

...par and Akhilesh Yadav on the dais, sending out strong

Rath, made an attempt to settle the feud, saying the rath yatra will dis- Aditya, was missing from the show.

# A Mid-term Morality Check: How is Modi's India Doing?

## The Needle's Eye



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In the preface to his 1995 book 'How Good People Make Tough Choices', ethicist Rushworth M. Kidder wrote that when he interviewed twenty-two leading thinkers around the world about the challenges they saw looming in the 21st century, six themes stood out.

Five of them were not surprising: the nuclear threat, environmental degradation, the North-South economic gap between the developed and developing worlds, the population explosion, and the need for education reform. These themes hold true today, too, showing how little progress we have made over the past two decades.

The sixth theme came up repeatedly, Kidder wrote, and he was surprised by how recurrent and worrying it was: the breakdown of morality. Ethics, the interviewees told Kidder, "was no mere luxury. It was central to our survival".

Whirling around in a blur of noise,

images and social media, I am sure a little voice deep inside is asking us how we are doing ethically as we head at breakneck speed into this century.

The answer is: not well at all. Most of us with access to technology, education and the limitless availability of knowledge are rooted to our chairs. We know a giant meteor is heading for us but we have nowhere to run. Take next week's U.S. presidential election. Markets are jittery about a Donald Trump victory, but Wall Street be ecstatic about a Hillary Clinton victory? Not really.

I have avoided writing about the U.S. election because it is absurd that the world should follow its tortuous course as if it were the most important election on the planet. Yes, the U.S. economy is the largest in the world, and it continues to do surprisingly well despite a host of symptoms that say it should not be—but China's economy is already the biggest in terms of purchasing-power parity, even if it is passing through a wrenching and weakening economic transition.

So why do we find the Nov.8 election riveting? It is the morality of the two candidates that is worrisome. If Trump boasts about running circles around the U.S. tax system and is brazen about his misogyny, racism, bigotry and xenophobia, Clinton has her own little shop of horrors, from the dubious fund-raising she and her husband have resorted to for their

foundation to the email time-bomb that has whittled down her opinion poll lead to a single, precarious percentage point.

On the other side of this smelly, open moral drain is a veritable 'basket of abominables', to adapt a phrase Hillary used ('basket of deplorables') to describe Trump's supporters. This basket contains exemplars like Syria's Bashar al-Assad, or the leader of ISIS/Daesh, Abu Bakr al-Baghdadi, or the charming Vladimir Putin, who is determined to use annexation (Crimea), naked military intervention (Syria) and the new world-war of cyber warfare to make Russia the greatest power by the time the 100th anniversary of the Bolshevik Revolution rolls around next year. Not forgetting of course the completely amoral politics that drove Britain's Brexit vote, as well as lesser evils like the parlous state of the European Union or the populist thuggery of the Philippines' Rodrigo Duterte. Closer to home, we have the cold-blooded opportunism of the secret U.S. engagement with the Taliban over Afghanistan, and Pakistan's Faustian fraternity with both the Taliban and terrorist groups menacing India.

An absence of morality among global banks and U.S. mortgage lenders drove the 2008 global financial crisis. Although policymakers pat themselves on their backs for exiting that chaos, its entrails are smeared all over the current malaise as well as a

dark economic future.

The global economy is crawling along the sea-floor in a sludge of low growth, record low interest rates (even negative rates in the death-defying Japanese economy) and a banking system that is obese, sclerotic and drowning in bad debt.

This was noted in a stark presentation on global financial stability earlier this week by Ratna Sahay, a senior International Monetary Fund (IMF) official. Although near-term risks like Brexit have been mitigated somewhat, we live with chronic low growth, prolonged low interest rates, and growing policy and political uncertainty. In short, we are caught in a deflationary trap, even as most economies are turning protectionist, anti-trade and anti-immigrant.

We are getting swept away by a tsunami of global gross debt, which now

totals about \$152 trillion or 225% of global gross domestic product (GDP). Worse, the private sector accounts for two-thirds of that debt. India's gross debt equals 127% of its GDP, the IMF data show, while China's is 222%.

What this means is that it will take a long time for global investment to revive. For the third year in a row, global trade growth, the engine of economic progress, will trail global GDP growth this year.

The IMF is casting around for answers. It is advising governments to tackle the slowdown—which I believe now looks set to be endemic—with a combination of monetary and fiscal policies and structural reforms. For instance, it is urging banks to get more efficient: half of Europe's bank branches collect only 5% of deposits. In developing economies, government spending on infrastructure

seems the best way forward.

India is lucky in having 800 million young people, as Prime Minister Modi reminded senior bureaucrats a few days ago. What he did not say is that the rest of the world is ageing rapidly. That huge demographic shift is bringing down labour productivity and purchasing power. It will place ever-greater burdens on health-care costs as well as pension and insurance resources.

Policymakers everywhere are struggling with huge unknowns. A new one will surface if, as is widely anticipated, the U.S. Federal Reserve finally raises interest rates next month, soon after the new president is known. There will potentially be a flight of capital from emerging markets. Nobody knows if it will further delay an investment revival.

The Modi government is moving steadily upward on a reform curve. Will it move quickly enough to stay abreast of the marching hordes of young and restless job-seekers and economic aspirants? And can India achieve prosperity in a straight and ethical line?

The signs are not propitious. The Uttar Pradesh and Punjab state elections, long before the official campaigns kick off and the candidates are known, are already plumbing ever-new depths of moral turpitude. Modi will hit the exact mid-point of his (first?) term in two weeks, and

there is going to be much stock-taking. There has been a massive crack-down on black money. India is straining to be more investment-friendly, but did not fare well in the World Bank's Doing Business rankings for 2017: it edged up only one notch to 130 among 190 countries.

On the optimistic side, manufacturing is finally starting to revive, exports are showing signs of life, and the Goods and Services Tax may still be in place by the next fiscal year.

Earlier this week Modi urged the people of Haryana, which was celebrating its 50th anniversary, to aim at achieving the status of being totally free of open defecation, and to end female foeticide. "It is believed that Haryana has only farmers but see the exemplary success of businessmen from Haryana," his office tweeted.

A canny Haryana businessman whose family had survived the sub-continent's partition in 1947 and prospered from scratch told me he had just begun production at another new factory on Gurgaon's outskirts. Had it been easier with Modi at the centre and his Bharatiya Janata Party in power in Haryana, I asked. Not by much, the businessman told me. "Every licence and permission had a price tag. If I hadn't paid up, my factory would not have started production for at least another year." This is the moral of today's India: it is mostly business as usual.



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