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Faustian bargains?

The broad contours of the deal made by the UPA with its Left allies can be traced from the list of Bills slated to make the cut in the coming session of Parliament. In return for being allowed to go ahead with the sale of 10 per cent of the equity of state-owned Bhel, the government will drop the pension and banking Bills, which have been fiercely opposed by the Left parties, and pass only those Bills that the Left is in favour of, like the one that promises guaranteed employment. In other words, the government prefers to use the spending option in order to gain Left support, and has no serious objection to dumping badly-needed reform measures. If this is indeed the trade-off that has been arrived at in those closed door parleys, a high price has been paid for being allowed to sell some Bhel shares.

While those in favour of it argue that the employment Bill will virtually eliminate poverty at a cost of a mere 1.3 per cent of GDP, the fact remains that this is a pie in the sky. The Planning Commission's review, reported in this newspaper, shows that even in the best-administered schemes, the target PDS (TPDS), leakages are more than in the normal PDS! In TPDS areas, just 42 per cent of subsidised grain reaches the poor. Field reports on the way in which the employment programme has been organised raise other questions about cost and benefit. It is far from clear that the Prime Minister buys into the logic of such programmes; indeed, his initial tactic was to buy time. If Parliament now approves the Bill, the time will have come for the chickens to come home to roost.

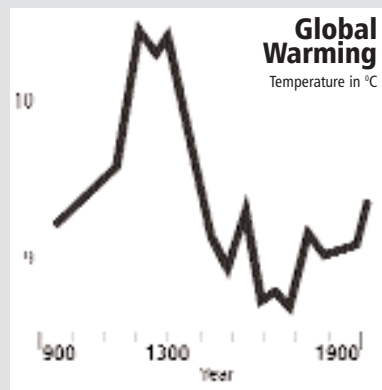
Delays in pension reform will have a damaging impact on the fisc. According to calculations by the Invest India Economic Foundation, the current cost of the pension liability for existing government employees is Rs 1,700,000 crore, or about half of GDP. Factor in other payments like gratuity and this goes up further. But Left leaders object to pension reforms, since government employees will be assured only payments that are linked to what they have put into the system and the returns on investing the corpus, instead of today's open-ended commitment to inflation-adjusted payments for life. But surely no government can afford to run up a pension liability equal to nearly all its other liabilities (the government's internal debt is around 70 per cent of GDP), and that too for just 5 per cent of the working population. The pension Bill would have prevented such denouements and also ensured that the rest of the country's population got access to a modern, low-cost pension system; blocking it means everyone remains dependent on the creaky Employees Provident Fund Organisation (EPFO), which had a shortfall of Rs 15,000 crore a few years ago and now has a Rs 22,000 crore hole.

Old w(h)ine

Now that the Synergy in Energy committee has rejected the petroleum ministry's view that the state-owned oil firms need to be merged, the ministry is reviewing whether the report should be accepted or not. It is easy to see why the committee has not recommended the merger route though this has clearly been the petroleum minister's preference. As the committee points out, just 29 per cent of all mergers and acquisitions globally have succeeded in increasing returns for shareholders. It also points to the fact that post-merger, there will be a greater likelihood of oil cartels and monopolies—a plausible end result since the petroleum minister's explicitly stated intention in proposing a merger is to prevent state-owned firms from competing with one another. Also, as the committee points out, since getting rid of workers rendered surplus by a merger will not be possible in India, one of the benefits of merging gets ruled out. In any case, where a merger is contemplated, it is best that this be addressed by professionals looking at the pros and cons of such a deal commercially, because such a view would look at far more complex issues than the simplistic one of trying to prevent competition between two state-owned firms. It is of course ironic that while the ministry (rather, minister) has been in favour of merging state-owned firms so that they integrate all the way from prospecting for oil to running petrol pumps, existing state-owned firms wanting to do just that are stopped in their tracks. Inorganic growth is fine, it would seem, but organic is not!

