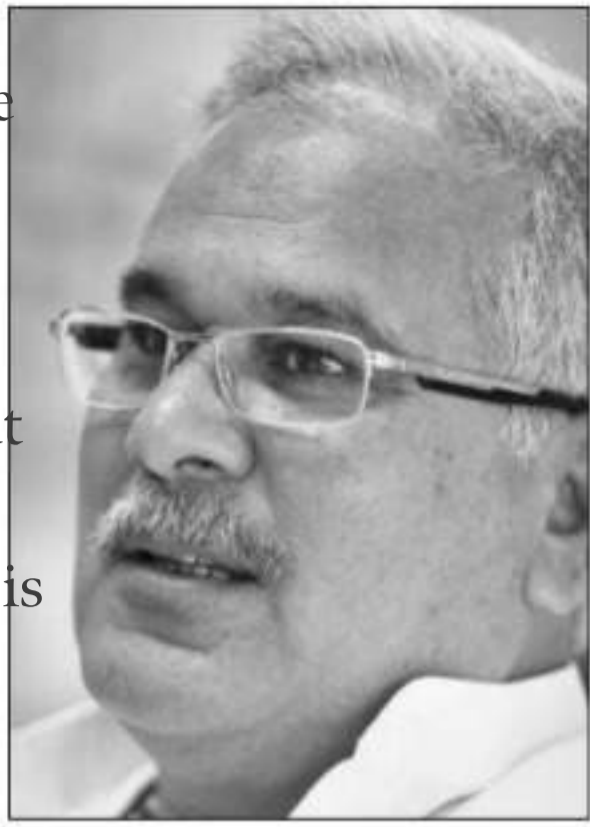


# 10 IDEA EXCHANGE

NEWSMAKERS IN THE NEWSROOM

In Chhattisgarh Assembly polls, we have beaten both Modi and Amit Shah, not just Raman Singh. We have dispelled the notion that Shah is an election-winning machine. That is not a fear now"



**RAVISH TIWARI: What is your assessment of the Chhattisgarh Assembly elections?**

If you look at the time before the creation of Chhattisgarh (2000), the Congress had formed governments in Madhya Pradesh. In 2003, it was not that the BJP won, the Congress lost (the Chhattisgarh elections). Not even the Congress, Jogji (then CM Ajit Jogi) lost the elections. People did not like his style of working. Raman Singh became the chief minister. Even in 2008 and in 2013, one can't say that the BJP won; we lost. In 2003, we won 37 of the 90 Assembly seats. In 2008, we won 38 and in 2013, we won 39. The difference (between the BJP and the Congress) has never been a lot. We have always been just five-six seats behind the halfway mark of 45 seats.

In the Antagarh bypolls, which happened right after the 2014 Lok Sabha elections, the word going around was that if Jogji was removed from the Congress, our government would be formed. When he left the party, it paved the way for our victory. I was made the president of the state party unit just before the 2014 Lok Sabha elections. We could not deliver then but we continued to fight for our people. We raised issues such as ration cards for the poor, sale of crops... We did *padyatras*, *dharmas*, *gheras*. That is how we were successful in winning the people's trust.

**RAVISH TIWARI: In the Assembly elections, your fight was against Raman Singh. Now, in the Lok Sabha polls, your fight is against Prime Minister Narendra Modi. How are the two contests different?**

In the run-up to the Assembly elections in Chhattisgarh, the BJP said Narendra Modi would be their face for the election. All banners, posters and hoardings had large images of Narendra Modi. Raman Singh's picture would be very small. In our campaign, we spoke a lot about demonetisation and the Goods and Services Tax. I think, in the entire country, the most opposition to demonetisation and the GST came from Chhattisgarh. We did not just target Raman Singh but also Narendra Modi and Amit Shah.

As the Assembly elections got closer, our party president Rahul Gandhi raised the *chowkidar* slogan for the first time while inaugurating a party office in Chhattisgarh. We kept raising that slogan and also the issue of the Rafale deal. As the elections got nearer, photos of PM Narendra Modi and Amit Shah started shrinking on posters. So we beat both Modi and Shah in the 2018 Assembly elections. We have dispelled the notion that Shah is an election-winning machine. That Gandhi has been growing. They see a clear is not a fear now. Last time (in the state polls) we won three-fourths of the seats, this time we will win 100 per cent.

