

CHATTERBOX

Leading from the front

Tej Pratap Yadav and not Tejashwi Yadav (Lalu Prasad’s other son and de facto party head in Lalu’s absence) presided over the Rashtriya Janata Dal (RJD) foundation day programme in Patna last week. Tej Pratap explained that by saying his brother had sent a message to workers. Tej Pratap sported a new look: A pony tail tied on top of his head. He said anyone who comes between him and his brother will be torn like the enemies of the Pandavas were, with the *Sudarshan Chakra*. He also announced from the podium for the benefit of workers: “Please move aside and let women come forward. If women have to progress, they have to be in front. Wherever my programme is held, I make women sit in the front, like my father used to do”. There’s no telling when this ongoing fraternal rivalry is going to end.

Seeking divine intervention

The latest to join the ranks of the *Shiv bhakts* after Rahul Gandhi, is Navjot Singh Sidhu. His wife, Navjot Kaur Sidhu, revealed that Sidhu has a huge temple for Shiva at his home and meditates there for hours. The cricketer politician is currently on a pilgrimage to Vaishno Devi. The context, of course, is the ongoing tussle between Chief Minister Amarinder Singh and Sidhu. Kaur says the result of the ongoing friction will be resolved soon. The politician is seen as a handpicked choice of Priyanka Gandhi who many say, foisted him upon Amarinder Singh. Now, with no clarity about who exactly will occupy the Congress high command, Sidhu has embarked upon a pilgrimage and will assess his options after the party has resolved its internal leadership crisis.



OPINION  
DEREK O'BRIEN

Anti-EVMs does not mean being anti-technology

The Constituent Assembly debates clearly state that Parliament is above the Election Commission. I said this before on the floor of this House. Shibban Lal Saxena made it very clear that the Election Commission should be appointed by a two-third majority of Parliament. I am not going into the Constituent Assembly debate, but, I want to quote from the Constituent Assembly debate of what Dr Ambedkar said. “The tenure of the Election Commissioner cannot be made a fixed and secured tenure. If there is no provision in the Constitution to prevent a fool or a naïve or a person who is likely to be under the thumb of the Executive.” We, as parliamentarians, that side, this side, have to take the responsibility to either amend the Constitution or bring legislation as to how the Election Commissioners are appointed.

My second point is, influence of money in elections. All the media have enough stories and facts are there, who got what, how they are spending. The problem is well known. What is the solution? Solution was, of course, given in 1962 by late Shri Atal Bihari Vajpayee*/i* in a Private Members’ Bill. You should all read that Bill at some point; it is about private funding. A solution was given by Indrajit Gupta. Dr Manmohan Singh was part of the Committee; Ram Gopal*/i* was part of the Committee; Somnath Chatterjee was part of the Committee; Malhotra was from the BJP. These were the recommendations. But, that was the Indrajit Gupta Committee. And from 1998, Trinamool Party has been on this. But, I would like to refer to the BJP Manifesto of 1999. I quote: “We will introduce necessary electoral reforms on the basis of the recommendations of the Indrajit Gupta Committee, the Goswami Committee, and the Law Commission Report so as to deal with the menace of defections, criminalisation, corruption, and to prevent electoral malpractices.” I am very glad that the BJP in its 2009 Manifesto said what they said.

The third problem is EVMs. We must not conclude a thing that if you are anti-EVMs, you are anti- technology.

We will give a notice to discuss how data is being misused where government data is used through companies like Jarvis Technology to target the voter

No. When the technology does not guarantee perfection, then, you have to question the technology. I want to quickly move on because we want ballot papers. Satish Misra*/i*, Kapil Sibal*/i*, and others, will be talking in great detail on this. The fourth one is the multi-phase elections. In West Bengal, for 42 seats, elections were conducted in seven phases. I can have a full discussion on that. But, the country

knows how these phases were done. UP had seven phases. So, the prime minister has also suggested, and this is also a part of the solution. He has suggested, “One Nation, One Election, maybe also, one phase.” Our view is — Don’t rush into anything; discuss it with constitutional experts, bring on the election experts, circulate a White Paper, get the political parties involved.