That having been said, the committee's alternative to merger has little to recommend it. It is naïve in the extreme to argue that if there is a National Shareholding Trust (NST) whose members are eminent personalities from the government, and the public and private sectors of industry, this will eliminate interference by the government in the running of a state-owned firm. It is easy to see that the members of the committee see themselves as the kind of people who would fit the bill! As for the problems with such an approach, it ignores the well-known danger of a mismatch of objectives between agent and principal. This is at the heart of many of the problems of state-owned industry, and is not a problem unique to India because it is an issue well recognised in economic literature. If the argument is that a trust or holding firm acts as a buffer between the minister/ministry and the company management, that is precisely the function that the board of directors is supposed to serve. If the board can be easily subverted, despite the existence of public enterprise selection boards that independently appoint functional directors and chief executives, it is not hard to see that a determined minister will find members to put on a trust who will do his bidding.

The government has no shortage of control levers. All major expenditure has to be okayed by the administrative ministry. Why, even the chief executive's travel plans need ministry approval. While it is all very well to say that the administrative ministry should not be allowed to have a say in such matters, the theory of parliamentary accountability opens the door to all manner of intrusive conduct. The only way to free firms from the yoke of government control is to sell them to private investors. Every other idea—including the navratna promise of providing greater freedom, of signing MoUs with government, and so on—has eventually proved a sham.



Average temperature in Central England during the last thousand years

The chart (in ***Global Warming: The Complete Briefing***, James Houghton, p. 49, 1994) relates to the article "Hot air over Gleneagles" (Deepak Lal, June 21). It shows while a recent warming trend is discernible, which will continue, on all evidence, it will not lead to even the temperatures seen in the medieval warm period between AD 1100 and 1300

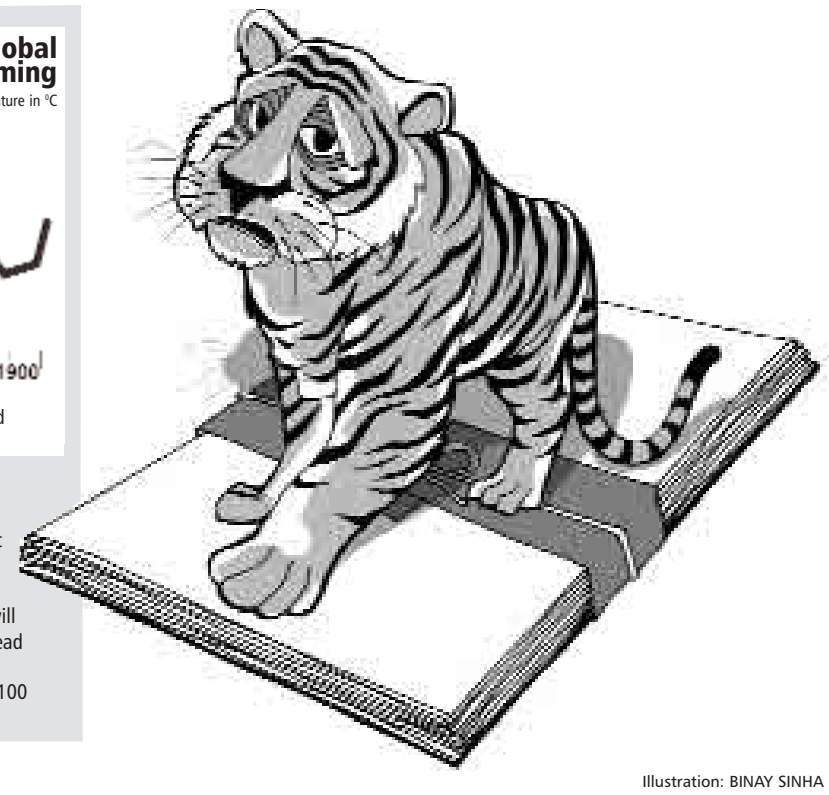


Illustration: BINAY SINHA

Saving the tiger

Creating market-based incentives will help, says DEEPAK LAL

"Tiger! Tiger! Burning bright
In the forests of the night
What immortal hand or eye
Could frame thy fearful symmetry"

