money market is not the result of a policy stance. Indeed, money markets are tight despite the RBI's efforts to ease the liquidity situation. In this situation it is not inconsistent that inflationary expectations remain high. The RBI now needs a strategy to reduce inflationary expectations.

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# **INFORMATION TECHNOLOGY**

## **DOWN THE DECADE 2010**

LOOKING back on a decade, one usually finds a splendid, eclectic smorgasbord of events. Hundreds of narratives compete to be heard, telling of the hopes, fears, triumphs and tragedies of the myriad nations and interest groups, which make up the human race. But the first decade of the 21<sup>st</sup> century, which now draws to a close, offers a single grand narrative overarching all others. It is the story of globalisation, an idea that is being strenuously promoted and bitterly opposed. To my mind, this is the strand that knits together the many stories of the decade. In pursuing it, we may miss a few big stories. But rest assured, there will be very, very few exclusions.

The story of globalisation has absorbed all competing narratives, including the big headline-grabbers – finance, politics, security, communications and media. It has even absorbed terrorism, the single biggest story of the 21<sup>st</sup> century. The plot synopsis reads like this: Saudi scion gets mad at American interference and attacks New York on 9/11. Washington strikes back and Iraq is ravaged. Then the war turns into a neo-colonial project to enrich a handful of Americans, at national expense. A crisis of confidence follows, spurs regime change in the White House and America's first Black president, of English, Irish, German and Kenyan descent and raised in Hawaii and Indonesia, takes office. That's globalisation at work, across four continents.

The decade began with the attack on New York City, saw another on a similar scale in Mumbai on 26/11 (2008), and is closing with the whistleblower Website WikiLeaks releasing a damaging cable from Hillary Clinton ordering US diplomats to play amateur gumshoes and collect personal details of their peers in foreign countries, including their credit card numbers, frequent flier numbers, DNA samples and biometric data. Particularly shocking is the fact that the order did not spare even the United Nations, the sacred space of diplomacy, which member nations

have committed to keep free of espionage.

In just 10 years, terrorism has won. It is turning the Western democracies, which are founded on the sanctity of individual freedom, into Orwellian surveillance states. Since October this year, the UK has had more surveillance cameras per head of population than any other nation. There's one CCTV camera for every 14 Britons. In contrast, China, widely regarded as a police state, has one camera for every 4.72 lakh people. Pervasive security manias brought on by terrorism are eroding the basis of Western democracy.

This decade also saw the collapse of the market, the handmaiden of globalisation, as iconic business institutions were revealed to be stupid or criminal or both, and their collapse sparked off crises that took down national economies. The first casualty was Enron, the energy powerhouse of the Nineties. The secret of its success was revealed in 2001: massive accounting fraud. The storm that followed wiped it out and flattened its accounting firm Arthur Andersen, one of the 'Big Five' of global finance.

The decade closed with the biggest recession in the US since the Great Depression. Crippled by a \$613 billion debt from the sub-prime housing loan crisis, Lehman Bros filed for bankruptcy in September, 2008, and took down Wall Street with it. Bourses from there to Dalal Street fell like dominoes. Even Dubai went bust. It had over-extended itself in trying to become the world's premium address and eventually, it had to take a \$20 billion bailout package from Abu Dhabi. Meanwhile, the recession led to the collapse of the national economies of Iceland, Greece and Ireland.

Speculative money fled the US real estate market after the sub-prime crisis and wormed its way into the global market in foodgrains and commodities, sending food prices spiralling worldwide. Between 2007 and 2008, there were about 40 food riots across the world, a phenomenon not seen since the era of famines in colonial times. Governments from Mozambique to India are failing to contain inflation and hunger is being

spawned worldwide. This, too, is globalisation.

As Western economies slowed down, their capital and goods sought new opportunities and markets in the less developed countries. Every logo on earth is already in India and China, or waiting to be let in. Meanwhile, the big Asian powers struck out into the world, looking for undervalued pickings. China, already a major exporter of manufactured goods, bought up huge tracts of land in Africa for its food security. Domestically, the Tatas were soundly embarrassed by the Nano, the world's cheapest car, which made waves but failed to find buyers and embroiled the corporation in a disastrous battle over land rights in West Bengal. But overseas, it picked up iconic marques like Jaguar and Land Rover, along with the steel giant Corus.

