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WORDLY WISE

“SERIOUS SPORT HAS NOTHING TO DO WITH FAIR PLAY... IT IS WAR MINUS THE SHOOTING.”

— GEORGE ORWELL

The Indian **EXPRESS**

FOUNDED BY

RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

When crisis comes home

India is not insulated from the global turmoil. If China goes into a swoon, India will follow



ASHOKA MODY

FINANCE MINISTER ARUN JAITLEY and RBI Governor Raghuram Rajan have been quick to declare that India is well protected from the global turmoil. It is their job to soothe investor and public nerves. And the large foreign exchange reserves are a defence against a flight of funds from India. But this is not a conventional financial crisis. We are in the midst of a rolling global growth crisis that began in 2007 and has now entered a dangerous phase.

The illusion that India actually benefits from the recent turmoil — because, for example, oil prices are low — ignores the fact that prices are low because the global economy is so weak. The pervasive global weakness ultimately does greater harm, especially because India is not competitive. Without a robust global presence, no nation can grow. China has been the linchpin of the global economy for a decade. If China goes into a swoon, so will India.

Between 2003 and 2007, the world economy was in a bubble. In the United States, easy credit fostered a property price and construction boom. The illusory sense of wealth caused consumers to go on a binge, which also led to a voracious appetite for imports. China came on stream with its unbounded cheap labour, and so the increase in global demand could be met without a spike in inflation. Buoyant world trade spread this sense of prosperity. Europeans misguidedly celebrated their recently introduced euro; exports from emerging markets such as India soared and they were applauded for their sound policies. But this was not sustainable.

The inevitable crisis started in the US in mid-2007. After some confusion, the Americans mounted a vigorous defence. They pulled back from the abyss in early 2009. China played a crucial role at this stage. By pumping money into the financial system, the Chinese generated an extraordinary demand for global goods. The global economy sprang back to life in 2010. Emerging market commodity producers gained, as did Germany and other European exporters. In its April 2010 World Economic Outlook, the IMF declared that the crisis was over. Global growth was projected to return to pre-crisis rates.

But the American economic recovery proved to be hesitant and faltering. And Europe went into a deep funk, with the banks

in bad shape and sovereign debt on the rise. The Europeans, moreover, made a mess by tightening monetary policy in 2011 even as they engaged in deep fiscal austerity.

In a historic reversal of roles, emerging markets were billed as the new stars, with China as the global engine of growth. But in October 2013, this story began to come apart. As most emerging markets rapidly slowed down, forecasters claimed that Chinese growth would decline only at a gentle and carefully calibrated pace.

At the San Francisco Federal Reserve in November 2013, economists Lant Pritchett and Lawrence Summers claimed that Chinese growth could decline quickly from the heady 8-10 per cent a year to between 3 and 5 per cent a year. Their claim was based, at first sight, on a purely statistical basis. There was no historical precedent to maintaining Chinese-style growth rates.

But Pritchett and Summers also made a more substantive argument. As the economist Dani Rodrik has long argued, sustaining high growth rates requires a constant evolution of high-quality institutions. As a market economy becomes more sophisticated, accountability in transactions and business practices becomes critical, achieving which is a non-trivial task. Pritchett and Summers added that dismantling the existing institutions would be disruptive. In other words, undoing the plethora of informal arrangements — many of them steeped in corruption — would set growth back before a sustainable new growth dynamic could be generated.

While mindful of these strictures, the Chinese nevertheless continued to pump up growth through easy credit provision and public spending for infrastructure projects. This not only delayed the inevitable but also created new pathologies within the Chinese economy. A correction was overdue. The trigger turned out to be the announcement that the Chinese yuan would be devalued.

The best explanation for the rolling global crisis is a simple one. The world mistook the economic and financial bubble in the 2000s for sustainable prosperity. Global productivity growth was low at that time — and has remained low since. Unfortunately, the numbers show that the always useful, and often dazzling, computer-based and internet applications generate minor macroeconomic productivity gains. When productivity

growth slows down, there are two choices: To invest in the future or to live within one's means. Instead, policymakers, preoccupied with their short-term goals, have sought easy growth elixirs and soothing words.

If the global turmoil continues, the Indian stockmarket will continue to fall. Corporate profitability has been abysmal and businesses have virtually stopped investing. Although Indian inflation rates are down, they are still considerably higher than in competitor countries. The accumulated inflation differential over the past decade shows up in the inability to sell even low-tech consumer goods, such as garments and leather products. A necessary decline in the exchange rate — perhaps by 10-15 per cent from current levels — will hurt the many companies that borrowed in dollars. This could create more stress in the banking system, which would be further aggravated by a decline in inflated property prices.

To put it simply, Indian asset prices have increased in anticipation of growth that may not materialise. Little noted in the Pritchett-Summers paper was a prediction that Indian growth rates will also fall to between 3 and 5 per cent, for exactly the same reasons as in China. For now, Indian statisticians have created the dangerous illusion that Indian GDP is growing rapidly, when all indicators point to the contrary.

