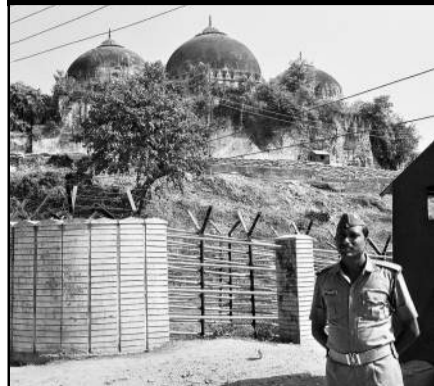


THE AYODHYA TIMELINE

A timeline explaining the centuries-long Ram Mandir-Babri Masjid land dispute in Ayodhya and events leading up to the historic judgment



1885: One Mahant Raghubar Das files a suit seeking permission to construct a Ram Temple at the disputed site. A trial court rejects the petition fearing such a permission would lead to riots. Appeals are also rejected

1934: A mob damages parts of the disputed structure. The British repair it. Muslims continue to offer prayers at the mosque and Hindus worship at Ram-Chabutra and Kaushalya Rasoi

1949-1959: Lord Ram's idols are planted inside the central dome of Babri masjid. Both sides file court cases; the site is locked. Ten years after that, Nirmohi Akhara files a suit seeking possession of the site and claims to be the custodian of the disputed land

December 18, 1961: The Sunni Central Board of Waqf files a suit claiming ownership of the site

1984: Vishwa Hindu Parishad (VHP) launches a campaign for the construction of a Ram temple at what it claims to be the birthplace (Janmabhoomi) of Lord Ram. Two years after, the Faizabad district court orders that gates of the mosque be opened and Hindus be allowed to worship there. Muslims protest the move and form the Babri Mosque Action Committee

November 9, 1989: VHP lays the foundation of a Ram temple on the land next to the Babri Masjid after receiving permission to do so from the Rajiv Gandhi government of the day

September 25, 1990: Then BJP President L K Advani launches a Rath Yatra from Somnath in Gujarat to Ayodhya, demanding the construction of a Ram temple. However, he is arrested in Bihar's Samastipur in November

December 6, 1992: The Babri Mosque is razed to the ground by hundreds of kar sevaks

April 2002: A three-judge Bench of the Allahabad High Court begins hearing to determine the ownership of the disputed land in Ayodhya. The HC orders the Archaeological Survey of India (ASI) to excavate the site and determine if it was a temple earlier

2003: ASI finds evidence of the presence of a temple under the mosque. Muslim organisations dispute these findings

September 30, 2010: The HC rules

that the disputed land should be divided into three parts — a third should go to Ram Lalla Virajman, represented by the Akhil Bharatiya Hindu Mahasabha; one-third to the Sunni Waqf Board; and the remaining to the Nirmohi Akhara. In December, the parties move the Supreme Court

May 2011: The Supreme Court stays the Allahabad HC order

March 2017: The Supreme Court says charges against Advani and other leaders in the Babri Masjid demolition case cannot be dropped. The apex court adds that the matter is sensitive and must be settled out of court

May 30, 2017: Advani, Murlidhar Manohar Joshi, Uma Bharati and Vinay Katiyar are charged with criminal conspiracy in the Babri Masjid demolition case

December 5, 2017: The SC says it will hear the civil appeals filed by various parties challenging the 2010 Allahabad High Court verdict on February 8

September 2018: The Supreme Court

rejects the plea for a review of the 1994 Farooqui judgment but then clarifies that this would have no bearing on pending title suits

October 2018: The Supreme Court decides that the land dispute case will only be listed before an "appropriate Bench" in January 2019. A Bench consisting of Chief Justice Ranjan Gogoi and Justices S K Kaul and K M Joseph says: "The appropriate Bench will fix the schedule with regard to the hearing of appeals in the case"

January 8, 2019: The Supreme Court sets up a five-judge Constitution Bench to hear the land dispute case

January 10, 2019: A five-judge Constitution Bench of the Supreme Court hears the Ayodhya land title dispute case, sets January 29 as the next date for hearing in the case

March 8, 2019: The SC refers the Ayodhya land dispute case for mediation, asks the panel to complete proceedings within 8 weeks

August 1, 2019: The mediation panel

submits its report to the apex court. The SC says the mediation panel failed to find a solution