Global media suffered a shakedown as cheap Internet advertising in the First World crippled its newspapers and magazines. Venerable mastheads like the *Christian Science Monitor* were almost forced out of print and even the biggest papers, like the *New York Times*, were hurt. But the booming economies of the developing world fuelled rapid growth in traditional media here. Well before the end of the decade, the balance of media power had tipped towards the South. For the first time ever, it is in a position to influence the global discourse.

In fact, if this were not the designated decade of terrorism, it would have been the decade of electronic media and the Internet. The unstoppable rise of Google has democratised access to information across borders, while sequestering huge information territories. Google even owns Internet discussions going way back to 1995, and Google Books has raised concerns of a monopoly over the world's intellectual property.

But contrary forces were at work, too. Wikipedia, born in 2001, democratised the production and accumulation of information. Its 17 million articles are generated and owned by the public. Wikipedia is a daring experiment, taking us back to an idyllic global commons untainted

by the profit motive where, paradoxically, the knowledge economy enjoys free rein.

This decade also saw the birth of social media, the biggest killer application since email. Facebook was launched in 2004, has 220 million users and has inspired a Hollywood movie. Twitter went online on the night of March 21, 2006, when lead entrepreneur Jack Dorsey published the first tweet: "just setting up my twtr." Today, an estimated 65 million tweets are published every day, any of which can turn the news of the day into a tidal wave of global opinion.

While Twitter has changed the way in which news is pushed out, the blogging revolution powered by Wordpress, Blogger and Typepad have changed the manner in which it is interpreted. Bloggers and social media users now have more collective power than individual newspaper editors.

And this power is widely distributed because late in this decade, the Anglo-Saxon world lost control of the Internet. Wikipedia now hosts wikis in over 230 languages. Google offers more than 40, including the alien tongue used by Klingons in *Star Trek*.

But the iconic data product of this decade is neither Google nor Facebook but the iPod. Launched just over a month after the 9/11 attack, it should have been wiped out by the bleak atmosphere of the war-bound US. But there's no stopping an idea whose time has come. It has sold 260 million units worldwide and become the most widely distributed non-essential device of all time. BlackBerry, which was launched in 1999 but really became a must-have for professionals in the mid-2000s, weighs in as a very poor second with 14 million subscribers worldwide. And, unlike the iPod, it is plagued by security concerns, which have caused at least five nations, including India, to threaten to shut down the service.

Finally, of course, this was the decade of China and India. Or, to put it

bluntly, China versus India. Right through the decade, the West has seen the two big powers of the ancient world as warhorses pawing at the earth. As late as the time of Christ, these regions – they would not be nations for centuries, of course – accounted for more than 40 per cent of the global GDP. Now, after the long hiatus of the colonial era, the tide is turning again. China already has a stranglehold on the US economy, with massive investments in government paper. India has been less efficient but it has forced the world to accept it as a legitimate, responsible nuclear power, and is on its way to a seat in the UN Security Council. Besides, India offers hinterlands and markets that Western economies find tantalisingly huge. Even if it cannot yet alter the balance of power in the global economy, it is in a position to influence the way in which it is run.

For instance, at the recently concluded G-20 summit, Prime Minister Manmohan Singh mooted a radical change in North-South relations. He suggested that in the interest of global stability, the custom of the rich nations giving aid to their poor cousins should be ended. Instead, they should invest in the infrastructure of poorer countries.

As a matter of fact, the rich countries, led by the US, can no longer play either philanthropists or bankers to the world. They can only be partners in an increasingly equal relationship. In a way, globalisation has rounded off the world. It has exposed nations to unprecedented stresses but at the same time, it has made them interdependent. This decade marks the end of the stark 20<sup>th</sup> century stratification of the world into the First, Second and Third Worlds, and has laid the foundations of a real parliament of nations.

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