



Investigate the deal

The role of middlemen in both the bid process and the Rafale sale agreement must be probed

More than a year following the arrival of the first batch of 36 Rafale fighter jets from France, the controversy over L'Affaire Rafale refuses to die down, notwithstanding the high quality of the planes and their fit to the requirements of the Indian Air Force, which has been desperate to augment its fighter squadrons. Mediapart, a French portal, has now published a set of alleged fake invoices, and claimed that Dassault Aviation paid middleman and defence contractor Sushen Gupta over €7 million in kickbacks between 2007-2012, when the Congress-led UPA was in power, and has claimed that the CBI had proof of this since October 2018. Earlier investigations, including by *The Hindu*, had revealed procedural violations, raised questions over the high price of the fighters, the choice of offset partners, the removal of anti-corruption clauses, waiving the requirement of a bank guarantee among other issues related to the India-France Inter-Governmental Agreement (IGA) signed in 2016. Mediapart's articles point to the dubious role of middlemen both in the proposal to buy 126 aircraft that was withdrawn, and later in the IGA for flyaway aircraft in 2016. In April 2021, Mediapart had detailed that the French anti-corruption agency had found that Dassault had accounted for payment of over a million Euros to a company run by Mr. Gupta for the manufacture of 50 models of the Rafale – the company does not specialise in making models – besides paying several million Euros in secret commissions to offshore accounts and shell companies. It had also alleged that he had supplied classified documents related to the IGA to Dassault Aviation even as talks between Dassault and the Indian negotiating team were deadlocked over the key issue of benchmark pricing.

In its price-redacted audit report on the Rafale deal, the CAG report, tabled in Parliament in February 2019, while examining the earlier bid process between 2007-12, had pointed out procedural violations in defence procurement – Dassault's technical bid was rejected and later it was allowed to incorporate India-specific enhancements to meet bid-compliant qualitative requirements. The report also unequivocally stated that the defence acquisition process needed reforms and streamlining – points that are buttressed by the new revelations that shed light on the role of defence middlemen in mucking up the procurement process to favour a particular vendor. At the very least, investigative agencies such as the CBI and the ED must probe Mr. Gupta's role in the bid process and the IGA. The Government cannot just wish away the questions that are repeatedly emerging about the Rafale deal and must open an investigation into the procurement process. After all, defence preparedness and national security interests dictate that operational readiness goes hand-in-hand with procedural propriety in defence procurement.

Death by hospital fire

While catering to demand during COVID-19, hospitals must ensure operational fitness

There is no greater betrayal than when what people believe to be safe havens turn into killing fields. The large number of hospital fires being reported in the last couple of years in the country, taking victims at their most vulnerable, could well be a case of criminal negligence and apathy. At least four infants are reported to have died in Monday's fire in the special newborn care unit of Kamla Nehru Children's Hospital in Bhopal. Early November, 11 patients died in a fire that broke out at the COVID-19 ward in Ahmednagar, Maharashtra. In March this year, 10 people were killed in a fire that broke out in Sunrise Hospital, Mumbai. These are only the latest in a series of hospital fires that have, as per some estimates, led to the deaths of over 120 people, most of them COVID-19 patients. Several minor and major fires have been started in hospitals, the former causing damage to property and anxiety for patients, and the latter proved to be deadly for patients but also for some hospital staff. In most of these cases, hospital staff also had to see to the immediate shifting of patients to other safer units.

The link that has been made out between rising hospital fires and the burden of COVID-19 cases is not artificial. Hospital administrators and forensic analyses have laid the cause for the historically high number of cases that hospitals have had to deal with. With the number of cases rising in the first and second waves of the pandemic, demand far exceeded capacity. Hospitals tried to expand their facilities to accommodate as many patients as possible, while there was scarcely any time for infrastructure expansion. While beds and mattresses could be marshalled at short notice, and oxygen cylinders, sometimes, with Herculean effort, hospitals could not add extra power lines, or distribute the load with additional transformers or power units. Ventilators were also pushed into use 24 by 7, certainly not the norm before COVID-19, and with high power requirement for this, it naturally pressed existing infrastructure into overdrive. Single air conditioner units were also operating full time. These resulted in electrical short circuits, and possibly aided by the presence of flammable substances – alcohol-based sanitisers, high oxygen and PPE kits – sparks grew into full-scale fires. It is essential for hospitals that pulled more than their share of the weight during COVID-19 to not only do fire safety audits but also electrical audits, to ensure operational fitness, and specifically to ensure there are no fires. States may mandate it, or incentivise such a procedure in order to draw it up the priority list of smaller and medium-sized hospitals. Hospitals, after all, must remain healing zones, and to ensure that fire accidents are avoided, must be a non-negotiable requirement.