These are hard questions to be answered. Now, I would like to come to platforms. I call them cheat India platforms, Facebook, etc. So many of them are there. International companies cannot interfere in Indian elections. This is nationalism. I am glad that the minister who is the law minister is also the IT minister. These companies, when they were started in the 90’s, with YouTube and all, they were startups. So, they were given the immunity of publishing. They were given the complete immunity from intermediate liabilities. It was started in the 90’s in America. We came here with an IT Act in 2000. In the 2008 Amendment Bill, these companies, in India, got the same freebies; that means, they were not responsible. Now, these companies are making big money; these companies are also using algorithms to decide on what goes where. Please revisit that 2008 IT Act. I am talking about legislation. I am not talking up in the air; I am not giving any old example. Revisit the IT Act.

My last point is about data misuse and surrogate advertising. Someone said that data is the new oil. There are serious questions on data. What do I mean by “surrogate”? If a political party advertises, it goes into that political party’s account. But what happens to people like “association of a billion mind” and so many others? It is like in whisky; you can’t advertise the whisky. So, you will advertise the mineral water and the glass. Sir, you can’t do that in an election. I am giving you the solution because there is so much on this data. We will give a notice to discuss how data is being misused where government data is used through companies like Jarvis Technology to target the voter. Everyone is saying that women voted more. Very good, we are also very happy. But, look into how many women were targeted after they got the gas cylinder, through the data which is available. The data is available to see.

It is my last point. I am happy that women voted. My point is on misuse of data. I say that I have got the solution in a good spirit, not as an Opposition member, because it is our data and our precious vote. ....(Interruptions)... We have done serious research. Our party has a view. A little bit of catcalls in the middle spoils it. The conclusion on the data is, in August, 2017, 9-0 the Supreme Court ruled on the Right to Privacy. The government keeps bringing up the Supreme Court that the Supreme Court said we needed to bring this Bill and that Bill. What have you done with the Right to Privacy?

Edited excerpts from Trinamool Congress MP Derek O'Brien's speech in the Rajya Sabha during a short duration discussion on need for electoral reforms in country, July 3.

DID THEY REALLY SAY THAT?



"The Congress needs young blood to galvanise its rank and file...The leadership of the party should be such that it reflects the realignment of its vision to the evolving aspirations of the nation"

Punjab Chief Minister Captain Amarinder Singh, July 6, in a statement by the state unit



ILLUSTRATION BY BINAY SINHA

YV Subba Reddy took over as the 50th chairman of the Tirumala Tirupati Devasthanams (TTD) which manages famous Lord Balaji and dozens of other temples, educational institutions and hospitals. In an interview with T E Narasimhan, Reddy answers questions about all the controversies surrounding the temple. Edited excerpts

‘We’ll be transparent on everything’

What are your priorities as the new Chairman?

I want to clean up the system and address the issues, including the alleged missing jewels of Swami (Lord Balaji), diamonds and the movement of cash without proper security. You may remember that such a movement of cash without security has become an issue in the election period. All this happened between 2014 and 2019 (when the Chandrababu Naidu-led Telugu Desam Party was in power and the Chairman of the Board was appointed by his party).

While on the one hand, we will probe all the alleged irregularities and scams, our priority is also to see how to reduce waiting time for people for *darshan*.

Today, it takes a minimum of 14 hours and a maximum of 24 hours for an ordinary person to have *Darshan*, especially from April to June which is the peak period. We are trying to reduce the layers, currently four, to two. My vision is that over a period of time, the time spent by a common man even during the peak hours must be brought down to four hours.

Which means you have to give up the VIP darshan and protocol darshans?

Now we have a total of four layers, but we are looking at reducing it to two. We can’t remove the protocol *darshans*, for the top government officials or those who need to spend more time in public service so that they can go back to work at the earliest. VIP *darshan* will have one

CHECKLIST  
THE POLITICS OF CROSS-VOTING

■2000: It was factional politics by other means. The tension between the Congress (P V Narasimha Rao/Sitaram Kesri factions) and the group owing loyalty to Sonia Gandhi was palpable. Inder Khosla in UP, D P Roy in West Bengal and Thakur Singh Bharmuri in Himachal Pradesh were handpicked by Sonia Gandhi. All of them lost.  
■2002: Dilip Ray, former minister, defeated Maurice Kujur and engineered massive cross – voting from the Biju Janata Dal and the Congress MLAs to secure a Rajya Sabha seat from Odisha. Vijay Malya, industrialist, also managed to win over MLAs from the Bharatiya Janata Party (BJP) to win a Rajya Sabha seat from Karnataka. The official BJP candidate was defeated as the Congress helped Malya win, assisting with its own second preference votes with the sole objective of defeating the BJP.

