



Growth prop

As the RBI cuts the benchmark repo rate, concerns over the fiscal deficit remain

Barely four months after the Reserve Bank of India switched its monetary policy stance to one of 'calibrated tightening', signalling interest rates were set to trend higher, it has reversed direction. Not only did the RBI's monetary policy committee unanimously opt to revert to a 'neutral' posture, but the rate-setting panel unexpectedly decided, by a 4-2 majority, to cut the benchmark repo rate by 25 basis points, to 6.25%. The MPC's reasoning has been fairly straightforward. With Consumer Price Index-based inflation having continued to slow and projected to stay well below the medium-term target of 4% till at least the October-December quarter, the MPC saw an opportune moment to pivot to a growth-supportive stance. That there is a need to bolster economic momentum is evident from the RBI's downward revision of the forecast for growth in the first half of the next fiscal year. The projection has been lowered to a range of 7.2-7.4%, from 7.5% posited in the RBI's December statement, as moderating global growth and slowing overseas demand add uncertainties to the prevailing domestic imbalances. Specifically, production and import of capital goods, which is a key gauge of investment demand, contracted in November/December and credit flows to industry remain muted. With an overall shortfall of 4% in rabi sowing across various crops, and storage in major reservoirs at just 44% of the full level, the slowdown in farm output growth may, worryingly, end up being more protracted.

The less-than-sanguine outlook for the rural economy is also reflected in the high-frequency indicators of the services sector. Data on sales of both motorcycles and tractors in December underscore weakening demand in the hinterland. This weakness in the farm sector is undergirding the unprecedented softness in food prices. The December CPI data showed continuing deflation in food items. While the RBI's inflation calculus clearly benefits from the ongoing trend in price gains, the MPC is justifiably cognisant of the tenuousness of the assumptions it has made for its forward projections. Importantly, while it has assumed a normal monsoon this year, the central bank acknowledges that any variation in geographic spread or uneven distribution in terms of time could roil the inflation outlook. Inexplicably, however, the RBI's policy statement fails to make any mention of its hitherto abiding concern about fiscal prudence. With the Interim Budget showing some slippage from the fiscal roadmap and projecting a budget deficit of 3.4% for both the current financial year and the next, the risk of government borrowing crowding out private investment demand remains tangibly real. One must assume that the central bank will resume normal service on providing salutary caution to the government after the coming general election.

Still partisan

Trump was restrained in his State of the Union address, but did nothing to bridge the divide

In his second State of the Union address, President Donald Trump demonstrated the capacity to step back from his polemical debating style on social media without yielding ground to his detractors on matters of domestic policy at the top of his agenda. These include immigration, jobs for Americans, and conservative values including the pro-life movement. First, Mr. Trump used the opportunity to speak before a joint session of Congress to reiterate his desire to build a wall along the Mexican border, even as he clarified this could include the use of steel slats. The worrisome thought on the minds of at least 800,000 government workers, who were furloughed without pay for 35 days during the longest federal government shutdown in U.S. history, must have been whether Mr. Trump will again insist that Congress allocate \$5.7 billion to build the wall, and precipitate another shutdown. Second, he underscored that his core agenda on job creation for Americans was proceeding apace, noting that his administration had "created 5.3 million new jobs and importantly added 600,000 new manufacturing jobs" – a claim subsequently noted to be an exaggeration. Third, the anti-abortion movement got a boost from the two whole paragraphs in the speech calling on Congress to pass legislation to prohibit late-term abortion.

On foreign policy too, Mr. Trump appeared to hold firm to the ideas and strategies his administration has espoused through his term in office, including attacking the regime of Nicolás Maduro in Venezuela, for "socialist policies have turned that nation... into a state of abject poverty and despair"; and the government of Iran as a "radical regime" that does "bad, bad things", justifying the U.S. withdrawal from the nuclear agreement with Tehran. It may have come as a pleasant surprise, or relief, to some that Mr. Trump's address did not take on the darkly foreboding undertones of his inaugural speech. But his plea for both major parties to "embrace the boundless potential of cooperation, compromise, and the common good" sounded hollow, given the ground realities of his administration's policy effects. In her response to the address, Democrat and former Georgia gubernatorial candidate Stacey Abrams decried the harsh economic pinch of the government shutdown, countering Mr. Trump's claims of working for the interest of the middle-class American. She highlighted the omission of the gun control debate in the speech, the silence over voter suppression, rising higher education fees, and so on. Unless Mr. Trump genuinely reaches across the political divide to connect meaningfully with over 65 million voters who opposed him in the 2016 election, partisan rancour will remain in the political system and threaten its foundations.

