#ExpressExplained

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### TELLING NUMBERS

### **J&K:** Key indicators



As a new chapter opens in the history of Jammu and Kashmir with the state being split into two Union Territories, there have been discussions around how it has fared compared to the rest of India. Some selected indicators; figures in square brackets are for All India.

| P( | OP | UI | A | ΓIC | N | PR | 80 | FI |  |
|----|----|----|---|-----|---|----|----|----|--|
|    |    |    |   |     |   |    |    |    |  |

| * Life expectancy at birth   | 73.5 (2012-16) [68.7] |  |
|--|-----------------------|--|
| Sex ratio of total population (females per 1,000 males)                                  | 972 [991]             |  |
| Sex ratio at birth for children born<br>in the last five years (females per 1,000 males) | 921[919]              |  |
| Households with electricity (%)  | 97.4 [88.2]           |  |
| Households with improved drinking water source (%)                                       | 89.2 [89.9]           |  |
| Households using improved sanitation facility (%)  | 52.5 [48.4]           |  |
| Households using clean fuel for cooking (%)  | 57.6 [43.8]           |  |
| LITERACY LEVELS  |                       |  |
| Literacy Rate (in per cent, 2011)  | 67.2 [73.0]           |  |
| Women who are literate (%)   | 69.0 [68.4]           |  |
| Men who are literate (%)   | 87.0 [85.7]           |  |
| Women with 10 or more years of schooling (%)   | 37.2 [35.7]           |  |
| *Gross Enrolment Ratio (in per cent, 2016-17, Provisio                                   | onal) 73.03 [93.55]   |  |
| MARRIAGE & FERTILITY   |                       |  |

| Women age 20-24 years married before age 18 years (%                                     | 8.7 [26.8]       |
|--|------------------|
| Women age 15-19 years who were already mothers or pregnant at the time of the survey (%) | 2.9 [7.9]        |
| Total fertility rate (children per woman)  | 2.0 [2.2]        |
| *Birth rate (per 1.000 population)   | 15.4(2017)[20.2] |

### INFANT & CHILD MORTALITY

Infant mortality rate (IMR) 32 [41]

Under-five mortality rate (U5MR) 38 [50]

| onder internormally rate (obtains) so [so]                                 |             |
|--|-------------|
| WOMEN'S EMPOWERMENT  |             |
| Currently married women who usually participate in household decisions (%) | 84.0 [84.0] |
| Women owning a house and/or land (alone or jointly with others) (%)        | 33.3 [38.4] |
| Women having a bank or savings account that they themselves use (%)        | 60.3 [53.0] |
| Women having a mobile phone that they themselves use (%)                   | 54.2 [45.9] |

| EMPLOYMENT & POVERTY*   |                         |
|---|-------------------------|
| Unemployment rate per 1,000 population (Usual status), Rural male   | 22 (2011-12) [17]       |
| Unemployment rate per 1,000 population (Usual status), Rural female | 30 (2011-12) [17]       |
| Unemployment rate per 1,000 population (Usual status), Urban male   | 41 (2011-12) [30]       |
| Unemployment rate per 1,000 population (Usual status), Urban female | 190 (2011-12) [52]      |
| Poverty rate (percentage, based on MRP consumption)                 | 10.35 (2011-12) [21.92] |

Source: National Family Health Survey (NFHS-4), 2015-16, except indicators marked with an asterisk (\*). Data marked with an asterisk are from Economic Survey 2018-19 and RBI Handbook of Statistics on Indian States, 2018-19, quoting Census, NITI Aayog, and NSSO data. NFHS-4 is the fourth in the NFHS series, which provides information on population, health and nutrition for India and each state and Union Territory.

# GS SCORE An Institute for Civil Services



### SIMPLY PUT QUESTION & ANSWER

## Why RBI's monetary policy matters

It influences the interest rate in the economy — which is the cost of money when you don't have it, and the reward for parting with it when you have it.

### **UDIT MISRA**

NEW DELHI, AUGUST 7

IN ITS monetary policy review Wednesday, the Monetary Policy Committee of the RBI decided to cut the reporate by 35 basis points (bps). Reporate is the rate at which the RBI lends money to commercial banks. 100 bps make a full percentage point. The RBI's reporate has now fallen 110 basis points since February. The RBI also announced some measures to boost economic activity.

#### Why does monetary policy matter?

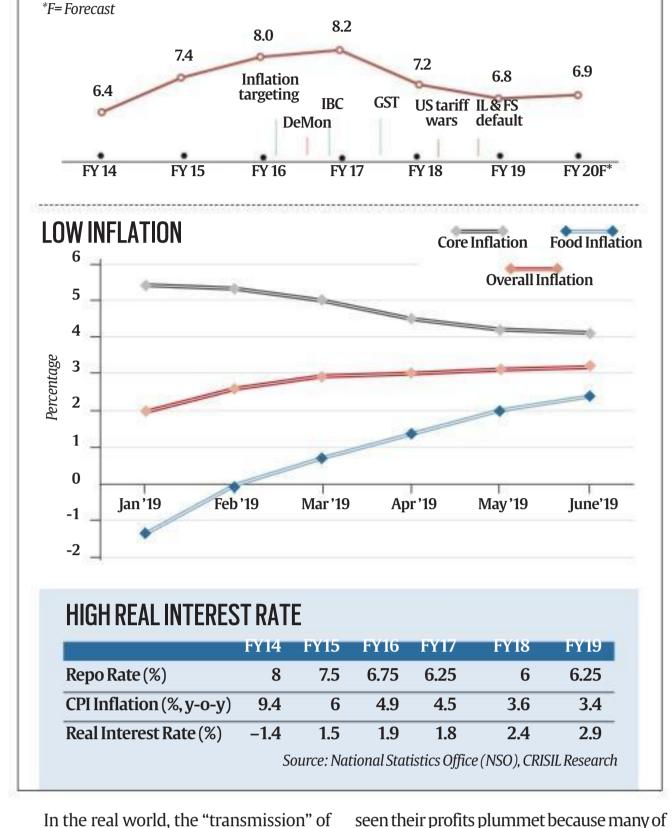
In any economy, economic activity, which is measured by gross domestic product or GDP, happens by one of four ways. One, private individuals and households spend money on consumption. Two, the government spends on its agenda. Three, private sector businesses "invest" in their productive capacity. And four, the net exports — which is the difference between what all of them spend on imports as against what they earn from exports. At the heart of any spending decision taken by any of these entities lies the question: What is the cost of money?

