



Three longs & three shorts: this week's best reads [4th Nov 2018]

At the end of each week, we will share with you our favourite reads. We would be grateful if you could reciprocate. Hope you have a great Diwali break.

1. Long read: Where Are the Shudras? Why the Shudras are lost in today's India

Authors: Kancha Ilaiah Shepherd

Source: Caravan (<https://caravanmagazine.in/caste/why-the-shudras-are-lost-in-today-india>)

Shudras comprise approximately half the population of India...The Mandal Commission concluded in the 1980s that the OBCs, not including the “upper” Shudra castes, represent 52 percent of all Indians...By comparison, the “forward” castes—Hindu castes outside the OBCs, Scheduled Castes and Scheduled Tribes—all together count for no more than 20 percent of the Indian population. So, why is it that the “forward” castes still have almost complete dominance of Indian politics, business and academia with the Shudras being invisible in these spheres? Even more intriguingly, how is it that Dalits – people deemed to be outside the margins of the Hindu caste system – have made more progress over the last 40 years than the Shudras have?

In a lucid essay, Kancha Ilaiah Shepherd contends that there are 3 factors which have held back the Shudras:

(a) the rise of the free market in India has greatly helped the Bania class in India –

the third tier of the Indian caste system – cement their position as elites on a par with Brahmins. The rise of the BJP is in a way correlated to the rise of the Banias who have flourished as India has integrated its economy with the global economy. (b) the Brahmins & Banias have ensured that their kids study English in school and then get advanced education in the top-flight universities in India or abroad. The Shudras have not had this singular focus on intellectual advancement. Their education has not only allowed the Brahmins & Banias to stand toe to toe with the global elite, the lack of such an education has left the Shudras bereft of ideas for advancement. The Shudras are still waiting for a Western educated intellectual of the stature of Ambedkar to show them the way.

(c) Either by design or by accident, the Shudra movement splintered around 40 years ago wherein the agrarian Shudras (Yadavs, Reddys, Nairs, Gowdas, Jats, Patels, etc) broke away and said that they did NOT want the “Other Backward Caste” reservations created by the 1990 Mandal Commission. Now 30 years on, the non-OBC Shudras find that their farms and their fields can no longer sustain them. So now they are seeking OBC status. In contrast, Ambedkar coalesced the Dalits into a coherent group and successfully got them reservations right at the dawn of India’s independence.

2. Long read: Will underwhelming agriculture growth become a liability for BJP in 2019?

Author: G Seetharaman

Source: Economic Times

(<https://economictimes.indiatimes.com/news/economy/agriculture/will-underwhelming-agriculture-growth-become-a-liability-for-bjp-in-2019/articleshow/66394330.cms>)

Average agriculture growth under NDA has been less than under UPA. Why has this happened and what are the political consequences of this? In a superbly researched essay (plus an interview with the relevant Minister), Seetharaman, sheds light on what is potentially the defining political issue of the forthcoming

General Election. The root causes of the problem appear to be:

- (a) The Minimum Support Price scheme for farmers – always imperfect at best – seems to have malfunctioned big time over the past 4 years. Either farmers are not able to sell at MSP or, if they do manage to sell, they are not getting paid on time.
- (b) India's food output is obviously rising as more and more people become farmers. However, there is no concerted effort on the Government's part to find export markets for this higher output. Instead, the sector remains mired in outdated regulations which stymie exports.
- (c) The amount of area under cultivation has actually fallen in India between FY11 and FY16 [from 160 mn hectares to 157 mn hectares] even as the number of farmers has risen. The squeeze on farmers' standards of living are therefore intense.
- (d) Most intriguingly, every single year prior to FY17, the Agri Ministry has failed to spend the budgeted amount.

3. Long read: Germany's profitable automakers are being hit quicker than expected by the adoption of electric vehicles, diesel bans and the US-China trade war

Author: Patrick McGee

Source: Financial times

<https://www.google.co.in/amp/s/amp.ft.com/content/61684fa6-d2f6-11e8-a9f2-7574db66bcd5>

The car industry in Germany is being pounded on multiple fronts and its plight could well be a precursor of what might happen elsewhere in the world. The problems are coming from four directions:

- (a) In February, a federal court said that diesel car bans are an effective way of reducing air pollution. Next year, comprehensive bans will kick in on diesel engines in big cities like Frankfurt, Berlin and Stuttgart.
 - (b) In the escalating trade war between USA and China, German carmakers are highly exposed because they invested heavily in building plants in America which
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export cars to China. These cars are now subject to a 40% tariff.

