

ACROSS THE AISLE



P CHIDAMBARAM

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# Economy has entered danger zone

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.

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## 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 per cent 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 de-

monetisation. 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 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 per cent to 7.2 per cent to 7.0 per cent. Implied growth in Q4 of 2018-19 was 6.5 per cent.
- Gross Fiscal Deficit was 3.5, 3.5 and 3.4 per cent of GDP. The last number for 2018-19 is suspect because tax collections have fallen short by 11 per cent of the revised estimate.
- Capital expenditure was stagnant: at 1.7 per cent 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 per cent to 4.2 per cent.
- The current account deficit in-

creased from 0.6 per cent of GDP to 1.9 per cent to 2.6 per cent.

■ Both private consumption expenditure and government consumption expenditure were stagnant.

■ The fixed investment rate was stagnant between 28.2 and 28.9 per cent of GDP, much below the high of 34.3 per cent 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 per cent.

■ Growth in GVA in industry was stagnant; growth in GVA in services declined from 8.4 to 8.1 to 7.4 per cent.

■ 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 per cent 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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FIFTH COLUMN



TAVLEEN SINGH

# Tales from an older time

IF RAJIV GANDHI has become an issue in this election, his son is to blame. For months he has gleefully yelled 'Chowkidar chor ha!' without proof. It is a bad idea to charge someone with being a thief without providing evidence, and much worse if the man charged is the Prime Minister. Rahul Gandhi's reasons for believing that more than half the money of the total contract to buy Rafale fighter aircraft was 'put in the pocket of Anil Ambani' are flimsy. When reporters from this newspaper pressed him for details and proof in an interview last week, he had no answer.

Reckless charges in politics usually provoke a harsh response. And, it came. Narendra Modi said, in a campaign speech, that the 'naamdaar' should remember that his father had become prime minister as Mr Clean and ended up as Mr Corruption Number 1. A tasteless remark, but true. In 1989, Rajiv Gandhi lost the election because he was seen as corrupt by ordinary, rural Indians who made up ditties about the 'son-in-law of Italy'. The Congress party has never explained why the best friends of Rajiv and his wife, Mr and Mrs Quattrocchi, were bribed in this deal. Nor has there been a credible explanation for why Rajiv did not make public the names of those bribed in this deal, even after Bofors officials came to Delhi and offered to give them.

Having said this, it is important to remember that the BJP has its own explaining to do. When a BJP government came to power in the Nineties under Atal Bihari Vajpayee, why was the Bofors investigation not pursued with sincere determination? Why was the case against Mr and Mrs Quattrocchi made so poorly by the Indian government that extradition requests never held up in a foreign court? Ottavio Quattrocchi would have been extradited to India for trial if it had been. But, whoever advised the Congress president to continue charging Modi with corruption should have reminded him that the ghost of Bofors still lurks in the shadows of 10 Janpath.

Alas, his advisors are not wise people. His current Guru Number 1, Sam Pitroda, added to Congress problems by making one of the most thoughtless, offensive remarks I have ever heard. Accosted by TV reporters last week and asked about the 1984 pogrom against the Sikhs, he said, "OK 1984 happened, so what?" He seemed to forget that the people of Delhi vote today, and it is in the streets of this city that more than 3,000 Sikhs were burned alive by mobs incited by Congress leaders. He also forgot that Rajiv Gandhi justified this pogrom. Others did not. So clips of that shameful speech went viral on social media.

Rajiv Gandhi has become as much a player in this general election as his children. Inevitably, the Prime Minister started dishing out dirt in a way that he has hesitated to in the past five years. So came the story of the *INS Viraat* being used as a holiday cruise ship by the Gandhi family for their Christmas vacation in Lakshadweep. Retired Naval officers have tried valiantly to defend Rajiv, but if you read details of that holiday published in this newspaper last Friday, it becomes very clear that there was misuse of a warship and Navy choppers.

The *INS Viraat* story reminds voters in the last two phases of this interminable election that a poor *chaivallah* is up against an arrogant prince. It reminds them that the prince was brought up thinking of India as his personal fiefdom and that the only reason he is fighting so hard to win it back is because he wants his royal privileges restored. Modi has exploited this well in every interview he has given in recent days. But entitlement is much despised in today's India anyway.