August 6, 2019: The top court begins day-to-day hearing in the case

October 16, 2019: After a marathon 40-day daily hearing, the SC concludes hearing in the case. It says that a verdict will be delivered by CJ Gogoi before his retirement on November 17, 2019

November 8, 2019: The Supreme Court lists Ayodhya title suit judgment for November 9

November 9, 2019: In a unanimous verdict, the Supreme Court Bench led by Chief Justice Ranjan Gogoi orders that the disputed land in Ayodhya should be given to Ram Janmabhoomi Nyas for construction of a temple, and the Muslim side should be compensated with five acres of land at a prominent place in Ayodhya for a mosque. The court also orders the central government to formulate a scheme within three months to implement the order



THE VERDICT

'Balance of probabilities'

The facts, evidence and oral arguments of the present case have traversed the realms of history, archaeology, religion and the law. The law must stand apart from political contestations over history, ideology and religion. For a case replete with references to archaeological foundations, we must remember that it is the law which provides the edifice upon which our multi-cultural society rests.

In the present case, this Court is tasked with an adjudicatory task of unique dimension. The dispute is over immovable property. The court does not decide title on the basis of faith or belief but on the basis of evidence. The law provides us with parameters as clear but as profound as ownership and possession. In deciding title to the disputed property, the court applies settled principles of evidence to adjudicate upon which party has established a claim to the immovable property.

On the balance of probabilities, there is clear evidence to indicate that the worship by the Hindus in the outer courtyard continued unimpeded in spite of the setting up of a grill-brick wall in 1857. Their possession of the outer courtyard stands established together with the incidents attaching to their control over it.

As regards the inner courtyard, there is evidence on a preponderance of probabilities to establish worship by the Hindus prior to the annexation of Oudh by the British in 1857. The Muslims have offered no evidence to indicate that they were in exclusive possession of the inner structure prior to 1857 since the date of the construction in the sixteenth century. After the setting up of the grill-brick wall, the structure of the mosque continued to exist and there is evidence to indicate that *namaz* was offered within its precincts. The report of the Waqf Inspector of December 1949 indicates that Muslims were being obstructed in free and unimpeded access to mosque for the purposes of offering *namaz*. However, there is evidence to show that *namaz* was offered in the structure of the mosque and the last Friday *namaz* was on December 16, 1949. The exclusion of the Muslims from worship and possession took place on the intervening night between 22/23 December, 1949 when the mosque was desecrated by the installation of Hindu idols. The ouster of the Muslims on that occasion was not through any lawful authority but through an act, which was calculated to deprive them of their place of worship. During the pendency of the suits, the entire structure of the mosque was brought down in a calculated act of destroying a place of public worship. The Muslims have been wrongly deprived of a mosque, which had been constructed well over 450 years ago.

We have already concluded that the three-way bifurcation by the High Court was legally unsustainable.

Suit 5 (which was brought before civil judge, Faizabad by the deity (Bhagwan Shri Ram Virajman) and the birth-place (Asthan Shri Ram Janam Bhumii, Ayodhya), by the next friend for a declaration of title to the disputed premises and to restrain the defendants from interfering with or

raising any objection to the construction of a temple) — has been held to be maintainable at the behest of the first plaintiff (the deity of Lord Ram) who is a juristic person. The third plaintiff (next friend) has been held to be entitled to represent the first plaintiff.

We are of the view that on the one hand, a decree must ensue in Suit 5, Suit 4 (which was instituted on 18 December 1961 by the Sunni Central Waqf Board and nine Muslim residents of Ayodhya. It has been averred that the suit has been instituted on behalf of the entire Muslim community together with an application under Order) must also be partly decreed by directing the allotment of alternate land to the Muslims for the construction of a mosque and associated activities. The allotment of land to the Muslims is necessary because though on a balance of probabilities, the evidence in respect of the possessory claim of the Hindus to the composite whole of the disputed property stands on a better footing than the evidence adduced by the Muslims, the Muslims were dispossessed upon the desecration of the mosque on 22/23 December 1949, which was ultimately destroyed on 6 December 1992. There was no abandonment of the mosque by the Muslims.

