



## To be decisive

Prime Minister Modi must deepen his message of carrying everyone's trust

Prime Minister Narendra Modi's declaration that the trust of all – *sabka vishwas* – will be a dimension of governance in his second term is reassuring, coming as it does after the highly divisive and fact-free campaign he led for the 17th general election. In a Twitter post as the results were being announced on May 23, Mr. Modi spruced up a *mantra* that he has uttered for long – *sabka saath, sabka vikas*, translated as 'collective efforts, inclusive growth' on his website – with this third tenet. Mr. Modi later elaborated on the theme and said the BJP needed to win the trust particularly of the minorities. The very admission by the Prime Minister of the need to gain the trust of all sections of the people allows high hopes for those who agonise over the prospects of a majoritarian slide in Indian democracy. While he rightly identified the trust deficit the BJP faces among religious and linguistic minorities and stressed the need to overcome it, there was not enough introspection, let alone remorse. He appeared to overlook the reasons for the mistrust in the BJP and put the blame on his political opponents who, he alleged, had created an 'imaginary fear' among the minorities. There exists an easy channel of political mobilisation where the fear about the BJP among minorities is amplified, but it is undeniably based on its rhetoric and track record. The Gujarat riots of 2002, when Mr. Modi was Chief Minister, remain a haunting memory. Recurring incidents of mob violence against the minorities by BJP supporters go unpunished, as party leaders including Mr. Modi maintain a condoning silence.

Therefore, the Prime Minister's statement about winning the trust of the minorities and accommodating regional aspirations while pursuing national aspirations must be backed with action. Mr. Modi is projected as a man of action, but politics is driven also by rhetoric. He must sustain and embellish his new slogan with his characteristic tenacity, without slackening on the question of communal harmony, going by experience. In 2011, he held a series of Sadbhavna fasts in Gujarat to spread the message that he did not discriminate between the majority and the minority – but did not follow up to deepen the message. It is possible that the wider Sangh Parivar will not take kindly to suggestions of parity between Hindus and non-Hindus, an axiomatic constitutional truth. Gautam Gambhir, former cricketer and now BJP MP, had to cite Mr. Modi's new creed in his defence after being cornered online by BJP sympathisers for rightly condemning a mob attack on a Muslim in Gurugram. Mr. Modi has continuously claimed that his governance is decisive and strong, which will be meaningless if it fails in the face of divisiveness. Standing his ground on this question – winning and sustaining the trust of all – will be a test of Mr. Modi's decisiveness.

## Pending divorce?

The leadership struggle among Britain's ruling Tories may make Brexit more chaotic

The politics of the United Kingdom has entered a chaotic, if not entirely dark, phase. Prime Minister Theresa May has announced, in the wake of her inability to deliver an acceptable formula for Brexit, that she would step down on June 7. Her colleagues in the Conservative Party remain deeply divided over the terms of the Withdrawal Agreement she negotiated with the European Union and have rejected three times her attempts to get it passed in Parliament. That agreement is, in principle, based on the notion of the U.K. leaving the EU's single market and customs union, the termination of residency and work rights of EU citizens in the U.K., and a two-year transition period to consolidate new bilateral modalities. This compromise didn't fly with the ruling Tory lawmakers because the Brexiters of the party feel it concedes too much to the EU and yet remains bound by the bloc's rules. Simultaneously, pro-EU lawmakers are firmly against a hard Brexit, or no-deal Brexit, and prefer to keep alive the close economic ties to the continent that have been in place since the U.K. joined in 1973. The last straw that made Ms. May's resignation all but inevitable, came from the opinion polls for the European parliamentary election – matched this week by the results – predicting a landslide victory, at the Conservative Party's cost, for the freshly minted Brexit Party led by Nigel Farage.

The selection of Ms. May's successor is a relatively straightforward issue at this point. Leading the pack of contenders is former Foreign Secretary Boris Johnson, who has reiterated his commitment to seeing the U.K. quit the EU on October 31, the current deadline, regardless of whether a deal is agreed upon or not. Others include former Brexit Secretary Dominic Raab, who supports leaving the EU on "WTO terms"; Environment Secretary Michael Gove; and former Leader of the House of Commons Andrea Leadsom. The more complex issue is whether the Conservative Party's next leader can devise a universally acceptable compromise formula that minimises the economic and social pain inflicted on individuals, corporations and the national psyche. The available options are difficult and few: an orderly exit with a deal (unlikely given that Ms. May has allowed the opposition to the only deal that Brussels has signed off to crystallise); a no-deal exit (an economically and legally painful outcome but quite possible); an election or second referendum that might reverse the 2016 decision to leave the EU (possible but unclear if this could happen before the October 31 deadline); or a further extension of the deadline beyond the date (an event that some consider likely). No matter how the politics of this troubled nation turns, it is the resolution of Brexit as a struggle between nativist impulses and the existing liberal order that the world is watching.