**RAVISH TIWARI: The BJP has decided to drop all its 10 incumbent MPs from Chhattisgarh and replace them with new faces in the Lok Sabha polls. How do you plan to take them on?**

What people want to know is why are questions (about the strikes) is labelled as these leaders being replaced? Is it be-anti-national or anti-religion... But why is cause work is not being done, or is it for asking whether there was an intelligence getting some novelty in the polls, or is it failure in Pulwama a crime? Our party simply out of fear? The BJP is scared after president Rahul Gandhi interacts with the defeat in the 2018 Assembly elections, students, farmers, journalists. He resists. This fear is the reason behind the ponds to their questions. A country that change in leadership. A scared force can doesn't raise questions, where one is never win a battle.

**RAVISH TIWARI: As a leader who has risen from the grassroots, what is your assessment of the Lok Sabha elections — not just in Chhattisgarh but also at the national level?**

It is very simple. All that Modi said in 2014 is *jumla* — bringing back black Indira Gandhi, (Lal Bahadur) Shastriji or money, giving employment to two crore Jawaharlal Nehru's decisions. There must people, implementing the recommendations of the Swaminathan Committee — now. After the aerial strikes, some media port to help resolve farmer woes. People organisation published that 300 people understand this now. It is apparent from where they were killed. Where did this number come the election results in Rajasthan, Punjab, from? How did the media get this number-Karnataka. People are making the comparison? Is it criminal to ask this question? The rise (between the BJP and the Congress), armed forces were not put together in the We formed the government in these last five years. No one doubts the armed states. When the Centre implemented demonetisation, all Indians are proud of them. But monetisation without any notice, people the way the party (BJP) is politicising it, thought they could battle the hardships people are pointing fingers.

with the black money that would come back into the system. But that myth got busted. Today, there is no account of how the much black money came back. People have lost their trust (in the government), while campaigning during the state elections, Rahul Gandhi raised the issue of loan waivers for farmers, returning land to the tribal population... and 2,200 acres were actually returned to the community. The People now see that Rahul Gandhi implements his promises while what (EOW). Last month, he was Modi says is only *jumla*. People on ground have got this message. In state

commissioner. Fifteen MPs have written to you to set up an

## WHY BHUPESH BAGHEL

A grassroots leader, Bhupesh Baghel, 57, has worked his way up in the party since first joining the Youth Congress in 1985 to finally bagging the CM's post after the Assembly elections. Among the states that the Congress won last year, Chhattisgarh was its most decisive victory, with the party winning 68 out of the 90 seats in the state. Born

into a farmer's family, the Kurmi leader first came into the limelight in 2013, when he was handed the reins of the party after a Naxal attack in Jhiram wiped out the entire Congress leadership in the state. He is now outlining the Congress's Chhattisgarh strategy for the Lok Sabha polls, which are spread across three phases in the state



"Rahul Gandhi never called PM a thief. Those who consider themselves *chowkidars* but loot the nation are thieves. If you are a *chowkidar*, do *chowkidari*. No one called you a *chowkidar*, you did that on your own"

# 'A country where one is branded a criminal for asking questions cannot succeed'

Chhattisgarh CM Bhupesh Baghel says Balakot aerial strikes will not impact election results, asserts that change of candidates by BJP shows that it's afraid in the state and explains why no one anticipated the scale of the Congress victory in the Assembly elections



Chhattisgarh CM Bhupesh Baghel with National Bureau Chief Ravish Tiwari in *The Indian Express* newsroom. Abhinav Saha

**'overarching inquiry' to look into the actions of Kalluri. What is the government doing about it?**

Of all people, I have been the most opposed to him. The question here is not about the official but the government's vision and intention. Secondly, when he is in the EOW, he is not in the field. When he was IG, he was.

Also, he was believed to be very close to Raman Singh. When our government came to power, we gave him a responsible role so that the BJP doesn't accuse us of playing politics of revenge. Now, transport is not a department where one can earn money (illegally). In a way, it's a punishment posting. He has been posted there. We have also set up a committee to investigate all allegations against him. Action will be taken as per their report.

**HARISH DAMODARAN: Your government announced a sharp hike in minimum support price (MSP) of paddy to Rs 2,500/quintal from Rs 1,750/quintal. How sustainable is this? Also, why is your party not highlighting this and instead talking about chowkidar, Rafale etc?**

Our party president has been talking about both the issues. I have travelled with Rahul Gandhi to Odisha twice, and on both occasions he spoke about the MSP being raised in Chhattisgarh. If it has not been spoken of in the national media, I cannot comment on it. Rahulji has been constantly speaking on the issue...

We have made the payments. Every farmer has got Rs 2,500. It has been implemented hundred per cent. You can check with the farmers.