This Court in the exercise of its powers under Article 142 of the Constitution must ensure that a wrong committed must be remedied. Justice would not prevail if the Court were to overlook the entitlement of the Muslims. The area of the composite site admeasures about 1,500 square yards. While determining the area of land to be allotted, it is necessary to provide restitution to the Muslim community for the unlawful destruction of their place of worship.

This exercise, and the consequent handing over of the land to the Sunni Central Waqf Board, shall be conducted simultaneously with the handing over of the disputed site comprising of the inner and outer courtyards as a consequence of the decree in Suit 5. Suit 4 shall stand decreed in the above terms. Section 6 of the Acquisition of Certain Area at Ayodhya Act 1993 empowers the Central Government to direct that the right, title and interest in relation to the area or any part thereof, instead of continuing to vest in the Central Government shall vest in the authority or body or trustees of any trust which is willing to comply with the terms and conditions as government may impose.

Excerpts from the Supreme Court judgment on the Ayodhya land dispute delivered on November 9



Mandir done, miles to go

Modi's stature could be dented if India's economy doesn't break out of its chronic stall. He needs grand ideas to end the slide or risk more emotional populism

Even the most incorrigible critics of Prime Minister Narendra Modi would struggle to find fault with his short and sweet address to the nation after the Ayodhya judgment.

It had three strands. One, that the Supreme Court had settled a festering, divisive issue and now there was time to move on, forgetting the "fear, bitterness and nega-

tivity" of the past.

Second, that the date, 9 November, was particularly significant, as it was the anniversary (30th, actually) of the fall of the Berlin Wall that divided the world during the Cold War. He invoked this Berlin Wall comparison not necessarily for Ayodhya but the opening of the Kartarpur Sahib corridor, where he acknowledged that both India and

Pakistan had worked together, forgetting their differences.

And third, he said, the Supreme Court had already ordered that the Ram Temple could be built. It was therefore an obligation on the part of all citizens to dedicate themselves to the larger task of nation-building. He invoked 'unity in diversity' repeatedly (*vidvitha mein ekta*), and concluded with greetings for Eid-ul Milad.

So far so good. Then we move to the political meaning of what he said. His third point, "Temple done, now is the time for nation-building", is what indicates the next steps in his government and party's politics. Also, some important questions.

He swept the 2019 election with a combination of welfarism turbo-charged by Hindu nationalism. With Article 370 and the Ram mandir done, and some moves towards a Universal Civil Code (banning triple talaq) made, what is left of that agenda? Within less than six months of beginning its second term, the Modi government and BJP have done almost everything they have been promising on their Hindu and nationalist agenda for decades. Where do they go next?

Modi won 2014 on the promise of "achche din", minimum government-maximum governance, growth and jobs. Most of that hasn't happened. If anything, the economic and employment situation has greatly deteriorated for the past three years. In 2019, Hindu nationalism plus direct benefit transfers to crores of poor enabled him to persuade enough voters to look beyond the economic distress to win a second mandate. What does he do next?

In a more perfect world, his government would need to normalise and relax restrictions in Kashmir, at some point de-escalate with Pakistan and there isn't



SHEKHAR GUPTA

You can take an optimistic view and presume that Modi and his party will now focus on the economy. But then, there is the Jharkhand election next month, Delhi soon thereafter and so on. And this isn't a political leadership that takes even a panchayat election lightly

another foreign adversary to get people angry with. Some bit of economic nationalism, possibly directed at Chinese imports, could be useful. But it can't have anywhere near the same oomph as demolishing a mosque, building a temple, bombing Balakot, surgical strikes and so on.

Modi has employed his foreign visits and interactions brilliantly to enhance his political stature and convince his voters that he's seen by global leaders in a league several notches above any other Indian leader they can remember. He is too smart not to know that this would be unsustainable unless India's economy breaks out of a stall that's looking chronic now.

Therefore, 9 November, 2019, is also significant for our domestic politics. Because this is when voters would expect Modi to focus back on their economic well-being, redeem his old pledge of "achche din".

Of course, if you do not have grand new ideas or imagination to break out of the slide, you could explore more options to fire emotional populism: The other religious sites, NRC, and Pakistan is always next door. But, as the disappointments of Maharashtra and even Haryana show, voters are a bit bored with the same Hindu-nationalist potion now. BJP performed way below expectations in both states although the vote took place within 11 weeks of the action on Article 370.