The case of demonetisation in India

Five years on, the trajectory of the policy demonstrates that popular narratives can trump economic facts



KAUSHIK JAYARAM

Popular narratives play a much bigger role in economic policymaking than economists and policymakers acknowledge. If, indeed, these narratives are grounded more in myth than reality, the impact of such policy can be devastating. The demonetisation of high-value currency in India in 2016 is a classic case of policy based on faulty narratives. Paradoxically, the failure of the policy does not appear to dent the narrative and, consequently, there is very little price to pay for its failure.

Across time, the impact

Narratives are often intertwined in the cultural belief systems of the society. Thus, the Great Depression of the 1930s came to be associated with the excesses of the "roaring twenties", though many economic factors were responsible. The Weimar hyperinflation of 1921-24 is so deeply embedded in the German consciousness, that even now, nearly 100 years after the event, German society treasures financial stability and distrusts public debt. Fiscal conservatism remains the dominant narrative and has inhibited the post-2008 recovery in Europe. Though the recent novel coronavirus pandemic crisis has led to Keynesian remedies on steroids in many countries, there is already a murmuring of fiscal imprudence fuelling inflation.

Indeed, narratives in economics, as in other social sciences, create myths which endure despite rational appeal to facts. The

demonetisation story in India is also based on popular myth, the folklore of black money and its association with physical cash. The idea of demonetising large denomination currency as a tool to flush out undeclared hoards of cash was not new. It was done on two previous occasions, in 1946 and 1978, with poor results. But, unlike the limited impact of the previous events, the demonetisation in 2016 caused widespread disruption in the economy, whose costs are still to be properly reckoned.

Five years later, most observers have concluded that this policy was a failure. Very little of its declared objectives – of eliminating black money, corruption, moving towards a "less cash and more digital economy", or increased tax compliance – were achieved. Expectations of windfall gains of some ₹2 trillion-3 trillion failed to materialise as more than 99.3% of the cancelled notes returned to the banks. If black money had existed as stockpiles of illegal cash, clearly all of it was very efficiently laundered. If the objective was to register a permanent upward shift in the tax base, it failed miserably. Perhaps the most telling evidence of the failure is that the cash-in-circulation has now exceeded pre-demonetisation levels.

Touching a chord

And, post-COVID-19, reliance on cash is much higher, and with more higher denomination notes in circulation. By every measure, demonetisation as economic policy was a gross failure. But, as a narrative, it was presented and received in an altogether different light. Despite its manifest failure, the power of the narrative was such that it succeeded in creating a favourable or positive view of the policy.

The folklore of black money and the vivid imagery that accom-



panies it is easily recognised and understood by the common people, who witness corruption in daily life and see it play out in the cinema, newspaper stories or in daily conversation over the years. The very term, black money, is a loaded phrase, where the specie itself acquires a symbolic and a substantive form. The wealth, representing ill-gotten gains, is perceived to be accumulated invariably in stacks of currency notes and gold, hoarded in safes, boxes, or ingeniously concealed cupboards.

The idea of dramatic action and the striking of a powerful blow against this wealth is deeply satisfying psychologically. It is the stuff of epics. The spectre of black money has been invoked frequently in Indian politics, sometimes truthfully and more often cynically. The narrative of black money is almost always couched in deeply moral terms.

It does not matter, as repeatedly emphasised in several economic studies, there is nothing to distinguish black or white money, except in the way it comes into being. Although income from corruption or criminal activities is by definition black money, most black money is earned through perfectly legal activities though not declared to the tax authorities. More importantly, black money is not really kept in cash except in small quantities but mostly accumulated through real estate and oth-

er assets. However, the way the narrative was framed made it hard for critics to explain their opposition. To denounce it outright would suggest that they have a vested interest in defending black money and corruption.

When it became clear that the cancelled currency was being returned to the banks in larger numbers than expected, the narrative changed focus from black money and fake currency to digital/cashless payments, the latter being elevated to some higher purpose than what it actually is, a mere technological change.

Linked sub-themes

A key point in selling the story was to introduce complementary sub-themes to reinforce the main narrative and, at times, to obscure the facts on the ground. Virtue signalling was key: appeals to nationalism and patriotism are always handy, while modernity and change are implied as means to progress towards some form of technological utopia.

The call to sacrifice has deep resonance in India, as elsewhere. The act (of demonetisation) was an act of collective sacrifice. The people in long queues were reminded of the sacrifices of the soldiers guarding the nation's borders and not to think of their own suffering. Indeed, there was satisfaction in being told that the rich had it worse. In reality, the sacrifice called for was somewhat skewed in its impact, and the suffering of the poor was disproportionately greater.