While travelling during this election I have for the first time heard ordinary people in small villages speak of how wrong it is that the doors of politics are open only to those who come from privileged families. For the first time, I have heard people speak of how despicable it is that political parties have become private limited companies. One reason why Modi remains hugely popular in the vast hinterland of rural India is because he is seen as a man who is working for the country and not his family.

There was a time when the Gandhi could win elections on their vaunted charisma. That time has gone. So when Priyanka Gandhi describes Modi as "the most cowardly and weak prime minister I have seen in my life", as she did last week, and sneers at his supposed obsession with "my family", she seems not to know how much it helps Modi. If he becomes prime minister again, it will have a lot to do with the Congress party misjudging the national mood.

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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 non-sensical 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

OUT OF MY MIND



MEGHNAD DESAI

HOW OLD is the Congress party? It could be 134 years since 1885, or we could begin with the breakaway party Indira Gandhi founded in 1969 — the Congress (R) — from the official party called the Congress (O). In December 1977, Indira resigned her primary membership of the Congress (R) and founded the Congress (I). Whether 134, 50 or 42 years old, the Congress is developing serious memory

HISTORY HEADLINE

# Cyclone Fani: Why 2019 was not 1999



AMITABH SINHA

AS ODISHA stares at the devastation caused by Cyclone Fani, comparisons are being drawn with the tragedy the state suffered 20 years ago at the hands of one of the most powerful cyclones of the 20th century. The 1999 super cyclone had claimed almost 10,000 lives (unofficial accounts say this was a huge underestimate), damaged nearly 20 lakh houses, killed about two lakh livestock, and affected about 2.5 to 3 million people, leaving large tracts of agricultural land unfit for cultivation for a long time due to salinity.

India has come a long way since then, as is evident from the much lesser number of deaths caused by Fani, and some similar cyclones in other parts of the country in the recent past, but the devastation, sufferings of people, and challenges faced in relief and reconstruction are not very different from those in 1999.

The super cyclone that had hit the Odisha coast, near Paradip, on October 29 remains the most powerful ever recorded in India, and one of the strongest anywhere in the world in the 20th century. One good measure of the strength of a cyclone is the 'pressure drop' that creates and sustains it. The average atmospheric pressure at mean sea-level is 1013 millibar. When the super cyclone was at its strongest, a few hours before it made landfall, the air pressure at its centre was 912 millibar.

"A pressure drop of 100 millibars is very big, and provides tremendous strength to the cyclone. The bigger the pressure drop, the stronger the cyclone, and greater the wind speed associated with it," says U C Mohanty of IIT Bhubaneswar. The super cyclone was accompanied with winds of speeds 250-260 km per hour or more. In comparison, Cyclone Fani had a pressure drop of 63 millibars (atmospheric pressure of 950 at its strongest) and wind speeds of about 210-215 km per hour.

To put it in context, the super cyclone carried energy equivalent to 1,600 atomic bombs, similar to the ones dropped over Hiroshima. Almost the entire coastline of Odisha was affected, with the districts of Kendrapara and Jagatsinghpur worst off. Entire villages were washed off. One for-



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mer official involved in rescue and relief claims that waves as high as 40 feet were witnessed, and villages as far away as 40 km from the coast submerged. Most documented accounts talk of waves 25 to 30 feet high.

What added to the destructive capability of the super cyclone was that it stayed on for unusually long even after making landfall. Usually, cyclones dissipate in strength very fast after making contact with land. This is mainly because of the lack of moisture that feeds it over the ocean, and the friction provided by land and other structures on it. The super cyclone, however, continued to retain the strength of a cyclonic storm even 36 hours after landfall. Heavy rain continued for two days along the coastline.

What also made the 1999 super cyclone such a huge tragedy was India's ill-preparedness. The India Meteorological Department (IMD) had put up its first cyclone detection, tracking and warning system in the 1970s, thanks mainly to its then director general P Koteswaram, who got 10 cyclone detection radars installed along the coastline. But even in 1999, the IMD's ability to forecast cyclones was pretty rudimentary. The computing resources were severely limited, the models were crude and weak, Internet access was just beginning so communication with other global agencies took time, and the sort of international collaborations that we have now were sorely missing.