**RAHUL TRIPATHI: Naxalism has been a challenge for both the UPA and NDA governments. Both sides have focused on security while dealing with the issue, but the challenge remains. Do you think it's time to change the strategy and explore methods such as dialogue?**

The issue has not remained the same, it has grown over the years. When Chhattisgarh was formed, it (Naxalism) was only limited to three districts. Now it has spread to 14 districts. The more forces have been deputed, the more Naxalism has grown. This shows that the more guns you send, the more this problem will spread. Gun is not the answer.

I am not saying that we should speak directly to Naxals. The victims (of Naxalism) include Adivasis, traders, local journalists, those working in local social groups. We have to speak to all of them. We will speak to everyone affected and that is how we will get effective solutions. After talking to these people, and taking into consideration the points that emerge from the talks, I will take things forward. A bullet for a bullet, and a gun for a gun, that solution does not work.

**RAVISH TIWARI: The BJP claims the Congress is soft on Naxalism. Even**

**within UPA-II, there was difference in opinion on Operation Green Hunt (against Naxalites). What directive have you got from the party high command now?**

Through this interview, I want to ask the BJP a few questions. We have lost leaders such as Mahendra Karma in the struggle against Naxalism. Nand Kumar Patel, Vidya Charan Shukla, they had all fought against Naxals. We have lost a lot and there is no need to clarify on our position vis-a-vis Maoists, given our loss.

The BJP government did not ensure a fair investigation in the Jhiram Ghati Maoist attack which wiped out the state Congress leadership in 2013. We want to investigate it. There was a conspiracy. It was unlike any Naxal attack before. It was systematic killing. We enquired with the Home Ministry, I also enquired personally, but the BJP has not responded. I think it is the BJP that is connected to the Maoists. Why can't they conduct an inquiry? They have the power to do so for such killings.

**RAVISH TIWARI: Before the Assembly elections, there was a push for coalition with Mayawati's BSP, even in Madhya Pradesh and Rajasthan. You didn't concede to the demand for a coalition. Now, with a few weeks to go for the Lok Sabha elections, is there a need for coalitions or should the Congress fight alone?**

In Chhattisgarh, we were discussing the need for coalitions before the (Assembly) elections. The BJP was in the state for 15 years, so we needed a strategic plan. But the BSP demanded a lot and kept shifting its stance. I understand that Ajit Jogi (Janata Congress Chhattisgarh) and the BSP's coalition was due to the Enforcement Directorate and CBI. Perhaps the same story played out in UP too.

**KARISHMA MEHROTRA: The Comptroller and Auditor General is probing what was pegged as the world's largest mobile distribution scheme under the Raman Singh government. What aspects of the scheme are under investigation?**

Firstly, it was a ploy to win elections. They wanted to distribute 55 lakh mobile phones in an area without network, and

without any plan to disburse the phones. In Naxal-affected areas, there is not even electricity. The phones can be used to play songs but then the people will have to go to the neighbouring villages to charge their phones. We also opposed the use of local resources to install towers worth Rs 600 crore. How can local panchayat funds be used for this? We raised the question in the Vidhan Sabha.

Also, why weren't BSNL towers installed, why did they put up Jio towers? We have recalled 10 lakh mobile phones. We are asking the company to take it back. The CAG is now looking into the matter. Why should government money be given to private firms, especially when we have BSNL? When we ask them for an inquiry, they say it's vendetta politics. The phones have the NaMo and Raman apps pre-installed on them. It's wrong. Had there been a PM, PMO or CMO app, it was understandable.

**VANDITA MISHRA: You said that the Modi-Shah machine has been stepped in Chhattisgarh. But in MP and Rajasthan, the Congress did not perform as well as it expected to.**

Rajasthan was the most surprising and the Central leadership is assessing the results. I think Delhi underestimated Chhattisgarh, both the media and political experts. We didn't have big leaders like in MP and Rajasthan. Delhi didn't know anyone other than Jogi. We mobilised our workers, fought on issues that affected people... It was a people versus the government fight.

**RAVISH TIWARI: What do you make of the language being used by leaders in political campaigns. The Congress president has called the PM a 'thief'.**

Rahul Gandhi has never called the PM a thief. He has said '*chowkidar chor hai*'. Those who consider themselves *chowkidars* but loot the nation are thieves. Vijay Mallya, Nirav Modi, Lalit Modi, how did they all escape? If you are a *chowkidar*, do *chowkidari*. No one called you a *chowkidar*, you did that on your own. On social media, have you seen the language used by the BJP workers against Jawaharlal Nehru, Sonia Gandhi and Rahul Gandhi? They are maligning them.