Governing India's many spaces

Ill fares the land where wealth accumulates, but the social and natural environment suffer



PULPAPRE BALAKRISHNAN

As the general elections approach, it would be politic to take stock of the progress made by the incumbent party and look out for the areas that call for particular attention by the one that gains power. Without anticipating complete agreement on the indicators that ought to be used, I look at the changes since 2014 in three indices for India. These are the indices of 'Ease of Doing Business' (EDB), 'Human Development' (HDI) and 'Environmental Performance' (EPI). They are self-explanatory, and their importance unlikely to be contested, even though they may not exhaust all concerns. Published by separate international bodies, they are used to rank the world's countries according to their performance in the related sphere. Rankings by themselves do not reveal the level of attainment but they do convey how far a country is from the global frontier.

The business ecosystem

The EDB, an indicator put out by the World Bank, is meant mainly as an index of the effect of government regulations on running a business. It is also meant to reflect the extent of property rights in a society. Responses are sought from government officials, lawyers, business consultants, accountants and other professionals involved in providing advice on legal and regulatory compliance. A country's ranking is based on the

extent to which government regulations facilitate the following: starting a business, obtaining construction permits, getting an electricity connection, registering property, accessing credit, protection of investors, paying taxes, trading across borders, enforcement of contracts and resolving insolvency. The Narendra Modi government has set much at stake by India's improved ranking in terms of the EDB index. Actually, the improvement is considerable. From a rank of 134 in 2014, India's rank improved to 77 in 2018. As 190 countries were ranked in 2018, India was in the top 50%. The position is not spectacular but the improvement is, as said, noteworthy.

It is important to note that the use of the EDB has not been without controversy, with the World Bank's Chief Economist, a Nobel Laureate, suggesting in an interview that in the past political bias may have crept into the ranking of countries. Let us for a moment overlook this episode and assume that in the case of India the ranking reflects reality. Perhaps a bigger problem with the EDB is that it measures the effect of government regulations alone. While it is important to take this aspect into account, in any situation the ease of doing business is dependent upon other factors too. One of these is the availability of 'producer services', with electricity, water supply and waste management coming to mind. There is little reason to believe that this infrastructure has improved in India in the last five years. The Planning Commission used to release data on infrastructural investment, but we have had none since its demise. Despite all these shortcomings, it is yet important to be concerned with the ease of doing business in India, an



REUTERS

aspect that has been given little or no importance in public policy for over 50 years, and to note that the EDB ranking for the country shows significant improvement since 2014.

A true measure

We may turn next to the better known Human Development Index. It is the result of a rare India-Pakistan collaboration in the global discourse on public policy, having been devised by Amartya Sen and Mahabub ul Haq for the United Nations Development Programme. The HDI is a combination of indicators of income, health and education in a country. Its conceptual basis has been critiqued. First, it has been pointed out that the index combines incommensurate categories, as income, health and education are not substitutes. Second, while it does go beyond purely economic measures of progress, in that it looks at the health and education achievements in a population, it can say little about the 'quality' of development. As pointed out by Selim Jahan of the UNDP, data can "[tell] us only a part of the story about people's lives. For instance, it is increasingly clear that it is not enough simply to count how many children are in school; we need also to know whether they are learning anything." He could have had

India in mind!

Nevertheless the HDI has now gained reasonable acceptance globally as indicative of the development strides a country has taken. When we turn to the HDI, we find that India's ranking has not altered since 2014. India was ranked 130 in 2014, and has remained in the same place out of 185 countries in 2018. It is of relevance here that India's HDI ranking has not improved despite it being the world's fastest growing major economy in recent years, as the government often points out in its assessments. This despite income being a component of the index. What this reveals is that an economy can grow fast without much progress in human development. Also, India's HDI position in the bottom third of countries points to how much it needs to progress to earn the label 'the world's largest democracy'.

Environmental costs

Finally, we may look at India's recent record on the Environmental Performance Index. The EPI is produced jointly by Yale and Columbia Universities in collaboration with the World Economic Forum. The index ranks countries on 24 performance indicators across several 'issue categories', each of which fit under one of two overarching objectives, namely, environmental health and eco-system vitality. The issue categories are air quality, water and sanitation, water resources, agriculture, forests, fisheries, biodiversity and habitat, and climate and energy. These metrics are meant to serve as a gauge at a national level of how close countries are to accepted environmental policy goals. In 2018 India ranked 177 out of 180 countries, having slipped from an already very low rank of 155 in

2014. The country is today among the worst performing on the environmental front and its ranking has worsened over the past five years.