Monetary policy essentially answers that question. In every country, the central bank is mandated to decide the cost of money, which is more commonly known as the "interest rate" in the economy. While various factors make it difficult for a central bank to exactly dictate interest rates, as a thumb rule, RBI's decision on the reporate sets the markers for the rest of the economy. In other words, the EMI for your car or home is determined by what the RBI decides.

#### What is the reporate?

Repo and Reverse repo are short for repurchase agreements between the RBI and the commercial banks in the economy. In essence, the repo rate is the interest rate that the RBI charges a commercial bank when it borrows money from the RBI. As such, if the repo falls, all interest rates in the economy should fall. And that is why common people should be interested in the RBI's monetary policy.

But the interest rate for consumer loans has not reduced by 110 bps since February. Why?



In the real world, the "transmission" of an interest rate cut (or increase) is not a hundred per cent. And that is why, even though when the RBI cut by 35 bps on Wednesday, lay consumers may only receive a much lower reduction in the interest rate on their borrowings. This is due to a lot of factors — but primarily, it has to do with the health of the concerned commercial bank.

**ANAEMIC GROWTH** 

Over the past few years, almost all banks, especially the ones in the public sector, have

their past loans have turned out to be nonperforming assets (in other words, they are not getting repaid). To cover for these losses, the banks have to use their existing funds, which would have otherwise gone to common consumers for fresh loans. There is another key element that affects

There is another key element that affects the banks' decision. The reduced reporate applies only to new borrowings of banks. The banks' cost of existing funds is higher. Of course, funding costs would eventually come down — but this process would take time. This "lag" in monetary policy is a key variable in determining the efficacy of any rate cut by the RBI. It could take anywhere between 9 and 18 months for the full effect of an RBI decision to reflect in interest rates across the economy.

#### So, how does RBI decide the interest rate?

Any central bank has a few main concerns. The first is to ensure price stability in the economy. Think of how chaotic life would be if there was no predictability about the prices of everyday items. The interest rate anchors the prices in an economy. The RBI continuously maps prices, inflation (which is the rate of increase in prices), and expectations of inflation (of households) to decide if it should increase or decrease interest rates.

For instance, the RBI announced some years ago that it would like the inflation rate to be 4%. So, every time the retail inflation rate rises above the 4% mark, the RBI realises that there is too much cash chasing too few goods in the economy. To set the matter right, it raises the cost of money — that is, the interest rate. When it does that, some people find it more advisable to put the cash out of the market and into banks. This way, inflation falls. The reverse process applies when the inflation is below the 4% mark.

The other related concern for a central bank is to take care of economic growth. For instance, economic growth is anaemic at present (see charts), and partly as a consequence, the inflation rate has been below 4% for several months now. The RBI is, therefore, cutting interest rates to incentivise people to consume more and businesses to invest more.

### Will the rate cut bring investments? Investments depend essentially on the

"real" interest rate. The real interest rate is the difference between the repo rate and retail inflation. When making an investment decision, it is this interest rate that matters. As a variable, it allows an investor to compare the attractiveness of different economies. As can be seen in the third chart, real interest rates in India have been rising, and that is one of the biggest reasons why investments are not happening. The RBI's move on Wednesday would reduce the real interest rate and hopefully attract more investment.

### How Rajasthan, MP propose to check lynching

### MILIND GHATWAI & HAMZA KHAN RHOPAL JAIPUR AUGUST 7

BHOPAL, JAIPUR, AUGUST 7

ON MONDAY, the Rajasthan Assembly passed a new law against mob lynching. Another Congress government, in Madhya Pradesh, recently introduced a Bill that seeks to curb cow vigilantism. The State Law Commission in BJP-ruled Uttar Pradesh, meanwhile, has drafted the UP Combating of Mob Lynching Bill, 2019, and submitted it to Chief Minister Yogi Adityanath.

### What is different

While the Rajasthan law and the UP draft are new, the proposed law in MP is an amendment to the existing Madhya Pradesh Govansh Vadh Pratishedh Act, 2004, which is against cow slaughter. The amendments propose a jail term and a fine for those who attack, or damage property of, people booked, or likely to be booked, for offences like slaughter of cow progeny, possession of beef or transporting

cow progeny for slaughter.

These moves follow the Supreme Court's directions to Parliament last year, in the wake of a series of lynching incidents, to come up with a special law. The Bench directed the Centre and states to carry out its directions within four weeks. The Centre informed Lok Sabha that it had created a Group of Ministers and a high-level committee to "deliberate" and "make recommendations" for a separate penal provision for mob violence.

### Rajasthan Bill

The Rajasthan Protection from Lynching Bill, 2019 makes mob lynching a cognisable, non-bailable and non-compoundable offence punishable with life imprisonment and a fine up to Rs 5 lakh. It defines lynching as "any act or series of acts of violence or aiding, abetting or attempting an act of violence, whether spontaneous or planned, by a mob on the grounds of religion, race, caste, sex, place of birth, language, dietary practices, sexual orientation, political affiliation, ethnicity".

Offences will be investigated by a police officer of the rank of inspector and above, and the DGP will appoint an officer of the rank of IG or above as State Coordinator. In cases of "hurt" and "grievous hurt", the convict may get up to seven and 10 years in jail respectively; if it leads to death, the punishment is life imprisonment. The Bill also makes conspirators accountable.

Rajasthan had witnessed a number of lynchings in 2017, beginning with that of dairy farmer Pehlu Khan in April 2017.

### Madhya Pradesh Bill

The Bill seeks to amend Sub-section (2) of Section 9 of the 2004 Act and propose a minimum jail term of six months that may be extended to one year. When the same offence is committed by members of illegal assembly (mob) the minimum term will increase to one year and the maximum to five years. The Bill proposes a lower term for those who abet and those who attempt to commit the crime. The punishment will dou-

ble in case of those convicted for an offence they were previously convicted of. The minimum fine is Rs 5,000 and the maximum Rs 50,000. The Bill seeks to insert Section 6D. While the rules are yet to be formed, these will specify who issues the transit permit of cow progeny, which will be pasted prominently on the vehicle. There is no provision in the 2004 legislation for issuing transit permit from other states.