It is worth repeating William Blake's famous lines, as they best show us why the reported slaughter of nearly all the tigers in Sariska and the systematic poaching in other India game reserves is a great tragedy. But Project Tiger, despite its initial success in increasing the number of Indian tigers in the wild, is now failing in its basic objective of preventing their extinction. The basic reason for this failure is that, as in so many cases where bureaucratic solutions based on good intentions, bans and policing, are used to achieve desirable objectives, the incentive structures are perverse, not least for the bureaucratic enforcers who are merely provided new avenues of corruption. Press reports confirm this has been the entirely predictable outcome of Project Tiger.

Given these failures, dirigistes always call for greater political will to deal with the miscreants and for the creation of an enlightened and altruistic cadre of public servants. But, as economists know, instead of dirigiste bureaucratic means of dealing with the problem of renewable but common resources, incentives for their optimal preservation are provided by converting them into private property. How can these economic principles be used to save the tiger?

First note that tigers have an economic value and also a cost. To take the latter first. The major cost is borne by those who live in agricultural communities close to the game reserves. With growing pressure of population on agricultural land, the tigers are competing for increasingly scarce land that could be used for farming. This rising opportunity cost of preserving the existing game reserves is borne by those who live by farming on the edges of these reserves. There is also the increasing danger of attacks by tigers as their natural habitat shrinks with unauthorised encroachments by farmers.

What of the economic value? These differ for dead and live tigers. The demand for *dead* tigers, which is leading to their extinction, is largely for their body parts, which are used in traditional medicines in China and South East Asia, and the decorative demand for trophies—not least in India. The demand for *live* tigers is from the burgeoning global tourist industry. These relative costs and benefits provide the existing structure of incentives and disincentives to kill tigers.

Currently, as the tigers are publicly owned, the villagers living near the reserves bear all the costs and get little benefit from the tourist demand for live tigers. Given the large sum that a dead tiger commands in the underground market, they would not be human if they did not aid and abet in the killing of tigers rather than keeping them alive. The forest service, which is responsible for managing the publicly-owned tigers, is prone to what economists call "rent seeking", like all bureaucracies. They can earn much more under the table in helping those who want to kill tigers for profit than any psychic income they derive from being the keepers of these magnificent beasts. To save the tiger, the answer lies in changing the structure of incentives through the creation of property rights in the tigers for those who would have an incentive in keeping them alive.

The answer would seem to be obvious, and has been adopted by many African countries (South Africa and Zimbabwe, for instance) to preserve their endangered species of wild elephants and rhinos. It is to privatise the tiger reserves. Long-term leases to the land and wildlife in the game reserves could be auctioned to national or international tourist companies, with the right to build tourist ranches and hotels and the accompanying infrastructure, with the proviso that the population of tigers would be monitored by the forest service—as is currently supposed to be done. Furthermore, the lease would involve an annual rent based on a prescribed (low) share of the net earnings from tourists visiting the company-owned game reserve. This annual rent of the game reserve would be paid to the villages contiguous with the reserves. The villagers, apart from the income they might get from the employment and the ancillary services generated by the private tourist game resort, would now also have a direct interest in keeping the tigers alive as their annual rent would be directly based on tourist sightings of live tigers. Whilst for the private operators of these game reserves there would be a direct incentive to invest in the protection, policing and monitoring of their major asset—the tigers.

It is difficult to judge whether the economic value of live tigers, which would thereby be created, would be greater than the current price commanded by the body parts of dead tigers in the Far East. But in time, assuming that the tiger population in these privatised tourist game reserves reaches sustainable levels, some culling of their tiger population may be licensed. The supply of body parts from these culled tigers, and those whose demise is part of nature's cycle, could then be made part of a legal trade, preferably through annual auctions.