We now have indicators of the progress India has made in the past five years in the three crucial spheres of business, human development and the natural environment. A clear picture emerges. The government has aggressively pursued an improvement in the business environment. This appears to have yielded fruit in terms of an improvement in the EDB index. However, at a time when it has been the fastest growing economy in the world, India's rank on human development has remained unchanged and on environmental performance has slipped close to the last place.

These outcomes would not surprise anyone familiar with public policy since 2014. The Narendra Modi government has marginally lowered health and education expenditure as a share of national income and distinctly lowered environmental standards. An instance of the latter would be the Coastal Regulation Zone Notification of 2018 which allows construction and tourism development on land earlier considered inviolable due to its ecological value. This de-regulation is a setback for India. It is only one instance of the failure to recognise the plunder of India's natural capital taking place at an accelerated pace. Political parties now fervently making a pitch to govern India must indicate how they will reverse it. Ill fares the land where wealth accumulates and nature frays.

Pulpapre Balakrishnan is Professor, Ashoka University, Sonapat and Senior Fellow, IIM Kozhikode

The road to peace runs through Tehran

The Iranian card could help India enhance its role in stabilising Afghanistan



ANITA INDER SINGH

Even if an American military pullout from Afghanistan is on the cards, the U.S. will want to leave behind a stable country. And any peace settlement in Afghanistan will stand a better chance of staying on the rails if it is supported by regional powers. In other words, ties between Afghanistan and its neighbours, including Iran, will impact the security of southern and western Asia. Like India, Russia, China and the U.S., Iran would want to see a steady hand at the helm in Afghanistan. While lacking military influence, India can build on its good ties with the U.S. and Iran to secure Afghanistan.

Iranian continuity

Iran is not a newcomer to regional diplomacy in Afghanistan. First and foremost, India should try to dissuade the U.S. from dealing with Iran, Russia and China as enemies. In fact, U.S. President Donald Trump's perception of all three as foes is at odds with America's earlier engagement with

them to end its military campaign in Afghanistan. For instance, from 2014 to 2016, Washington and Moscow quietly arranged talks on the Afghan peace process. The meetings, known as the 6+1 group, included representatives from Afghanistan, China, India, Iran, Pakistan, Russia, and the U.S. The 6+1 process assumed that each of these countries was essential to the achievement of a political settlement in Afghanistan. Moreover, last November, the U.S. and the Taliban joined for the first time the Russia-hosted conference in the hope of promoting a negotiated solution to achieve peace and national reconciliation in Afghanistan.

Regional powers could put their weight behind a negotiated settlement that will ensure Afghanistan's stability. Iran, Russia and China – and the Central Asian states with which India and Afghanistan wish to cooperate in countering terrorism – fear that continued instability in Afghanistan could spill over into their countries. India will also be adversely affected if negotiations break down. In that event, extremist exports from Pakistan to Afghanistan or India would probably increase.

It could be worthwhile for India to explore the Iranian diplomatic options to secure Afghanistan. On good terms with Tehran, New Del-



CHABAHAR PORT, AFP

hi would gain by developing the Chabahar port in southern Iran. And looking beyond Chabahar, India, Iran and Russia were the founding countries of the International North-South Transport Corridor project – as long ago as 2002. The corridor is intended to increase connectivity between India, Iran, Russia, landlocked Afghanistan and Central Asia – and Europe. It would also advance their trading interests.

India could remind Washington about the past coincidence of American and Iranian interests on Afghanistan. Together with the U.S. and India, Iran supported the overthrow of the Taliban in 2001. In the international negotiations which followed in Bonn that year, Iran supported the installation of Hamid Karzai as President and favoured the exclusion of the Taliban from his government.

Admittedly, U.S.-Iran ties have often been fractious. As the U.S. imposed sanctions on Iran after

2005, Iran saw the Taliban countering American influence on its borders and gave them arms. Iran continues to oppose the U.S.'s presence in Afghanistan, largely because it fears that American troops in Afghanistan could be used against it. To allay Iranian fears, Afghanistan recently said that it would not allow the U.S. to use its bases in the country to conduct any act of aggression against Iran.

Last December, Iran also held talks with the Taliban with the knowledge of the Afghan government. But it should assure Kabul of its good intentions. In recent months Afghan officials have accused Iran, which the U.S. says is trying to extend its influence in western Afghanistan, of providing the Taliban with money, weapons and explosives. Iran denies the charge.

The U.S. and Iran could be advised of the mutual, and regional, advantages of improving ties. Such advantages could range from stability in Afghanistan, and beyond, to increased trade prospects, especially in South and West Asia.

Win-win prospects

Iran could gain by strengthening trading ties with a secure Afghanistan. In 2017 it supplanted Pakistan as Afghanistan's largest trading partner. At a time when Iran's economy is weighed down by Ameri-

can sanctions, it would want to build up trade ties with neighbouring states.