### What next in MP

Following the BJP's demand, the Assembly Speaker has agreed to refer the Bill to a Select Committee. The BJP has opposed the Bill, accusing the Congress of appeasement politics. The BJP says provisions already exist in the IPC to punish such offences. "Instead of bringing a separate law against mob lynching as recommended by the Supreme Court, the government has brought a law to protect those who slaughter cows," alleged former Home Minister Bhupendra Singh.

### AN EXPERT EXPLAINS

## How forces are tackling Maoists in Chhattisgarh, what challenges remain



R K Vij

SEVEN MAOISTS were killed in an encounter with the Chhattisgarh Police on August 3; a week previously, on July 27, another seven had been killed in Machkot in Bastar. While security forces have made continuous inroads, the Central Committee of the CPI (Maoist) has repeatedly admitted in various reports and meetings that their base area has shrunk, fresh recruitment almost dried up, and desertions increased.

## Traditionally, the monsoon has been considered a lean period in the conflict. What explains the recent police successes in Chhattisgarh?

Though anti-Maoist operations do get restricted by various seasonal factors, these

continue to be launched if there is actionable intelligence of Maoist movement. Further, security forces have learnt to overcome many impediments. Use of satellite technology helps in keeping track of jawans' movement from any location, and the target can be identified with more clarity. Therefore, irrespective of the monsoon in full swing at both Machkot and Sitagota-Sherpar jungles, the police with convincing intelligence were able to launch operational teams and emerge successful.

## Of late, local police in the form of DRG (District Reserve Guard) have been more and more successful in countering Left Wing Extremism (LWE). What has made this possible?

State police, with the support of specialised training institutes (CTJW College, Kanker and four CIAT Schools), have built up capacity and raised specialised forces. The Centre, besides helping the state strengthen training capacity and capabilities, is also providing financial support to strengthen the specialised wings of STF (Special Task Force) and SIB (State Intelligence Bureau).

The two STF battalions are capable of

countering Maoists' 'main force' which chiefly consists of military Battalion No. 1 and is active in south Bastar. DRGs have been constituted in many districts with local policemen of affected areas. Their natural instincts have been supplemented with professional ethos from the Counter-Insurgency and Jungle Warfare School of Vairengte, Mizoram. While both STF and DRG played a pivotal role in the Machkot encounter, DRG of Rajnandgaon with able leadership led the August 3 operation.

## The August 3 encounter was in the proposed 'MMC Zone', described in a 25-page Maoist document and reported by *The Indian Express* in 2017. What is the nature of the threat?

The CPI(Maoist), following a decision taken in the 2014 Central Regional Bureau (CRB) meeting, is trying to develop the new MMC Zone. This is where Maharashtra, Madhya Pradesh and Chhattisgarh meet. Maoists intend to create an entity like the Dandakaranya (DK) Special Zonal Committee in Bastar. This area is predominately tribal, forested and hilly and suitable for guerrilla warfare. It is also contiguous to the North

Gadchiroli Maoist Division of the DK. Except for a few, most of the cadres in the MMC Zone were transferred there from Bastar.

The state governments took proactive steps by deploying additional resources and are trying their best to check Maoists' expansion. In Chhattisgarh, many new police stations and security camps have been established. The SP, Kabirdham, organised a number of awareness campaigns in remote areas which are most vulnerable to Maoist influence. He made arrangements for villagers' training and facilitated government employment for hundreds. The administration has taken steps to expedite developmental work. Madhya Pradesh and Maharashtra too have intensified anti-Maoist operations in these areas. Though the Maoists are yet to find their roots here, the efforts need to be continued. The Darrekasa Area Committee of the Gadchiroli-Rajnandgaon-Balaghat (GRB) Division of MMC was almost wiped out on August 3.

Despite the two recent successful encounters, don't Maoists retain the ability to strike back soon after suffering a major setback? If we analyse the pattern, most such attacks have taken place during the 'Tactical Counter Offensive Campaign' (TCOC) period which generally extends from February-March to May-June each year. During this TCOC period, most of their field formations (political as well as military) join together to form area or division command and launch major attacks. The security forces therefore need to be extra vigilant during this TCOC period.

What is the best way to fight IEDs? One way to avoid destruction and casualties caused by IEDs is to ensure that these are successfully detected through visual surveillance or using technical gadgets and defused in time. Second, a road opening party may dominate the surrounding area thoroughly enough to make certain that no suspicious elements are hiding around to trigger IEDs. Third, law-enforcement agencies can crack down on miscreants who supply explosive substances to the Maoists. Fourth, explosive substances and most importantly detonators can be made identifiable at the production stage using a unique number for identification. However, all

these measures have their limitations.

### What is the way forward for security

forces here on? Though Maoists have weakened in DK, Odisha State Committee and other zones, and their expansionist policy is under check, security forces cannot afford to ignore their protracted war strategy. The mobile war (capability to attack at will in base areas and escape unscathed) has to be reversed and the areas of security vacuum (where there is no presence of the security forces) plugged. Better technologies are required to detect and defuse IEDs. Security forces also need to learn from previous tactical errors and adhere to time-proven SOPs. The information network should improve with better road and telecom connectivity in farflung areas. Surrender and rehabilitation policies must be implemented.

R K Vij is Special DGP, Chhattisgarh. He was formerly the state's Additional DGP, anti-Maoist operations.

A more detailed explanation on www.indianexpress.com

### WORDLY WISE

BEING A BLACK WOMAN WRITER IS NOT A SHALLOW PLACE BUT A RICH PLACE TO WRITE FROM.

— TONI MORRISON

### The Indian EXPRESS

∽ FOUNDED BY ∽ RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

### A DEAR LEADER

Sushma Swaraj played many roles and made them all her own, with dignity and grace

USHMA SWARAJ, WHO passed away on Tuesday, aged 67, was one of the most popular leaders of the BJP, who left a mark as both politician and administrator. She entered public life early — after working as a lawyer for socialist leader George Fernandes during the Emergency — and was pitchforked into a leadership role when she was just 25. When the Janata Party disintegrated in the late 1970s, the young minister in the Janata ministry in Haryana, preferred the BJP to the Janata variants of socialist and social justice politics. She rose to prominence quickly in the BJP thanks to her people-skills and powerful oratory, at a time when there were few women in the party leadership.

