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Indian Bureaucrats Are No Steve Jobs

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The Indian government has launched an ultra-cheap tablet called Aakash (meaning sky) to be sold to secondary school students for just \$35. The Aakash, which was designed by DataWind—a company owned by an Indian-Canadian—is the result of a government tender for an inexpensive tablet. The cost of the tablet is \$46, and the government is subsidizing the difference of \$11. Education Minister Kapil Sibal proclaims this will take cheap computing to the masses.

But hold the champagne. India has launched several ultra-cheap initiatives like the Tata Group's Nano car that sells for under \$3,000, yet that doesn't mean every one of them will succeed. It's especially risky if the government picks winners and losers, as in Aakash's case.

For one thing, cheapness doesn't always guarantee customers. The famed Tata Nano, unveiled in 2009, has so far been a disappointment. Yet many in government marveled at the fanfare surrounding private-sector projects like the Nano and wished to replicate them in the public sector, egged on by the belief that Indians care primarily about price because one-third of them live below \$1 a day. But like any consumers, Indians care not about price, but about value.

Education Minister Kapil Sibal is exuberant—for now.

Mr. Sibal seems to be forgetting the government's own past folly here. In 2005, New Delhi launched a \$200 Mobilis computer, based on free Linux software. Before that, in 2002, the government had hailed a hand-held computer called the "Simputer," which cost \$240 as a major breakthrough. Both failed. While politicians were busy thinking of subsidizing older products, the computer industry had itself innovated to push the market price down.

The larger problem is that some Indians think tablets are the technology of the future. This thinking partly reflects the glamour of Apple in the West, but also the belief that low incomes, low literacy and severe electricity shortages in India will make use of larger personal computers difficult. But no tablet launched by the Indian private sector, at prices ranging from \$99 to \$265, has caught the public imagination. One reason is competition from cellphones.

Chances are these private firms will realize their mistake and correct themselves. But the government has, again consumed by fanfare, invested at least \$5 million into a dubious, unproven product. That means funds from taxpayers, who shouldn't be paying taxes to support the venture-capital-like predilections of the Indian government, which risk going into a sinkhole.

Aakash may prove a failure because, first, used computers are available at dirt cheap prices. Second and more important is the phenomenal rise of cell phones. They can increasingly do things that computers and tablets do.

A basic Indian cell phone costs just \$15, far cheaper than an Aakash. In fact, the cost of the cell phone is only slightly higher than the government's subsidy, and calls are only two cents a minute. Cell phones can be charged by batteries in rural areas with little or no electricity. The Aakash, by contrast, will have an extra charge in the cost of a wireless connection. At this rate, the people most likely to buy the Aakash are better-off Indians—clearly not those at whom the subsidy is aimed.

This magnifies the risks of the Aakash project, not to mention the probable waste and corruption that typically accompanies Government initiatives like this. It may be irrelevant at a time when cell phone applications are multiplying at much lower cost. By promoting the tablet, the government is making a bet that could well go wrong.

Instead, the Indian government's policies should offer the maximum possible flexibility, and then leave it to the market to work out what suits consumers best. Bureaucrats might believe they know where the future demand will lie, but they are no Steve Jobs.

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