

Aims and Objectives of IRRO

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"Think incrementally and improve incrementally. Think radically and improve exponentially"

Political Reforms

"It is not just the individuals, but the Systems and Institutions that make the greatest difference in delivery of results. World-class countries and communities have world-class systems, run by the best and the brightest people."

—> Why are film stars joining Politics in droves?

—> How will Advaniji succeed in getting back Swiss money (to the tune of US\$ 500 Billion)?

The Indian nation today stands at an inflection point. While history of India is replete with examples of missed opportunities, we are determined that this time around, we would make the best of the new-age opportunities that have come our way. The expectations of people of India are quite high. The outside world too looks at India and the Indians differently. Some of our leaders have a new found vision for India to see the country joining the league of the developed nations. The big question is whether we will make it this time around.

Bureaucratic Reforms

—> Is the bureaucracy in the states more responsive, efficient and effective than the bureaucracy at the Centre?

Objectives: Innovative Radical Reforms Organisation (IRRO), an NGO sets out the following objectives:

1. Making India a First-World country with First-World Systems
2. The First-world country must be run by the world's best and the brightest people/Indians (a sine qua non for Objective 1)
3. Benefits of economic progress must percolate to the largest number of people of the country
4. Basic Institutions of Governance, namely the Political institution, Bureaucracy, Judiciary and finally the Business Institution must all be reformed in a comprehensive and holistic manner in order to achieve the above objectives.

Judicial Reforms

—> Fast track Courts is the answer to expedite pending court cases

Business Reforms

—> A Zero-Cost Stimulus for India

Governance Reforms + Business Reforms ~ India as a first world country by 2050

Management Section

—> Leadership lessons from Barrack Obama

Readers' Column

Quote of the Month

The best thing about the future is that it comes one day at a time."

- Abraham Lincoln

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Feedback and articles for 'IRRO News'

Editorial

Modern India, Medieval Politics


The results of India's fifteenth general elections, as they appear now, may create a crisis like situation, at a time when the country is faced with a serious threat from the western borders and needs a strong central government. India's party system with multiple fissures and cleavages seem to be singularly failing. Political parties now seem to have run out of new ideas. We no longer have parties with clear ideological distinctions. All of them swear by the development mantra for the country, but in the name of development, the hidden agenda seems to be different.

Our forefathers, while fighting for independence had envisioned India as a great nation. The best and the brightest Indians, quitting their lucrative careers joined the political movement with the hope of freeing India from the yoke of foreign rulers and then taking the country forward on the march of social, political and economic development. Our constitution makers adopted a constitution based on the Westminster's model, so that the country could jumpstart to a modern way of political life, notwithstanding its poor economic status.

However, six decades later, the political developments at the national level in no way reflect upon our original ideas. The weakening of the party system, monopolization of power by a few families and the likelihood of India heading towards an unmanageable mega-coalition after the elections are some of the factors, which are bound to pull back the country in to a crisis like situation soon. After the general elections, we may expect continuous uncertainty at the center, fledgling alliances, which will be made and unmade faster than ever. India's economic and social aspirations could suffer at the altar of medieval politics.

While in the Westminster's model, general elections are fought between two major contenders for power; in India so many hotchpotch combinations have emerged to grab power at any cost. While our forefathers envisioned a great future for India, the Indian politics seems to have been reduced to the ancient and medieval levels, prevalent during times when India did not have strong rulers at the helm. In those days, the kings while fighting wars against their enemies could hardly trust the fellow kings, who supported the war. Without any qualms, 'Kshtaraps' changed sides according to their convenience, going either with the marching armies to defend or siding with the invading armies. Treachery was part of life; no body knew who was with whom. Exactly, same scenario is emerging in 2009. Parties and leaders are changing their allegiances frequently and would continue to do so after the elections as well.

The political system that is now evolving seems to be turning in to a monster. Major national and



regional parties are now becoming pocket boroughs of just a few families. The grip of those families is getting stronger by the day. Dynastic politics contrary to the very idea of the western democracy is now entering in to third to fifth generation. Such a trend is a great inhibitor for smart, educated and young people seeking careers in politics. Small family based regional parties are also switching sides according to convenience for acquiring greater power and wealth in the post election scenario. The situation in which the regional parties are fighting national elections reminds us of the ancient and medieval politics played by the small maharajas and local satraps.