■2010: Malya was elected to the RS for a second term with the help of the Janata Dal (Secular) and the BJP. He was an independent candidate backed by the JDS. But since the JDS had only 27 seats in the 224–member Karnataka Assembly, Malya required 16 more votes to be elected. While the ruling BJP had 116 seats in the House, the Congress had 74, besides six independents and one vacant seat. The BJP managed to elect M Venkaiah Naidu and Ayanur Manjunath, while the Congress elected Oscar Fernandes. But the Congress failed to mop up enough numbers to elect its second nominee. The BJP made sure the Congress did not get a second seat by supporting Malya. Malya won with 27 JDS votes. He resigned in May 2016.  
■2019: Two Congress MLAs resigned from their seats in the assembly and voted for the BJP, enabling its candidate to win.

layer, instead of many.

Chief Minister Y S Jaganmohan Reddy has suggested how to spread the word of Hinduism and work for the development of the TTD. I will work on those directions.

People allege that you are a Christian and there were protest against your appointment. Your views?

It’s a false allegation and politically motivated. They started spreading the rumour because everybody knows that Jagan’s family is Christian. Being his uncle, some people tried to spread the rumour that I am also a Christian.

The fact is that I am not Jagan’s direct uncle. His father and I are co-brothers, and I have been a Hindu all my life. I have visited Sabarimala nearly 30 times and I have donated buildings to Tirumala decades back. Anybody can come to my home any time and verify what my religion is and whom I worship.

In the recent times, it has become a big issue. The previous government tried to appoint a Christian woman. Later, this was withdrawn due to protest.

It’s all politically motivated. The chief minister himself clearly told me there should be no compromise when it comes to upholding traditions and customs. The new Board will adhere strictly to the prescribed *agamas* without any deviations.

Recently, a large sum of gold was seized during transhipment by Punjab National Bank (PNB). What happened to that issue? What sort of action/system are you putting in place so that this does not happen again?

Initially, it was said that it was gold. But it was a cash consignment of around ₹1,200-1,300 crore, which was transported without proper security, that too during the election time. How such a big amount was moved without any security or documents, we don’t know. There is no clarity. We are probing this and putting systems in place, including CCTV cameras, so that such issue will not happen again.

We want to be transparent on everything.

What are the long term measures you are planning for the development of Tirumala?

I have been visiting Tirumala from my childhood and during those days, except for two months, this place used to get rain every day. Today we don’t see much rain. I think this is due to climate change and global warming. This is a holy place. But look at the pollution around you. Every day more and more people

come for *darshan*.

On an average nearly 80,000 people come to Tirumala every day, of which nearly 75 per cent use public or private transportation while the rest come on foot. 9,000 to 10,000 private vehicles come here, while another 1,500 public transport buses ply from various parts of the state. This is a serious concern. I want to make this place an emission free location. People come here to pray to the Lord and they need a better environment.

We cannot bring in such changes overnight. To start with, we are planning to make 15-20 buses, which are carrying devotees to the temple, free of cost. These are running on diesel at present. We want to turn these to electric vehicles. Similarly, there are about 1,500 buses, operated by state transportation,

which are running between Tirupati and Tirumala. We cannot convert all of them into electric buses at one go, but we can do it in phases, with the support of the government. TTD has its constraints in terms of budget. While the devotees visiting the temple offer money, TTD runs on a budget and we need to keep the expenditure under control. We can bring in the positive changes over a period of time.

I am also planning to appoint consultants and work with companies, like L&T, on alternate transportation possibilities like tram cars that run on electricity. I think my management skills would be helpful to manage TTD in such aspects.

A couple of years back, there were reports that TTD is planning to set up Tirumala-like temples in other parts?