Mentored by BJP patriarchs, Atal Bihari Vajpayee and LK Advani, she imbibed their finest qualities, including and especially tolerance and civility towards critics and political opponents. She followed the party discipline, always defending the party line to the best of her abilities and taking on responsibilities that the party entrusted her with, even against enormous odds. The BJP turned to her, for instance, to rescue a slipping government in Delhi in 1998 and to fight a losing battle against a resurgent Congress under Sheila Dikshit. She contested against Sonia Gandhi in 1999 from the Congress stronghold of Bellary. She lost both challenges, but she ensured that her party lost honourably. These contests and the frequent cross-country campaigns turned Swaraj into a national leader and a politician who rose above the office she occupied. She, arguably, had become the most prominent leader on the BJP's then famed second rung, before Narendra Modi made his presence felt on the national stage. Her tenure as foreign minister in the first Modi government was distinguished by her attempts to transform a ministry generally seen as haughty and aloof, into a friend of ordinary Indian citizens, especially the blue collar workers in the Gulf region. She recognised the influence of social media and used it remarkably well to distinguish herself as a minister, even as foreign policy increasingly became the preserve of the prime minister's office.

The ability to reinvent the roles assigned to her served Swaraj well in her political career. In a party of patriarchal features and conservative frameworks, she positioned herself as the Bharatiya naari who could also play a role in public life with confidence and ease. Indeed, her image helped her connect with a cross-section of people, including conservatives. It is a tribute to her poise and dignity that, in these polarised times, she will be missed and remembered by people across party lines and political divides.

### CUT TO REFORM

RBI cuts interest rate. But monetary policy alone cannot arrest the economic slowdown

N WEDNESDAY, THE Monetary Policy Committee of the RBI cut the benchmark reporate by 35 basis points to 5.4 per cent. Since February, when the rate cut cycle began, the MPC has cut rates by a cumulative 110 bps — a clear indication of growing concerns over the slowdown in economic activity. Tellingly, the RBI has also cut its growth projections for the first half of the current year to 5.8-6.6 per cent, from its earlier projection of 6.4-6.7 per cent — signaling the uncertainty around the economy. For the full year, the RBI now expects the economy to grow at 6.9 per cent, down from its February forecast of 7.4 per cent. With retail inflation expected to remain well within the MPC's target over the coming 12 months, it creates the space for further bringing down real interest rates if growth disappoints.

So far, the lack of transmission of successive rate cuts to the broader economy has been a source of concern. As the MPC notes, banks have reduced their lending rates (weighted average) by 29 bps so far (February to June) in response to cuts of 75 bps during this period. But transmission is likely to improve in the coming quarters. A large portion of bank deposits are of short term maturity. As these deposits get re-priced, it will lower banks' cost of funds, making it easier to cut lending rates. Keeping liquidity in line with the monetary policy stance — ensuring substantial liquidity surplus — and lowering small savings rates will further aid transmission. But will risk averse banks step up lending? Will lower interest rates boost investment and private consumption? At the current juncture, there may be little incentive for corporates, who are currently in the midst of deleveraging, to embark on fresh investments. There is still slack in the system. And corporates may opt for brownfield projects currently going through the resolution process. Reviving investments may thus require a more coordinated policy approach.

Other measures announced by the RBI, such as lowering risk weightage for retail lending and increasing flow of funds to NBFCs, suggest a concerted effort to boost consumption. Recent measures to address NBFC issues will also help gradually bring down credit risk, improving credit flow to the larger economy. If the revised growth estimates are not met — achieving even the 6.9 per cent target may be difficult — it will open up space for further cuts. But monetary policy cannot alone do the heavy lifting. It needs to be supplemented with reforms aimed at spurring growth.

### DEARLY BELOVED

Posterity will remember Toni Morrison as a polyphonic poet who wrote in prose

ONI MORRISON, the foremost literary voice of Black America, has died aged 88 in the Bronx. No, these metrics are inappropriate for such a writer, with a voice as seductive as lucid dreams and as electrifying as distant thunder. Let's try again: Toni Morrison, political novelist, essayist, literary editor, professor emeritus at Princeton, Nobel laureate, Pulitzer Prize winner and single parent of two sons, has died in New York after writing about a dozen novels, two plays and a libretto, five children's books and essays too numerous to list. That's the true account of a literary life well lived.

Morrison published her first book, The Bluest Eye, aged 39 in 1970, and wrote on stolen time for years, juggling her responsibilities as an editor and parent, until she gained critical and popular acclaim with Song of Solomon (1977), Tar Baby (1981) and Beloved (1987). It is a rare achievement to score on both registers. Writers of enduring literary value do not generally populate the New York Times bestseller list for decades on end, or

get to be a favourite on Oprah's show. Morrison had hailed Bill Clinton as the first Black president of the US, despite the colour of his skin, because he was presumed guilty until proven innocent. The facts betrayed her in that messy matter, but undeterred, she attended the inauguration of Barack Obama, the first real African-American president, with childlike happiness. Now, Obama has paid tribute, calling her a "national treasure", Hillary Clinton remembers her as a "queen", and Morrison is being mourned the world over. Her work spoke of inequality everywhere, and readers worldwide will remember her not primarily as a Black writer, but as the poet singing of the despair and the wonder of everyday life in an unfair world, who happened to write in prose.

## Now, win the peace



In Kashmir, there is a weariness with the old. If the new is rung in, Article 370 could become a fading memory

TAVLEEN SINGH

A PALL OF despair hung over Srinagar when I was there in May just days before the election results. It should have been high season with houseboats and hotels bursting with visitors, pleasure boats on the Dal Lake and shops filled with the noise of eager shoppers. Instead, on this perfect summer's day, the city was empty.

And, there was a tension. I felt it even before landing. For the first time in the many times that I have flown into Srinagar, I was ordered by a nervous Vistara flight attendant to pull the window shades down as we landed. She pulled them down for me but I had already seen why. From the air, the airport looks like a military base. Not even at the height of the militancy in the Nineties have I seen it so militarised. On the drive into the city, I noticed that shops on the airport road have been screened off by a thick metal net so they looked as if they were caged.

I drove through eerily empty streets to the hotel in which I was staying and found it almost empty. When I asked why, since this was high season, I was told by the hotel manager that people had stopped coming after the Pulwama attack. Before that, he said, there were so many tourists in Srinagar that it was hard to find an empty hotel room or houseboat. Later that day, I met friends and political leaders and everyone confirmed that it was the Pulwama attack and the Balakot strike that had driven visitors away. What saddened me most was that every taxi driver I hired asked if I could find his son a job. The story they told was the same. "I have spent whatever I earned on my son's computer course.but there are no jobs. He sits at home all day with nothing to do." So, another lost season is something Srinagar can ill afford.