"When Chhattisgarh was formed, Naxalism was limited to three districts. Now it has spread to 14. The more forces deputed, the more it has grown. This shows that more the guns, more this problem. Gun is not the answer

ACROSS THE AISLE



P CHIDAMBARAM

The moral-economic question is, should not the country set apart up to 2% of its GDP to lift the poorest 20% out of poverty. The bullet train will cost upwards of Rs 1,00,000 crore! The write-offs in the handful of corporate insolvency cases that have been resolved so far amount to more than Rs 84,000 crore! If a few people 'deserve' such largesse, why should 50 million families (250 million people) not deserve a small fraction of the GDP or of the total expenditure?

FINALLY, A political party has found the courage to bite the bullet. For too long we have ducked the issue, declined to face the moral argument, and trotted out excuses for our unwillingness to take radical measures to eliminate poverty.

The vast majority of the people of India were always poor. (I could be accused of being anti-national.) We were very poor at the time of Independence. The per capita income (at prices then prevailing) was Rs 247. Few had jobs outside agriculture. Literacy was at 17 per cent. Life expectancy at birth was 32 years. All these indicators pointed to massive and widespread poverty.

In 72 years, all indicators have improved. Millions have moved out of agriculture and hold jobs in the organised sector. The literacy rate is 73 per cent, life expectancy at birth is 68 years and per capita income at current prices (2018) is Rs 1,12,835.

A STAGGERING NUMBER

We should be happy; at the same time we should be ashamed that nearly 250 million people are still very poor. A similar number will be thrown up if we count the people without a proper home (not a hut); or without a patch of land; or without sufficient food on many days of a month; or without a regular source of income.

We can be legitimately proud that millions of people have escaped the vicious grip of poverty. Every survey has

reported that between 2004-05 and 2013-14 (the UPA years), at least 140 million people were lifted out of poverty. Some more may have breached the poverty line under the NDA government, even while some who were hit hard by demonetisation and the flawed GST may have slipped below the poverty line. My guess is that one number cancelled the other under the NDA government. We have to await data for the period.

The inevitable conclusion is that there is a significant proportion of the population that lives in poverty. That proportion is variously estimated at between 20 and 25 per cent. In absolute numbers, it is a staggering 250 to 300 million. The economic question is, can we rely on growth alone to lift them out of poverty? The moral question is, should we rely on growth alone to lift them out of poverty?

ECONOMIC MIND, MORAL HEART

The answer to the economic question is, yes we can. Rapid growth will eventually wipe out poverty. It will also allow us to build a social security system that will offer support in the event of anyone falling below the poverty line due to a personal tragedy or business failure. The catch is, this may take years, and the very poor will suffer great hardships and humiliation during that period. Hence, the answer to the economic question is not entirely acceptable.

The answer to the moral question is, no we cannot. We must look beyond growth and employ other radical measures to wipe out abject poverty. The one measure that has the broadest support among economists and social scientists is direct cash transfer to the target population. In fact, Dr Arvind Subramanian, Chief Economic Adviser between 2014 and 2017, had devoted a whole chapter to the idea in the Economic Survey 2016-17.

The idea of a Universal Basic Income (UBI) has been debated for many years. Direct Cash Transfer to targeted groups of people is a variation of UBI. Pilot schemes on cash transfer to targeted groups have been tried in many countries. There is a lot of literature on the subject. Many doubts about direct cash transfer have been effectively answered.

Nyuntam Aay Yojana (NYAY, meaning Justice) announced by the Congress party promises to make a direct cash transfer to 50 million very poor families every month/year. The sums involved are considerable but whether India, after 72 years of Independence, should embark upon such a scheme to eliminate poverty must be answered with an economic mind and a moral heart. In my view, there can be only one answer: yes we must do it, overcoming all challenges. The quality of a good government lies in successfully implementing a difficult scheme, not shooting down a scheme that is morally imperative and economically feasible.

FIRST CHARGE ON RESOURCES

India's GDP, at current prices, has grown in the last 15 years (see table) and will grow, in nominal terms, at between 11 and 12 per cent every year:

2004-05	₹ 32,42,209 crore
2009-10	₹ 64,77,827 crore
2014-15	₹ 124,67,959 crore
2019-20	₹ 210,07,439 crore

By 2023-24, it is expected to reach Rs 400,00,000 crore. The total expenditure of the Central and state governments in 2018-19 is estimated at Rs 60,00,000 crore, and this number too will grow as revenues increase every year.