You can take an optimistic view and presume that Modi and his party will now focus on the economy. But then, there is the Jharkhand election next month, Delhi soon thereafter and so on. And this isn't a political leadership that takes even a panchayat election lightly.

By special arrangement with ThePrint

How the BJP used the idea of Ram

The party has used folklore to create a bond between the legend of Ram and a host of backward classes in order to whip up support for the Ram Janmabhoomi movement, even as it retains upper-caste loyalty, says Badri Narayan

Twenty seven years after the demolition of the Babri Masjid on 6 December, 1992, the Supreme Court announced its verdict in the title suit over the disputed land earlier on Saturday. In a unanimous judgment, a five-judge Constitution bench of the Supreme Court allotted the disputed Ayodhya land to the Ram Janmabhoomi Trust. The verdict also ordered the government to allot five acres of prominent land in Ayodhya to the Sunni Waqf Board for the construction of a mosque. This brings the curtain down on a long and turbulent campaign spearheaded by the BJP-RSS for the construction of a Ram temple at Ayodhya.

The Ram Janmabhoomi movement that started in the 1990s brought about a major shift in the country's politics. It is common knowledge that the movement was the brainchild of seers belonging to various Hindu sects, and was constantly supported and planned by Hindutva forces such as the Rashtriya Swayamsewak Sangh (RSS), the Vishwa Hindu Parishad (VHP) Bajrang Dal and the Bhartiya Janata Party (BJP), especially during the 1980-1992 period.

While Ram Janmabhoomi as an issue was alive till this morning and subject of political debate, it ceased being the mass movement of the 1990s long ago. However, the overall appeal it produced in the mindset of the Hindutva brigade back then remains a constituent of saffron politics and indeed in Indian society at large. The BJP supported and led the movement politically, with the 'Rath Yatra' by Lal Krishna Advani, who was the party's president in those days, creating and expanding the popular base for the outfit's politics.

One might recall that prior to Ram Janmabhoomi, the BJP got just two seats in the 1984 parliamentary elections. But once the movement captured the nation's imagination, the party was able to get 85 seats in the 1989 Lok Sabha polls. In the 1991 elections the party got 120 seats and in 1996, the count improved further to 161 seats. Before Ram Janmabhoomi, the BJP was typically the party of the forward castes and its reach was largely limited to India's urban pockets.



While Ram Janmabhoomi as an issue was alive till this morning and subject of political debate, it ceased being the mass movement of the 1990s long ago

But once the movement began gathering steam, BJP used the opportunity to expand its base from the upper castes to the middle and lower castes of Hindu society and also entered the rural areas, especially in northern and central India. The BJP and the Sangh Parivar used the symbol of Ram to good effect in their bid to unite all Hindu castes and forge a Hindutva identity. The symbol of Ram is popular with practically every village household. It cuts across caste lines as the persona is regarded as God and is remembered, narrated and worshipped by people in the form of Ram Katha, Ram Leela and a host of rituals centred around Ram Puja in various parts of the country. In fact, *Ramcharitmanas* is read, recited and worshipped in most households in rural India, regardless of caste. It was this cultural mindset that the BJP exploited quite well, using the presence of Ram in Hindu consciousness in oral, aural, visual and ritualistic form to fuel the Ram Janmabhoomi move-

ment and expand its base among Other Backward Classes (OBCs) and Dalits, even as it continued to enjoy upper caste support.

The BJP and RSS used the mythical narratives of Ram to associate MBC, OBC and Dalit castes with the Janmabhoomi movement, bringing even the most backward castes such as the Nishads, Mallahs, Bindis and Lodhis closer to the party. BJP cadres and leaders who were active in the 1990s during Ram Janmabhoomi movement involved these river basin-centric communities by delivering this sentiment to them: "You are a descendant of Nishad Raj Guhya who helped Ram to cross Ganga River at Shringverpur, when he was going for 'van gaman'. So you should support Ram Janmabhoomi movement." It was due to this cultivated mythical relationship that these communities helped the Karsewaks to cross river Sarayu and assemble in Ayodhya on December 6, 1992 when a curfew had been imposed in the holy city. The BJP and its affil-

iates also created a link with Dalit castes like the Musahars and several tribal groups that associate themselves with the characters of Ramayana, such as Sabari. Marginalised Dalit castes like the Musahar, Bansphor (bamboo cutters) and many tribal communities call themselves descendent of Sabari.