(c) The German car industry's technological superiority is based around the combustion engine. It does not have an edge either in electric battery technology nor in the software that goes into electric cars. The Chinese and the Americas lead the world in these new technologies. Furthermore, the outsourcing of production for electric cars and their components is also happening in Asia, not Europe.

(d) Tesla now outsells both BMW and Mercedes in the US. Tesla's non-US sales are now higher than Jaguar and Porsche. Tesla is gradually becoming a serious challenger in the global luxury car market. Time therefore seems to be running out for the German giants.

4. Short read: Government Versus RBI: Dissent At The Podium

Author: Ira Duggal

Source: Bloomberg Quint (<https://www.bloombergquint.com/opinion/government-versus-rbi-dissent-at-the-podium>)

In case you have not been keeping up with the bickering between the RBI and the Government, Ira Duggal gives you a primer. *“Reserve Bank of India Governor Urjit Patel and his team have now come out at least four times to defend their policies through public speeches. While these speeches have helped explain the viewpoint of an otherwise reticent central bank, they also suggest that more amiable lines of communication between the government and the RBI are jammed.”*

There seem to be 3 faultlines along which the squabbling is taking place:

(a) Every time a big bank fraud emerges (which is usually every month) or NPAs start swelling again, someone influential in New Delhi gives a comment to the media along the lines of “how could this happen...what was the RBI doing?”

(b) Whenever the RBI increases the voltage on NPAs (by forcing banks to recognise NPAs promptly), New Delhi tries to jam the move.

(c) Whenever there is a need felt to juice up economic growth or to increase system liquidity, New Delhi starts talking about why the RBI should relax the “Prompt Corrective Action” framework that it has applied to 11 PSU banks, thus

prohibiting them from expanding their balance sheet.

Finally, like a teenager fed up of being upbraided by out-of-touch parent, the RBI let rip last week openly highlighting some of the areas where the government is attempting to impinge on central bank independence.

“Governments that do not respect central bank independence will sooner or later incur the wrath of financial markets, ignite economic fire, and come to rue the day they undermined an important regulatory institution’ said Viral Acharya, Deputy Governor, RBI. Apart from concerns over banking regulation, Acharya highlighted the government’s attempt to withdraw capital and reserves from the RBI’s balance sheet. The speech, while given by Acharya, had the full backing of Governor Patel, suggesting the message was going from one institution (the RBI) to another (the government).”

5. Short read: Keep it simple, silly

Author: Saurabh Mukherjea, Anupam Gupta

Source: The Ken (<https://the-ken.com/story/keep-it-simple-silly/>)

Elaborating on the power of simplicity, the authors not only drive home the point that *“In an increasingly complex world, simplicity is the key to success. And to mental well-being and a better life on the whole”* but also provide a step-wise guide of sorts to achieve simplicity – think different, deliberate practice and deep thought and relying on decisions based on frameworks or rules than judgements. The piece includes examples of simplicity from the investing world such as the successes of Systematic Investing Plan (SIP) and Exchange Traded Funds (ETFs). But the most fascinating example of the outperformance of businesses which make up the ***Simplicity Index*** – *“Simple businesses can also make for great investments. Branding firm Siegel+Gale runs the [Simplicity Index](#), which surveyed 14,000 respondents in nine countries to gather perspectives on simplicity and how industries and brands make people’s lives simpler or more complex. Siegel+Gale even made a stock portfolio comprised of the publicly traded simplest brands in their global top 10 list. That portfolio rose 433% from 2009 till 2016, compared with*

135% for the S&P 500.”

6. Short read: A business ethics class from Australian cricket

Author: The FT Editorial Board

Source: Financial Times (<https://www.ft.com/content/8daab5e4-db8a-11e8-9f04-38d397e6661c>)

As Australians introspect on the back of the ball-tampering scandal in South Africa, a review by the Ethics Centre seems to point to the origins of the win-at-any-cost attitude to incentive mechanisms in business. *“The review traces some of the roots of the cultural failings to a 2011 investigation into poor performance of the Australia team, led by Don Argus, former chairman of BHP Billiton and ex-chief executive of National Australia Bank. The Argus report urged cricket’s administrators to copy business and link monetary bonuses to quantifiable goals, such as world rankings and match wins. In implementing those suggestions, the review says, Cricket Australia seems to have “merely overlooked” the ethical dimension “as irrelevant to the pursuit of enhanced performance”.* Indeed, now the learnings from sport can potentially help address the shortcomings of business’ incentives sans ethical dimensions.

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