The moral-economic question is, should not the country set apart up to 2 per cent of its GDP to lift the poorest 20 per cent out of poverty. Remember, the bullet train between Ahmedabad and Mumbai will cost upwards of Rs 1,00,000 crore! The write-offs in the handful of corporate insolvency cases that have been resolved so far amount to more than Rs 84,000 crore! If a few people 'deserve' such largesse, why should 50 million families (250 million people) not deserve a small fraction of the GDP or of the total expenditure?

The poor have the first charge on the country's resources. The Congress has recognised this principle and thrown the gauntlet.

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FIFTH COLUMN



TAVLEEN SINGH

Not another NYAY

WHEN RAHUL Gandhi speaks in public, he speaks with a schoolboyish glee that is the exact opposite of gravitas. And, it was in this smug, gleeful way last week that he announced his new scheme that he promised would be the final assault on Indian poverty. He declared that if the Congress is voted to power, every 'poor' Indian will get Rs 72,000 a year 'delivered straight into his bank account'. If Narendra Modi can give rich people money, he clarified, then a Congress government could give money to the poor.

His explanation of the Nyuntam Aay Yojana (NYAY) was muddled so it was left to his managers to explain later that 50 million Indian families in the poorest 20 per cent of India's population would get Rs 6,000 monthly. Taxpayers will pay Rs 3.6 lakh crore extra to support this scheme that some describe as 'Gareebi Hatao 2.0'. Rahul's grandmother launched the first version of this scheme in 1971 and won a spectacular victory in the general election that year. Congress spokesmen have gone to great lengths to explain that experts and renowned economists were consulted before it was agreed that the poorest Indians were those who live on Rs 6,000 a month. So helping them with another Rs 6,000 would lift them out of poverty.

This confirmed what I already believe. The 'experts' and 'renowned economists' who draw up schemes of this kind are people who have never met a poor Indian in their lives. If they had, they would have discovered long ago that the reason why schemes like this have failed to lift people out of poverty is because poverty in India is caused by complex factors. In rural India its main cause is caste. And, for those who do not believe this, may I recommend a book called *Joothan* by Omprakash Valmiki. This Dalit writer has explained in heart-breaking detail his struggle to escape the degradation of his Dalit fate by trying to get an education. But, in the village school, the upper caste teachers tried to keep him away from learning to read and write by forcing him to sweep the schoolyard daily.

Dalit children face this awful reality every time they try, like Omprakash did, to break the caste boundaries that confine them to poverty and humiliation. Sadly, one of the failures of Narendra Modi's tenure has been that he did not order his chief ministers to make primary schools more inclusive. The best rural schools in any case offer abysmal standards of learning and there has been no 'parivartan' here either.

In urban India, caste is not the main reason why millions remain in poverty, but illiteracy certainly is. As is the inability to find a roof for shelter. Not one Indian city or town has built sufficient low-income housing. In the street in which I live in Mumbai also live many 'pavement-dwellers', some whom I have known since they were children. One of them, Roopa, has managed to get a job as a night attendant in a public toilet. She gets paid Rs 8,000 a month but faces the daily harassment of municipal officials who take her daughters into government care because they sleep on the pavement.

In my efforts to help Roopa and her sister Surekha, I sent their brothers and husbands to driving school. They learned how to drive but nobody would hire them because they were of no fixed address. So they survive by parking rich people's cars, selling flowers at traffic lights and doing sundry menial jobs whereby they earn between Rs 100 and Rs 200 a day. Their ultimate dream is to rent a hovel in one of Mumbai's many slums, but they cannot afford even this so they are forced to live on pavements. Their biggest enemy is the pitiless Indian State. They live in constant terror of police and municipal officials who treat them with contempt and brutality.

If Rahul Gandhi believes his NYAY is going to make a difference, he is wrong. Modi was on the right track when he mocked MNREGA and schemes like it, but sadly he got frightened into following the Congress path because his advisors warned him that once an anti-poverty scheme comes into existence, it cannot be done away with. Proof that these huge schemes always fail is that other grand scheme devised by Rahul's Mummy, the food security programme. If it had worked, would every other Indian child be officially suffering from malnutrition? The only period in which millions of Indians were lifted out of poverty and into the middle classes was in that brief period when the licence raj ended and millions of new jobs got created by private enterprise. What India needs is more private enterprise so that there can be real prosperity one day. What we do not need is more statism and more schemes like NYAY.