This was my first visit back since Burhan Wani was killed. The reason why I did not go back, frankly, was because I lost sympathy with Kashmiris when they fell under the thrall of a young man who was so openly a jihadist and whose cause was religious and not political. After Wani was killed, I watched carefully the recruitment videos he posted of himself in military fatigues with other young men in similar uniform carrying automatic weapons. In these videos, this commander of the Hizbul Mujahideen made it absolutely clear that the single purpose of his

When Narendra Modi became prime minister in 2014, he could have started with a clean slate. But, he seemed undecided about whether to use the jackboot or turn to Atal Bihari Vajpayee's formula of 'insaniyat, jamhooriyat, kashmiriyat'. Now, it appears that he had a plan all along and it was to get rid of Kashmir's special status. Will this turn out to be yet another mistake? Personally, I believe that it could prevent Kashmir from becoming the Islamic state that the jihadist groups dream of. But, Modi will have to have a strategy ready to win the peace now that he seems to have won

the war.

armed struggle was to turn Kashmir into an Islamic state. I have no sympathy for religious causes. And so, stayed away from Srinagar in those long, horrible months when children and masked men took to the streets to throw stones at our security personnel.

If they had done this for a political cause, I would have gone back to understand it better. I sympathised so completely with the political reasons for Kashmiris to be angry with Delhi that I wrote a book on their struggle for basic democratic rights. It came out in 1995 and was called Kashmir: a tragedy of errors. The case that I made in this book was that the insurgency that became manifest with the kidnapping of Mehbooba Mufti's sister in December 1989 had nothing to do with the historical problem in Kashmir. The historical problem died, in my view, in the Seventies when Bangladesh was created and Zulfiqar Ali Bhutto hanged. Pakistan lost its allure for most Kashmiris. The seal on the end of the historical problem was the peace pact that Indira Gandhi signed with Sheikh Abdullah in 1975. Sadly, it was Mrs Gandhi's crucial mistake in 1984 that created Kashmir's current political problem.

My first visit to Srinagar as a reporter was in the summer of 1981 when Sheikh Abdullah made his son Faroog his heir. It was the only time I met the old Sheikh. I did not get a chance to interview him but stood beside him on a hotel balcony in Lal Chowk from where he watched his son standing in an open truck in a procession so huge it seemed that all of Kashmir had come to Srinagar. The procession culminated in Iqbal Park, where the Sheikh declared to thunderous applause from the vast gathering that Farooq would be his heir. I still remember his words. "The crown I place on your head Farooq Abdullah is a crown of thorns."

Sheikh Abdullah died just months later and in 1983, I was sent to cover this election by M J Akbar who was then editor of The Telegraph. It was the first election I covered on my own so I made it a point to travel to every constituency except, for some reason, Uri. Everywhere, people said they were voting as Indians for the first time. And, voting for the National Conference. They seemed to believe they owed Sheikh Abdullah their vote. So Farooq won in a completely fair election but this was not how it was reported in the national press.

The reporters who came from Delhi spent most of their time in the Congress Party office in Nedou's Hotel in Srinagar. If they traveled at all, they went to Congress meetings and the impression they created in the national newspapers was that Congress would do well. They fooled Mrs Gandhi. So she got rid of Farooq Abdullah's government in the summer of 1984.

Farooq became a hero. He would have won again easily if he had not been forced into an alliance with Congress in the election that came in 1987. The alliance was a mistake because the opposition space came to be occupied by the Muslim United Front whose candidates believed they lost unfairly. Many were secessionists. Now, they crossed into Pakistan for help and came back as armed insurgents. The militancy began and Delhi's mistakes continued. In the Eighties and Nineties, I went to Srinagar almost every month. I was there when the Pandits were driven out, when violent jihadists forced cinemas and bars to close and saw first hand how the movement for "azadi" became a jihad.

When Narendra Modi became prime minister in 2014, he could have started with a clean slate. But, he seemed undecided about whether to use the jackboot or turn to Atal Bihari Vajpayee's formula of "insaniyat, jamhooriyat, kashmiriyat". Now, it appears that he had a plan all along and it was to get rid of Kashmir's special status. Will this turn out to be yet another mistake? Personally, I believe that it could prevent Kashmir from becoming the Islamic state that the jihadist groups dream of. But, Modi will have to have a strategy ready to win the peace now that he seems to have won the war.

When I was last in Srinagar, I noticed a real weariness with the jihadists. I noticed a real longing for peace and prosperity, and among young men, for jobs. If these things happen it will not be long before Kashmiris lose interest in Article 370. The special status that it supposedly guaranteed was in any case eroded long,long ago.

> The writer is contributing editor, The Indian Express

### SELF FLAGELLATION IN PAKISTAN

Abrogation of Articles 370, 35A has sparked passionate reaction across the border

KHALED AHMED

INDIA'S REVOKING OF Articles 370 and 35A to absorb the Indian state of Jammu and Kashmir into the Union was not liked by anyone across the world. The most effective objection came from India's own secularists and liberals who took note of the rise of Hindutva under the BJP government as destructive of the very foundation of India. The main cause of worry for most writers was the possibility of a nuclear war between India and Pakistan.

Pakistan reacted passionately but much of this passion was "political" as the Opposition attacked the government of Prime Minister Imran Khan, rather than India. Army chief General Qamar Javed Bajwa said his army would stand by the government in power, and by the people of Kashmir. Imran Khan convened a joint session of parliament and made a bold statement telling India that if war was to ensue it would be a nuclear war and that "Pakistan was ready for it" — for the rights of the Kashmiris. But the Opposition, mainly the PML(N) of Nawaz Sharif and the PPP of Bilawal Bhutto, was not prepared to give him relief. They attacked him for coming late to the session — as if he didn't care that the Kashmiris were suffering – and castigated him for the absence of his foreign minister, Shah Mehmood Qureshi.