The U.S. would also gain. After all, Iran is the geopolitical hub connecting South, Central and West Asia and the Caucasus. The Strait of Hormuz, that crucial conduit, links Iran westwards to the Persian Gulf and Europe, and eastwards to the Gulf of Oman, South and East Asia. Moreover, an improvement in U.S.-Iran relations would be welcomed by America's European allies, who are opposed to Washington's unilateral sanctions on Iran.

The U.S. should not lose the chance to act in concert with Iran to improve Afghanistan's security. And, as the U.S. airs the idea of withdrawal from Afghanistan, now is the right time for India to act as the honest broker between them and to play a larger role in regional security. The status of India and Iran as regional powers as well as the stability of South, Central, and West Asia would simultaneously be enhanced. It is to be hoped that Mr. Trump's display of America's "superpower" in opposition to Iran – and Russia and China – will not block such an opportunity to stabilise Afghanistan.

Anita Inder Singh is Founding Professor, Centre for Peace and Conflict Resolution in New Delhi

LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

Crime and punishment

It is such a travesty that people who recreated the assassination of Mahatma Gandhi were booked under ordinary sections of the Indian Penal Code and students who voiced their dissent in Jawaharlal Nehru University were booked under Section 124A ("Hindu Mahasabha leader, husband held", Feb. 7). It shows how the law of the land works: the National Security Act is invoked for those who are accused of cow slaughter, sedition is invoked for those who dissent, but neither is invoked for those who denigrate the Father of the Nation.

DEEPIH MANI,
Chennai

EVM debate

It is a well-established fact that with VVPATs, manipulation of EVMs is practically impossible

("Checks and balances", Feb. 7). If glitches are the argument for replacing systems, we cannot trust any system in the world. The paper ballot is most susceptible to rigging. It is a closed chapter in this country. The focus should be on ending VVPAT glitches. Political parties must stop crying foul over a well functioning system.

P. MANGALACHANDRAN,
Kannur

U-turn on Sabarimala

It is sad to see the Travancore Devaswom Board, which utilises public money, changing its stand in the Supreme Court, in line with the Kerala government's stand ("TDB changes stand, supports SC judgment on Sabarimala", Feb. 7). It has let down believers. How can the TDB support something that is against custom and why has

it suddenly changed its stand?

B. VEERAKUMARAN,
Thiruvananthapuram

The centuries-old belief that Lord Ayyappa is a 'naishtika brahmachari' is an amusing argument to be put forth in the Supreme Court ("Bench reserves orders on Sabarimala review petitions", Feb. 7). Has the Lord ever claimed that he is a 'naishtika brahmachari'? Temple idols are treated as legal entities so that legal issues associated with the administration of temple property can be settled. No human being has any legal right to declare what an idol in a temple, in its human manifestation, likes or dislikes. So the argument above is not valid legally. In the matter of right to worship in a temple, the only arguments that are

relevant are those pertaining to customs and traditions that are followed in that temple with the general consensus of its devotees. But in the case of any conflict between customary practices and the Constitution, the Constitution prevails.

S.P. ASOKAN,
Chennai

Unstable government

Neither is the Chief Minister willing to step down, nor is the BJP willing to bring a no-confidence motion in the House ("Karnataka Congress warns dissident MLAs", Feb. 7). Those MLAs who cannot seem to make up their minds about whom to support but are continuing to enjoy power should come out in public and end this drama once and for all. The chaos in the State is a lesson for all those who want a coalition

government. The path for such governments is never smooth.

V.S. GANESHAN,
Bengaluru

Speaking out

It is undeniable that this country needs lawyers like Prashant Bhushan ("SC may curb advocates from speaking on cases", Feb. 7). Mr. Bhushan is a man of outstanding credentials and nobody can doubt his integrity of purpose in cleaning the cobwebs of power. How can one say that what Mr. Bhushan said would amount to contempt

even though he was merely conveying what the Leader of the Opposition had told him? The purpose of contempt is to preserve the dignity of the courts, which Mr. Bhushan tries to do everyday. We cannot silence such people with contempt. That would virtually amount to there being no checks and balances in the system, of which Mr. Bhushan is an integral part.

N.G.R. PRASAD
& K.K. RAM SIDDHARTHA,
Chennai

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CORRECTIONS & CLARIFICATIONS: >> In a Business page (Feb. 3, 2019) report, "Industrialist K. Mahesh breathes his last," Harsha Viji's designation was erroneously mentioned as deputy chairman, Sundaram Finance. He is actually the deputy managing director.