There are those of an idealistic bent who will find such a market-based solution either nauseating or unworkable. As to the last, they should be sent to the private ranches in South Africa, which have reversed the danger of the extinction of the African elephant to such an extent that, when my wife and I visited the Krueger National Park in South Africa a few years ago, there was an ongoing official cull using military helicopters. As to those who are idealistically opposed to any market-based solutions, as seems to be true of many members of the ruling coalition, they should be reminded that just as their dislike of the market has kept Indians in poverty, their repugnance of market-based solutions to saving the tiger will only ensure that very soon our children and grandchildren will find Blake's poem incomprehensible, as the only Indian tigers they will be able to see are the sad and dispiriting remnants in our zoos.

Making decisions!

MARKETMIND

ARVIND SINGHAL

A new topic for discussion in management journals and other publications is, surprisingly, on making decisions. *Fortune International* recently carried a cover feature on this theme in its 75th anniversary issue. "Blink" is the title of a new bestseller attempting to analyse how some people consistently make quick and brilliant decisions and others not. Of course, over decades, many theories and models have been developed to understand and facilitate decision making. However, I guess this new-found interest in this subject is probably because some of the best-trained managers and political leaders have apparently erred in their decisions in recent times. One of the worst ones in recent times could be the decision of George Bush to invade Iraq. Hundreds of billions of dollars of shareholder wealth was eroded in the last few years by telecom czars when they placed bets on 3-G technologies. Marks & Spencer, amongst the most successful of all European retailers till some time ago, has seen erosion in revenues for seven consecutive quarters despite having a number of chairmen/senior business leaders. At the same time, relatively an upstart from India—Mittal Steel—is now in *Fortune Global 500* and heads this very illustrious list when measured on performance in terms of returns on assets. Despite the apparent error committed by Mercedes Benz in launching an outdated model on its debut in India, Ford managers—in their wisdom—did the same with Escort and have since been struggling to be counted as a serious player in the fast-growing market. Tata Motors, despite many cynics, bet on Indica and built up a serious passenger car business for themselves in just about no time. Pantaloon's mercurial chairman—Kishore Biyani—has been riding the crest of growth of modern retail through his lightning-fast decision taking that has left his competitors way behind. As a consultant to some of the largest Indian and multinational businesses, I have the privilege of seeing from close quarters the decision-taking processes adopted by many of them. I cannot share names at this time for confidentiality reasons, but in the next decade, I am confident we would have some very surprising names on the list of winners and losers.

What should be the right decision-taking strategy in the Indian context? In my view, the most important strategy should be to "actually take decisions". We should proudly accept the fact that as per the most recent ranking of the top 10 economies of the world, India is at number 10. While it may take 6-7 years for us to overtake the currently ninth-ranked Canada (at current economic growth rates for both these countries), it still implies that India can finally provide the opportunity to create multi-billion dollar businesses. For this growing, young, and vibrant consuming class, the issue should no longer be about the sustainability of the opportunity but more about getting to market at the earliest with the appropriate proposition. Likewise, the decision should no longer be on which opportunity to pursue, especially when faced with a plethora of options. It should be more on just picking up any one that appeals most and then spending effort and resource on getting started very quickly. Unfortunately, the track record of many established Indian businesses has not been so good in recent years. The textile and clothing industry is the most poignant example of having missed the post-quota opportunity that was staring at India for the last 10 years. Construction/infrastructure is another area where by this time, many Indian business houses could have positioned themselves to take advantage of the very large projects that will probably now go to international players. In retailing, I have gone through the pain of seeing dozens of promising business plans gathering dust in a number of corporate headquarters.

Having decided to take decisions, and take them quickly, the next step is to institute a process for arriving at decisions. While the decision-taking process has to be supported with data, information, and analysis, a line has to be drawn on how much information and analysis would be adequate to take an "informed" decision. In most cases, it is possible to isolate the most important variables that can have a bearing on success or failure. A process must be put in place to prioritise the variables themselves, and then assigning team(s) to study these variables in a defined time schedule. Then, decision must be taken to take a decision on the basis of information and analysis available at that point rather than procrastinating by asking for more information.

All decisions cannot turn out to be right, given the heightened uncertainty in the external business environment on account of a myriad factors. Hence, boards must condone some errors as long as they are satisfied that there was no compromise by the decision taker on the process itself, and that the logic used to arrive at a conclusion was flawless.