# The key agenda must be to accelerate growth

Only a fast-growing economy can generate surpluses needed to create jobs and sustain social safety nets



C. RANGARAJAN

Now that the general election is over, the time has come to pay serious attention to the economy. The national income numbers continue to be controversial. No serious policy decision can be taken with ambiguous numbers. Nevertheless, even with the new official numbers it is clear that growth is slowing down. As in the revised new base estimates, the growth rate in 2016-17 was 8.2%; in 2018-19 it was 7%. Accelerating economic growth must be on top of the agenda of the new government. It is only a fast growing economy that will generate the surpluses which are necessary to address many of our socio-economic problems and to provide social safety nets.

**Decline in investment rate**  
For faster growth, what is critically needed is a higher investment rate. In current prices, the ratio of Gross Fixed Capital Formation to Gross Domestic Product has stayed low at 28.5% between 2015-16 and 2017-18. In 2018-19 it is estimated at 28.9%. In 2007-08, it was as high as 35.8%. In constant prices, the ratio, has, however, shown a smaller decline from the peak. It is true that for a time growth can come out of better utilisation of existing capacity. But for sustained growth, the ratio has to go up, and that too substantially.

There are several studies which indicate a fall in corporate investment. Every year the Reserve Bank of India (RBI) publishes a forecast of corporate investment. It uses the data made available by banks and other financial institutions on the phasing of capital ex-

penditures of projects sanctioned by them. An article in the March 2019 issue of the RBI Bulletin says that in 2017-18, the capital expenditures of the corporate sector were estimated at ₹1,487 billion. There has been a steady decline from ₹2,050 billion in 2014-15. The industry-wise distribution of projects sanctioned by banks and other institutions in 2017-18 shows that the power sector accounted for 38.2% of the total expenditure. Pure manufacturing had only a small share. All these point to the urgent need to accelerate investment.

### Reviving investment

First, much of public investment happens outside the Budget. In 2019-20, capital expenditures of the Central government to GDP are expected to be 1.6%. This ratio has not shown much change. The bulk of public investment comes from public sector enterprises, including the Railways. What is needed is for the government to interact with all public sector units and prepare a programme of public investment for 2019-20. Public sector units can take a longer-term view than the private sector. A strong public investment programme can be a catalyst of private investment. In a situation such as the present one, it can crowd in private investment. Second, there have to be sector- or industry-wise discussions between the government and industrialists to understand the bottlenecks that each industry faces in making investment and take actions to remove them.

Banks are under stress and the ratio of non-performing assets (NPAs) has risen. We need to resolve this issue as early as possible so that banks can get back to lending at a significant pace. In the absence of term lending financial institutions, banks provide both working capital and long-term loans. That is why resolving the is-



sue of NPAs is critically important for larger flow of long-term funds. The government must infuse adequate capital into banks at one go. There are mechanisms such as resolution councils or committees which can help to resolve the NPA problem without the bank management coming under scrutiny of investigative agencies. Over the medium term we should consider reviving the setting up of separate long-term financial institutions, partly funded by government.

### Jobs and growth

There has been great concern about the inability of the economy to generate adequate employment. Employment numbers have always been somewhat worrisome because of the presence of heavy underemployment in the country. Perhaps there has been some shift of employment from the unorganised to the organised segment. But this does not alter the overall situation. The answer to the problem of jobs is only growth. It is faster growth and faster investment which will generate employment. Of course the pattern of growth also counts. Some sectors such as construction are more labour intensive. Sectors such as IT and the financial system, which provided attractive employment to young educated entrants to the labour market in the past, have their own problems. But an improvement in the financial system may trigger some new jobs. Ultimately, it is overall growth which is key to more employment.

It is generally argued that

growth will happen only if there is an adequate increase in demand. While this is true in relation to some sectors, there are many sectors including infrastructure where new investment will spur growth. In this context, the main concern is the slowdown in rural demand, which can affect the off-take of consumer goods. Agrarian distress, which is the cause of slowdown in demand, needs to be tackled on a priority. Where distress is due to a fall in prices, the best course of action is to resort to limited procurement so that the excess over normal is procured by the government. As far as increase in agricultural output in the short run is concerned, the monsoon is a big question mark. Nothing can be done about it except changing the cropping pattern depending on rainfall. But making available inputs such as seeds and fertilizers at an affordable cost must be the major task particularly of State governments. Over the medium term, more attention must be paid to increasing agricultural productivity through consolidation of land holdings and spreading better techniques of cultivation. Improving marketing arrangements has been a neglected area.