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YES, NO, IT'S COMPLICATED

Will the ₹6,000 farmer payout help?

YES



ASHISH KUMAR BHUTANI is Joint Secretary in the Department of Agriculture Cooperation and Farmers Welfare

The PM-KISAN scheme will provide farmers assured supplemental income

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme, announced in the Interim Budget, is the biggest scheme launched by the Government of India till date for providing structured support to small and marginal farmers.

For farmers' welfare

Under the scheme, ₹6,000 per year will be provided to farmers holding cultivable land of up to two hectares. This has been done because the government is aware that the smaller the land holding, the greater

the need for financial support.

This is a Central Sector Scheme and will be funded fully by the Government of India. The guidelines of the scheme have been issued. The government has developed a portal for managing the scheme (<http://pmkisan.nic.in>), which has gone live. The States have to upload the data of the beneficiaries on the portal. The Ministry of Agriculture and Farmers' Welfare will transfer the benefit directly into the accounts of the beneficiaries. The amount will be credited into the ac-

count of the beneficiary within 48 hours of its release by the government.

In the 2018-19 Budget, the government announced that minimum support price (MSP) would be 1.5 times the cost of production for all the notified commodities. The Pradhan Mantri Anandata Aay Sanrakshan Abhiyan was approved by the Cabinet last year to ensure remunerative prices to the farmers. There have been various interventions to boost the production of pulses and oilseeds. Earlier, in 2016, the government launched the Pradhan Mantri Fasal



Bima Yojana to provide insurance to farmers from all risks. Thus, in the broader framework of farmers' welfare, it is easy to understand the importance of the PM-KISAN scheme.

Institutional credit

The government was concerned that although our farmers work very hard, and we have had record foodgrain production in the last three years, they were unable to get good prices for their produce, especially for non-MSP commodities, because of the adverse terms of trade, including depressed interna-

tional prices.

What has gone unnoticed is that the government is also trying to bring all farmers into the fold of institutional credit. The target is to bring more than six crore farmers into the Kisan Credit Card (KCC) regime. Directions have been issued for this to the States and banks. They have been advised to issue KCCs within 15 days of application by the farmers. All the charges which were being levied by the banks, including documentation and inspection charges, up to ₹3 lakhs have been waived. Credit should go to the Indian Banks' Association for taking such a farmer-friendly decision.

It is important to keep in mind that the average annual income of small and marginal farmers is well below the average income of all farmers. The benefit being given to small and marginal farmers through PM-KISAN will provide them assured supplemental income and also meet their emergent expenses, especially immediately after harvest. The scheme will be implemented with an estimated expenditure of ₹1 lakh crore till 2019-20, benefiting 12.50 crore small and marginal farmer families.

Besides being unique, the scheme is also sustainable and will increase the confidence of small and marginal farmers.

NO



TATHAGATA SATPATHY is a Biju Janata Dal MP

The amount is not even enough for farmers to fill diesel in their hired tractors

Earlier, we were told there was a battle cry during India's freedom struggle. It went like this: "Mujhe khoon do, mein tumhey azaadi doonga (give me blood and I will give you freedom)." When the Interim Budget was being read out by Finance Minister Piyush Goyal, it sounded more like, "Mujhe vote do, mein tumhey paisa doonga (give me votes and I will give you money)."

Politics in India is not 'accidental' as in *Uri*, the movie. The farm crisis is real. Admittedly, it is not a recent phenomenon. It is not the

creation of this particular party in power. It is the result of policies adopted by most of the political outfits that have governed this nation and its States for the past many decades.

The explanation for politicians turning a blind eye to the crisis is simple. While solutions to the bottlenecks in business and industry could be dished out in comfortable offices in New Delhi or State capitals, agriculture, for long, had no spokesperson or lobby in India. All the so-called elites of India looked down on farmers as poor and un-

wanted citizens that the country could well do without.

No vikas for farmers

All this suddenly changed. The drastic alteration took place when three of the five States that went to polls at the end of 2018 turned hostile to the BJP. Those victories were not so much victories for the Congress as they were a resounding defeat for the BJP. The underlying message was crystal clear: All the noise about 'vikas' (development) meant nothing to the farmer. The toiling Indian in the field decided, after 71 years of utter neglect, that enough is enough. The farmers



realised that numbers favoured them. They were not willing to be pawns in the hands of those who debated whether or not the Constitution of India could be printed on a postage stamp.

Such a realisation also implied deep understanding. The farmers decided that the neo-liberals want a laissez faire economy only to help big businesses.

The past and present governments were concerned primarily with restructuring corporate laws, refunding financial institutions that were sick because of bad lending, providing subsidies to industries and attracting foreign investments.