That will definitely encourage devotees. During the Telugu Desam Party regime, they did not take up construction of any temples. YS Rajasekhara Reddy’s government introduced a system to build temples primarily in Dalitvadas, for poor people to have *darshan*. They can’t afford to go long distances for *darshan*. The plans were to set up small temples costing around ₹5-10 lakh, with total TTD support. I want to reintroduce that system, provided the board approves.

What are the initiatives in education and healthcare?

We are spending crores of rupees that belong to Lord Balaji to support people — my priority is to provide proper medical care for the people. TTD has a hospital. I want to make it a world class healthcare centre like AIIMS so that every ordinary person will have the best healthcare facility available. TTD runs 25 educational institutions including Vedic universities. We will try to improve the quality of education and facilities in these institutions.

Why India needs to ramp up nuclear power

D P SRIVASTAVA

The Fukushima incident in 2011 led to abrupt suspension of Japan’s nuclear power plants. However, the Japanese Cabinet approved the Fifth Basic Energy Plan in July 2018 calling for nuclear energy to account for 20-22 per cent of power generation by 2030. Nuclear power will remain a substantial part of the energy portfolio of the United States (20 per cent) and the European Union (20 per cent). China has an energy profile similar to India’s, with coal having a predominant share. It is aiming to increase the share of nuclear power from two per cent currently to 10 per cent by 2030. In India’s case, nuclear power accounts for two per cent of the energy profile.

Germany has chosen a different path, deciding to phase out nuclear power, which will be replaced by renewables. Germany has the advantage of a regional grid to provide balancing power when wind or solar are not available. Interestingly, the balancing power is provided by countries such as Czech Republic, based on nuclear power. Germany also has the advantage of access to piped gas from Russia, which is half the price of LNG. Japan does not have this luxury. India shares Japan’s predicament on both counts.

Is expansion of the nuclear sector — with high capital expenditure and a high tariff (initially) — justified in the Indian context at a time of stress in the power sector? There were two events last year, which validate the case for nuclear power: The release of the report of the Inter-governmental Panel on Climate Change (IPCC) in October 2018, and the spike in oil prices following US withdrawal from the Iran nuclear accord.

The IPCC report underlined the need for pursuing a more ambitious target for de-carbonisation of the global economy by limiting global warming to 1.5 degrees C, rather than two degrees C. A MIT study released around the same time says that nuclear power has to be part of the energy mix in any pathway to a 1.5° C future. The report, captioned ‘The Future of Nuclear Energy in a Carbon Constrained World, points out that “the cost

of incremental power from renewables increases dramatically” as the world seeks deeper reduction in carbon emissions. Inclusion of nuclear power helps “minimise or constrain rising system costs”.

The second event was the hike in oil prices following the Donald Trump administration’s decision to withdraw from the Iran nuclear deal last May. The Indian crude oil basket price has gone up from \$47.6 per barrel to \$70.59 since 2017. At the current import level of four million barrels per day, an increase of \$10 per barrel adds more than ₹100,000 crore to the annual oil import bill. In the case of nuclear power plants, the fuel cost is negligible.

India’s per capita power consumption stands at one-third the world average. As the economy picks up, with completion of the national grid, and introduction of electrical vehicles, the demand for electricity is bound to go up in the medium to long term. This will have to be met within the constraints of increasingly stringent emission standards. This can only be done by nuclear power, not renewable, which are intermittent sources of energy, and cannot provide base-load power.

Nuclear power has to be cost-competitive with other sources of energy. This requires taking into account the levelised cost of energy over the entire plant life of 60 years in the case of nuclear power. Cost comparisons with renewables should take into account the cost of balancing power, which is not reflected in the tariff structure of wind and solar power in India. This refers to the cost of power from alternate sources, when wind or solar are not available. Similarly, comparisons with coal should include external costs. Coal has to be supplemented with nuclear power to meet incremental demand. The argument is even more compelling, since coal production will reach a plateau by 2035.