The real irony lies in the fact that the moral high ground claimed by the demonetisation narrative worked better than contesting narratives of observed reality. It worked because it understood the nature of the moral economy of the poor. For the poor, long used to being at the re-

ceiving end of the state and its representatives, the impact of demonetisation would be one more blow in a series of blows with which they had to perforce deal. At least in this instance, there would seem to be a measure of justice if the rich really did suffer more.

Despite the overwhelming evidence to the contrary, five years after the event, the Government does not acknowledge any failure, or have even a smidgeon of doubt. Noticeably, however, there have been no tall claims of success either.

A self-inflicted shock

Most of the studies, opinion polls, media reports and anecdotal evidence showed an overwhelming support for the policy. Despite personal hardship, long queues, and the loss of income and savings, there was a degree of ambiguity in criticising the decision. Most tended to distinguish the intention from the reality. That the policy was good but perhaps not implemented well seemed to be the main theme. This effectively insulated the original sin – that the very design of the policy ensured its outcome.

The case of demonetisation demonstrates that popular narratives can trump economic facts.

It is clear that where narratives succeed there is very little political cost. A failed policy that carries no cost is likely to generate more such policies. Unlike most economic shocks, which could be traced to endogenous or exogenous causes, demonetisation was an entirely self-inflicted shock, which was very likely carried out as much in a sincere belief in the narrative as in cynical political calculation.

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The red truth of China's 'Common Prosperity Discourse'

Rather than making a radical break and realigning social relations, it seems intended to sustain the existing system



ANAND P. KRISHNAN

From a regulatory crackdown on tech unicorns to clampdown on private tutoring, from exhorting the rich to redistribute wealth to fintech companies forming unions for their workforce, a series of verbal assertions and administrative measures have been upending people's lives in China over the last few months. The common thread binding these disparate actions together is the term, Common Prosperity (*gong-tong fuyu*).

From start to present

Common Prosperity is not an entirely new term, having figured in all political reports at different congresses of the Communist Party of China (CPC) since 1992. However, it has acquired momentum under China's President Xi Jinping as a special campaign. He unveiled its action plan in his speech at the 10th meeting of China's Central Committee for Financial and Economic Affairs in August this year; its text was published in the CPC's theoretical journal, *Qiyishi*, in October. Like with Mr. Xi's various signature political concepts, the theoretical design for this 'New Deal' – as has been characterised in some quarters – is believed to have been provided by Wang Huning, member of the Politburo Standing Committee of the CPC.

The top-down campaign is aimed at engineering a "profound

transformation" of the country, in achieving prosperity for all people in their material and spiritual (and moral) lives. It seeks to tame the excesses generated by the over four decade-long Reform and Opening Up (*gaige kaifang*). Despite achieving industrial transformation and technological growth, widening inequality (income, wealth, and region-based) and unbalanced, or inadequate development are characterised as negative by-products that need fixing. China's Gini coefficient as per available figures, have remained between 0.46 and 0.49 for the last two decades. Being abreast of happenings around the world, the Party-state is anxious about social disintegration and political polarisation, which would end up destabilising its authoritarian rule and question its legitimacy.

Roots in CPC congress

The building blocks for this campaign lie in Mr. Xi's political report at the 19th Congress of the CPC in 2017, where he identified the change in the principal contradiction in Chinese society from earlier years – between unbalanced and inadequate development and the people's ever-growing needs for a better life. In fact, several aspects mentioned in the speech on Common Prosperity also figure in that political report – rather, Mr. Xi has chosen to give some extra push to a few of them to hasten results (such as a proposed law on property tax to regulate the highly speculative real estate sector; the first step in that direction is the Standing Committee of the National People's Congress of the People's Republic of China authorising the State Council to initiate



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pilot experiments for five years before national implementation). This drive desires to tighten the Party-state's control over monopolies, regulate the private sector, expand the size of the middle class, and check wealth accumulation. There is an emphasis on equalising access to basic social services but going by past experiences, its effectiveness remains uncertain.

Redistribution and labour

Parsing through the speech, it is notable that the commitment to State-led capitalism is intact, and the pursuit of larger economic goals also remains steadfast. There is little to no criticism of the phenomenon of conspicuous consumption. Mr. Xi continues to encourage people getting rich albeit in a more controlled manner as dictated by the Party-state. Though he wishes to divide the cake well, he is silent on simultaneously increasing its size. He specifies that the action plan should not be equated with egalitarianism, and that excessive guarantees be not provided even if China reaches a higher level of development and acquires stronger financial resources in the future. In doing so, he has signalled that the government would continue its non-intervention in substantive welfare redistribution. In high-

lighting the need to avoid welfareism, which he views as a trap for nurturing lazy people, Mr. Xi's positioning is in sync with the neoliberal logic that views redistribution as anathema to economic growth.

