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Reliance rally

The Reliance settlement finally pushed the Sensex briefly above 7,000 briefly on Monday, and it ended the day at an all-time closing high. There was no doubt, however, that it was the Reliance scrips that drove the index, although they were ably supported by the buoyancy in IT stocks. However, market breadth was far from positive—even the Sensex scrips had 16 declines against 14 advances, while for the BSE as a whole, 644 stocks advanced while 1,713 stocks declined. The broader market, gauged by the BSE 500 index, gained 0.38 per cent compared to the Sensex's 1.13 per cent rise. The sell-off continued in small and midcap stocks. There seems to be a lack of confidence in the minds of many market players. To be sure, there's wide expectation that short-covering could move the market up further, but there's none of the euphoria normally present at market tops. That's also the reason why the gap between the cash market and Nifty futures has been widening, an indication that punters are shorting the market. Market players also say that there was no real reason for the tech counters to move up so sharply on Monday, and one explanation is that IT scrips have taken on the mantle of defensive plays. The rise in petrol and diesel prices, too, didn't really impact the market. The market has also ignored concerns about the progress of the monsoons, a slowdown in corporate earnings and a possible rise in interest rates. Add to that an expected global slowdown in growth and the record current ac-

count deficit in the US and it's clear that the markets are shrugging off all these worries. That's typical of a bull market.

Of course, the caution in the minds of market players stems from the simple fact that the market has run up too far too fast. The Sensex has risen by almost 13 per cent since the beginning of May, and a correction is long overdue. But there could be reasons for the optimism. As the Smart Investor's chartbook points out, the Sensex is actually cheaper than last year if trailing earnings are taken into account. And although earnings growth is expected to slow going forward, the Indian market is still cheap compared to most other Asian markets. The data on both industrial production and exports have shown a bounce, and commodity prices are making a comeback. But perhaps the most important reason for sentiment turning markedly positive has been the return of foreign investors to emerging markets. After being negative in April and May, net FII purchases have turned positive this month. An indication of the appetite for Indian equities among foreign portfolio investors is evident from the fact that, of the \$60 million flowing into Asia ex-Japan equity funds in the week to June 15, inflows into India equity funds amounted to \$45 million. Additionally, local mutual funds continue to mop up funds via new schemes. In short, the weight of money is behind the rally. As for the lack of euphoria, that may actually be a good thing, since it could indicate that this rally still has some way to go.

Sonia's choice

The Native Americans (or, as they used to be called, the Red Indians) had a pithy saying: beware the White Man for he speaks with a forked tongue. That's because the invading whites were in the habit of saying one thing while doing the opposite. The Congress party can also be accused of having such a forked tongue. It says one thing and does the opposite. Thus it has allowed the chief minister of Andhra Pradesh to reserve 5 per cent of government jobs for Muslims. It has allowed Arjun Singh, the Union minister for human resources development, to reserve a certain percentage of the seats for Muslims in Aligarh Muslim University. All this while crying itself hoarse from the rooftops that it is a "secular" party by which, presumably, it means that it does not discriminate between citizens on the basis of religion. True, unlike the BJP it does not organise pogroms against them. But discrimination does not consist of organising communal riots alone. Reservations on grounds of religion are also discriminatory, period. The party forgets that it was precisely such demands by Mohammad Ali Jinnah that it had fought—and lost. Then there has been the series of sorry episodes involving Governors and Speakers.

The party is guilty of double-peak in economic matters also. While it claims an unwavering faith in economic reforms, it allows its chief ministers to do things that are totally anti-reform. The most visible example of this comes from the electricity sector under state gov-

ernments' control. In state after state where it has come to power, the party has permitted the chief ministers to give power away free to farmers or write off their power dues. The latest to do so is Haryana, which has written off around Rs 1,600 crore owed by the state's farmers. Earlier, Maharashtra, Andhra Pradesh, and Punjab had done the same thing, only to find that such policies are fiscally unsustainable. The party has been guilty of anti-reform measures in other ways as well. This can be seen from its quick re-introduction of the policy templates of the 1970s and 1980s in a host of areas. This, even as the Prime Minister and the finance minister have been saying that the only thing that they want is reform which, for them, means economic policies not aimed at garnering votes. In short, the party seems to be at variance not just with its stated aims but also with its top-most functionaries.