The integrated energy policy document had assumed a target of 63 Gw of installed nuclear power by 2032. This would bring the share of nuclear power to 10 per cent of total installed capacity. Ramping up installed nuclear power capacity from 6.7 Gw to 63 Gw by 2032 would require considerable financial resources. A study by VIF, Nuclear Power:



India’s per capita power consumption stands at one-third the world average. As the economy picks up, with completion of the national grid, and introduction of electrical vehicles, the demand for electricity is bound to go up in the medium to long term

Imperative for India’s Development, had estimated capital expenditure in the range of ₹920,000 crore until 2032. Assuming a debt-equity ratio of 70:30, this means equity infusion of ₹276,000 crore over 14 years or ₹20,000 crore per annum. Is this too much for government to provide to a strategic sector? This is less than the annual budget of the ministry of tourism for 2018-19, which was ₹20,150 crore.

Part of the resources could come from joint ventures between NPCIL and public sector enterprises such as NTPC and IOCL. These are however dormant, and need to be activated. UAE and UK have decided to raise equity from vendors supplying equipment against a commitment to let them run plants with agreed feed-in tariff. This requires amending the existing Atomic Energy Act. The ongoing negotiations with Rosatom, EDF/Areva and Westinghouse should be brought to an early conclusion. The condition for entry into the

Indian market should be increased localisation of production. This will be in keeping with the Make in India programme.

Indian vendors should form strategic tie-ups with international majors to be part of the international supply chain. Rosatom is already executing projects in India. We also need to bring in other players. Westinghouse does not have a production base. Tie-ups with them would ensure greater localisation of production in India.

Nuclear power plants with a plant life of 60 years will remain in operation well into the second half of this century. The choice of energy mix cannot be determined on the current demand-supply situation or tariff structures. The price of carbon will increase. An increased share of nuclear power in India’s energy profile is a development imperative, not a luxury.

The writer is distinguished fellow, Vivekananda International Foundation



# Departure from the past

## The BJP has made many procedural changes to the Budget exercise

Finance Minister Nirmala Sitharaman's decision to carry her Budget speech in a prominent red *bahi khata*, the traditional cloth folder that has been used by indigenous businesspeople for centuries, instead of the usual leather briefcase marked a small but significant break from established practice through seven decades of Budget presentation. Multiple political symbolism was embedded in her decision: The reiteration of the Bharatiya Janata Party's (BJP's) nationalist, swadeshi ideology and the jettisoning of leather, a subliminal reminder of the anti-cow slaughter movement that was at the centre of Narendra Modi's first stint as prime

minister. This may have been the reason for curmudgeonly comments from P Chidambaram, who has presented eight Budgets, that the Congress would present its Budget on an iPad. But in this much-reported procedural departure, Ms Sitharaman was not actually blazing a new trail. If anything, the BJP has been instrumental in a series of similar small but significant alterations in the presentation of India's annual accounting exercise.

The changes began with the BJP's first full stint in power under Prime Minister Atal Bihari Vajpayee. In the 1999 Budget then Finance Minister Yashwant Sinha advanced the time for presenting the Budget from 5.30

pm to 11 am, a decision that managed to combine rationality with the political message of India's arrival on the global stage at the turn of the century. The evening schedule was a hangover from the colonial past when decisions concerning Britain's Jewel in the Crown impacted the City. The exercise was timed, therefore, to coincide with the opening of the London Stock Exchange. It is hard to explain why finance ministers persisted with this timetable — a bane for bureaucrats and media alike — for over half a century after independence. At any rate, it reflected sheer inertia embedded in the bureaucracy (also a colonial inheritance) until the sheer illogic of the timing occurred to Mr Sinha, a former bureaucrat turned finance minister.

The next change came in 2003-04 under Jaswant Singh, the second finance minister in Mr Vajpayee's government. Till then, Budgets were presented in two parts, A

and B. The first, which virtually doubled as a quasi-State of the Union address, usually set out the government's broad objectives for the economy and announced allocations for new and extant schemes that would enable them. Part B represented the business end of things, which interested the middle class and the business community: changes in direct and indirect taxes. For reasons that were never clarified, Mr Singh did away with this distinction, the value of which was unclear (Ms Sitharaman, in fact, restored that format).