Follow Tavleen Singh on Twitter @tavleen\_singh

NYAY for the very poor

INSIDE TRACK



COOMI KAPOOR

GUJARATI LINK

THOSE DRIVING from the Varanasi airport to the temple town have noticed that boards on construction sites of ongoing highways and bridges projects usually have a Gujarat address these days. Apart from Narendra Modi, there are several connections between Gujarat and the Prime Minister's constituency. For instance, the architect of the recently inaugurated Kashi Vishwanath Corridor is Bimal Patel, the man behind the Sabarmati riverfront project. CR Patil, the MP from Navsari, Gujarat, is in-charge of the two model villages adopted by Modi in the constituency. Modi has also appointed Sunil Oza, the former MLA from Bhavnagar, Gujarat, to oversee the development projects for Varanasi. Patil and Oza in turn have called in many BJP supporters from Gujarat to help out.

NYAY VS ANYAY

THE CONGRESS hired half-a-dozen advertising agencies to make presentations to the party for the 2019 campaign theme. Although a large sum was spent for the professional advice, it appears that the Congress, like the BJP, is eventually fashioning its own campaign and has turned down the suggestions. Rahul Gandhi played a major role in conceiving the concept which is to be announced at the beginning of April. The Congress will promote the slogan that the party will ensure 'Nyay (Justice)' to undo Modi's 'Anyay (Injustice)'.

IN THE MINORITY

SHAHNAWAZ HUSSAIN is the best known Muslim face of the BJP. Once a minister in Atal Bihari Vajpayee's Cabinet, he continues to be a senior spokesperson for the party and is on the BJP's powerful central election committee. So when the Bhagalpur seat came up for discussion before the committee, it was humiliating for Hussain to discover that the BJP had already conceded it to its partner, the JD(U). Hussain's claim on the seat was indisputable. He has won from the seat twice and in 2014 lost by a mere 1 per cent margin. Last year Hussain had travelled back and forth from Bhagalpur spending some

OUT OF MY MIND



MEGHNAD DESAI

IT IS most likely that the incumbent BJP/NDA a.k.a. Modi government will be returned to power. We can debate the number of seats that one or the other party gets. It was argued before the election was announced that a grand coalition of all opposition parties could and would defeat Narendra Modi. Of course, no party entering an election will claim anything less. The various state chief ministers — the satraps — had begun

15 to 20 days a month in the constituency. So who is responsible for cutting out his name? JD(U) chief Nitish Kumar may nurse a grudge since as BJP spokesperson, Hussain had hit out in 2010 after the Chief Minister had cancelled a dinner for Modi in Patna, but the real reason seems to be that Hussain is not in Amit Shah's good books.

GREAT EXPECTATIONS

Actor Shatrughan Sinha fell out with the BJP for not according him due respect. Now, the Congress too may have fallen short of his expectations. Sinha expected his entry into the Congress to be announced with due fanfare. He was furious when he learnt that party spokesperson Randeep Surjevala was to make the announcement. In light of Sinha's reaction, the Congress shelved his formal entry into the party till after the Bihar seat-sharing concluded. In the meantime, Sinha was given a chance to meet Rahul Gandhi for a photo op.

PLAN GONE AWRY

THE CONGRESS planned to field Hardik Patel against Amit Shah from Gandhinagar. Patel is a great orator and with over 2.5 lakh Patel voters in the Lok Sabha seat, he was expected to keep Shah on his toes. But the plan fizzled out after the Gujarat High Court rejected Patel's plea seeking suspension of his conviction in a rioting case in Mehsana in 2015.

DUAL LOYALTIES

THE CONGRESS is having a hard time dealing with its slippery partners. Take the case of JD(S) general secretary Danish Ali, who worked out an agreement for seat-sharing with the Congress for the Lok Sabha polls in Karnataka. One day Ali handed roses to Congress leaders after successfully concluding the seat formula. Five days later he presented chrysanthemums to Mayawati's right-hand man Satish Misra, joined the BSP and got the party ticket for Amroha Lok Sabha seat in UP. Karnataka CM H D Kumaraswamy tweeted that the deal had his blessings, ignoring the fact that the only BSP minister left his Cabinet several months back and the BSP is contesting all the parliamentary seats in Karnataka. Ali has been H D Deve Gowda's pointsman in the Capital for two decades and was unhappy he never got a Rajya Sabha seat for services rendered. One conjecture is that the Gowdas found the BSP offer an easy way to placate Ali. But can a politician be loyal to two competing parties? Or is Kumaraswamy planning to dump the Congress in case the BJP does well in the polls?