The slipping away of Indian political system in to ancient and medieval models appears to be in sharp contrast to the modern aspirations of large sections of Indian society. Our political structure may be soon at odds with the economic architecture that we wish to create in the future. Look at our economic achievements since liberalisation began in 1991: a vast class of educated Indians with 21st century aspirations, opening up of a large number of technological and management schools; the industrial achievements in IT and other high technology areas; successful expedition of 'Chandrayan'. Such achievements strengthened the belief of those who dreamt big. People like ex-President Dr. Abdul Kalam have fired the spirit of youngsters by his inspiring speeches in different parts of the country. Ordinary Indians too are eager to improve their lot. We all believed that India was slowly but steadily marching towards shedding the image of a developing country and was moving forward to acquire its lost status as a modern nation.

But the big question is can the two institutions, namely the political and the economic institutions be at such a great variance and yet be compatible. The answer is a clear 'no'. It is high time that the civil society take note of this widening gap. People of this country must therefore force a radical change in the political system, which matches with the 21st century aspirations of the people.

**Sincerely,
President, IRRO**

Political Reforms

Why are film stars joining Politics in droves?

As the fifteenth general elections for national parliament gathers steam, film stars are in greatest demand for contesting elections. In the first decade after India's independence, film stars at best could aspire to be nominated as MPs in the Rajya Sabha in the category of eminent persons from art, science or culture. Those were the days when heavy stalwarts mushroomed in all political parties and the idea of film stars, however good they may have been, joining politics may have been an anathema for the political parties.

As the decline of almost all national and regional parties began at a heavy pace since the 1980s, correspondingly demand for the film stars, initially for just campaigning and subsequently as contestants, started growing. There are other reasons as highlighted below as to why film stars are in greatest demand on the eve of India's fifteenth general elections.

Firstly, most of the political parties are now dynastic organisations, which inhibit attracting good and bright people into politics. The very idea of reservation for the top job in the organisation on a permanent basis without any term limit is abhorrent for any right thinking person. Once the political parties cannot get the right kind of people, the obvious choice for them is to seek support from other categories of people, who would shut their eyes to the dynastic politics and yet be useful to those parties. Film stars definitely fit into this category.

Secondly, most of the film stars as they reach early to mid forties can no longer continue to work in films as the main protagonists. But, they still have star value, which can fetch good dividends for the political parties, who need star campaigners during elections. (But whether the face value of those stars gets converted into votes is a moot question.)

Thirdly, film stars also have lots of money (of both colours, white and black), which they can usefully utilise in elections as contestants. We all know that fighting parliamentary elections in a metropolitan city may cost up to Rs 4-5 crores. For contestants in non-metro areas, this figure could be little less (may be up to 2 crores). This initial expenditure may be a peanut for a film star, which may produce good dividend later by way of some good business deals.

The other reasons why film stars are getting in to politics pertain to the decline of the political parties themselves, which are getting depleted of good talent. The ideology factor for political parties has virtually vanished and in the name of development agenda, which has as many variants as the leaders themselves, the other issues are not being debated. Members of parties are thus not expected to have any social, political or managerial knowledge. Political parties no longer focus on development of knowledge within their own organisations. Hence educated and talented people are not really required. In the prevailing vacuum, film stars fill in the growing bankruptcy within the political organizations.

Sixthly, film stars still have a useful life span of more than 30 years left after they exit the film industry. Of course, many enter into business ventures and these days electronic media (TV) offers a good source of employment for them to entertain people. But getting into parliament is still a more prestigious job for them and for the rest of their life, they can enjoy the perks and privileges as a Member of Parliament.

Going by the current trend, it may not a surprise if within the next twenty years, we may see Karishma Kapoor, Kareena Kapoor, Dipika Padukone, Shahrukh Khan, Salman Khan, Amir Khan, Preity Zinta, Shilpa Shetty, Manisha Koirala, Katrina Kaif, Priyanka Chopra, Ameesha Patel, Rani Mukherjee, Aishwarya Rai Bachchan, Raveena Tandon, Arbaz Khan, Neha Dhupia, Rakhi Sawant, Hema Malini, Jaya Prada, Govinda, Akshay Kumar, Sohail Khan, Ajay Devgun, Nana Patekar, Vivek Oberoi, Rajesh Khanna, Dharmendra, Shatrughna Sinha, Anil Kapoor, Bobby Deol, Sunny Deol, Paresh Rawal, Bipasa Basu, Malika Sahrawat etc. all sitting as Hon'ble Members of Parliament (or some may even become ministers), deliberating on country's policies on finance, home, external affairs, floriculture, Rural Development, human resources, education, agriculture, industry, railways, tourism and national threat to security. God save this country!



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Political Reforms

Governments are elected by people and may be run by some of those who own Swiss accounts, then how will Advaniji succeed in getting back US\$500 Billion stashed in Swiss Banks?

A serious campaign during the recent general elections is being launched on getting back the dirty money (to the tune of US\$500 Billions) lying in Swiss Banks. SMSs have been sent on behalf of BJP, which reads thus:

"TM-BJP

Rs. 25 lacs crores, belonging to Indians, is estimated to be stashed away in Swiss Banks. We will do our utmost to bring this wealth back to India- L.K. Advani".