According to an account published by S R Kalsi in the IMD's quarterly journal *Mausam*, the IMD had detected the cyclone when it formed on October 25, near

the Andaman and Nicobar Islands. By the next day, the IMD had alerted the coastal states of Andhra Pradesh, Odisha and West Bengal. But it did not have the capability to predict the exact trajectory of the cyclone. Even a day before landfall, All India Radio bulletins were saying that the cyclone could be headed to West Bengal. The super cyclone also took meteorologists by surprise. It gained strength quite suddenly a day before landfall. In that same account, Kalsi mentions that the air pressure at the centre of the cyclone fell by 66 millibars in the 24 hours preceding landfall. "This indicates it was a case of rapid development," he says.

And of course, the state did not have the infrastructure or the resources to evacuate people, the most crucial difference between then and now. One study of the 1999 super cyclone says there were barely 75 cyclone shelters in the entire coastline of Odisha, all built by the Red Cross at that time. Barely any evacuations were made. In contrast, thanks to standard operating procedures for evacuation now, almost 1.2 million people were evacuated during Cyclone Fani.

However, even as human deaths have been averted to a very large extent, there is no running away from the destruction caused by a cyclone. Almost a week later, many areas in Odisha, including Bhubaneswar and other cities, are without power, there is a drinking water crisis, livelihoods and assets lost forever, possible outbreak of diseases and post-traumatic stress, and major reconstruction works ahead.

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# Congress's selective amnesia

loss. Take the most recent spat about surgical strikes. It took weeks into the campaign to respond to Narendra Modi's challenge. Then it came up with not one but several instances which no one could recall as having made an impact and now are quickly forgotten.

There was however a ready example of the first and glorious "surgical strike" way back in 1965 when Lal Bahadur Shastri ordered the Army to cross the Punjab border, which altered the balance of the battle. But then Shastri was an accidental prime minister and has been wiped out from history to establish a seamless succession of the Nehru Gandhi dynasty. P V Narasimha Rao suffers from the same deletion, hence the Congress cannot take pride from the

radical transformation of the economy under him after 40 years of stagnation. No doubt as time passes Manmohan Singh will be quietly given the same amnesia treatment. This is a determined effort to throw away one's best cards just to make sure that any success, if it comes, can be attributed to the family.

It is a free country and the Congress is free to write its own terminal history. But it does take considerable chutzpah to insist, as the Congress has done recently, that while it can cite the names of the family to glorify the Party — Jawaharlal Nehru, Indira Gandhi, (forget Sanjay please) Rajiv, Sonia, no one else should name Rajiv negatively.

But, for India, it is worth cherishing the memory of Shastri. Not only for the

firm response to Pakistan or even his invocation Jai Jawan Jai Kisan. He was the first political leader to ask openly in Parliament whether all the heavy duty Plans which were being implemented benefited the *aam aadmi*, using those iconic words. Had he lived beyond his brief tenure of 20 months being Prime Minister, he could have contested the 1967 election in his own right and made the Congress a normal political party and saved it from the dynastic fate. No wonder there are conspiracy theories blaming the Russians, the Pakistanis or whoever to account for his death from a heart attack. Accidents do happen by chance and in unpredictable ways. There need be no conspiracy whatever.

It is inopportune to predict the out-

come of the election. Rumour has it that Rahul Gandhi is aiming for success in the 2022 Uttar Pradesh elections and the 2024 general elections. He says he has time, given his age and the certainty of tenure as Congress president. So 2019 has been conceded.

Yet there is no guarantee that history will repeat itself. Between Rajiv Gandhi's failure to win a majority and now, 30 years have passed without a Congress-majority government. Even the UPA took 15 years to arrive. There will be a generation of voters by then for whom names of Indira, Rajiv or even Nehru will have little purchase.

If Congress wants to survive, it will have to forget its past and invent itself a future.