So who is responsible? To the extent that nothing important by way of policy happens without the consent of the party president, Sonia Gandhi, the buck must stop with her. It has always been known that she does not regard market-friendly reform as being particularly helpful to the poor. In the short run, this is surely true. But, as surely, the alternative is not a reversion to the disastrous policies of the past. However, Mrs Gandhi appears unable to consider other alternatives. As a result, state after state ruled by her party is following retrograde policies. It is up to her to stem the rot.

Hot air over Gleneagles

Theories about global warming fail to stand the test of history, says Deepak Lal

In early July, the G-8 will meet in Gleneagles to discuss and purportedly take action on what Tony Blair has identified as the two major challenges facing mankind: eliminating poverty in Africa and dealing with global warming. In my last column I had poured cold water on the proposed massive increases in foreign aid being touted as the panacea for Africa's endemic problems by many of the world's great and the good. In this column I will examine the merits of the other great global challenge identified by Blair for the G-8 summit: climate change. Both the Indian and Chinese Prime Ministers have been invited to the meeting, no doubt to pressure them to reduce their carbon emissions to save humanity. The science academies of all the G-8 nations and those of India, China, and Brazil have joined in to say that humans are responsible for making the planet hotter and as Lord May, president of the Royal Society, put it: "Never before have we faced such a global threat. And if we do not begin effective action now, it will be much harder to stop the runaway train as it continues to gather momentum". Is there such a runaway train? Can anything be done to stop climate change? Will catastrophe face us if we do not? Instead of preventing climate change can we adapt to it as humans have been doing for millennia in the face of dramatic and natural climate change?

On runaway global warming there seems to be general scientific agreement: there is no such danger. As Patrick Michaels, a research professor of environmental sciences at the University of Virginia, shows in an excellent book (*Meltdown*, Cato Institute, 2004) we now know precisely how much "the climate will warm in the policy-foreseeable future of 50 years, a modest three quarters of a degree (C) (1.4 degrees F)". NASA's James Hansen, whom many credit with lighting the fire over the greenhouse issue with his incendiary 1988 congressional testimony, wrote this in the *Proceedings of the National Academy of Sciences* in 2001: "Future global warming can be predicted much more accurately than is generally realized... we predict additional warming in the next 50 years of 3/4 C +/- 1/4 C, a warming rate of 0.15 C +/- 0.05 C per

decade. That warming rate is about 4 times less than the lurid top figure widely trumpeted by the UN in its 2001 compendium on climate change and repeated ad infinitum in the press" (p. 19).

Will this bring catastrophe to the world? The accompanying figure from a book (*Global Warming: The Complete Briefing*) by Sir James Houghton, who has been the co-chairman of the science assessment working group of the Intergovernmental Panel on Climate Change (IPCC), shows the derived record from direct and indirect sources of the average temperatures for Central England for the past thousand years. A recent warming trend is discernible, which will continue, but on all the evidence, will not lead to even the temperatures seen in the medieval warm period between AD 1100 and 1300. This warming trend is merely reversing the "Little Ice Age" between AD 1450 and 1850. The current warming attributable to human carbon emissions of 3/4 degree C over the next 50 years is a mere blip in the large natural variations in climate that mankind has lived with over the last thousand years. Houghton admits: "There is as yet no certain explanation for these warm and cold periods during the past thousand years" (p. 49).

If, on the much-touted but desirous precautionary principle of the Greens, there is nevertheless an attempt to stop this modest human contribution to the natural global warming trend, will it make much difference to the natural warming trend following the Little Ice Age: the answer is no. As Prof Philip Stott, emeritus professor of biogeography at University College, London, has noted, even if every fossil fuel-powered power station in the world is shut down, every car is destroyed and every aircraft grounded the Earth's climate would continue to warm ("Warmer, sunnier, and better", *Sunday Telegraph*, June 12, 2005, p. 19).

