

# Caste and Religion: Tough Tests, Steep Stakes

## The Needle's Eye



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What can we be sure of as we head into the last four months of this year? Unless you live in one of those havens of do-nothingness, like Jhumri Telaiya in eastern India or Peoria in the middle of the United States, chances are that you are uneasy, worried about the future, not sure that things are going to coast along. These are uncertain times.

For the past few days we have stood frozen in the headlights as our stock markets crash. There has been a global sell-off, but our stock indices are almost exactly at the level they were one year ago, so you could say that irrational exuberance has merely muted and there is no need for panic. Our foreign exchange reserves are high, our current-account deficit is low, and inflation is under control although some food prices are spiking. So why the worry?

Crude prices are also very low now, and the rupee is at two-year lows. Has this triggered an export bonanza? Not at all. We need to manufacture more, but the goods we make need to go into a bigger domestic market. All of Asia's stronger economies from Japan in the far east to Taiwan, South Korea, Singapore and China prospered in the post-World War Two, post-colonial second half of the 20th century, fuelled mainly by strong export-manufacturing booms coupled with a 'population bulge' of younger, more educated, aspiring workers. But those nations are looking at ageing populations, big social-welfare bills, and investment and in-

novation fatigue.

China's current crisis is due in no small measure to the fact that its export markets are all shrinking, and feeding off their old affluence as they pull in their horns, beset by debt, unemployment, unsustainably low interest rates, and new and terrifying threats like violent and radical Islamism and a huge refugee/immigrant influx. China does not have a domestic market large and mature enough to absorb its mammoth manufacturing capacity. Hence its knee-jerk renminbi devaluation on August 11, and its interest-rate cuts this week.

Unlike China, India is less vulnerable to an export slump. But its population bulge has not coincided with a manufacturing boom that will feed on expanding demand from a surging middle class.

Which is why it is so important to get some grease urgently into the rusty gears of our machinery. It is good that the government is plan-

ning a special session of parliament, likely in September, to try and get the Goods and Services Tax to its April 1, 2016 launch pad.

It is not very often that Prime Minister Narendra Modi sounds like a harassed CEO trying to cajole his laggard team to do more, but that is what a government note on August 24 sounded like. "The Prime Minister said that with enough funds now being provided for infrastructure crea-



## RESERVATION ANGST



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tion, the onus is on the concerned Ministries to ensure that these outlays are converted into proportionate outcomes," it said. More tellingly, the PM expressed serious concern over 'call drops' – poor telephony – and hoped that problems in voice connectivity would not extend to data.

Telecoms was one place where the Modi government could have taken bold, pathbreaking steps away from old mistakes. It did not. It is making omelettes, but not breaking new eggs. It is using the same mush left behind by the UPA.

Instead of freeing up more telecom spectrum for the close to 950 million mobile subscribers in India, and the 213 million mobile internet users projected by mid-2016, the government boasted that it had 'earned' over one trillion rupees by auctioning spectrum earlier this year. The reality is that India is severely starved of spectrum: it has only 0.2 hertz per subscriber compared with

0.5 in China and 2.1 in the U.S. Indian spectrum is also among the most expensive in the world, and huge chunks of it are hoarded by the military, the railways and even state television. Telecom companies (of which there are too many) have been forced to spend so much on spectrum that they are not investing enough in infrastructure like towers and better equipment. Unless we get this right, Modi's dreams of a Digital India and of a hundred smart cities may never really come to pass, leave alone dropped phone calls.

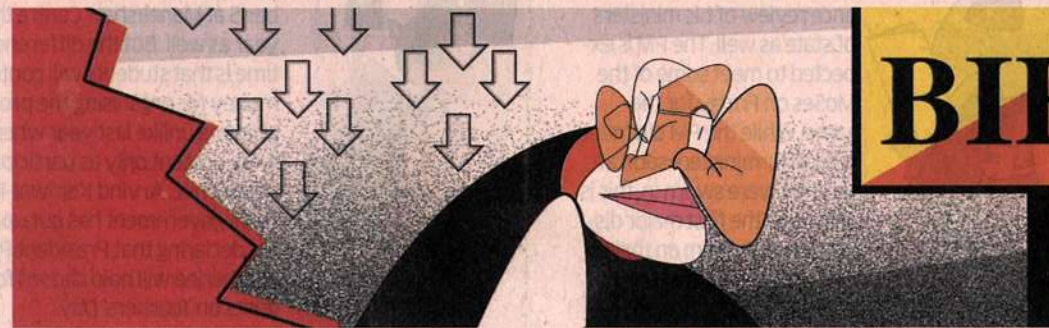
Even more daunting, as the Modi government matures into its second year, are growing socio-political challenges. Nothing could have been more embarrassing for the prime minister than the Patidar/Patel agitation for Other Backward Classes status in Gujarat, led by a 22-year-old stripling called Hardik Patel. For a dozen years after the 2002 riots Modi kept a tight lid on social unrest in Gujarat, but this week's violent protests (six people died on Wednesday and the army was called in) have clearly shattered the image of a peaceful, well-run state. Modi issued an unusual appeal on Tuesday night: "It is my appeal to my brothers and sisters that the occasion calls for a single mantra – 'peace'. Each and every issue can be resolved through talks."

It is ironic that the Patels, who form 15 per cent of Gujarat's population, are among the wealthiest and most powerful groups in Modi's home state. Chief Minister

Anandiben Patel has several Patels holding important posts in her cabinet. How the prime minister and his hand-picked successor handle the growing unrest will certainly affect his image nationwide and test his declarations of an egalitarian India.

Sadly, Modi does not seem inclined to grasp the nettle of caste-based reservations in education and government jobs. Earlier this year the Modi government in fact tried to perpetuate its predecessor's granting of OBC status to another powerful caste in northern India, the Jats, but was rebuffed by the Supreme Court. 'Affirmative action' has reached absurd proportions in Tamil Nadu, where 69 per cent of jobs and coveted slots in colleges are reserved for a panoply of 'deprived' castes.

Earlier this week the government finally released religious breakdowns from the 2011 Census. For the first time since independence, Hindus have slipped below 80 per cent of the population. Muslim growth rates have slowed, but are still the fastest among the six major religions; Muslims now constitute 14.23 per cent of the population. In Bihar, where make-or-break elections are imminent, both Hindus and Muslims grew faster in numbers than elsewhere in the country. Heavily-populated Bihar, where the population grew by 25.4 per cent between 2001 and 2011, is home to deep caste and religious prejudices. It is the crucible in which Modi's brand of politics will be most sorely tested.



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