They completely forget or knowingly ignore the fact that real India is in no way involved with their cocktail circuits, foreign jaunts, and monogrammed jackets.

The farm crisis is real

Farmers with two hectares of land want not just ₹2,000 every four months, as the Pradhan Mantri Kisan Samman Nidhi promises. That is not even enough to fill diesel in their hired tractors. Farmers are not begging for doles. The system of governance has to understand who the small farmer is. What does the word share-cropper imply? Who is a tenant farmer? Are the land records sorted out in rural India, or are they all being purpose-

fully kept vague to enable big sharks to grab large tracts? What is land settlement and why has most of the country not gone through this process? These are the questions that we need to ask.

Imagining a New India

It is time for a New India. This New India requires modern irrigation facilities. It needs seeds and scientific and modern technological knowledge that can help and guide in reducing costs. It needs a rapid transition to cost-effective organic farming. It needs timely delivery of inputs and transport systems to enable commercialisation of agricultural products and activities. It does not need doles.

IT'S COMPLICATED



YOGINDER K. ALAGH is an economist and a former Union Minister

Build rural infrastructure in markets and provide tariff protection against subsidised imports

In the Interim Budget, the government has made a number of major political statements, which is understandable in an election year.

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) gives direct annual income support to farmers with a land holding of two hectares. This borrows from Arvind Subramanian's basic income support scheme for substantial sections of the rural workforce. Congress president Rahul Gandhi had stated this as his objective for the economy as a whole, if voted to power, despite

criticism. However, the Budget has shown an implicit appreciation of the idea and proposed it for a large part of the rural labour force. Landless labourers are a category in the Census and National Sample Survey Office, but as the Finance Secretary clarified, they cultivate at least kitchen plots, and so are marginal farmers for revenue purposes and are eligible for the scheme.

When we count the economic costs we factor in the terminal costs (for the year when the scheme is fully implemented) as a percentage

of, say, GDP or agricultural GDP, but such schemes take time to implement and the initial costs are lower.

Will it work?

Of course, there is no way of testing if sufficient funds have been provided for the scheme. Small farmers till around two-fifths of the land but are two-thirds of the labour force, since agricultural labourers also till small plots of land. The Budget speech compares the revised estimates for this year with the Budget estimates for the next fiscal. Since Budgets get scaled down when the fiscal crunch be-



come a constraint. The Interim Budget has rhetoric, but the NITI Aayog, which wrote this, does not have any fund allocation powers, unlike the reformed Chinese planning set-up where strategic plans are buttressed with funds. So, you live from day to day. Direct Transfers are then the oxygen you need.

The Budget speech also reiterates the government's stated goal of doubling farmers' income. The government is obviously sceptical of this; otherwise an additional Direct Transfer sounds rather excessive, even in the months before an election. The budgeted figure for MSP or other support will have to be based on a cost concept that in-

cludes rent and interest on farm investments, as a committee I chaired on cost concepts for MSP had argued.

Direct Transfers to stay

By calling it an Interim Budget, a legal constitutional hassle has probably been avoided. But the argument that the amount that a new government can spend can be decided now is unconvincing. The new lot, even if the same party comes to power, will not be that generous in giving credit to their predecessors. The fun and games will start with the rains. Knowing our country, we can be reasonably confident that Direct Transfers have come to stay.

SINGLE FILE

Irking the Dragon

By walking out of the INF treaty, the U.S. may have dragged China and Russia into a new arms race

ATUL ANEJA



China has predictably criticised the U.S.'s decision to walk out of the landmark Intermediate-Range Nuclear Forces (INF) treaty, which was signed in 1987 by U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev to eradicate conventional and nuclear missiles ranging

from 500 to 5,500 km from their arsenals.

Of all countries following the crumbling of the major arms control treaty, China seems to be the most impacted. The Chinese expect that the Americans will now reinforce their tactical missiles, both nuclear and conventional, in Guam, a large military base in Micronesia, at the heart of the U.S. deterrent in the Pacific. It is also expected that the Americans will pack other U.S. bases in the Pacific, especially those in Okinawa — a string of islands in the East China Sea that belong to Japan — with intermediate range missiles. By doing so, the U.S. would be able to virtually box in the movement of Chinese naval ships in the West Pacific, especially by safeguarding strategic gateways to the open sea, such as the Miyako Strait in Japan.

China is aware that the post-INF missile deployments can significantly undermine its own deterrent, especially its mid-range missiles. Currently, the Americans have no answer to China's DF-21D missiles. These weapons have been tailored to destroy U.S. aircraft carriers even at a distance of 1,450 km. China recently flaunted its DF-26 ballistic missiles, which can deliver a strike on Guam.