But would that be so disastrous? While all the environmental scientists and Greens have continued to emphasise the possible costs of global warming—many of which from the melting of the icecaps to the spread of diseases have been shown to be false (see Michaels, *op. cit.*)—the benefits from global



Illustration: ARUNMAY DAS

warming and in particular of carbon dioxide emissions are rarely cited. Increased carbon dioxide emissions are already increasing global vegetation including the tropical forests—so dear to the hearts of many Greens. Moreover, through human history, warm periods like that in the Middle Ages were marked by prosperity, while the subsequent Little Ice Age was characterised by famines, pestilence, and social disorder. Prof. Stott notes: "Cold is nearly always worse for everything—the economy, agriculture, disease, biodiversity". What then of the 11,000 who died in France during the 2003 heatwave? A study of weather-related deaths (WR Keatings *et al.*, *British Medical Journal*, September 2000) found annually in all regions cold-related mortality greatly exceeds heat-related mortality. The Grey Panthers in the US have sensibly moved from the cold northern states to Florida.

Finally, as humans have done for millennia in the face of much larger climatic change than is likely to occur due to the carbon emissions from human activity, they have always adapted to these variations in climate. There is no reason to believe that they will not do the same again. In fact recent stud-

ies by economists like Prof. Mendelsohn and Nordhaus at Yale, examining the relative costs and benefits of adaptation rather than the prevention of global warming, find that adaptation provides much larger net benefits than prevention.

Why then do the majority of environmental scientists and their main mouthpiece, the IPCC, continue to peddle these climate scares? The answer, as Deep Throat advised the reporters investigating Watergate, is to "follow the money". Since 1990 US federal agencies have spent \$20 billion of taxpayers' money on climate research. It would be a brave climatologist who would turn his or her back on this gravy train.

So what about the IPCC and its scary projections of carbon emissions, where the major future culprits are India and China, as their rapid industrialisation is fuelled like that in current developed countries, by burning fossil fuels. As Michaels shows painstakingly, the IPCC projections are seriously flawed because they assume, first, that trends in atmospheric carbon dioxide are increasing exponentially, when in fact they are merely linear, and, secondly, because they wrongly use (as my old

colleague David Henderson and the Australian statistician Ian Castles have shown) market-based rather than purchasing power parity exchange rates to estimate the current inequality between rich and poor countries leading to future growth rates of developing countries, which are absurd, as they are much higher than has ever been observed in any country in history. Thus, in 2100 the IPCC projects that the countries which will have higher per capita income than the US are: North Korea, South Africa, Libya, Algeria, Tunisia and Argentina!

This junk "science" now poses a serious threat, as this column has argued many a time, to the future prosperity of the poor in India and China. The purpose of the Gleneagles summit is to strong arm the Prime Ministers of the two countries into accepting a curb on their carbon emissions. This would slow the industrialisation which is gradually lifting their masses out of poverty. Having recently returned from a bitterly cold St. Andrews, adjacent to Gleneagles, my advice would be to tell Tony Blair that, instead of the hot air of the summit, Scotland would greatly benefit from a spot of global warming.

Why companies fall for myths

MICHAEL SKAPINKER

Dobabies who are exposed to classical music grow up to be more intelligent? You are in good company if you believe that they do.

In 1998, the US state of Georgia began distributing free classical compact discs and tapes to new mothers. Florida required state-funded day-care centres to play classical music.

In 2000, the *South China Morning Post* reported a common variation on the babies-and-classics theme: that music education should begin before birth. "Babies who hear Cosi Fan Tutte or the Mass in C Minor during gestation are likely to come out of the womb smarter than their peers," the newspaper said.

These are extraordinary beliefs and statements, given that the research that inspired them was not about babies at all, and has, in any case, been widely questioned.

Where did the classical music and babies story come from? In 1993, the journal *Nature* published a study which showed that college students (not babies) who listened to a Mozart sonata for 10 minutes increased their performance on a subsequent spatial intelligence test. This became known as the

"Mozart effect".

Subsequent studies produced mixed results. In 1999, an analysis of 16 such studies, published once again in *Nature*, concluded that the overall effect of playing music on spatial intelligence was negligible.

In a fascinating article entitled "The Mozart Effect: Tracking the Evolution of a Scientific Legend", Adrian Bangerter and Chip Heath of Stanford University analysed both why people projected what had originally been a study of students on to infants, and why the story achieved such wide currency. (In surveys the researchers conducted in California and Arizona, 80 per cent of respondents had heard of the Mozart effect.)