In Mr Modi's first stint, two consequential changes were made, which also marked departures from colonial traditions. The first was part of a plan by the government to change the financial year from April-March to January-December. Former Finance Minister Arun Jaitley presented the 2017 Budget on February 1, a month ahead of the old schedule. In the same Budget, the gov-

ernment also did away with the nine-decade tradition of presenting a separate Railway Budget the day before. Instead, the Railway Budget was merged with the full Budget. The benefit of the first change was unclear, since it meant that the data on which the government would base its annual accounting exercise would necessarily be incomplete -- only April-November figures would be available. The second, however, had a rationale since the Railways' accounts are closely linked to the government of India's via gross budgetary support.

Ms Sitharaman's decision to opt for the *bahi khata* may be an innocuous one. More consequential was the exclusion from the Budget speech of all mention of hard numbers, including the fiscal deficit, the single most important metric for the financial and business community. The political messaging, thus, ended up overshadowing economic management.

# The decline of economists

Economists are losing out as governments, increasingly averse to independent-minded central bankers, are choosing to give the job to administrators instead

AMOL AGRAWAL

The term of the current President of the European Central Bank, Mario Draghi, is getting over on October 31, 2019. There was speculation on who would be nominated post-Draghi. The wait is over now. Donald Tusk, President of European Council tweeted on July 2 that the Council "nominates Christine Lagarde as candidate for the President of the European Central Bank." Ms Lagarde is currently the chief of International Monetary Fund and has resigned from her position till the nomination period is over.

Mr Tusk's tweet had a few important messages. One, he chose to tweet about the nomination, showing the rising importance of the social media platform. Two, Ms Lagarde will be the first woman leader of a major central bank, which is in line (and welcome) with women increasingly getting appointed to top positions. Three, once again a French person will head the central bank, which is a coup of sorts. Fourth, the appointment marks governments preferring non-economists over economists, a trend seen in other central banks as well. This piece dwells on the third and fourth aspects of his message.

The structure of the ECB is such that its appointments are always embroiled in controversy. In a typical central bank where there is one government, there are battles over central bank appointments. The ECB, which is a central bank of several sovereign nations, this problem is likely to be even worse.

The ECB was modelled on the German Bundesbank, which stood out for its inflation focus and the central bank's independence. Even today, the Bundesbank is considered as the gold standard in central banking despite giving up central banking tasks to the ECB. Given the German influence, it is highly ironic that no German has headed the ECB so far. We have had Wim Duisenberg (Dutch, 1998-03), Jean Claude Trichet (French, 2003-11), Mario Draghi (2011-19) and now Ms Lagarde, who is French. The French always envied Germany's low inflation but somehow when it comes to ECB governance, they dominate. Ms Lagarde is a former finance minister of France, which makes the appointment even more interesting.

In fact, all this while the Europeans have feared a German at the helm, as the latter will run a tighter monetary policy. Each time the nomination for ECB president comes up for discussion, a German is in the fray, only to be rejected. Axel Weber was under contention when Trichet was to retire, but resigned from the Bundesbank in 2011, a year before his term was to end. Even this time, Jens Weidmann was under contention but was not considered. All these German central bankers including Jurgen Stark (who was chief economist) have protested against the easy monetary policy of the ECB, which explains the concerns of European members. They want Germany's inflation but not Germans heading their central bank.

In order to convince Germany, some kind of compromise was evolved, where there will be a German on the executive board, but as chief economist of ECB. But even this was also not followed. Otmar Issing (1998-2006) and Jurgen Stark (2006-11) were chief economists, but there was no German until 2014 and then Sabine Lautenschlager was appointed (2014-22). She is a lawyer and was in charge of banking supervision. The chief economist role since 2011 has been performed by Peter Praet (Belgian, 2011-19), who has been recently replaced by Philip Lane (2019-28). In this roulette of ECB appointments,



(L-R) International Monetary Fund Managing Director Christine Lagarde, nominated to be the next head of the European Central Bank, EC President Jean-Claude Juncker, and current ECB President Mario Draghi

Germans have been on the losing side, despite their influence on the ECB's foundation.

We now move to the fourth part of Mr Tusk's message. A few years ago, chiefs of quite a few central banks came from MIT's economics department, where they earned their PhDs: Ben Bernanke (US),

**The change in government thinking reflects recent changes in economic conditions. When economists were appointed, most economies were facing some crisis or the other and needed expertise to resolve them. But over time, the crises have eased**

central banks. Whether it is the US, Japan, India or Europe, the chiefs of central bank come from a non-economics background.

