

Opinion

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IN THE RUN-up to the elections in 2014, Mr Narendra Modi made a thoughtless remark on the economy. I responded by saying "Mr Modi's knowledge of economics can be written on the back of a postage stamp." It was a fair comment but, I believe, Mr Modi has not forgiven me for that comment! Not an issue, but time has proved that I was right.

At the end of five years of Modi sarkar, we can compile a long chargesheet on the government's acts of omission and commission. Top of the list, in my view, will be the management of the economy. Among the reasons for the mismanagement are (1) the Prime Minister's unfamiliarity with macro-economics and unwillingness to learn; (2) the finance minister's inability to anticipate how trade, business, investors and consumers will respond to policy changes; and (3) the government's disdain of economists and over-reliance on bureaucrats.

A different league

Running a state government is very different from governing India. A chief minister does not have to worry about the exchange rate or the current account deficit or monetary policy or external developments (e.g. the trade and tariff war between the US and China or US sanctions on Iran). A chief minister will do well in economic management if he manages the revenues of the state, keeps a control on expenditure, gets large grants from the Central government and attracts sufficient private investments. Many well-grounded chief ministers, without much formal education, have earned praise for their management of the state's economy.

Managing India's economy is playing in a different league. Successful chief ministers have floundered when appointed finance minister. On the other hand, Dr Manmohan Singh, without any political experience, was an outstanding finance minister because of his mastery of macro-economics and willingness to engage continuously with reputed economists. Without Dr Singh, there would have been no liberalisation or the many reforms that were undertaken.

Mistake after mistake

When the management of the economy is entrusted to novices or tyrants, the consequences will soon follow. Demonetisation was a classic example. No economist worth her undergraduate degree would have advised the Prime Minister to declare 86% of the currency in circulation as illegal tender, yet it was done. Since Mr Arun Jaitley has never publicly owned responsibility, it must be concluded that the decision was entirely the Prime Minister's. To his credit, Mr Modi has owned responsibility, but he has refused to admit that demonetisation derailed the economy, killed MSMEs, destroyed jobs and aggravated the crisis in the agriculture sector.

More wrong decisions followed demonetisation. Budgets were made with little understanding of the economic behaviour of human beings; the GST was poorly designed and hurriedly implemented; the NPA issue was handled in a crude and ham-handed manner; unrealistic revenue targets were chased using despotic powers and unfair means; and there was a constant

ACROSS THE AISLE

P Chidambaram



Economy has entered danger zone



Vendors waiting for customers at footwear stalls in the suburb of Bandra in Mumbai

BLOOMBERG

search for quick-fix bureaucratic solutions to structural economic problems.

Dismal report card

The Department of Economic Affairs, Ministry of Finance, has prepared a report card at the end of five financial years. Helpfully, the report has highlighted data for the post-demonetisation years beginning in 2016-17. Let me capture the major headlines from the report:

- Real GDP growth in the three years 2016-17, 2017-18 and 2018-19 declined from 8.2% to 7.2% to 7.0%. Implied growth in Q4 of 2018-19 was 6.5%.
- Gross Fiscal Deficit was 3.5, 3.5 and 3.4% of GDP. The last number for 2018-19 is suspect because tax collections have fallen short by 11% of the revised estimate.
- Capital expenditure was stagnant:

at 1.7% of GDP in 2018-19 it was the same as in 2015-16.

- GDP deflator, which is a proxy for inflation, rose from 3.1% to 4.2%.
- The current account deficit increased from 0.6% of GDP to 1.9% to 2.6%.
- Both private consumption expenditure and government consumption expenditure were stagnant.
- The fixed investment rate was stagnant between 28.2 and 28.9% of GDP, much below the high of 34.3% achieved in 2011-12.
- The distress in agriculture sector was reflected in the sharp decline in growth rate of GVA from 6.3 to 5.0 to 2.7%.
- Growth in GVA in industry was stagnant; growth in GVA in services declined from 8.4 to 8.1 to 7.4%.
- Net flow of portfolio investment turned negative in 2018-19.

The boasts of the BJP have been blown away. Our worst fears about the state of the economy have come true. Further, the growth rates declared by the CSO (already suspect in the eyes of many economists) have come under a darker cloud. The NSSO which reported the highest unemployment rate in 45 years has now punched a big hole in the MCA 21 data base used by the CSO. It turns out that 36% of the companies in the MCA 21 data base are defunct or not traceable!