PM Khan doesn't grace the parliament too often because of the bad blood between him and the Opposition leaders. When the pro-

The Opposition attacked the government of Prime Minister Imran Khan, rather than India. Pakistan army chief general Qamar Javed Bajwa said his army would stand by the government in power in Pakistan and by the people of Kashmir. Imran Khan convened a joint session of parliament and made a bold statement telling India that if war was to ensue it would be a nuclear war and that "Pakistan was ready for it".

ceedings started, everything the government benches did was rejected. Khan was uncomfortable and would have left the house, as is his wont, had the occasion not been serious in the eyes of his public following. He once threw up his hands and said, "What would you have me do, attack India?"

On the TV channels it was sheer national self-flagellation. Everyone in the streets who was asked to speak, simply wanted a war in which the Hindus were to be taught a lesson. The common man simply repeated the nationalist mantra of hatred — the same way the supporters of the BJP do in the streets of India. Opposition leaders appearing on TV were anti-government to the extreme. The PML(N) politicians, whose leader Nawaz Sharif had once welcomed the Indian Prime Minister Atal Bihari Vajpayee to Lahore and later welcomed Prime Minister Modi too, now cursed Khan for having welcomed Modi before he had even been elected.

Imran Khan had then said: "Perhaps if the BIP — a right-wing party — wins, some kind of settlement in Kashmir could be reached". Now the PML(N) was not ready to forgive him. Today, these words were held against him by politicians more interested in ousting the Pakistan government than ousting India from Kashmir. The world outside didn't like what transpired as expressed by the *The New* York Times editorial: "The Indian government's decision to revoke the semi-autonomous status of Kashmir, accompanied by a huge security clampdown, is dangerous and wrong". Outrageously, the "Arab friends" were unmoved.

Everyone cursed the government for not actively pursuing the UN Security Council, the International Court of Justice, and the Organisation of Islamic Cooperation — as if all these organisations were actually groups of men sitting in a room with doors locked which the government of Pakistan was supposed to simply break down, and tell the shirkers to do the needful to teach India a lesson. Alas, Pakistan's non-state actors were nowhere to be seen, removed from the battlefront by an international opinion more worried about their global outreach than the Muslims of Kashmir. The outrage over the statement of the ambassador of the UAE, that it was an internal matter of India, was muffled because most of the remittances come from the Pakistanis working there. As realism slowly dawns, Prime Minister Khan should stick to his earlier perception that he could make a deal with the BJP and make that telephone call which was rebuffed earlier. Perhaps, this time, Prime Minister Modi will

The writer is consulting editor, Newsweek **Pakistan** 

### AUGUST 8, 1979, FORTY YEARS AGO

JANATA SEEKS SUPPORT JANATA PARTY PRESIDENT Chandra Shekhar made a "special appeal" to the CPM, AIADMK and Akali Dal to revise their neutral stand and extend their "solid support" to his party. Describing these parties, which have a combined strength of 48 in the Lok Sabha, as "our allies", Chandra Shekhar said if necessary, he would write to the leaders of these parties and also meet them. Talking to reporters, Chandra Shekhar said these parties had solidly supported the Janata Party in the past. He was willing to sit with them and sort out any problem which came in the way of their renewal of support. Chandra Shekhar as-

serted that his party had nothing to do with

the RSS: He declared that the party would strictly enforce the decision taken by its national executive barring its members from joining any organisation which believed in the concept of a theocratic state.

### Policy Change

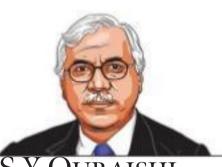
THE CHARAN SINGH government is planning big changes in industrial policy. Restrictions will be removed and licensing procedures eased in an effort to boost production. In an interview, T A Pai, minister of petroleum and chemicals, told this correspondent, "The government must show that it means business." Pai said that the new policies would involve: Reduction of controls on industrial production; removal of restrictions on the growth of large industrial houses; and withdrawal of the penalties on industrial production in excess of installed capacities.

NEW VICE-PRESIDENT FORMER CHIEF JUSTICE, M Hidayatullah, will be the next vice-president, but a formal announcement will be made by the returning officer, S S Bhale Rao, at 3 p.m on August 9 when the deadline for withdrawal of candidates expires. Bhale Rao rejected the papers of the remaining 10 candidates as they were not in order. Hidayatullah, who will be the country's sixth vice-president, will assume office on August 31.

## 13 THE IDEAS PAGE

## A protege's tribute

Sushma Swaraj was a leader of courage and stature, an original thinker and doer



S Y Quraishi

MY ASSOCIATION WITH Sushma Swaraj goes back to 1977, when after the end of the Emergency, she became an MLA of the Janata Party and was made minister for cultural affairs by Chaudhary Devi Lal, becoming the youngest ever minister in the country at 25. I was the director in the ministry. She exuded warmth and trust and started addressing me affectionately by my first name Yaqoob, my being six years older than her notwithstanding.

I was newly married then and she became very affectionate towards my wife, a budding journalist, as well. She granted her an interview for the last page of Sunday magazine — a first for both of them!

Her positivity and my enthusiasm ensured that an otherwise lacklustre and nondescript department performed exceptionally well. A film star night by Sunil Dutt's troupe at Ambala for social causes was organised. Sushmaji decided that no one would be given free passes. The only two persons who complied were Sushmaji and I. I had to leave my wife of three months at home, which she probably begrudged me but never complained! A national award — Sangeet Martand — to Pandit Jasraj of Sirsa with a prize money of Rs 1 lakh, a princely sum at that time, was another landmark. A Haryana swang (a folk theatre form) workshop with Habib Tanvir and another with Balwant Gargi resulted in legendary productions which were sent to border areas to entertain our jawans for years thereafter.

Even after we moved on to different ministries, our association continued though there was increasing acrimony between my wife and her. But she never allowed my wife's hostile writings against her and her party to affect her relations with me. She always said we are different individuals and even defended my wife's freedom of expression.

In 2001, out of the blue, I got a call from Sushmaji saying that she wanted me to come to her ministry, Information and Broadcasting, as Director-General Doordarshan. I was then posted as principal secretary to the chief minister of Haryana, O P Chautala. The post was considered the most powerful in the state. I thought it would be awkward to request him to relieve me of this job as he would consider me an ungrateful rascal. I therefore requested Sushma ji to speak to Chautala herself, which she promptly refused to do, saying, "Yaqoob, you know very well that your CM is hostile to me as I had opposed my party's alliance with his." On my persuasion, she kindly agreed to call him and the conversation I heard is best forgotten. I learnt quite a few original Haryanvi invectives. The politest refrain being "you want to ruin me by taking away my principal secretary".