Other parties, including the left parties too have also echoed voices on getting back the money. However, some parties have maintained a silence over the issue.

There is no precise estimate of the quantum of money belonging to Indians stashed in secret accounts in tax heavens. One estimate suggests the total amount equivalent to US\$ 1.5 trillion. But, this appears to be highly exaggerated. Another estimate accredited to a professor from Indian Institute of Management, Ahmedabad, suggests US\$ 500 billion. This estimate has been lapped up by the Prime Minister designate of NDA, Shri L.K. Advani. But this also appears to be doubtful. The correct estimate could be somewhere in the region of around US\$ 300-400 billions. If we were able to get back this money in to the country, we could build all the roads, power plants, ports and other infrastructural facilities that will put the country on top of the league.

The question is whether NDA and Shri Advani ji will make any serious efforts in getting back the money. We only hope that their promises would not fizzle out the way it did in the Bofors case in 1989 general elections, when Late Shri V.P. Singh promised in his campaign speeches to get back the money within thirty days of his coming to power.

Who owns all the cash?

The second issue relates to the nature of difficulties involved in getting back the dirty money. To understand this, we also need to know the people owning this money. People who have the Swiss accounts are very-very powerful businessmen, politicians and others, who are extremely well entrenched in society. These are the people who make and unmake governments at the center. They virtually make all the policies, concerning their own areas of interest, no matter who comes to power. Will Advani ji be able to neutralize their influence?

First group of people are politicians and the political parties, which earned commissions on the big business deals in defense, civil contracts, purchase of aircrafts and civil aviation equipments etc. The second source is the regular commissions earned by politicians and bureaucrats in charge of the petroleum sector, in the sale and purchase of oil and oil equipments and other items. This is one sector, which could have, over the years, contributed maximum funds lying in Swiss Banks.

Another class of people is Indian businessmen-exporters, who mostly under invoiced their export shipments as per their convenience. They collected part of the value of export goods in foreign countries and deposited in tax heavens. Further, certain businessmen also over invoiced purchase of equipment and machinery in their companies in a very routine manner and collected the balance to be deposited in the tax heavens. The over invoiced amounts mostly were paid through the bank loans or the share equity funds or other sources at the cost of the stakeholders or the general public concerned. Then there are also big businessmen, who deplete strip their companies of cash lying in balance sheets by way of non existent transactions and the cash drawn is transferred through hawala to offshore accounts.

Another group is of diverse and desperate individuals, who earn money in various ways or transfer, through black money from India to foreign destinations. Some of those may be very influential bureaucrats, some wealthy small businessmen, who transfer their money for their own safety for a good future life abroad.

Hurdles in getting back Swiss money

There are a number of hurdles to be crossed in getting back the Swiss money. First of all, the Swiss Banks under local laws offer secrecy and can not divulge the secret information. Those Swiss laws have not been repealed till date. The dubious logic given by those banks is that tax evasion is not a crime in their own countries and there is no fraud involved. Further, while US and other countries in European Union have been able to pressurize the Swiss Banks to divulge their secrecy, India is not in a similar position to apply the same kind of pressure either on the Swiss government or their banks. In fact, India has not even ratified the U.N. Convention Against Corruption (UNCAC) and hence cannot be expected to claim back the dirty money lying in tax heavens.

Fourthly, the procedure for getting back the money would be extremely tedious as complete details may not be available as funds may be deposited in pseudo names and it would be difficult to bring the culprits to book. Money could be held in accounts in the name of some powerful individuals or their associates through offshore companies in other tax heavens. Some of the account holders have in fact hired experts to manage their offshore accounts. As it has happened in many developing countries including China, some money has been re-routed as investment in to the home country through FDI or P-Notes. The Mauritius route has been carefully and specially designed by the powerful Indians to ensure round tripping of dirty money for maximum profit gain and safety.

How to go about getting the money back

The answer should be first to have tough laws on foreign funds in banks outside India. This is difficult to visualise now, as it would amount to closing the safe windows provided by the successive governments in the last about three decades for illegally acquired money for 'foreign investment' either through FDI in manufacturing, services or in stock markets. Secondly, we will have to closely associate with other countries like US and France, who are putting pressure on Swiss government. Thirdly, we should immediately ratify the U.N. Convention Against Corruption (UNCAC), which will raise our credibility in the international community and help in

getting back the illegally acquired money belonging to Indians. The NRI status under the Indian Income Tax will also have to undergo a radical change in order to close the loopholes exploited by the unscrupulous Indians. There would be many other steps required as well.