Their conclusions, published in the December 2004 edition of the *British Journal of Social Psychology*, have far wider application: much of what they say explains, as we shall see, the frenzy with which companies adopt management fads—before those, too, are exposed as having less to them than everyone originally thought they had.

The Stanford researchers concluded that the reason so many people thought the Mozart research was about infants was that babies were the focus of so much

anxiety. Parents worry desperately about young children and this seemed a way for them to assuage their concern. The anxiety is part of a "widespread, older belief that has been labelled 'infant determinism', the idea that a critical period early in development has irreversible consequences for the rest of a child's life", the Stanford writers said.

The researchers discovered that the worse a state's schooling system was—as measured by teacher salaries, spending per pupil and national test scores—the greater the interest in the Mozart effect.

They noted that media references to the Mozart effect had now tailed off. This was partly due to the subsequent scientific studies questioning the link between music and intelligence, but also because it had lost its novelty.

Reading about the rise and fall of the Mozart effect reminded me of several other frenzies, involving companies rather than children: re-engineering the company, the dash to go online and, now, locating the organisation's core competence and outsourcing the rest.

Re-engineering is particularly apposite because, like the Mozart effect, it began with a founding text.

When Michael Hammer and James Champy's *Re-engineering the Corporation* was published in 1993, it caught US and western business at a low ebb, very scared of what appeared to be frighteningly efficient Japanese companies selling high-quality goods at low prices.

Western companies were desperate to cut costs—and re-engineering appeared to show them how. The Hammer and Champy book, they believed, told them to re-examine every business process as if they were setting it up from scratch. Did they really need all those people, for example? Companies slashed their workforces; middle managers, deemed worthless and superfluous, were dispatched with particular vigour.

In fact, *Re-engineering the Corporation* was not as simple-minded as that. It advocated looking at each encounter from the customers' point of view and designing processes to ensure they were best served. This might well have involved merging departments that were previously separate, but it required taking employees' abilities more, rather than less, seriously. The book advocated giving workers more authority and autonomy and even involving trade unions in the process.

All that was drowned out in the stampede to downsize. When it was over, companies were left to rue the experience and expertise they had lost. All the factors that lay behind the Mozart effect were there: anxiety, weakness and misinterpretation of the original writing.

The dotcom madness and outsourcing did not start with single texts, but they showed many of the same characteristics. With the rise of the internet, many established companies were panicked into believing they were about to be destroyed by a spotty youth operating from a garage.

The outsourcing craze has at its source the foreigners' westerners fear in the way they once did the Japanese: the Indians and, especially, the Chinese.

Of course, there is an Indian and Chinese challenge—an opportunity. These are potentially huge markets that are just beginning to open up. In the same way, the internet was extremely important—it was just not very clear at the time why that was.

But there is more than one method to deal with any new situation. When everyone believes they have found the way to do it, there is a good chance that everyone is wrong. (FT)

One way of reading the two great epics of this country is to see the *Mahabharata* and the *Ramayana* as piercingly, ferociously honest family autobiographies. With the *Ramayana*, there are many versions, so many that the true story is impossible to lose permanently: some versions might choose to portray Sita as a pliant, silent wife, but others have unchained her voice, choosing to retain her anger as well as her obedience, castigation of Rama when he asks her to submit to a test of purity. You might privilege one reading or one version above another, but the true story is there for those who wish to look for it.

In both the *Mahabharata* and the *Ramayana*, little is omitted of the secret sins, sorrows and vices of the many members of the clans, from the weakness of kings to the greed of queens, from the mistake made by a young girl that will separate the sixth Pandava from his brothers to Yudhishthira's fatal flaw to the complex blend of wisdom, arrogance and acquisitiveness in Ravana's character. You read the epics for their indelible literary qualities, for the debates over the nature of dharma and wisdom; but you also read them, in part, as the wrenching, true story of families torn apart by complex forces. No character's virtues are omitted, no vices glossed over.

The epics are still read in a way that few

of their literary counterparts can match: *Beowulf* and *The Canterbury Tales* aren't woven into the fabric of contemporary England, the great Norse sagas are still read but they are not part of the common memory in the way of our epics. Given that they are still so much part of our everyday life, our stock of metaphor and wisdom, it's strange that we don't follow the honesty of the *Mahabharata* and the *Ramayana* when we write in an autobiographical vein.