Laying emphasis on the requirement of high-quality workers for high-quality development, Mr. Xi's prioritisation of the development and upgradation of human capital for productivity is indicative of the Party-state's calculated relationship with labour that is rooted purely in the extraction of value. In fact, this is also an extension from his political report at the 19th Congress of the CPC: 'build an educated, skilled, and innovative workforce, foster respect for model workers, promote quality workmanship, and see that taking pride in labour becomes a social norm and seeking excellence is valued as a good work ethic'. Putting the onus on the workers for self-improvement, these formulations are reminiscent of the vocabulary used in the corporate human resources management ecosystem. In imparting such a vision, the Party-state elides its responsibility for workers-centric reforms at a systemic-level.

On the margins still

Once again, the long-pending reform of the household registration system (*hukou*) – to integrate rural migrant blue-collar workers into cities and giving them access to urban services – may very well continue to remain unfulfilled given the strong pushback from city officials. Despite being the backbone of China's economic metamorphosis, the rural migrant labour (*nong-mingong*) will continue to negotiate their second class, lonely

existence in unfamiliar cities and workplaces, in the process, confronting mental challenges that accompany their physical dislocations from home. Further, his criticism of 'involution' and 'lying flat' – recent popular phenomenon, of rejecting the hypercompetitive culture of overwork by tech workers and urban youth – reveals the discouragement of and intolerance against the online resistance of white-collar workers against the gruelling '996' work schedules (9 a.m. to 9 p.m., six days a week).

In a nutshell

That the success of the Chinese economic development model is built on labour repression is a grim reality. The top-down authoritarian system offers concessions from time to time to mitigate unrest but severely cracks down on any bottom-up workers' self-organising (even the recent guidelines allowing unions among gig workers, it is the tech companies who are forming them rather than through any initiatives of workers). Mr. Xi has identified Common Prosperity to be a long, arduous, and complex process. However, from the perspective of redistribution and labour – as evidenced by the increasing precariousness of workers and their continued political disfranchisement – this (Red) "New Deal" looks more rhetorical than being substantive. Rather than making any radical break and realigning social relations, it appears to be intended to strengthen and sustain the existing system.

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Rafale ghost is back

With the new revelations made by the French investigative portal, Mediapart, of kickbacks in the Rafale deal, one only wishes that the Supreme Court of India which had earlier given a clean chit to the deal reopens the case and orders a thorough investigation. This is very much required in view of the huge amount of tax payers' money involved and, more importantly, national security and the interests of the defence forces.

THARCIUS S. FERNANDO,
Chennai

■ There is clearly a lack of transparency in defence deals, and in India, various investigative agencies are puppets in the hands of governments. While the Congress ought to have cancelled the deal in full, the BJP has not cleared doubts raised by the Opposition about the cost structure of the deal which only escalated. The Government has also not made it clear how the choice of certain private entities was made in connection with the various offset deals. It remains to be seen what action can be taken against the French company and high profile

businessmen alleged to have been a part of the chain of kickbacks.

JANGA BAHADUR SUNUWAR,
Bagraokote, Jalpaiguri, West Bengal

Jai Bhim's message

The movie, *Jai Bhim*, has rightly attracted a lot of appreciation. A movie is one which moves people and *Jai Bhim* falls within that exception. It is not a commercial venture. Second, it carries a strong message about the conditions of the deprived sections of society and the atrocities perpetrated on them by those in power. More than anything else, it

conforms to the real story of a socially committed lawyer, a stellar judge and an upright police officer who combined to take the case to its logical conclusion. Conforming to this story, the director and the actors have all played remarkable roles close to reality. The movie presents the positive role played by the lawyer, judge and the police officer but the ground reality is oftentimes different. Unless people draw inspiration from the movie in that spirit, it would just remain entertainment which it ought not to be. But beyond all this, one should not fail to see that

democratic organisations and progressive-minded political parties had made an indelible impression enabling the lawyer to conduct the case with deep social commitment. It is such grassroots-level organisations that have to be fostered and strengthened. Therein lies the success of a society.

N.G.R. PRASAD,
Chennai

On the ground

Finding rhyme frequently, without flume or reason, and hurling barbs are a part and parcel of politics, especially in Tamil Nadu. The newest round now is

over the management of flooding in Tamil Nadu and Chennai city and the "measures that the AIADMK and the DMK have undertaken". Going by reports and visuals, it appears that the ruling party in Tamil Nadu is trying to alleviate the suffering of the downtrodden. The Chief Minister has been seen almost everywhere. However, for the long term, there needs to be a world-class storm water drainage system in place.

MANI NATARAJAN,
Chennai