A few days later she again called me asking if I could use some other influence to get my name forwarded to Delhi. Surely there were many in the CM's secretariat who would be happy to push me out. I decided to use their "good" offices. And it worked.

When the news about my appointment as DG DD spread, she faced a barrage of attacks from BJP leaders, including very senior ones, for appointing a Muslim to such a sensitive post, one with an anti-BJP wife to boot. Only a leader of her stature and backbone could have withstood the pressure. The complimentary words of faith and trust she used for me have always moved me. It transpired



that the attack on me and her defence of me was a regular feature. She was so cultured that she didn't even mention these conversations to me and I got to hear of them from her staff.

At DD, she gave me a free hand especially as I was the first direct recruit for Prasar Bharati and she extended her full support to all my initiatives. The introduction of DD Bharati, a unique channel for women, children and culture, within a month of my joining set the tone. DD India, narrowcasting (local broadcasting from our TV towers) and later setting up of DD Archives on the first Pravasi Bharatiya Divas were some of the other milestones possible with her support.

One not so fine day, she was abruptly moved out of I&B to the Ministry of Health because of party infighting. I was the next target. Many people suggested that I am being moved out for being a Muslim, which I did not countenance. My belief was that my being considered a protege of Sushma Swaraj was the real reason. Being labelled a "protege" of a great leader like her is a matter of pride for me.

Sushma ji was an original thinker and

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was the real reason. Being dying flame. labelled a 'protege' of a great leader like her is a matter of

doer par excellence. One of her achievements I can never forget was to declare film production as an industry, a demand that had been rejected for decades. In one stroke, she killed the phenomenon of the underworld financing in the film industry as it became bankable. Has any one heard the name Haji Mastan ever since?

My last meeting with her was on June 13 when I went to her home to inquire about her health. Rumours were rife that she had been "dropped". I inquired why she had chosen to withdraw from active electoral life. She said that ever since her kidney transplant, she was advised by her doctors to keep away from two things — dust and human physical contact. She said with a constituency which spread over 100 kilometres, and millions of constituents and friends, this was impossible. I had not seen her so happy in a long time. She was glowing. Who knew that this was the proverbial last flicker of a

Ma'am, I love you.

The writer is former Chief Election Commissioner of India

### turmoil in the subcontinent to significant levels."

WHAT THE OTHERS SAY

"The BJP's reckless and dangerous move to revoke the special status of Indiaheld Kashmir as enshrined in the Indian constitution has raised the threat of — DAWN

## Not by cuts alone

Reporate cut will help lower borrowing costs, but growth revival will require a coordinated policy response



SAUGATA Bhattacharya

THE MONETARY POLICY Committee (MPC) surprised us by cutting the policy reporate by a higher than expected 0.35 percentage points, taking the policy repo rate down to 5.40 per cent, the fourth cut since February. The decision to cut the reporate was unanimous, but two of the six MPC members voted to cut the rate by a lower 0.25 percentage points. The accommodative stance was retained.

There are three questions on the effect of the rate cuts. First, how much more room now exists for further rate cuts? Commentaries highlight the need to close the "output gap" — current activity being considered weaker than the economy's potential. Addressing growth concerns "assumes the highest priority at this juncture," it has been pointed out.

The global environment is partially responsible for this. The current theme is of synchronised rate cuts by central banks in both developed and emerging markets. Trade-related uncertainties, slowing investment and weak sentiment is resulting in a steady global growth deceleration and progressive weakening of sentiment, one reinforcing the other. Inflation has remained steady and low, and diffusing out from developed economies. Even some emerging markets are indicating that policy actions are now required to support not just growth, but also inflation. Other than the US Federal Reserve, Brazil cut its policy rate by a nonstandard 0.5 percentage points, followed by New Zealand and the Bank of Thailand.

The RBI cut its FY20 India growth forecast from the earlier 7 per cent to 6.9 per cent with slight "downside risks". The inflation forecast was kept more or less at the earlier level, averaging approximate 3.4-3.5 per cent for the year. Most monthly indicators of economic activity corroborate this, showing a deceleration across sectors. Capacity utilisation in the manufacturing segment in the January to March quarter of FY19, when seasonally adjusted, slipped from the earlier quarter. Early results of companies in the April-June quarter of FY20 show a slowdown in sales and profit growth. Of greater concern is a perceived weakness in both consumer and investment sentiment, with a changed perception of risk. For whatever reason, either employment uncertainty or a fall in disposable, discretionary incomes, consumption seems to be getting pushed back. MSMEs, an important job creation engine, have been adversely impacted by the loan squeeze from NBFCs — the second line of lenders which had increasingly become an important source of credit. MSMEs' ability to absorb shocks seem to have shrunk, and this is also impacting supply chains in some sectors.

A set of signals of future expectations is provided by responses to surveys of businesses and households, conducted by the RBI and other independent organisations. While the RBI Business Assessment Index improved marginally, production and order

books slowed. The Business Inflation Expectation Survey for June, conducted independently, reports that three-fourth of the respondents say that sales are "less than normal". Given this growth-inflation trade-off, the current real repo rate (that is repo rate minus inflation) still looks relatively high.

The second issue is the transmission of MPC reporate cuts to lending rates and, that is, operationalisation of the monetary policy signals into lower borrowing costs, particularly for households and small businesses. The cumulative rate cuts, together with durable liquidity infusion by the RBI through open market operations and foreign exchange swaps, has already led to a progressive reduction in banks' benchmark lending rates (the MCLR) to which all bank loans – corporate, home, auto – are linked. This is likely to accelerate. Banking sector liquidity has been in surplus for the past month and funds for banks are likely to be less costly than in FY19.

However, adequate system liquidity in itself will not be enough to incentivise flows of funds to certain perceived vulnerable sectors of the economy, given risk perceptions and information asymmetry. The RBI and other regulators have initiated a series of measures to mitigate the credit squeeze, judiciously using relaxations of micro prudential norms to ease the bottlenecks. These include, among others, liquidity coverage ratio requirements, lower risk weights, exposure caps, asset securitisation restrictions, and liquidity backstops to the partial credit enhancement announced by the government. Gradually, these will get traction and is evident in the higher flow of bank credit to NBFCs in June.