The question is whether the Prime Minister designate Shri L.K. Advaniji (or the incoming prime minister) will have the strong will to overcome the pressures and influences of the powerful businessmen, who have the pile of funds lying in the Swiss Banks. Only time will tell when the results are declared and the various groups decide to form the next government.



Bureaucratic Reforms

Is the bureaucracy in the states more responsive, efficient and effective than the bureaucracy at the Centre?

A very pertinent and thoughtful question that arises in the matter of bureaucratic performance in the states and that at the centre is whether the bureaucracies in the states could be more efficient, effective and better oriented towards delivery of services than their counterpart at the centre.

The answer to this question would depend upon the bureaucracy of a particular state and the political leadership at the helm of affairs there. Now, let us take the examples of two states, namely Bihar and Gujarat, which have been in limelight for their achievements.

In Bihar, any one can now immediately see the difference in the performance of the local government vis-à-vis the performance of the state government about three years back. There is a perceptible, positive and radical change in the law and order situation, provision of health and education, road building and provision of other social services being delivered to the people. Similarly, in the case of Gujarat, the general feedback is that the government means business, bureaucracy there has become focused on performance and people have been brought to the centre of the government activity.

How has it happened that the same class of bureaucrats who were traditionally lazy, lethargic and insensitive to the needs of the people have suddenly risen and geared themselves up to serve the cause of the people. The following reasons will highlight as to how this miracle has happened.

First and foremost, the difference has come on account of the political leadership at the top in these two states. In case of Bihar, it is the vision of Chief Minister which has made all the difference and so is the case in Gujarat as well. If we have to look in to four factors that have made the greatest difference, these are: honesty and integrity of the leader in all respects; a long term vision; a hard, determined and focused quality of execution of the vision with all the micro details; and a new paradigm that development agenda serves the largest number of people in the state on a non-discriminatory basis.

Coming to performance of the bureaucracy in these two states, the same set of lazy bureaucrats have suddenly turned around and guided by the leadership at the top have become performance oriented. Therefore, the obvious conclusion is that it is leader at the helm of affairs at the top who has inspired the entire bureaucracy with his own vision, execution skills and the integrity of performance with a no nonsense approach.

Now coming to the organisational differences between the bureaucracies in the states Vis a Vis the bureaucracy at the center, the former is much less hierarchy oriented. In most of the cases, the minister directly controls the district chiefs (DMs/DCs), who in turn are held answerable. Commissioners in the Commissionerates and Secretaries in the secretariat only assist their political leaders, who are better devoted to performance. But certainly with relatively fewer tiers in the bureaucracy, the communication process is much faster and release of funds and utilization thereof for the projects are much easier.

This can be easily compared with the deeply hierarchical bureaucracy at the centre, which makes it impossible for a clear process of communication and execution of the work involved. Of course, the question of an inspired leadership at the centre which is missing makes all the difference in the lackluster performance of the central government.

Thus, while the top tiers of the government in the states has fewer hierarchies, the top tiers at the centre has been growing at an exponential rate, so much so that in certain departments, the weight of bureaucracy itself has become a self limiting factor in providing for efficient and effective governance by the central government.

A serious fall out of deeply hierarchical system at the center is that the top bureaucrats are at odds to draw any long term vision for the government and for the people, as they have just one to two years left for retirement. It is difficult to find people at the top, who are left with any enthusiasm or determination to either achieve something, least of all, for long term. They also become self centered and greedy in order to seek post retirement parking places. This is in sharp contrast to younger secretaries, who emerge at the state level. These younger officers may be in the age group of 40 to 45 years and are still left with energy and enthusiasm to pursue certain objectives on long term basis.

Another serious problem with central bureaucracy relates to co-ordination of work horizontally and vertically in getting any proposal through. Any proposal having an investment of Rs. 100 crores or above has to go through several departments and files keep tossing up and down across those department. This may consume anywhere between three to six years, by which time the whole idea of having such a proposal of huge investment may have undergone drastic changes. The official concerned in the meanwhile may change, ministers may change or even the government may change and under such circumstances, projects themselves usually get shelved. Again this is in sharp contrast to the working of bureaucracy at the state level, where, if the projects are initiated with the initiative of the minister or secretary concerned, the time taken in approvals by various departments may range from three months to one year, provided the chief minister and the minister concerned are genuinely interested. Thus, the time taken in approvals may be much shorter.

It is high time that the central government takes urgent steps for cutting down the number of tiers of the central bureaucracy, so that the communication process becomes faster and the vision of the political leadership can be translated in a seamless manner to provide quicker delivery of services to the citizens.