Coming to the medium term, reforms have been moving in the right direction. The introduction of the Goods and Services Tax is a major step. But glitches still remain in its implementation. The government should get tax authorities, industrialists, traders and, particularly, exporters to sort out the issues together. The Insolvency and Bankruptcy Code was another significant step taken in the last few years. Even here there are some bottlenecks and the government must address them. Land reforms which enable entrepreneurs to buy land speedily have been suggested. Some steps in this regard have been taken in the past. Compulsory acquisition

of land is the antithesis of competition and should be resorted to only in limited cases where public interest is involved. Labour reforms should wait until the economy has picked up steam and moved to a higher growth path. Only in these circumstances will there be less resistance. A lot more can be said on reforms. But the focus of this article is largely on what needs to be done to get the economy to a higher growth path soon. From this angle, while there is a case for some easing of liquidity, monetary policy should keep a watch on prices as there is no easy way to forecast the behaviour of crude oil prices or the monsoon.

### Minimum income support

In the wake of electioneering, there was a lot of talk on social safety nets, more so on providing a minimum income to the poor. Any caring society should do this. But it also depends on the ability of the government to sustain it. The government should move in the direction of removing some of the subsidies and schemes which are similar in nature to minimum income, consolidate them, add to them what is fiscally feasible and provide the funds directly to the poor. The bigger problem is to define the 'poor' and, more particularly, identify them. But a move in this direction must be part of the agenda.

To conclude, besides economic factors, non-economic factors are also critically important to revive what are often described as 'animal spirits'. Investment today is based on expectations of future earnings. Thus it is an act of faith in the future. For this to happen, there must be social and political tranquillity.

C. Rangarajan is a former Chairman of the Economic Advisory Council to the Prime Minister and a former Governor of the Reserve Bank of India

## Another opportunity missed

The Congress needs regional allies, more than they need it, to arrest its complete obsolescence



SUKUMAR MURALIDHARAN

West Bengal and Odisha are breakthrough States for the Bharatiya Janata Party (BJP). Both States are under the rule of established regional parties, one of a direct Congress provenance, the other with a more complex descent that socialist streams have contributed to.

Till the current election, the BJP was not the principal opposition in either State. This year's implosion of the Left has enabled the BJP to pick up a rich harvest in West Bengal, and a plunge in the Congress's vote share has contributed further to its fortunes. With its paltry share of votes, the Congress nonetheless won two seats, while with more votes the Left was denied even the small solace of one. Close to a third of the total Congress vote has come from the two seats of Baharampur and Malda Dakshin, the one carefully nurtured over the years by local strongman Adhir Chowdhury, the other a bequest from old grandee A.B.A. Bhanu Khan Chaudhary to his brother.

Through all this, Chief Minister Mamata Banerjee's Trinamool Congress has actually increased its share of votes from 39.8 to 43.3%,

though with the BJP vaulting to within three points of the latter figure, her party's seats tally has dwindled from 34 to 22.

Odisha presents a similar picture in its broad arithmetic. A strongly entrenched regional party has maintained its pre-eminence, but the BJP has taken a large bite out of the Congress's votes to improve its Lok Sabha tally from merely one to 8. There is evidence here of voter discrimination between State and national elections. The ruling Biju Janata Dal (BJD) has won 44.7% of the vote in the State contest, but 42.1% in the Lok Sabha. That slippage may have contributed to the BJP's share increasing by close to 6 percentage points between the State and Lok Sabha contests, though the greater contribution came from the Congress. Between the 2014 and the current Lok Sabha elections, the Congress vote share in Odisha fell from 25.7% to 16.1%, contributing to the BJP's share increasing from 18.8% to 32.5%.

Uttar Pradesh presents a picture of two regional formations, which mostly alternated in power at the State level till 2017, failing to consolidate their vote shares.

### The southern vote

In Karnataka, the constant bickering between the leadership of the Congress and its ally, the Janata Dal (Secular), not to mention the promotion of dynastic ambitions by the latter, propelled the BJP for the first time, to a vote share in ex-



S. SIVASARAVANAN

cess of 50%. The BJP was squeezed out of contention in Andhra Pradesh, where two powerful regional combines have between them signed up the most influential voting blocs.

Tamil Nadu again presents a picture of discriminating voter choice between local and national contests. Despite being in alliance with the ruling party of the State, the BJP drew a blank. Its partner, the All India Anna Dravida Munnetra Kazhagam, stood to be displaced from power if it lost substantially among the 22 by-elections. It won a mere 18.5% of the vote in the Lok Sabha, but over 38% in the Assembly by-elections, and will now retain power through the tenure of the current Assembly.

### BJP's growth

Early in 1997, when the BJP was a substantial presence in the Lok Sabha, though not the kind of party any other party would

want, party leader L.K. Advani addressed the challenges before it in media interviews. He is credited with creating the extremist template that has brought India the gift of a second term with Narendra Modi as Prime Minister. Unlike Mr. Modi, Mr. Advani never shied away from media interviews. He could stir up crowds but also speak reflectively with all the practised savvy of a political scientist.

