

Time for Modi to Roll Out Congress-mukt Reform Agenda

The Needle's Eye



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I woke up before dawn today to an email from Prime Minister Narendra Modi's office. It listed his major activities over the previous week. He had been typically busy; just before he left for Hangzhou, where he chaired a special BRICS meeting on the sidelines of the G20 summit, Modi granted a soft-focus television interview where the kid gloves never came off.

Along the way, the prime minister, not for the first time, said the state of the economy when he took power two years and three months ago was perilous. He had seriously thought about publishing a White Paper on the economy he inherited before Finance Minister Arun Jaitley presented his first budget in July 2014, Modi said, but he decided against it. All the blame was laid at his door; but he took the political blows because "the nation's interest told me that this information would increase the sense of hopelessness,

markets would be badly hit, it would be (a) big blow to the economy and the world's view of India would get worse".

Now, if things were indeed so catastrophic, why did a politician like Modi, riding high on the first single-party parliamentary majority in 30 years, pull his punches? If the Bharatiya Janata Party (BJP) really wants a 'Congress-mukt Bharat' (an India free of a tainted and wounded Congress), why not deliver the coup de grace?

Could it be because Modi needed to maintain cordial relations with President Pranab Mukherjee? Lest we forget, Mukherjee, the then finance minister, rolled out a series of stimulus packages in 2008/09 that triggered a sharp rise in the fiscal deficit as well as double-digit inflation. President Mukherjee's term ends in July next year after a number of crucial state elections. He has already rubber-stamped the toppling of governments in two states, Uttarakhand and Arunachal Pradesh. Both decisions boomeranged, despite pliant governors appointed by Modi, but it is always pragmatic to have a friend in Rashtrapati Bhavan.

The Manmohan Singh government's precipitous decline in its second term was not caused solely by fiscal mismanagement, and here Modi can be forgiven for saying that when he took over, "those days newspapers were

filled with news of corruption, despair... People had lost hope, they thought everything had sunk". In June 2012, just before Mukherjee moved from the finance ministership to the presidency, I remember reading a blunt World Bank report on India.

It listed delays in passing legislation on land acquisition; cancellation of mobile telecom licences following concerns about allocation; bans on mining activity by the courts in Karnataka, and on cotton exports; policy reversal on foreign direct investment in the retail sector; and uncertainty about budget plans to expand taxation of cross-border acquisitions involving local assets. Policy paralysis had been added to by the effect of loose fiscal policies, electricity shortages, and the weaker external environment, the report said. It was a toxic brew.

Still, nearly half-way through his term, it is time for Modi to move to a Congress-mukt report card for his government, and stop framing discussions about the economy in the context of his inheritance.

In fact, it is time for Indian leaders in general to stop bad-mouthing their peers or predecessors. It is very worrisome that this virus has infected even institutions that used to be models of rectitude, like our highest judiciary and our armed forces.

It might help if Modi truly succeeds in what he spelled out in a speech last fortnight. Development, he said, de-

pends not just on the quantity of capital and labour; but also on the quality of institutions and ideas. If India is to meet the challenge of change, mere incremental progress is not enough. A metamorphosis is needed.

That's an important statement, because it also implies that institutions are more important than cult leaders like the prime minister. Intriguingly,

Look Forward
PM Narendra Modi must stop framing discussions about the economy in the context of his inheritance

that speech was an introduction to a lecture series on Transforming India organised by NITI Aayog, the 'evidence-based think tank' that Modi set up to replace the tired, over-the-hill Planning Commission. Yet, if you look at NITI Aayog's, or Modi's, websites, you would be hard-put to find the text of the main speech made by the keynote speaker of that day: Singapore's Deputy Prime Minister Tharman Shanmugaratnam. Modi's speech was bannered on social media, and the early-morning email from the PMO again carried both the full text as well as tweetable quotes. NITI Aayog officials told me they hoped to publish Tharman's text, but he had spoken extempore.

What the plain-spoken Tharman, popularly seen as a likely successor

to Prime Minister Lee Hsien Loong, said has been under-reported by media. As Modi listened intently with his cabinet ministers, several state chief ministers and officials, many of them grim-faced, Tharman told them there was a much greater need for urgency if India wanted to bridge large shortfalls in meeting basic human needs.

8 to 10 per cent growth is not a luxury, Tharman said. "It will merely get India to about 70 per cent of China's per capita income in 20 years' time." Note that GDP growth slipped to 7.1 per cent in the first quarter of 2016/17. Although manufacturing grew at a 13-month high in August, inflation reared its head above the Reserve Bank of India's outer limit of 6 per cent in July. Jobs are not being created fast enough.

Only 20 per cent of India's workforce was in the formal economy, subsidising low productivity and paltry innovation among the 80 per cent in the informal economy. This underlined what Modi had said earlier, that India needs "rapid transformation, not gradual evolution".

The Singaporean listed more sobering truths. India had to focus on exporting more: it has 18 per cent of the world's population but only 2 per cent of the world's exports. "Making in India has to be making in India for the world... No sustained growth is achieved by focusing on one's own

market." There was an agenda point for Modi, who is in Laos for an Association of South East Asian Nations (ASEAN) summit: India-ASEAN trade comprises only four per cent of the total trade between India and ASEAN and the world.

India needs to put its citizens on an 'escalator of skills' - automation and artificial intelligence will reduce human involvement even in the services sector; not just in manufacturing, creating more of a jobs challenge just as millions pour into the market every month.

Tharman said education is India's toughest challenge. "Schools are the biggest crisis in India today, and have been for a long time." He rattled off a string of depressing data: 43 per cent of children drop out before finishing upper primary school; there's a shortage of 700,000 schoolteachers; only 53 per cent of schools have girls' toilets; only 74 per cent have access to drinking water.

"It is not by the way about ever-increasing budgets. It is about organisation and culture. How do we recruit teachers, train them, hold the head teachers accountable?" he said, as Human Resources Development minister Prakash Javadekar furiously scribbled notes.

Before Tharman spoke, Modi had urged his audience of ministers and officials to discuss the day's learnings, and convert them into action points.