This change in government thinking reflects the changes in economic and political conditions in recent years. When economists were appointed,

most of these economies were facing some crisis or the other and needed expertise to resolve them. Over time, the crises eased but large sections of the population continued to be jobless and under financial stress. This led people to elect nationalistic governments, which promised jobs and reduced inequalities. Elected governments in turn wanted easier monetary policies from central banks to convince their voters. This resulted in differences with independent-minded central bankers over matters such as high interest rates, stiff banking regulations and so on. Central bankers in some countries have even been threatened (discussed in my earlier article, "Who wants a Central Bank job?" May 16, 2019).

These recent frictions, which have spread across the world, have led to a significant rise in concerns over central bank independence. Meanwhile, governments are choosing to appoint non-economists and administrators as central bankers, to diffuse tensions and manage relations. That having been said, there is no guarantee that governments will stop criticising these new appointments. This has been seen in the case of the US, where President Donald Trump openly criticises Jerome Powell, the chief of the Federal Reserve, who he himself appointed.

*The writer teaches economics at Ahmedabad University and writes the blog Mostly Economics*

HITESH D GAJARIA

Finance Minister Nirmala Sitharaman presented her maiden Budget in Parliament amid soaring expectations in regard to revival of investment sentiment, acceleration of economic growth and provision of tax incentives. In the backdrop of a slowing economy, weakening consumption, rural distress and high unemployment, she had an arduous task — to revive public and private investment, drive consumption and yet keep the fiscal deficit under control.

The Budget has attempted to stimulate the economy by incentivising businesses, promoting the rural economy and improving education. There are measures to promote "ease of living", incentivise home-grown start-ups, recapitalise public sector banks, divestment of PSUs, further opening up of specific sectors to foreign direct investment, reforms in the banking and financial sector, streamline labour laws, and affordable housing.

The following are some notable corporate tax proposals:

**Corporate tax rate:** The single most long-standing demand of India Inc has been a reduction of the corporate tax rate, including abolition of MAT. In the Budget speech of 2016, the then FM had laid down the road map for reduction in corporate tax rates along with corresponding phasing out of exemptions and deductions.

With incentives and deductions being phased out rapidly, the demand for a reduction in the corporate tax rate and abolition of MAT seemed to be the need of the hour. The Budget proposes to extend the benefit of concessional corporate tax rate of 25 per cent to companies having a turnover of up to ₹400 crore (for the year ended March 31, 2018), which will cover 99.3 per cent of companies.

While this is a welcome move, large companies have been left out, though they contribute the maximum in terms of growth, employment and tax revenues. While there is no significant overhaul of MAT provisions, the proposal to reduce the tax rate to 25 per cent for companies with turnover of ₹400 crore, though small, is still a step in the right direction.

**Start-ups:** The government recognises the need to foster economic growth through innovation and entrepreneurship, and has committed to supporting start-ups and establishing a conducive growth environment for them. A few announcements have been made in this Budget, such as further relaxation of conditions relating to carry-forward and set-off of losses, and announcements addressing the "angel tax" issue. The angel tax issue, while acknowledged by the FM in her speech, does not find place in the Finance Bill. One can expect necessary circulars/instructions clarifying the issue. Further, at present, start-ups are not

**In the backdrop of a slowing economy and weakening consumption, the finance minister's task was to revive investment, drive consumption and yet keep the fiscal deficit under control**

now proposes to extend the buyback tax to listed companies as well. Whereas such arbitrage may arguably have existed in closely held companies, this doesn't necessarily hold good for publicly listed companies, and it may not be correct to call it a tax avoidance measure and introduce it as an anti-abuse provision.

Listed companies are guided by various considerations, and not necessarily only by tax savings, in deciding on buy-back. In this respect, therefore, such a levy was not warranted and in any case, not as an anti-abuse measure. Further, levying buyback tax at a flat rate of 20 per cent (plus applicable surcharge and cess), irrespective of the period for which shares are held will be a dampener for equity shareholders who take inherent risks while investing.