There has to be a radical approach to liquidate these useless self-serving hierarchies at the Centre. One way would be to focus on the organisations as they existed three decades back (say a cut-off date of 1st January 1980) and organise the bureaucracy at the top level in accordance with the numbers and tiers of government existing at that time. This would eliminate the unnecessary expansion that has taken place in the last over three decades.

How many tiers are ideally suited in any organisation? The answer could be found in the famous statement of Jack Welch, the ex-CEO

of General Electric. According to him, the number of tiers required in any organisation should be half of what you would normally perceive. It may be mentioned that as CEO at General Electric, Jack cut down the bureaucracy in the headquarters as well as at the field levels. This cutting down of hierarchy created miracles in terms of results that General Electric achieved during his stewardship.

It is high time that the administrative reforms committee set up by the central government urgently addresses the question of reducing the hierarchy at the top tiers of the government, no matter that it hurts some of the bureaucrats.



Judicial Reforms

Fast track Courts is the answer to expedite pending court cases

One of the most serious issues relating to judicial reform relates to liquidation of large number of pending cases at various levels from the lowest to the highest courts. The state wise pendency in various courts is discussed below-

Over three million cases are pending in India's 21 high courts, and an astounding 26.3 million cases are pending in subordinate courts across the country. At the same time, there are almost a quarter million under-trials languishing in jails across the country. Of these, some 2,069 have been in jail for more than five years, even as their guilt or innocence is yet to be ascertained. The information was revealed by official figures emerging from the home ministry's department of justice, under a Right to Information Act application placed by a citizen.

It has also been found that over a quarter of all pending high court cases are at Allahabad, which had some 1.09 million pending cases, with over eight out of every 10 cases being civil cases at the end of 2006. Madras High Court (406,958) and Bombay High Court (362,949) were the others with a large number of pending cases. Sikkim is the lowest with just 51 pending cases. Of the pending cases in high courts, 704,214 were criminal and 3.2 million were civil cases.

Meanwhile, the Supreme Court of India had a total of 39,780 civil and criminal pending cases.

In the subordinate courts, Uttar Pradesh again topped the number of pending cases (4.6 million), followed by Maharashtra (4.1 million), Gujarat (3.9 million), West Bengal (1.9 million), Bihar (1.2 million), Karnataka (1.06 million), Rajasthan (1.05 million), Orissa (1 million), Andhra Pradesh (900,000).

At the current rate, it may take more than 360 years to dispose off all the pending cases, without any fresh addition.

If India has to gain the status of a super power in the near future, one of the important yardsticks by which the country would be judged is in terms of its success in the expeditious trial of cases filed in Courts.

As the economic progress catches steam, crime graph in the country is also rising. Fed up with the rising numbers and delays in bringing the culprits to book, people are demanding quicker punishments by way of expeditious investigation by the Police (or any other agency concerned), quick filing of charge sheets in courts of law and expeditious trial of those cases. In modern day life style, heinous crimes such as kidnapping, rape or murder of young women (particularly working women) surely outrages the modesty of the entire society. Recently double murder in quick succession of two young ladies, Soumya Viswanathan and Jigeesha Ghosh in Delhi has angered the entire society. Similar incidents are also taking place elsewhere. It is to the credit of police department that they have been able to catch the culprits in the above said case rather quickly. But the question that concerns the civil society is the delay in investigation of (heinous) crimes and the time taken in filing the charge sheets against the culprits in the courts of law. Then comes the excessive delay in the trial of those cases in the Courts.

In the developed world, the time taken in disposal of cases from the stage of detection of the crime to the first successful conclusion of the trial may not take more than one to two years in the extreme. However, in India, going by the past history of cases (even in the high flying cases which were vigorously pursued by the electronic and print media), conclusion of trial has taken anywhere from five to twenty years. Such long delays are not acceptable to the civil society, whatever be the reasons of delay.

Remedy for expeditious trial

There is a remedy and a solution to the problem of expeditious disposal of such cases and the methodology suggested here is based on the experience of the working of fast track courts set up in Bihar.

Bihar was known for being one of the most crime infested states in the country. However, in the last three years or so, the government of Bihar set up fast track courts which have prosecuted more than 30,000 cases. Long pending cases of murder and similar crimes have been disposed off expeditiously and criminals are now cooling their heels in jails.

The impact on the larger society has been that most part of the states has now been rid of the goons and criminals, who were once ruling the roost. Scale of crime has also substantially dwindled. Even some MPs have been convicted in cases of murder, kidnapping etc. Fast track trial has created a new faith and sense of confidence among the people about the working of the law and order machinery.

Therefore, in order to liquidate the pendency of court cases in other states, all out efforts should be made by the other state governments in the country to emulate the example of Bihar. Fast track courts may be set up immediately in every state. The following procedure can be followed in setting up these courts and trial of certain category of cases.