HISTORY HEADLINE

Reading elections on Dalal Street



NILESH SHAH

MARKET SENTIMENT in the near term will be influenced by the outcome of the elections. Though the markets couldn't predict the outcome in the 2004 and 2009 polls, they got lucky in 2014. In 2004 as well as in 2009, the unexpected outcome resulted in a significant movement in the market. Today, the market is pricing in a reform-oriented, stable government pivoting around one national party, and so, there will be material move on the day of the poll result if the actual result ends up being different.

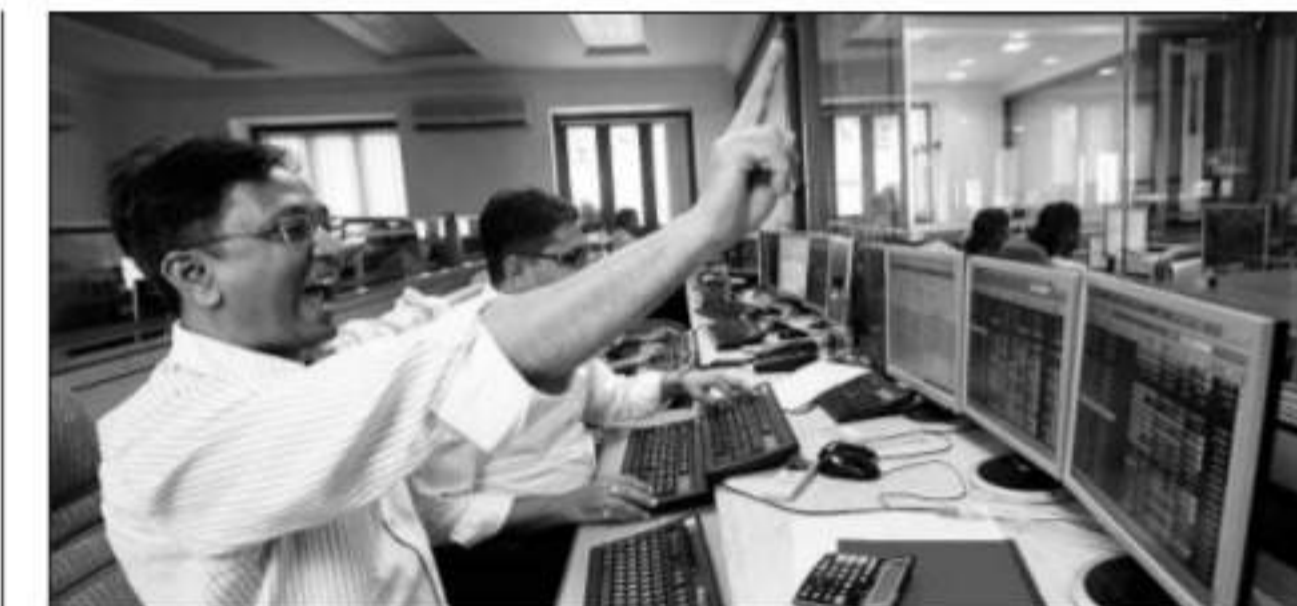
In 2004, the market corrected by more than 15% on result day but thereafter rallied on strong growth. In 2009, the market went up 20% on result day but then remained subdued due to tepid growth. In 2014, the market moved up in anticipation of a stable government well ahead of the polls. The post-poll market performed moderately in nominal terms but better in real terms.

From a fundamental point of view, earnings growth in financial year 2019-20 could jump due to corporate-focussed banks, generic pharma companies and companies with a presence in Europe.

From the headline point of view, GDP growth in the third quarter of FY 2019 slowed to 6.6%. Auto sales in February were down by more than 7% and the auto sector is cutting production to manage higher inventory. Fast Moving Consumer Goods (FMCG) and consumer durable companies are hinting at a demand deceleration. Tractor firms are talking about deceleration in the rural economy. GST collections are below the budgeted run rate. So why is the market ignoring signs of deceleration?

That's because these signs point to a slowdown in growth and not negative growth. India is still the fastest growing major economy. The below potential growth is a function of multiple factors — formalisation of the informal sector due to disruptive reforms like demonetisation and the GST has changed the business model, resulting in an inevitable slowdown.

An overvalued rupee in the last few years allowed China to dump goods, putting tremendous pressure on Indian companies and our FY'19 trade deficit with



Pradeep Kocharekar

In 2014, ahead of results, markets moved up in anticipation of a stable government

China is \$63 billion. Growth also suffered as some of the judicial interventions resulted in the closure of iron ore mines, cancellation of coal mines and shutdown of plants over environmental issues. In the last few years, the government pursued the path of fiscal prudence which, combined with a tight monetary policy, pushed growth below potential.