India's economy is at its weakest point in many years. Hence, Mr Modi is trying to take the narrative away from the economy. That is a loud caution for those who will vote on May 12 and May 19.



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INSIDE TRACK

COOMI KAPOOR

Numbers game

The Capital's political grapevine is abuzz with possible scenarios after the election results on May 23. Some like TDP chief Chandrababu Naidu are already active. The Congress camp believes that if the party crosses 125 and the BJP gets less than 200 seats, the BJP cannot stake claim to form government. The Congress, as the largest party in the anti-BJP coalition, will take the lead in spearheading a *mahagathbandhan* government with Rahul Gandhi as potential prime minister. If the Congress gets less than 100 seats, then regional party leaders will stake their claim to head an anti-BJP coalition. However, if the BJP wins more than 230 seats, it will be on the threshold of government formation. With the numbers from the three major NDA allies, the JD(U), Shiv Sena and Akali Dal (the AIADMK may not count for much) and potential backers such as Jagan Mohan Reddy's YSR Congress, Naveen Patnaik's Biju Janata Dal, Chandrashekar Rao's Telangana Rashtra Samithi and some Independents, it could reach the half-way mark of 272 fairly comfortably. But what happens if the BJP gets somewhere between 200 and 220 seats? Some believe that the BJP could still hope to get support from other political parties if it agreed to replace Narendra Modi and settle for a more pragmatic and conciliatory leader, such as Nitin Gadkari, Rajnath Singh or Devendra Fadnavis. The BJP brains trust dismisses such talk as nonsensical kite-flying. Whatever the strength of the BJP, it will be entirely due to Modi and no replacement for him is possible. In any case, Modi and Amit Shah have ensured that the majority of the BJP candidates owe loyalty to them. The BJP is convinced that the NDA will cross the half-way mark on its own. In this election, Modi has completely overshadowed his party. Supporters seldom mention the BJP, they simply say they are voting for Modi.

Credit only for PM

External affairs minister Sushma Swaraj is an avid tweeter who is quick to trumpet her ministry's achievements and name the Indian Foreign Services officers involved. But when India scored a major diplomatic coup in getting Masood Azhar designated as an international terrorist, Swaraj did not tweet congratulating the ministry. She simply re-tweeted the Prime Minister's tweet. She was aware that on this Narendra Modi must be given all the credit.

Interestingly, three Indian officials, who happen to be Muslims, played a key role in persuading the international community, including China, the UAE and Saudi Arabia, to blacklist Azhar — Syed Akbaruddin, India's permanent representative at the UN, Asif Ibrahim, former Intelligence Bureau director and now special envoy for counter-terrorism, and Ahmed Javed, once Mumbai police commissioner, who is currently ambassador to Saudi Arabia.

Bhopal makeover

Digvijaya Singh, who once projected himself as the epitome of rationality and secularism and baited all obscurantism, has done a complete make-over in his campaign against Pragya Thakur in Bhopal parliamentary seat. When former Jawaharlal Nehru University Students' Union president and CPI leader Kanhaiya Kumar wanted to go to Madhya Pradesh to campaign for him, Singh politely declined the offer. In Bhopal, Kanhaiya's support would work as a negative factor. Instead, Singh invited Computer Baba along with hundreds of sadhus for a *yagya*, at which his wife, television anchor Amrita Rai, sat, covered her face demurely in a *ghunghat*. Similarly, in Barrackpore, Bengal, the Trinamool's Dinesh Trivedi has used fire to fight fire. He instructed his supporters to respond to the BJP's chants of '*Jai Shri Ram*' with '*Har Har Mahadev*', the battle cry of the Indian Army.

Vahini vigilantes

Even before he took over as the head of the Gorakhpur Mutt, Yogi Adityanath had floated a youth militia, the Hindu Yuva Vahini, in 2002. The ostensible purpose was propagating Hindutva and nationalism, but there were many charges against its members of harassment, communal violence and intimidation. However, after he took over as chief minister, Adityanath distanced himself from the Vahini. Sunil Singh, a key functionary of the organisation, was infuriated when he and some others did not get Assembly tickets. He revolted and formed a rebel Vahini outfit, declaring himself president. Singh announced that he would contest against the BJP's Gorakhpur candidate, actor Ravi Kishan, on a Hindustan Nirman Dal ticket, the party floated by Narendra Modi's old bête noire Pravin Togadia. Being a Thakur, Singh might have cut into BJP votes, but his nomination was declared invalid by the Election Commission.