The BJP also used the Ram Janmabhoomi movement to convince castes like the Kushwaha, Maurya, Kanjar and others in the Hindi speaking states of Uttar Pradesh, Bihar and Madhya Pradesh, that they are the descendants of Ram's son — Kush. The party whipped up this sentiment to mobilise these castes to fuel the cause of the Ram temple, and get them to work for the BJP to build the monument in Ayodhya.

Another symbolic character that the RSS and BJP used in their campaign to expand their base among tribals was that of Hanuman. Apart from magnifying the popular mythical hero's persona, the two outfits also took to narrating stories of some of his compatriots like Sugreev and Jambant to the forest dwellers. The plan worked well and several tribal communities such as Kol, Bheel, Oraon, Gond came closer to the BJP. This association of various characters of the Ramayana with the identities of various OBC, MBC and Dalit castes provided space for the BJP to create a base among these non-upper caste social groups of Indian society.

During and after Ram Janmabhoomi movement, several BJP leaders from OBC and Dalit castes began assuming prominence within the party. These included the likes of Vinay Katiyar, Swami Chinmayanand, Uma Bharti, Keshav Prasad Maurya, Vijay Sonkar, and Sakshi Maharaj, who have a strong hold on the OBC and MBC voter base.

The sum and substance is that the BJP has used the Ram Janmabhoomi movement very effectively to build and sustain a political base that cuts across castes and communities, constantly evolving it to ensure it continues to yield electoral dividends.

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Views expressed are personal

No growth at all costs

Start-ups must have a clear path to profitability

Start-ups are a growth engine for the slowdown-hit Indian economy, at least two industry reports have reiterated recently. Consider the “Indian Tech Start-up Ecosystem”, the latest report from the National Association of Software and Services Companies (Nasscom). It is heartening to know that India has the potential to create more than 100 unicorns (a start-up parlance to describe companies with a valuation of \$1 billion and above) in the next five years. According to the report, the country will have 95-105 unicorns, enjoying a cumulative valuation of \$350-390 billion. At present, India has around 24 unicorns. While seven were

added this year itself till September, another two to three could be added by the end of 2019. India is third in the unicorn pecking order, after the US and China.

The other report by KPMG also celebrates the Indian start-up story. The report, “Fintech and Startups Fuelling India’s \$5-trillion Economy”, highlights the role of start-ups in giving a growth impetus to the broader economy. It noted that despite the overall slowdown, there was no dearth of funding in the start-up economy. Government, the private sector, and academia — forming the golden triangle — are important players for boosting the start-up eco-system further, the report suggested.

It also brought out the difference in funding between traditional businesses and start-ups. Traditional businesses relied on banks for funding their capex, and that the growth plans are stuck with liquidity drying up. In contrast, capital (mainly by venture capital and highly valued tech firms) has continued to flow into the start-up world. Industry estimates peg fund infusion in Indian technology start-ups at \$4.4 billion till September this year, up from \$4.2 billion in the corresponding period last year. Early-stage funding also rose significantly — as much as 70 per cent year on year, according to Nasscom.

All this is encouraging news, but that’s just one side of the story. The harsh reality is that profitability remains rare among the internet-led businesses, more than a decade after the country’s biggest e-commerce company, Flipkart, was born. Growth without profitability may not be a sustainable model in the long

run, as the start-up universe has witnessed time and again. There is no doubt that the narrative on the distance and the path to profitability has to become a bigger part of the story versus growth at all costs.

International investors backing start-ups typically target high valuations of the businesses they fund, so that they can exit profitably. Towards that end, investors often push start-ups to play the volumes game in sales while maximising the user base. That, in turn, is made possible by offering deep discounts, whether on a shopping site or a food-delivery platform. This explains high growth among start-ups with little focus on profitability. The fact is that if an investor wants to stay in business for a longer period, return on investment is the key. Also, without a road map for profitability, Indian start-ups run the risk of killing the spirit of entrepreneurship, while giving in to the valuation game of investors.

Many Indian start-ups have fallen by the way-side, and a large number of founders have had to step down because of a business model targeting notional numbers rather than profitability.