The BJP, he claimed at the time, had suffered the unfair ostracism of other parties which refused to support its claims to government formation in 1996. The alternative United Front (UF) government that emerged, abjectly dependent on the Congress, was unlikely to last. Ultimately, the BJP would prove the irresistible magnet around which all politics would revolve.

The growth of the BJP could be calibrated against the decline of the Congress, which unlike any other player in a multi-party democracy, was "the system itself". Yet, it was a small worry that the BJP's "amazing growth" over the decade prior had "not been able to match the rate of decline of the Congress".

The UF government imploded before the end of 1997, and the BJP managed to gather a sufficient number of the fission products into its orbit to fight the 1998 election in a broad alliance. This constellation of allies was, with minor rearrangements, retained through the 1999 contest, which brought in

a coalition government that for the first time, served out a full term.

### Lows for Congress

Troubles began when partners started leaving the BJP's company after the Gujarat riots of 2002. Now facing an existential crisis, the Congress proved wise to the opportunities, shedding earlier dogmas and tying up a number of alliances. In the 2004 election, whose outcome was a patchwork of discrete regional contests, the Congress toppled the BJP off its perch, riding the good economic times that were dawning, into another win in 2009.

By 2014, with massive support from business lobbies and the media, the BJP seemed at last to have crossed the threshold, where it could grow into all the spaces vacated as the Congress plunged to yet another low. Despite the confidence with which it went into battle in 2014 and 2019, the BJP was careful to cultivate and retain a number of key regional allies. For the Congress, which showed much less accommodation despite its greater vulnerability, the lesson should be clear. It alone, with its rigid internal dynastic rules, can hardly represent the complex politics of this country. It needs regional allies, even more than they need it, to arrest a rapid plunge into obsolescence.

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## 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.

### Chemistry vs. math

Despite adverse reports on the handling of the economy, Prime Minister Narendra Modi overcame these on the plank of stability of leadership and the nationalism (Page 1, "Modi scoffs at pundits, says chemistry has trumped math", May 28). With a splintered and unconvincing Opposition, the people had little to do but to choose Mr. Modi. The highest recorded voter turnout has lent credibility to this election being more representative than the earlier editions. Now, with a second term, Mr. Modi has to assume greater responsibility in delivering the 'Acche din' of 2014. If he messes the economy any further or unleashes

another storm like demonetisation, people are not likely to forgive him or the BJP ever again, for this time they have voted with their heart.

S. KAMAT,  
Alto Santa Cruz, Goa

While Mr. Modi, the BJP and the NDA deserve to be congratulated, the truth is that even to many a party cadre or to the BJP top leadership, the poll results are beyond their expectations. People could not have voted for the fulfilment of the 2014 assurance of 'good days ahead' and for 'taking the entire 126 crore people along'. Most other election promises also remain promises. The BJP's success is mainly a

negative mandate for the Opposition. In governance, the mantra of 'small in number and large in talent' needs to be strictly adhered to. Always respect the will of the people.

P.R.V. RAJA,  
Pandalam, Kerala

The attacks on the minorities run contrary to the assurance of the Prime Minister that there would be more inclusiveness. Is this what Mr. Modi means by chemistry: acidic reactions, caustic attacks, combustion, and double displacements? If so, the democratic polity will suffer. Popular opinion for fair governance, balanced administration and impartial rule of law should prevail.

S.V. VENUGOPALAN,  
Chennai

### New MPs

It is heartening that in the 17th Lok Sabha, the number of female MPs has risen from 62 to 78, accounting for 14.3% of the seats, though well short of the 33% women's quota being sought. There is hope that the legislation for one-third representation to women will be on track. But what is jarring is that as many as 233 MPs, or 43% of the Lower House, have an alleged criminal background, having been elected by 'our awakened and wise' voters.

MEGHANA A.,  
Shell Cove, NSW, Australia

### Gridlock on Everest

The image by Nirmal Purja, which shows the sheer number of climbers around the 'Balcony' jostling to reach the summit of Everest, shocks the senses. It is a different issue to talk about the amount of garbage being left behind. The problem does not seem to have anything to do with the weather at high altitudes but a commercialised industry that promotes too many inexperienced climbers. The inexperienced are blinded by

the need for their personal and perceived achievement backed by a commercial industry which is putting lives at risk. I wonder whether there is any adherence to pre-requisites about who can scale Everest. Unless there is an emphasis on regulation, tragedy will become a regular feature (Editorial, "It's there", May 28).

BALASUBRAMANIAN R.,  
Cherrybrook, NSW, Australia

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### CORRECTIONS & CLARIFICATIONS:

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) comprises Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. The front-page story (May 28, 2019) on BIMSTEC heads being invited to attend the Prime Minister's swearing-in ceremony had left out Sri Lanka.

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