

Power Plays: The Government Learns The Ropes

The Needle's Eye



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Decentralisation combined with the need to raise revenues at the Centre to fund huge infrastructure projects confront Modi and FM with a complex balancing act when the Budget is unveiled...

The Narendra Modi government has been taking a few hard knocks. It learned that sweet talk in Maharashtra's sugar belt, or at a gaudy wedding celebration in a dusty town in the Uttar Pradesh bad-lands, is just that: in politics, your friends always have one eye cocked at a higher seat of power. Your allies will turn their backs on you when they are being carried along by a strong tail-wind. Most of us forget that when the Congress-led government pushed through the Land Acquisition Act in 2013, the Bharatiya Janata Party did not fight it tooth and nail. That act made buying land for any economic activity well-nigh impossible. Today the BJP government wants to amend that same act to make acquisition of land easier for major projects in defence, infrastructure and affordable housing. That was then, this is now, but the BJP's friends want it known that their hearts are bleeding for the hapless farmer or small-holder.

It is true that the Modi government does not enjoy a majority in the upper house of Parliament, but don't be surprised if it has its way on land acquisition in the end. The BJP wishes to annihilate the Congress party but that does not mean it will annihilate other opposition groups. They will coalesce, fall apart, and then coalesce again as they seek a credible alternative to the BJP.

No clear picture has emerged so far of that alternative. There were straws

galore blowing in the wind this month. The Bihar mess holds many lessons. There, Nitish Kumar's lustre as a reformer of integrity has long worn off. He snatched back the chief minister's job in one of India's poorest states, but at what cost? Few of us recognise that the biggest winner from all these shenanigans is Lalu Prasad, who has shrugged off the stigma of a politician jailed for corruption to become a lynch-pin in the Hindi belt, wooed by both Nitish in Bihar and the ruling Yadav clan in Uttar Pradesh (to which he is now also tied by a third-generation marriage). "Lalu is the queen on the Bihar carom board," one astute observer told me.

Nitish Kumar has made many missteps. He first broke off an old alliance with the BJP, driven by his personal dislike for Modi. Then, faced with revolt within his own party, he made a big show of resigning and set up Jitan Ram Manjhi, who he hoped would be a pliant rubber stamp. Manjhi, an opportunist who has switched parties more than once in his hunt for power, trumped Nitish by playing the Mahadali, or 'super backward', card. Nitish himself lacks a mass base and is a ranchhod prasad, a general who flees the battlefield, the observer said. His bet that Bihar's Muslims would embrace him if he jettisoned Modi and the BJP backfired. The result of this month's machinations is that the backward

vote is now split between Manjhi, Nitish and Lalu, and Nitish has been forced to link arms with his once-foe Lalu to survive.

For a while it looked like Bihar would descend rapidly into political chaos and state assembly elections would need to be held earlier rather than later this year. Wisely, the BJP decided to back off from propping up Manjhi, there was a semblance of

POLITICAL LESSON

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him and why he was allowed to go on leave rather than sanctioned".

unity between Lalu and Nitish, and all sides have won a breather for a couple of months, time they will use to woo the Muslim and Yadav vote-banks.

Bihar has always been a sinkhole, but it is not the only arena for political amorality. Take a look at Jammu & Kashmir where the BJP hammered out a pact with the People's Democratic Party to form a government, with both sides compromising on Article 370, which gives the state special status, and on the Armed Forces Special Powers Act which the PDP wanted to do away with. How long do you give this awkward betrothal?

Meanwhile this Saturday's Budget looms large. Modi was presented with the opportunity to win potential legislative support, and burnish his

own image as a former chief minister who believes in a new, cooperative federalism. That opportunity came with the report of the 14th Finance Commission, whose recommendations Modi has apparently accepted, although they will trigger several political and economic dilemmas.

For one, by sharply increasing the proportion of central taxes that is distributed among the states, from 32 to 42 per cent, Modi is effectively taking a huge hit on the central government's bottom line. Then, by agreeing to give the states far more financial autonomy, Modi is laying the ground for sharp cutbacks in centrally-sponsored schemes, which were unpopular in the states and allowed endless micro-management from New Delhi. Modi cannot afford to do away with the flagship central schemes like the ones on poverty alleviation, the right to work, and food security. He has inherited them from his predecessors, and added to them with schemes like Swachh Bharat (clean India). Financial devolution will enrich all states, and especially the poorer ones. This was inevitable: true political power increasingly vests in the states, and the states will have to build their economies to generate jobs and higher standards of living for their populations. But in that devolution lie the seeds of a lower profile for Modi as a national development leader.

Also, decentralisation combined

with the need to raise revenues at the Centre to fund huge infrastructure projects confront Modi and Finance Minister Arun Jaitley with a very complex balancing act when the Union Budget is unveiled this Saturday. The Finance Commission also wants the central government to aim for a modest fiscal deficit of 3 per cent of GDP. How can Modi raise more money, and continue to trim murderous subsidies on food, fuel and fertilisers without risking unpopularity?

I started by saying the BJP took a few hard knocks. When key legislation was blocked in the Rajya Sabha in Parliament's last session, Modi tried the executive route by ramming through six ordinances. On Tuesday, when Jaitley tried to withdraw three bills stuck in the upper house – on insurance, motor vehicles and coal mines – the opposition blocked the move. Modi can now only reintroduce the bills in the lower house – the constitution binds him to enact all ordinances – and is holding out the veiled threat of convening a combined session of both houses of Parliament, hoping to win approval for the legislation, which would be a desperate numbers game. If he tries that route, he will come face to face with true federalism – not the cooperative kind.

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