While start-ups have indeed emerged as a success story for the country in the midst of a slowdown, the funding structure in this ecosystem may be more fragile than popularly believed. It’s a vibrant industry with around 9,000 tech start-ups in the country, and counting. But as a recent report pointed out, Gurugram-based tech-enabled logistics firm Rivigo was set to become one of the first Indian unicorns to turn profitable, planning to achieve cash break-even in the current financial year. It is important for the survival of the ecosystem that more and more start-ups become profitable. This will also help attract more investment and make the start-up ecosystem a real driver of economic growth.

The brave new world of ample oil

The shift from scarcity to abundance has been brought about in an astonishingly short time by America’s “fracking” revolution, leading to massive benefits for consuming countries



Unconventional oil: A wellhead on a fracking site leased by Oasis Petroleum in the Permian Basin oil production area near Wink, Texas

PHOTO: REUTERS

TILAK K DOSHI

In the oil universe, the September 14 attack on Saudi Aramco’s oil facilities is comparable to the 9/11 attacks on the twin towers in New York City. Yet, the taking out of half of the Kingdom’s oil output led not to an oil shock but a whimper. Barely two weeks after the brazen attack, oil headlines were once again dominated by fears of over-supply and falling prices amid a slowing global economy. Following an initial 20 per cent intra-day price surge after the attack, the benchmark Brent Crude oil price quickly retraced its steps back down to pre-attack levels.

US output surge benefits Asia

The shift from a perceived world of oil scarcity to abundance has been brought about in an astonishingly short period of time by the advent of the “fracking” revolution in the US. This combines horizontal drilling and hydraulically-fracturing shale rock with high-pressure liquids to extract “unconventional” oil and gas. In the past decade, US crude oil production more than doubled. By mid-2019, US production was rated at over 12 million barrels per day (b/d), surpassing Russian and Saudi Arabian output as the world’s largest.

Academic studies suggest that global oil prices would have been higher by \$10-50 per barrel if there had not been a fracking boom in the US. Given the scale involved, even with conservative estimates on the price impact, the US upsurge in unconventional oil production has probably led to the biggest transfer of wealth in history. Largely at the cost of reduced oil revenues to OPEC and Russia, benefits have primarily flowed to the world’s largest oil markets in the US, China, India, Japan and South Korea, as well as America’s unconventional oil producers.

From what was previously expected to be an inevitable growing dependence on West Asian supplies, Asian oil refiners are now spoilt for choice. With Europe’s long-declining oil demand trends, crude oil exports from the Russian Far East, West Africa and Latin America to Asian markets compete with the traditional large exporters of West Asia.

While the majority of Asian crude imports are still sourced in West Asia, prices are set at the margin by competing crudes from other regions including the US.

West Asia’s reform imperatives

While the US fracking revolution has benefited Asia’s crude oil importers, it has burdened West Asian oil producers. The Gulf countries had built up extensive welfare states utilising massive oil revenues to support social security, health, education and government employment programmes. The social upheavals since the Arab Spring in 2010 led the Gulf states to further expand social support programmes to maintain their implicit social contracts with their citizens.

By emerging as the “swing” oil producer, America has weakened the ability of OPEC and Russia to support crude oil prices by curtailing production

The limits of their tolerance to declining oil export revenues. Low oil prices make the imperative of economic reforms and industrial diversification a central concern for the Gulf “rentier” oil states. The risks of a collapse in the social contract between the ruling regimes and their peoples in the Gulf region may be remote for now. The spectre of growing populations, unemployed youth and persistent budget deficits, however, will increasingly concentrate the minds of its planners and palace advisors.

Oil geopolitics upended

Ever since the historic meeting of Saudi Arabia’s King Abdul Aziz Ibn Saud with US President Franklin D Roosevelt on a warship cruiser in the Suez Canal in 1945,

the *quid pro quo* of the strategic relations between the two nations has been clear: While the Saudis assured the Western world access to its oil exports, the US served as the security umbrella for the Kingdom. With its new-found unconventional oil and gas resources, the US is no more the energy supplicant in this relationship. Saudi Arabia and other West Asian oil producers still constitute the world’s major source of low-cost conventional oil reserves. However, their overwhelming dominance is no longer a defining feature of global oil markets.