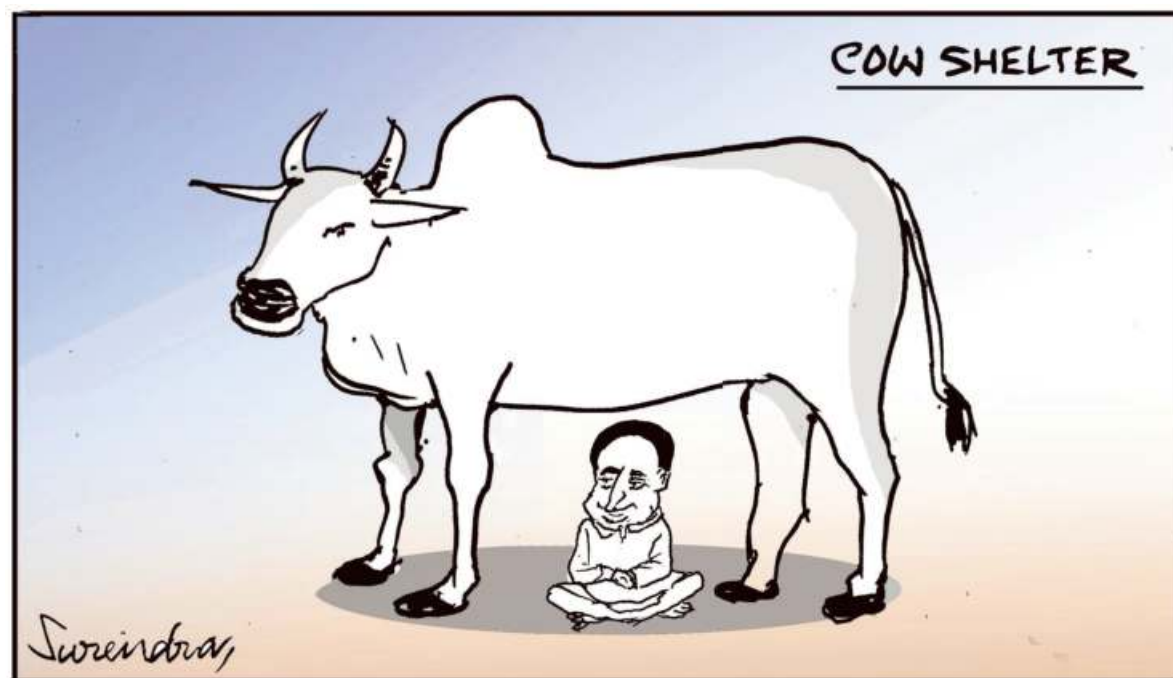
Chinese media reports reveal Beijing's apprehension that the Americans are at some point likely to propose a fresh arms control dialogue, sharply focusing on China's mid-range missiles. The new treaty targeting China's intermediate range missiles is expected to seek termination of the Chinese challenge to Washington's military dominance in the West Pacific.

But Beijing will not be second-bested by Washington in the tense ongoing tussle for equivalence, and in writing the rules, in the waters of the Pacific. A write-up published in *China Military Online*, a website affiliated with the People's Liberation Army, points out that in view of the anticipated moves by the U.S., China must rapidly reinforce its nuclear arsenal, through qualitative rather than quantitative improvements.

Besides, Beijing would have no choice but to beef up its conventional deterrence by developing hypersonic missiles, which can smash into targets at five times the speed of sound, unharmed by any existing ground-based missile defences. The next generation of strategic bombers as well as long-range air-launched cruise missiles could also be on Beijing's radar.

By taking the miscalculated step of walking out of the INF treaty, the U.S. may have dragged China, as well as Russia, into a new and unpredictable arms race, with the potential of destabilising the Indo-Pacific.

The writer is The Hindu's China correspondent



DATA POINT

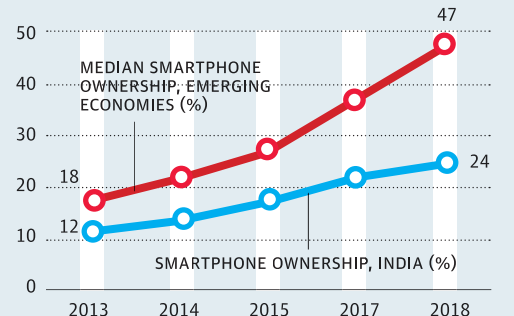
Upwardly mobile

Nearly 64% of Indian respondents who were part of a global survey in 2018 owned a mobile phone and 24% owned a smartphone. While India's smartphone ownership has increased over time, the rise has been slow compared to other emerging economies*.