1. 10% of the total number of courts should immediately be earmarked and designated as fast track courts at the trial stage, even without waiting for setting up additional courts, additional employment of Judges or additional resources etc.
2. Certain category of cases of high social stake, such as murder, rape, kidnapping or crimes committed against women particular working woman may be taken up in the fast track courts.
3. Once the charge sheet has been filed in the court, one month time may be granted to both sides to ensure that all the papers are in place, witnesses are available for examination and the entire procedure can be followed during the trial. The judge concerned can examine on weekly basis after filing of the charge sheet to ensure that the papers, witnesses and all materials etc are ready for taking up cases on the schedule

4. That the trial should immediately start after expiry of 30 days from the date of filing of the charge sheet. There would be no framing of charges separately.
5. Trial should be held on day-to-day basis without any adjournment on whatever grounds in the fast track courts.
6. There should be no provision for adjournment by either side unless the concerned Judge feels otherwise and even in those cases adjournment cannot exceed for more than one to two weeks.
7. The day-to-day trial should normally take from three to fifteen days and thereafter the judgment may be pronounced within one month.
8. In case there is any appeal filed by either side with the higher court, certain benches of those courts may especially be designated for hearing those appeals against the judgments from the fast track courts to conclude their hearings. In appeal cases also, hearing on fast track mode must be made for disposal of the appeals by hearing those cases on day-to-day basis.
9. Necessary legal changes in the code of criminal procedures, Indian Penal Code (IPC) or other laws may be made to facilitate working of this system.
10. Learning from this experiment, gradually more and more regular courts will be converted in to fast track courts and after say 2-3 years, we will have only fast track courts.
11. In the short term, retired judges with reputation and integrity may be re-employed for fixed tenure

The expeditious disposal of cases in courts will surely come in a long way in establishing the faith of the people in the criminal justice system and the neo class of rich criminals with mega ambition can be checked. The social impact of an efficient judicial system will go a long way in establishing the rule of law in the country and re-establishing faith of the common man in the democratic framework.

What is really required is the political will to create a 21st century institutional apparatus for the criminal justice system.



Business Reforms

A Zero-Cost Stimulus for India By Raju (USA)

As the global financial meltdown spreads like a forest fire, India has a unique opportunity to seize the moment and enjoy 10% GDP growth. India can create 100 million jobs and its GDP can grow at 10% rate, if the Parliament can uncork India's potential by imposing taxes on urban land hoardings.

This article has no radical ideas; it discusses proven ideas employed by all western countries to contain land hoardings. If the suggested idea is implemented, India can get rid of its slums, give a face lift to its dilapidated middle class communities, create millions of jobs and above all, the government can make money while doing all this. A veritable zero-cost stimulus.

Let us compare Dallas (in US) and Hyderabad (in India). Hyderabad has achieved its global prominence in the last decade as an IT hub. Dallas is the provenance of the monolithic integrated circuit (invented by Texas Instruments' Jack Kilby in the heart of the city in 1958) and hence a key player in paving the first mile of the information superhighway that eventually forked to Hyderabad. The market capitalization of companies headquartered in Dallas metro comfortably exceeds a trillion dollars. Dallas' IT achievements far outstrip that of Hyderabad, yet land prices in these cities do not reflect this fact. Why?

Due to its new found IT eminence, land prices in Hyderabad's once-sleepy suburbs have gone up hundred-fold in less than a decade. As speculators with insatiable greed scrambled to get a piece of the pie, sky was the limit for land prices. Unbridled speculation made land undeservably expensive, consequently curtailing economic activity to the tune of billions of dollars. Land prices in Dallas moved northward over the last 50 years, but an acre in Dallas suburbs costs a mere 5 times the per capita income of the US. In Hyderabad, an acre of land costs 5000 times the per capita income of India. Why is Indian land expensive by a factor of 1000?

The calculation of the ratio is based on an acre costing \$2 lakh in Dallas and Rs. 20 crore (\$40 lakh) in Hyderabad, even though, at the height of the euphoria, lands changed hands at a whopping Rs. 70 crore per acre.

Why is this ratio 5 in the US and 5000 in India? Is there a shortage of land in India? No, urban land is copious. Indeed urban land in India does not even account for 0.1% of the country's landmass, hence future supply is assured. New urban land is being created at a fast clip due to new highways, ring roads and the SEZs sprouting all over. Paucity of land, though often cited, can be safely ruled out as the culprit. Germany or New Jersey has population densities comparable to that of India. In neither country, land prices are anywhere near India's.

Are speculators in Dallas dumber or less greedy than their counterparts in Hyderabad? Rest assured that is also not the case. Dallas is home to many hedge funds, whose casino-like bets contributed partly to the ongoing financial tsunami.