In the age of US-led oil abundance, conventional notions of geopolitical risk and perceptions of energy security have been upended. By effectively making the US the “swing” producer in global oil markets, the fracking revolution has weakened the ability of OPEC and Russia to support crude oil prices by restraining output. It may be argued that US strategic interests in West Asia might wane along with the decline in its energy imports from that region. But it would be a mistake to make too much of America’s reduced dependence on West Asian oil. Containing Islamic terrorism, mitigating the threat of nuclear proliferation and supporting Israel’s defence needs in a volatile region remain strategic foreign policy imperatives.

It is also important to avoid a superficial understanding of “dependence” on oil imports from West Asia. Oil is sold in fungible global markets, and its price for the large oil importers in Asia is linked to its price everywhere else. Ultimately, it does not matter how much of the oil consumed in Asia comes from West Asia. The price of oil depends on global demand and supply, and the disruption of oil trade flows anywhere affects consumers everywhere. The precepts of “energy security”, founded on defunct Malthusian notions of scarcity, have been debunked. Asia’s oil importers and West Asia’s oil producers now face the brave new world of ample competing oil supplies, shifting geopolitics and an American energy renaissance.

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The case for fixed exchange rates

SITHARAM GURUMURTHI

In an earlier article (*Business Standard*, March 24, 2019), the need for dispensing with the outdated relic called special drawing rights (SDRs) was discussed. This article deals with the implications of abolishing SDRs and contemplates a return to the Bretton Woods system of fixed exchange rates, where the value of a currency is determined by the US dollar and gold.

SDRs, an international reserve asset created by the International Monetary Fund (IMF) in 1969 to support the Bretton Woods’ fixed exchange rate system, should have been abandoned immediately after US President Richard Nixon’s announcement in August 1971 that the US would no longer exchange dollars for gold at the fixed exchange rate of \$35 per ounce. On the contrary, the SDR, redefined as a basket of 16 currencies from 1974 to 1980, was replaced in 1981 by a basket of five currencies — the US dollar, Deutsche mark, French franc, pound sterling, and the Japanese yen.

After the introduction of the euro in January 1999, the SDR basket included only four currencies: The dollar, the euro, the pound and the yen. It was expanded in 2016 to accommodate the Chinese yuan as the fifth currency. Of these five currencies, both the euro and the pound sterling are in trouble and continuance of the SDR as an international reserve asset in its present form is no longer viable. The other two, the yen and the yuan, are well known for currency manipulation in the past to boost exports.

In 1985, the Japanese yen at 220 to a dollar had almost killed the US auto industry, until President Ronald Reagan imposed import quotas on Japanese cars, and the yen rose to 120 to a dollar. Strangely, the IMF had failed to remove the yen from the SDR basket in its 1986 review. Had this been done, the Chinese yuan, which President Donald Trump refers to as the “grand champion of currency manipulation”, would not have found its way into the SDR basket in 2016. This leaves out only the US dollar. In other words, this would signal a return to the fixed exchange rate regime.

The price of gold has remained remarkably stable during long periods of time. Isaac Newton, in his capacity as the Master of the UK Mint, fixed the price of gold roughly equivalent to \$20 per troy ounce of gold in 1717 and it remained at this level until 1914. The official US gold price changed only four times

between 1792 and the present. Starting at \$19.75 per troy ounce, it rose to \$20.67 in 1834 and \$35 in 1934. In 1972, the price was raised to \$38 and then to \$42.22 in 1973. A two-tier pricing system was created in 1968, and the market price of gold has been free to fluctuate since then.

A careful appreciation of gold prices from 1833 to 1971 on the one hand and the behaviour of gold prices in the post-1971 era constitute the basis of my plea for abolition of the SDR and a return to fixed exchange rates. Gold prices have risen beyond one’s imagination in the post-1971 era (from less than \$41 per ounce to over \$1,500 in 2011), when the Bretton Woods system was abandoned and exchange rates were subject to the values of various currencies in the SDR basket. A comparison of gold prices before and after 1971 is striking, and provides enough justification for a return to fixed exchange rates.

The US holds the largest amount of gold — 8,133.5 tonnes, which accounts for 75 per cent of its reserves. In fact, its gold holdings account for 36 per cent of the total of 22,657 tonnes of gold held by the next ten countries.