Some progressive announcements, such as making available pre-filled tax returns and faceless e-assessment of tax returns will help enhance compliance and expand the taxpayer base. Overall, despite the various limitations and the headwinds facing the economy, the government has partially increased the coverage of the lower corporate tax rate of 25 per cent and announced its intent to provide targeted incentives to sunrise sectors. The corporate tax proposals align with the vision to propel India to a \$5 trillion dollar economy and provide that vision with a firm grounding.

*The writer is Partner and Head of Tax, KPMG in India*

## ▶ OTHER VIEWS

### Rahul Gandhi's resignation a challenge to the old guard

It may force a churn in the Congress and lay the basis for a revival

With Rahul Gandhi stating categorically that he would not continue as Congress president, one uncertainty that had gripped the party has ended. Mr Gandhi's letter of resignation is part self-reflection, about the Congress in general and his own personal role in it, and part a critique of the state of affairs of Indian politics. By sticking to his decision to quit as party chief, he has thrown a challenge at his colleagues to find a life outside the shelter of the Nehru-Gandhi family. The coterie that flourished around his mother and predecessor Sonia Gandhi had reduced politics to manipulation and turned the party into an instrument of vested interests.

By refusing to be the façade for their parasitical existence, Mr Gandhi might have forced a productive churn at all levels. Any moral appeal could only have had a limited impact on the seasoned veterans, but the example Mr Gandhi set by accepting responsibility for the defeat while reiterating his commitment to the larger cause might help inspire a resuscitation of the party. The process of reducing the Congress to a family enterprise had started with Mr Gandhi's forbears and their supporters as much as their opponents. Only a family member could have sought to challenge the notion that the Congress



cannot survive without the dynasty. If the absence of a Nehru-Gandhi at the helm was a precondition for the reconfiguration of the Congress and the formation of a viable alternative to Hindutva, Mr Gandhi has created that situation.

The Hindu, July 5

### Mumbai's monsoon tragedy

Blinkered urban planning to blame

Another Mumbai monsoon tragedy has yielded another high-level inquiry, this time to probe the circumstances in which at least 26 Mumbaiers died when a wall along a suburban hillock collapsed on two shanty colonies. The suburban railway and bus transportation systems are counting their losses, running into crores, from flood water ingress. Thousands of underground water tanks in suburban residential colonies are contaminated, and municipal authorities are bracing for an impending round of viral and water-borne diseases.

After the 2005 deluge that claimed over 700 lives in the city after a 944 mm downpour in a single day, not only were large parts of a fact-find-

ing committee's recommendations never implemented, but 14 years and several hundred crores later, a project to rejuvenate the Mithi River, Mumbai's mother drainage system, remains incomplete. Corruption and incompetence in infrastructure planning and governance cannot be brushed under the climate change carpet. Various agencies responsible for Mumbai's ramshackle systems must do both — fix accountability for the dereliction and simultaneously mandate scientific sustainability studies to inform all development planning, zoning initiatives, real estate development and mass transit projects.

The Indian Express, July 5

### Cosmetic actions won't do

Credible Pak action needed on terror

Weeks after the Financial Action Task Force (FATF) warned Pakistan to actively curb terror-financing or face blacklisting, Pak authorities have booked Mumbai terror attack mastermind and Jamaat-ud-Dawa chief Hafiz Saeed and other leaders of the so-called charity that operates as a front for the Lashkar-e-Taiba (LeT).

Pakistan has fast-tracked the purported crackdown also with an eye on PM Imran Khan's upcoming meeting with the US President. After the Pulwama terror attack, Pakistan had apparently turned the screws on banned militant outfits. Two close relatives of Masood Azhar, who heads the Jaish-e-Mohammed — the terror outfit that promptly took responsibility

for the February 14 massacre — were among 40-odd members of such organisations who had been taken into preventive detention. The probe, inevitably, turned out to be an eyewash as no "credible" evidence was found against the suspects. It's been over two months since Masood Azhar was declared a "global terrorist" by the UN, but Pakistan has not yet specified how and to what extent it has enforced the sanctions imposed on him. In any case, it's imperative to target the terror factories and shady seminars that keep all the Saeeds and Azhars in business. And it's here that Pakistan has been found woefully lacking in political and military will.

The Tribune, July 5