Business biographies usually gloss over the true histories; the memoirs of politicians and bureaucrats are often a trifle more honest about the working lives of their writers, but usually reticent about the personal life. The autobiographies of well-known Indians in the sphere of the arts have, by contrast, an appearance of frankness: but the candour is usually not complete. The careful reader can see the omissions; the knowledgeable reader can often supply the truth—there are few biographies and memoirs, though, where the reader doesn't have to read between the lines.

There are strong social and cultural prohibitions on speaking out, on letting the skele-

The authorised version, sort of



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SPEAKING
VOLUMES

tions, the mad cousins and the molesting uncles, out of the closet. Even authors who feel they have earned the freedom to speak openly of their own lives find it difficult, in the Indian context, to tell the true stories of their families. Perhaps this is because we balance a general disregard for the privacy of the individual with an obsessive concern for the privacy of the clan, unlike the tellers of the true and unexpurgated family history of the Pandavas and the Bharatas. Two recent exercises in biography, one Indian, one Turkish, made me explore the idea of what makes up a memoir more thoroughly. The first, *Didi*, was planned by Ira Pande as a memoir of her mother, the well-known writer Shivani. Instead of writing a conventional biography,

she blended her translations of her mother's writings with personal memoir to create a book that is almost more honest than a straightforward memoir might have been.

One of Pande's biggest problems was created by an apparent abundance of material, in Shivani's writings about her life, which were compellingly honest but told only a fraction of the truth.

In Ira Pande's words: "Diddi's vivid childhood memories are as deeply frustrating as they are compelling. The wall she erected around her life and fears is impenetrable and guards a kingdom where she will grant entry very reluctantly, if at all. In contrast to her evocative pictures of Lohaniji, Henry Pant, Alakh Mai and Rajula is Diddi's stubborn refusal to confront the dark history of her own family, or indeed her own life. Her sharp eyes saw the shadows, yet she resolutely refused to expose the people she loved the most to ridicule or criticism. I think she sincerely hoped she could transform the nature of her past with the power of selective recall and that if she did not remember the unhappiness and doubts of her past, they

would simply disappear. So she blotted out the sun by holding up a thumb..."

Pande's response was to go back to Shivani's writings—and to re-read them with the knowledge she now has of the family history, to identify not just characters who were familiar but the connections between a story and the period in which it was written. Because she fills in the context for the reader without pretending to tell the whole truth, we're free to re-interpret Shivani's life in a way that would have been denied us if Ira Pande had set down the same story as the absolute and the only truth. It's an intelligent way of getting around the Indian discomfort with sharing family histories, and a way that's just as respectful of the reader as it is of the subject.

Shortly after reading *Didi*, I read Orhan Pamuk's *Istanbul*, which is a memoir of a city, a culture, a history and a childhood. *Istanbul* is a strange narrative, where Pamuk casts himself alternately as an unreliable narrator and as the perfect guide. But early on, he has a passage that might be read as a warning against expecting any auto-

biography of a person, a place, an era, to be the true and authentic version.

"...I feel compelled to add 'or so I've been told'. In Turkish we have a special tense that allows us to distinguish hearsay from what we've seen with our own eyes; when we are relating dreams, fairy tales or past events we could not have witnessed, we use this tense. It is a useful distinction to make as we 'remember' our earliest life experiences, our cradles, our baby carriages, our first steps, as reported by our parents, stories to which we listen with the same rapt attention we might pay some brilliant tale that happened to concern some other person... Once imprinted in our minds, other people's reports of what we've done end up mattering more than what we ourselves remember."

Perhaps another generation will rediscover the urgent candour of the narrators of the *Mahabharata* and the *Ramayana*, who knew that the stories they were telling were too important to be told any other way but truthfully. Or more narrators, caught between loyalty and honesty, faced with the inevitable silences of families and the lack of records, will choose to use Ira Pande's method of re-reading the old tales for new meanings. Until then, Indian memoirists might want to rework their book titles slightly, to read: "The Authorised Version (Or So I've Been Told)".