The only cogent answer why Indian land is 1000 times pricier than US land: property taxation in the US balances the interests of land hoarders and land consumers. In the US, property owners pay an annual 2% property tax to the local body. This innocuous 2% tax aligns the interests of the landowner with that of the larger society. Here is how it works. If India imposes this simple tax, the landowner for an acre of land will be required to pay Rs. 40 lakh (2% of Rs. 20 crore) at the end of every year. Land prices will be appraised annually, so if the price of land doubles, so does the tax. As landowners do not earn income on vacant land, they would have to (a) pay the tax out of pocket year after year or (b) build on the land to make it productive or (c) sell the land. If the property owner defaults on tax payments, the city auctions the land on the same lines as a home foreclosure. When the landowner is compelled into building either for-rent or for-sale apartments, the new supply of buildings will bring down prices. As a last resort, property taxes will induce landowners to sell, which will bring in a supply of sellers. The seller's market for land will become a buyer's market and land prices will crash at least 10-fold.

In Hyderabad, individual landlords and industrial conglomerates have thousands of acres lying vacant, which virtually do not carry any tax burden. India's patently absurd property tax rates do not act as a deterrent against land hoarding. Indian realty majors like DLF have land banks that will not be exhausted until 2050 at the current rate of construction.

A simple calculation shows that the land in Hyderabad metro is worth more than the GDP of India. How is this possible? In actuality, less than 1% of the land mass in Hyderabad was transacted during the last decade, but the remaining 99% is priced as if there is money to pay for all of the land.

In the US, private property owners have the right to keep their land vacant as long as they pay the 2% tax - a reasonable penalty for the prerogative to hoard land. In the US, the interests of land owners and land consumers (aspiring homeowners, expanding businesses etc) are judiciously balanced. India will benefit immensely if the land market is turned into a buyer's market. Black money has flooded the land market; it remains a seller's market as long as more black can be pumped in to the market. Land changes hands at a glacial pace as sellers sit on their hands despite the meteoric rise in prices. Buyers will make beelines if property taxes are imposed, which will check land price appreciation and black money will be decimated as property prices head southward.

The local bodies can direct property tax revenue to expand city roads and improve civic amenities. Indian local bodies have the least tax revenue compared to their global counterparts. This accounts for deficient, or non-existent, service delivery.

Due to the exorbitant land prices, millions in Indian cities are being deprived of basic housing needs. India has an unacceptable shortage of 25 million homes and a vast portion of its middle-class housing stock, another 25 million units, is dilapidated and situated in labyrinthine, litter-strewn neighbourhoods. Popping the land price bubble will induce a seismic shift in the land market and unleash construction activity for 50 million housing units - translating into 50 million direct jobs. 50 million more indirect jobs will follow as schools, hospitals, retail shops and civic amenities are constructed, not to mention jobs created in the cement, steel, furniture, home electronics and transportation sectors. That is how we can build a \$50 trillion economy by 2050. The bottom line: India's land prices are unsustainable and unjust and are unduly choking economic growth.

When any commodity is hoarded, it scuttles economic activity. Land is the prerequisite and source of all wealth creation. In this sense, the cost to the society of land hoarding far exceeds that of any other commodity. If one hoards 1% of India's rice stock, he will be jailed. Why not do the same to land hoarders? In actuality, there is no need to jail anybody. Just impose 2% property tax and everything will fall in place. This simple, effective, elegant system is working wonders in all western countries.

Private property ownership is the cornerstone of all democratic societies. India is one of the few countries where private property ownership is not counterbalanced by a pragmatic property tax regime. India can ill-afford to miss out on housing-induced GDP growth, more so now as the export-led growth dreams have been derailed by the global slump.

Before the property tax legislation is enacted, India can pursue a few short term measures like doubling floor space index ratios for middle class housing and quadrupling the ratio for low income housing. When an SEZ fails to take off, convert the project into a Special Housing Zone (SHZ) with meaningful limits on apartment prices. Double the area allocated to housing in all SEZs. Subject buyers of urban land should to commence building in a year or lose the land.



Management

Leadership lessons from Barrack Obama

As the economic cycles of boom and bust are shrinking, so is the cycle of developing new knowledge on management. After all, new paradigms on management develop with the new experiences in the market place. The economic down turn of 2008 has thrown up new knowledge and experience for the management researchers and professionals to develop.

One of the major but mandarin topics for the discipline of management has been "leadership". In tough times, leadership makes all the difference. But what all qualities should a leader possess? For developing further knowledge on leadership, one need not confine just to the business world. It can be a good idea to look beyond the business per se and learn from the leadership experiences of other people. U.S. President Barrack Obama has so far impressed most of the world community and remains a good example for lessons on leadership. The following would highlight his leadership style.