Time to reboot

Barcelona must clear deadwoods to make room for new arrivals, and prepare for life after Messi

RINGSIDE VIEW

Shamik Chakrabarty



AFTER THE HUMILIATION at Anfield, Barcelona made a quick exit but left Lionel Messi behind. The skipper was summoned for a routine dope testing and the process took a little longer. So Messi's team mates and the coaching staff decided to make the gateway and the star player had to make his own way to Liverpool's John Lennon airport. Football can be very lonely at times even for its biggest global ambassador.

At the airport, Messi bumped into a group of angry Barcelona supporters who chose to be abusive. The team captain confronted them. "What did I do wrong?" Messi was quoted as saying. After the Anfield choke, the icon was picked to lay the blame on. And it was unfortunate that a section of the fans and media targeted Messi.

The 'scandal' in Merseyside will always remain as one of the darkest chapters in Barcelona's history. They let a three-goal advantage slip and got blown away 4-0 by

Liverpool in the return-leg of the Champions League semifinal. It was one choke too many. They had frozen in Rome last year also, when Roma had turned over a 4-1 first-leg deficit in the quarterfinal. Football, however, is a team sport. Messi's genius was the reason why Barcelona had won the first-leg against Liverpool 3-0 at Camp Nou. At Anfield, Messi had a couple of goal-scoring chances. But it was one of those days when he missed the target. Barcelona, though, didn't lose against Liverpool because Messi was below par by his incredibly lofty standards.

Jordi Alba defended like Ashley Young or Luke Shaw, he was that bad. In fact, the whole Barcelona defence went to sleep, especially during Liverpool's winning goal from a corner. Philippe Coutinho, the £142 million man, didn't turn up. He rarely does, when the going gets tough. Coutinho in all likelihood will end up as the most expensive flop in Barcelona's history. But the Catalans' problem is not restricted to Coutinho or Alba. The ageing side needs a bit of rebuilding. They also must gradually leave Messi's shadow.

Domestically, Barcelona still remain a powerhouse, about to complete a League and Cup double. But like their bitter rivals Real Madrid, Barcelona, too, consider



Lionel Messi celebrating winning La Liga with the trophy

REUTERS

this season a failure if they fall short of the European Cup glory. And they haven't won it after 2015. Coach Ernesto Valverde is expectedly in the line of fire following the latest capitulation. The Spanish press is now tearing him apart. "Valverde's fear leaves Barca without another Champions League in the era of Messi," Sport belted out on its front cover

after the Anfield surrender. "Valverde's conservatism took its toll," opined Marca. Yes, Valverde dithered, when he should have been proactive with his substitutions. Coutinho shouldn't have taken the pitch after half-time. The coach's decision to use Messi as a second striker also affected the team's shape and rhythm. But removing Valverde

could still be a knee-jerk reaction.

Xavi will hang up his playing boots after this season and will enter into management. But taking charge of the Barcelona first-team would be a baptism by fire for him. Xavi needs to earn his coaching badges. Pep Guardiola is happily settled in the blue half of Manchester and a return to his old club in the immediate

future borders on the absurd. Jurgen Klopp is doing great things with his Liverpool side. He is on course to become the new Bill Shankly. Unless Barcelona decide to pay a huge compensation fee to prise Mauricio Pochettino from Tottenham Hotspur, they don't have a Valverde replacement available.

On-pitch reinforcement is what Barcelona should rather concentrate on. Gerard Pique needs a partner at the heart of the defence. Matthijs de Ligt, the excellent Ajax captain, is reportedly on his way to Catalonia, which should mitigate the defensive woes. De Ligt is only 19 years old and a player for the long haul. Frenkie de Jong's impending arrival is another positive for Barcelona. The team needs some fresh legs in the midfield. Ivan Rakitic is a fine player but he is already 31 years old and should make way for de Jong. Sergio Busquets has had a great servant for the club. But he is past his prime. Barcelona must clear some deadwoods to make room for the new arrivals. Coutinho's offloading will be a loss-making business. But it has now become a necessity. Kylian Mbappe will be very expensive, but Barcelona have to be prepared for life after Messi. At 20 years of age, the Frenchman offers everything that this great club craves.

Depleted Liverpool sans Mo Salah and Roberto Firmino steamrolled Barcelona. The English side overpowered the Catalan giants, making a mockery of their passing game in the process. Barcelona have become predictable. Reboot they must.