HR managers have to start giving more importance to decision-making capabilities of their new recruits, especially at the senior levels. I am not sure what tools are available to hone such capabilities, but if they do exist, companies must make an effort to put their leadership teams through such programmes.

The next decade, most likely, is to be India's decade. It would be interesting to see who the winners and losers would be!

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Another social construct

ANTI-UTOPIA
ESSENTIAL WRITINGS OF ANDRE BETEILLE

Dipankar Gupta (ed)
Oxford University Press
Price: Rs 595; Pages: 494

NISTULA HEBBAR

The year was 1996. A group of young students, myself included, were entrants to the department of sociology at the Delhi School of Economics. We were being inducted into the department at a formal "orientation" ceremony. Ranged us were the greats of Indian sociology, Andre Beteille, J P S Uberoi, Veena Das, B S Baviskar *et al*. During a pause in the conversation, a student wanted to know the course work: whether the works of Ambedkar and Gandhi were to be taught, as they were in JNU.

The reply to this question was given by Beteille, the author of the writings that compose the book under review. Without commenting on the relative merits of Ambedkar's or Gandhi's sociological work and scholarship, Beteille informed the student that "the Delhi School of Economics pursues sociology as a rigorous discipline, not as activism".

That sentence defined not just D School (as the place is called, affectionately), but Beteille himself. His writing and his present work, including this book, show him to be a firm believer in the instruments of liberal democratic societies in reducing the disadvantages that accrue from inequality. True to the title, he has been unfashionably anti-utopian, having little faith in a linear, largely western progression towards an ideal society. Instead, he wrote inequalities do persist, though they can be mitigated through social action and factors such as difference.

A proponent of extensive ethnography and field work, it isn't as though Beteille has not engaged in political questions, but like his favourite sociologist Max Weber, he has not allowed these questions to consume his sociological analysis.

This is particularly evident in the article *Individualism and Equality*, where he argues that the earlier formulations by thinkers like Alex de Toqueville and Maine, inextricably linking individualism with equality, do not stand scrutiny. Despite his view that the pursuit of equality (in Indian policy terms positive discrimination) "limits the attainment of other ends such as those of efficiency, liberty, and even self realisation of the individual", Beteille cautions modern society against the neglect of either of those two ends.

This rigour in his analysis is also evident in his various entanglements with sociologist Louis Dumont, whose love of symmetrical comparison between Indian society based on hierarchy ("homo hierarchicus") and western society based on individualism ("homo aequalis") Beteille takes particular delight in demolishing. At a time when the analysis of Indian society was done mostly on the basis of a normative brahmanical order to the exclusion of all else, M N Srinivas and later Beteille emphasised that social classifications in India were not as static as western minds perceived them to be and that differences were just as important in social stratification as hierarchy.

It would not be an exaggeration to say that Beteille's work in a Thanjavur village, written in his first work *Caste, Class and Power*, was one of the first to bring the term "dominant caste" into prominence. He broke the symmetry of Dumont's thesis, in order to make the caste system "more real" to sociologists. His contention that intermediate castes would become the dominant caste in India and race far ahead of the scheduled castes and tribes was almost prophetic when he wrote his first work four decades ago.

The compilation of Beteille's work gains a lot from the fact that it has been edited by Dipankar Gupta, professor of sociology at JNU. The two have great affection for each other, which is obvious from Gupta's introduction, and also the fact that when Beteille taught for a term at JNU, as a guest, it was at Gupta's behest despite the fact that he had to make do with sharing Gupta's office at the university.

Gupta's inclusion of an article entitled "My Two Grandmothers", written by Beteille on his mixed Indo-French heritage, and his interview by Gupta give a personal touch to a largely academic compilation.

Beteille's writing, like his teaching, is clear and concise, and fearless in articulating what can be quite unfashionable as views, including resisting the lures of Left politics when he was a student in St Xavier's College in Kolkata. A must-read for all sociology students, if only to know how sociology as a subject was constructed in India.