The third aspect of the stimulus is the likely response of consumption and investment to the lower borrowing costs. The magnitude of this response will depend on the genesis and nature of the slowdown. While the proximate reasons are likely to be cyclical, influenced by the global economy, there are some underlying structural shifts. A combination of reforms and regulatory changes (actually much needed), overlaid with the effects of technological changes on consumer behaviour, seems to have adversely affected confidence. The median age of car buyers, for instance, seems to be rising. Rising sales of second-hand vehicles might be cannibalising new car sales.

If this hypothesis is correct (and certainly seems heuristically feasible), lower borrowing costs will have positive effects but are unlikely to provide a large boost to either consumption or investment. This means that reviving investor sentiment and thereby capital expenditure will require a broader, more coordinated approach to a stimulus package, combining fiscal, tax, industry, trade and other levers. Remedial measures have already been initiated by both the Centre and state governments. Sector specific impediment are being identified and sought to be mitigated. But it will take some time before their effects are evident.

The good news? Global environment will be conducive to India's policy efforts, the expected continuing weakness in economic activity keeping metals and commodities prices moderate. Going forward, monetary policy will probably be data and event dependent, with stable inflation creating more space for the RBI for further rate cuts.

The writer is senior vice president, business and economic research, Axis Bank. Views are personal

### LETTERS TO THE EDITOR

### RIP Sushma

Minister, most accessible' (IE, August 7).The youngest Cabinet Minister in Haryana at the age of 25 years, first woman chief minister of Delhi, first women spokesperson for any national party, first women Leader of Opposition in Parliament, Sushma Swaraj has many firsts to her credit. As Minister for External Affairs, she was always helpful to distressed Indians who reached out to her and even helped some Pakistanis who wanted to get medical treatment in India. She was instrumental in resolving the Doklam crisis with China. Swaraj was the most humane external affairs minister.

THIS REFERS TO the obituary, 'Foreign

**Bal Govind,** Noida

### BOLD AND BRAZEN

THIS REFERS TO the editorial, 'Unlock the valley' (IE, August 7). Though the Centre has taken a bold step in reorganising Jammu and Kashmir through the bifurcation of the state, it has also resorted to a slew of authoritarian practices. Cutting phone lines, internet connections of the people of the state and putting leaders Omar Abdullah, Mehbooba Mufti and Sajjad Lone behind the bars are undemocratic steps. The right to freedom of speech must not be curtailed under any circumstances.

**Sanjay Chawla,** Amritsar

### LETTER OF THE WEEK AWARD

To encourage quality reader intervention, The Indian **Express offers the Letter of** the Week award. The letter adjudged the best for the week is published every Saturday. Letters may be e-mailed to editpage@expressindia.com

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address and phone number.

### CHANGE FOR BETTER

THIS REFERS TO the article, 'Un-belonging'(IE, August 7). There is indeed a drastic change in the mentality of the people of India. It is difficult to say if this is because of the "Narendra Modi effect" or something else but it has taken India towards positivity. Let's be a part of this wonderful journey.

**Vihaan Gupta,** *Ujjain* 

## Allocations are key

Economic policy needs to finetune its focus. It needs fewer lectures on reform

pride for me.

Yoginder K Alagh

FOR THE UNION Budget, two priorities were important in the second quarter of the year. The first was to finance a credible package of relief and recovery after a bad monsoon from the angle of drinking water and sowing. The second was to revive investment. The Economic Survey and budget speech were expected, as in the past, to reflect thinking on critical issues and not score brownie points.

For example, the PM's Economic Advisory Council has rightly said that Arvind Subramanian's critique of changes in the GDP are silly, since estimating a relationship between GDP and some variables in the past misses the point that productivity is rising. But more serious critiques, like those of the expert group under Sudipto Mundle and past members of the Statistical Commission, have been ignored. An assurance from the INU-trained finance minister that institutional integrity in the statistical and IMD systems will be respected would have been welcome. While everybody got something to latch on to, her views on the real priorities are awaited.

proving the efficiency of existing irrigation systems, rural finance — including temporary waiver of loan repayments — need funds, which the affected states don't have. The priorities stated in the Niti Aayog's council meeting are correct. But it doesn't have allocation powers. The budget was expected to provide funds and an assurance that the allocations would be rule based. This will have to come before the supplementary allocations in November. Meanwhile, job creation will depend on

the revival of industrial production, continuing growth of exports and an agricultural revival. But most policies have a lag of around four to six months. In the short run, more money will be needed for the MGNREGA. These allocations should have been in the FM's speech. The budget should concretely raise public investment to revive private investment to reverse the declining growth rate in every quarter.

The fiscal deficit is a real issue and leads to pressures on the bank rate and exchange rates. The suggestion is to raise resources by taxation and not to play to the gallery by not cutting consumption by the government and

non-government sectors. There are no free lunches and the FM knows that. She must send out that stern message. At least in the first post-election year, we have to be honest. There is little scope for the concessions demanded by industry groups, but a rationalisation of tax structures and reduction of slabs in GST are possible.

The clean up of the banking and NBFC sectors should be honest and that needs funds. These are outside the budget, but determine the fiscal deficit. So, the flow of funds in the budget papers must honestly reflect that.

The heart of economic policy in the short run is to give fewer lectures on reform but to raise government investment at the central, state and parastatal level. The economy is suffering from the decline in investment ratios, which explain the declining growth rate, which itself is below the potential of 8 per cent or so. This budget will be judged on that. Gujarat's experience conclusively shows that a high enough manufacturing physical output growth rate reduces the work force dependent on agriculture. Even with an employment elasticity of 0.25, with a 12 per cent growth in IIP, employment rises by 3 per cemt, which is double the work force growth rate.

The allocation for self help groups with a trust fund is a clear solution to an important problem. The wish is for the same clarity with everything else. And the pressure on the economy will only grow.

Many moons ago, in salubrious Bali, I was invited by Bank Indonesia, the World Bank and IMF to talk on the demographic dividend in Bharat Varsha, from where the Balinese got their non-vegetarian Hindu gods. India has a young population, I showed, and its retiree-worker ratio will be low. But will the young worker be a dividend? If she goes to college, marries late, the first child comes later, the last one earlier — the real dividend starts. But the last round of the NSS data shows she dropped out of school more than earlier. The budget did notgo into it, but somebody should. We need to take girls in rath yatras to school. We did it in Gujarat. Why not elsewhere? We need some more money before November.

The writer, an economist, is a former Union minister

mess.com

Rural distress is real. Drinking water, im-