Table: Leadership lessons from Barrack Obama

<ul style="list-style-type: none"> • Leadership is influence • Leadership is all about empowering others and realizing them to make impact • Technology is an ally • Use it to reach your supporter ('change we can believe in') • The ability to stay calm under pressure is a greater quality. • Don't be afraid to experiment. • It is all about connecting (with your audience) • Stable strategy + flexible tactics + victory 	<ul style="list-style-type: none"> • Be comfortable in your own skill. • Develop your communication skill • Spend quality time crafting your speeches • Practice, practice, practice • Deliver with push • Connect with your audience • Stick to the message ('change we need') www.barackobama.com • You will get far with the right team • You learn more by lessons • Be your own story teller ("the audacity of hope- thoughts of the modern dream) • A leadership is a dealer in hope -Napoleon
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How good is laying off people during slow down

A large number of Indian companies are facing the heat of slow down in global businesses in U.S. and Europe. The top Indian IT companies are no exception to this rule. It is learnt that the top six IT companies (SWITCH) have instructed their senior officials at the top to take a year off, since there has not been any addition of fresh clients to their businesses.

Global economic slow down is hurting the top and the bottom line of Indian businesses, largely dependent on global orders. Sure enough the current slow down is the most severe and deepest since the Second World War. Yet just as good times of last six to seven years did not last for ever, bad times will also pass over.

The question is that whether indiscriminate layoffs and yellow cards being shown to employees is the right strategy for companies which have a war chest of several billion dollars.

Companies are desperate to save money in bad times. But whether there would be any savings at all by firing employees in the long term interest of the company? The past experience of such slow down has been that the real cost to the companies indulging in indiscriminate firing of staff in order to save cost rather turned down to be very costly.

First of all, companies indulging in laying off face a huge problem of reputation and image. In good times, they will never attract the

best of people who would otherwise avoid picking up any opportunity in a company having such a policy. Since India is becoming a knowledge hub, getting the best of talent is essential for the world class companies. Therefore, companies laying off people will definitely face a long term problem of getting good talent in good times.

One alternative step followed by world class companies trying to maintain reputation is that they allow their workers to move out temporarily or encourage them to join charity or other similar work on paid basis. If companies take care of their employees in bad times, the reward will come by way of greater loyalty in good times.

One of the greatest dangers of layoff is that a company can be losing a great future leader in someone who is moving out. One does not know how an employee will grow after 20 - 25 years and therefore it could lose some great leaders in the process of laying off people.

Thirdly in good times, the companies will face automatic problem getting experience of knowledgeable workers. If it did not build capacity from the bottom, the crunch can be more severe in medium to long run.

The fourth problem is psychological. Workers, who are laid off, face adjustment problems, when they join some other company. Their medical bills go up and they may not be as committed.

Fifthly, cutting down on costs by way of lay off may not really help the goal of maintaining share prices in the stock market. While the financial experts may try to boost their profits by cutting their costs in such a manner, the stock market may not factor such profits keeping in mind that company may be rated badly on other measures.

When the bad times roll over and the economy turns around, the cost and delays of hiring and training employees may turn out to be heavy. Companies which hold down their workers will simultaneously do better than those who implemented the indiscriminate firing policy. The example of North West Airlines which faced tough times in hiring pilots, who were fired during lean period is quite a notable example. They could not meet the requirement of flying to different destinations later.

In nutshell, before firing people in bad times (particularly by Indian IT companies which run on brain ware), better options must be explored for the alternative means of finding appropriate and suitable jobs for their employees within the company.



Quotes

"Ultimately the people who win, who achieve victory in life are the people who are committed to it. They outlast everybody else. Because quite frankly all success in business, all success in relationships, all success in life comes at the end of the road of commitment!" -- **Chris Widener** (excerpted from **Winning with Influence**)"

"The future belongs to those who believe in the beauty of their dreams."
-- **Eleanor Roosevelt**

"Surround yourself with people most like the person you want to become. Stay away from anyone who can or will bring you down."
-- **Tom Hopkins**

The best thing about the future is that it comes one day at a time."
-- **Abraham Lincoln**

Readers' Column

It is an immense pleasure to be associated with IRRO. All of us are aware of the deficiency in the existing Indian systems. No doubt this has to drastically change. To achieve this goal, it is not the President, Politicians, Judiciary or the Bureaucrats of the existing system, who could do anything a bit. I strongly believe a parallel, powerful, people's organisation with Gandhian principles should be organized for change. Every Indian of the present system is good, but in the functioning within the system, we fail miserably. We can start with what we know and with certain values.

Dr. R.S.Muralidharan M.D (USA)



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