By Varun B. Krishnan

One in four have smartphones...

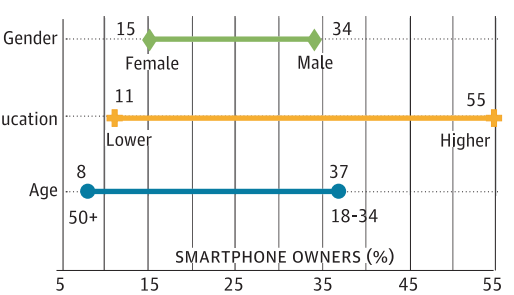
...But the gap between smartphone ownership in India and other emerging economies has widened over the years



Demographics change

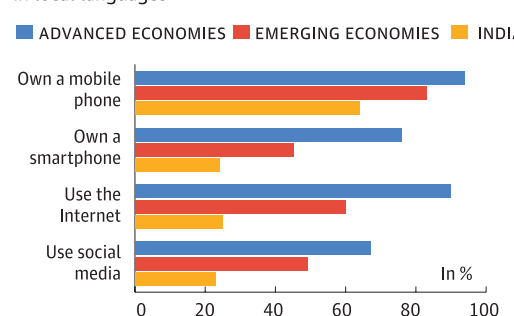
In India, the sharpest contrast in smartphone ownership was among those with different education levels*. Its gender gap was also the highest among the countries surveyed

*Lower education: below secondary; higher: secondary or above



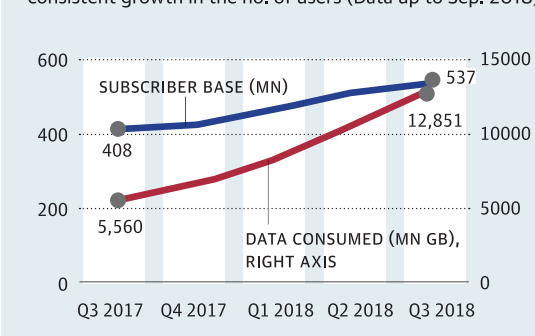
Global comparison

The percentage of Indians who use social media is low, but the numbers are expected to grow due to falling costs of data, and the availability of smartphones and social media in local languages



On the upside

However, the no. of wireless data subscribers in India, a proxy for smartphone usage, indicates that there has been consistent growth in the no. of users (Data up to Sep. 2018)



FROM The Hindu ARCHIVES

FIFTY YEARS AGO FEBRUARY 8, 1969

Admission to degree courses

A proposal to abolish the age limit for admission to colleges for degree courses is under the consideration of the University Grants Commission. This step is being taken to simplify procedures for admissions. The U.G.C. has already recommended the scrapping of the cumbersome requirement regarding migration certificates. In regard to the age restriction, more than 50 universities in the country have prescribed age limits for admission to various degree courses. In Delhi, for instance, unless a student completes 16 years he is not admitted into the B.A. first year. The U.G.C. has taken the view that it is unfair to refuse admission to a student just because he has not completed the prescribed age. Even if a candidate is short by a few days, he is not eligible for higher studies now. Only last year, the student who stood first in the higher secondary examination, Delhi, with record marks, was refused admission to a college because he was under-aged.

A HUNDRED YEARS AGO FEBRUARY 8, 1919

Germany's War Guilt.

At the International Socialist Conference, Eisener, head of the Bavarian Government speaking in the debate on the responsibility for the war, pleaded guilty on behalf of German Socialists, but argued that Germany could expiate her guilt by advancing on the path of Socialism [according to a Feb. 5 report from Berne]. He claimed that Germany was now the most democratic country in the world. Kantsky German Independent Socialist declared that documents proved Germany's guilt. Bethmann Hollweg's statement that France attacked first was a lie. Doctor Adler, German Majority Socialist, placed on the table a declaration that the war was due to the Imperialist policy of the old German Government and recognising the need for inquiry. He admitted that attempts to justify the invasion of Belgium which was a breach of international law had been a pronounced failure. He stated that the German Republic did not wish to escape any guilt which might be established.

CONCEPTUAL Ethical intuitionism

PHILOSOPHY
Also known as moral intuitionism, this refers to the philosophical belief that there are objective moral truths in life and that human beings can understand these truths intuitively. In other words, what is right or wrong is considered by ethical intuitionists to be self-evident in nature and cannot be known through human experience. The idea was popularised by American philosopher Michael Huemer in his 2005 book *Ethical Intuitionism*. Critics of ethical intuitionism argue that people may come to different moral conclusions even after consulting their inner intuition. Others question whether people can arrive at moral conclusions at all using their intuition.

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