Once the US dollar replaces the SDR as the single reserve currency, the dollar could qualify to be a common currency for a select number of countries. Even after the introduction of the euro in 1999, the dollar accounts for nearly 64 per cent of global currency reserves, compared to 27 per cent held in euros, with 40-60 per cent of international financial transactions being denominated in dollars. If both the UK and the European Union were to adopt the US dollar as their currency, it could lead to substantial savings in terms of conversion and transaction costs for payments to the Gulf countries for oil, which is priced in dollars. But if a country such as France were to join the dollar zone, it will be necessary to return all the gold France exchanged for the dollar prior to August 1971.

As in the case of the Maastricht Treaty for the euro, the US Federal Reserve in close coordination with the IMF should evolve specific criteria for admission of countries into the dollar zone. Apart from the eleven countries who joined the euro zone in 1999 and Britain, the dollar zone could cover countries such as Canada, Australia and Singapore, provided they satisfy the criteria to be prescribed for the purpose. The replacement of SDRs by the US dollar could mark the culmination of President Trump’s “America First” initiative.

The writer was formerly with the IMF

OTHER VIEWS

Proposed fund could help revive stressed realty sector

Identifying genuine projects in need of support will be critical to success

From first looks, the long-awaited package to support the real estate sector, cleared by the Cabinet on Wednesday, appears well-designed. The ₹25,000 crore Alternative Investment Fund (AIF) announced by Finance Minister Nirmala Sitharaman has expanded in both size and scope from the earlier one announced in September. And the variables are clear, such as the unit sizes that will be supported. The AIF will provide funds to bail out stalled real estate projects with unit size of less than ₹2 crore a unit in metros and ₹1 crore in other places. According to Ms Sitharaman, over 1,600 projects involving some 4.58 lakh housing units are stalled for want of funds.

The real estate sector is not only one of the biggest providers of jobs but also has a huge multiplier effect in the economy. While the AIF is a good idea, it is important that it is implemented without glitches. Too many good ideas have suffered due to bad implementation. The critical part will be identifying genuine projects in need of support and ensuring that biases do not creep in. Also important will be attracting more investors into the AIF. The finance minister said that sovereign funds and other private investors have shown interest. These need to be followed upon quickly and money should be



released from the AIF right away so that the trickle-down effect is felt before the end of this financial year. The real estate industry now has to do its part.

The Hindu, November 8

Law and disorder

An unfortunate face-off

New India can be a topsyturvy turf. Its capital, for instance, had been temporarily besieged — ironically by the keepers and the practitioners of law. An altercation at a parking lot flared up into a full-fledged confrontation between the police and the lawyers, indicating the troubling relationship between law and disorder in the country. Lawyers have complained of police heavy-handedness at the Tis Hazari court complex. The charges against the lawyers are equally grave.

The consequences of such an unprecedented face-off between two crucial pillars upholding the edifice of law and order cannot be but unfortunate for citizens. Lawyers on strike locked the doors of important district

courts in the city while hundreds stayed away from four other courts, inconveniencing litigants. The performance of the police has been equally shameful on several occasions. Three years ago, large segments of the force watched as lawyers beat up university students, teachers as well as journalists. There should be an immediate and impartial inquiry into the allegations and counter-charges to establish the truth of the matter in this instance. The guilty, on either side, should be penalised so as to discourage such imperialism in the future. An immediate remedy is the only way to redeem the sorry image of the minders of the law.

The Telegraph, November 8

Laxity on stubble burning

Judicious long-term solutions needed

The Centre and the states have again been caught napping on the seasonal scourge of stubble burning, forcing the Supreme Court to raise the fire alarm. In a blistering attack on the government machinery, the court has stated that top-level officers “sit in their ivory towers and let people die”. The dressing-down by the SC has, as expected, roused the powers that be into action, with PM Narendra Modi directing the agriculture ministry to give priority to farmers of Uttar Pradesh, Punjab and Haryana in distributing equipment to prevent straw fires. Under the judicial scanner, the governments are going all out to show how serious they are on this burning issue.

The Central and state governments have miserably failed to dissuade farmers from setting stubble ablaze. The machinery for crop residue management is either in short supply or is not reaching the intended beneficiaries. A judicious mix of solutions, incentives and regulation, executed in a planned manner, rather than a quick-fix aimed at pacifying the court is the way forward. The nation owes its food security to the farmers. Branding them as criminals or offenders without giving them adequate support to stop eco-unfriendly practices reeks of ingratitude and indifference.

The Tribune, November 8