The inflation targeting framework of the RBI required keeping liquidity in deficient mode. Shortage of liquidity resulted in restricted credit flow to support higher growth. The market is now factoring in that the liquidity situation will improve post-election and the RBI will keep appropriate liquidity to support higher growth. The cost of credit was relatively higher as the RBI battled inflation and inflationary expectations. If the GoI is borrowing at more than 4% real interest rates, Small and Medium-sized Enterprises (SMEs) are borrowing at double-digit real interest rates.

There are very few countries where nominal interest rates are as high as real interest rates in India. Higher real interest rates have brought inflation down from double digits to single digit but have kept growth below potential. Market is expecting sharp rate cuts to bring down cost of borrowing. The transmission of credit was restricted to sectors such as SME, real estate and infrastructure, especially from PSU banks which were placed under the PCA framework. Post the IL&FS default, most of the Non Banking Financial Companies (NBFCs) scaled down their lending, creating a credit squeeze resulting in below potential growth. The market is pricing in that PSU banks will get adequate capital from the transfer of reserves from the RBI. Besides, the improved credit flow post capitalisation of PSU banks will push growth to its potential.

The market is hopeful that in the days to come, growth will be supported by appropriate credit with better liquidity, lower real interest rates and better transmission. A fairly valued currency will keep under control the Chinese dumping of goods. A stable government will improve ease of doing business and ensure minimum government and maximum governance. The path of fiscal prudence will be maintained by raising resources through strategic divestment and asset monetisation. The monetary policy will become more accommodative as inflation remains subdued. All this will result in better growth in the future. The task is cut out for the government, RBI, judicial authorities, bankers and entrepreneurs to push growth back to potential level.

Over the years, India has seen many elections and governments. While on the one hand markets have moved higher with economic growth under various governments, on the other hand we have been left behind by all our peers over the last seven decades. Japan, China, South Korea, Taiwan, Thailand, the Philippines, Indonesia, Malaysia, Singapore have left us behind in economic growth by adopting more market-oriented policies. However, we haven't become a disaster like Zimbabwe and Venezuela by adopting populist policies that lead to bankruptcy.

Sound economic policies have lifted countries out of poverty and changed their growth orbit. It is a self-sustaining cycle which creates higher growth, which in turn attracts investors providing capital to support growth. Let us hope that India remains on the path of rapid economic growth by following sound economic policies.

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Creation of a political myth

jostling for prime ministership in the forthcoming government they were hoping to form. Then Stalin's endorsement of Rahul Gandhi's choice as prime minister began to roll back the juggernaut of the grand coalition. Others joined Stalin and it became clear that the Congress had its own plan.

It was not going to be first among equals. It would be the top dog and the rest can follow or not.

The victory of the incumbent will be hard for opponents to explain. They have been complaining about the lack of jobs, demonetisation, the GST, farmers' distress and many other alleged failures. They complain of other 'non-material' matters such as intolerance or arrogance or overconcentration of power in Modi's

hands etc. Ashok Gehlot even warned the voters that if Modi won, this would be the last election ever, which even for a veteran Congressman long used to being the winner rather than on the losing side was over the top.

Even Indira Gandhi called an election in the Emergency. Democracy is safe in India even if the Congress is not in power at the Centre.

How will the defeat be explained away? There will be a mythical history created. It will be said that until the Pulwama tragedy happened, the grand coalition (not formed as of then or even now) was sure to win, but the tragedy and the retaliation in Balakot, Pakistan, changed the scene. Modi won on back of the Balakot attack. All the failures were

forgotten by the gullible voters and the wrong party won.

I say this because exactly this myth was built up about Mrs Thatcher defeating the Labour Party in 1983, her first bid for re-election, much as 2019 will be Modi's first bid for re-election. The Falklands war launched by the Argentinian military junta was met by a counterattack by the UK. So we in the Labour Party said our deserved victory was stolen.

Of course, we were wrong, though we saw that everything Thatcher was doing was a departure from what the country's politicians had done. She had broken the norms, preached a free market philosophy which we thought was extreme. There was high unemployment, race ri-

ots and inflation had not come down as promised.

But the voters voted for her. Indeed, if we had looked at what the voters were thinking closely, we would have seen that the Conservative Party was leading in opinion polls even before the Falklands battle.

The public was fed up with the old way of doing things. Thatcher was changing things in a way no one had done before. She won the next election as well. She changed the ideology in politics and the Labour Party had to move to the Centre.

Modi was ahead in the polls before Pulwama. He has shaken up the country and changed politics. Modi will win because he is different.