In the meantime, the government has chosen instead to extend the hand of the state, creating uncertainty in the tax regime and threatening India's elite educational institutions. Instead of decisively privatising the public-sector banks, it has chosen to retain ownership and control over this long-standing source of patronage at unending cost to the budget. And to increase the ruling party's hold over state legislatures, the Central government has indulged in promises of fiscal giveaways.

India has never achieved high growth without strong exports. When the global crisis comes home, we will have no one but ourselves to blame.

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GUJARAT'S TEST

The Anandiben government must control the violence, and engage the protesters. It cannot fail

NOW PLAYING IN Gujarat are scenes of street agitation and protest that the state has not seen for some time — since the 1980s, in fact. Ironically, almost three decades later, the lead players have switched sides. If in the early '80s and then again in the middle of that decade, it was the Patels who led fierce uprisings against reservations for Dalits and OBCs, now the Patels are leading a campaign whose demand is reservation for themselves in government jobs and colleges. The seeming incongruity of one of Gujarat's most affluent and politically influential communities insisting that it be treated as a backward group is indeed arresting, but the government has no time to waste. The current agitation has turned ugly and threatens to get worse, with Tuesday's mega rally by the 20-something Hardik Patel in Ahmedabad followed by lathi charges, arrests, vandalism of public property, curfew, deployment of the army — seven deaths have been reported. Prime Minister Narendra Modi has appealed for calm and called for talks. The Anandiben Patel government in Gujarat, which is resisting the reservation demand of the Patels, must ensure the PM's counsel is heeded immediately.

The fact that the Patels earlier opposed reservations as aggressively as they are now demanding them, and that they are far from disprivileged as a community, are not the only paradoxes in the unfolding situation in Gujarat. It is also that this caste group has been regarded as a fixed BJP votebank, constituting a major chunk of its majority support in the state since the 1990s. This was after it had turned away from a Congress that appeared to have decided to court a social alliance that excluded the Patels — the KHAM, comprising the Kshatriyas, Harijans, Adivasis and Muslims. Patel restiveness now, that has taken the form of a demand for reservations addressed to a regime they have staunchly supported so far, may also speak of new economic anxieties that have overtaken them in recent years. The micro, small and medium enterprises that the Patels transitioned to from agriculture have suffered a slump; the diamond industry has laid off workers in large numbers, increasingly shutting down units. The Patel's cry for reservations could be an articulation of the community's growing discomfures and anxieties in an economy that has not accommodated or kept pace with their changing aspirations.

Whatever be the reason, however, one thing is clear: this is a test the Gujarat government that has ruled largely unopposed for two and a half terms can ill afford to fail. The Congress has proved to be a listless opposition in the state and very little internal discontent has spilled out in public view in the Modi regime that Anandiben presides over. A government apparently unpractised in the art of engaging the opposition needs to urgently summon the will to douse the fires and the wisdom to work out a resolution.

RULE OF UNREASON

Sharad Pawar is right. Prime Minister must intervene to facilitate field trials of GM crops

EARLIER THIS WEEK, former Union Agriculture Minister Sharad Pawar drew Prime Minister Narendra Modi's attention to the sluggish pace of field trials of genetically modified (GM) crops. This is largely due to a rule that makes it mandatory for developers to seek permission from the state governments where the trial is to take place. The policy, introduced in 2011 by then Environment Minister Jairam Ramesh, has stymied the growth of agriculture technology, Pawar has pointed out, by encouraging states to take decisions on GM field trials for political reasons, rather than according to a science-based process. The PM should take note. Indeed, only a few states, including Punjab, Haryana, Andhra Pradesh and Delhi, have given no-objection certificates (NOCs) for field trials. Maharashtra, the one BJP-ruled state that had given an NOC for trials in February, reversed its decision in the face of protests by activists.

Ever since the moratorium on the commercial cultivation of Bt Brinjal was imposed, GM crops have been the subject of many scare-mongering campaigns, although there is no scientific evidence to corroborate claims that genetic engineering would breed pesticide-resistant superweeds, or that such plants will contaminate their "natural" neighbours and eradicate biodiversity. Despite the global anti-GM movement having been discredited by a growing body of scientific literature and high-profile recantations, advocates of GM food in India are accused of being corporate stooges, and rigorous scientific research is treated on par with the selective "facts" peddled by the anti-GM lobby. Sadly, policymakers have proven susceptible to such demagoguery, and repeatedly stalled the development of this sector, with a Supreme Court-appointed panel recommending in 2012 that all open field trials on GM crops be suspended for 10 years. The Centre challenged the moratorium, and the court is still hearing the matter.

Despite Modi's support for GM crops and Environment Minister Prakash Javadekar's repeated assurances that there is no ban on field trials, Sangh Parivar organisations have made their opposition clear, creating a climate of regulatory uncertainty. Pawar offers a solution to this impasse: Only the Genetic Engineering Approval Committee's clearance should be required, as it alone has the competence to determine whether a particular transgenic is safe for trials or, to be released for cultivation by farmers. Instead of the states having a veto that they exercise based on reflexive anti-GM sentiment, they can block commercial planting by denying seed licences, but only after an informed decision.

UNSTABLE STILL

As the spectre of violence rises again in Nepal, Koirala government must urgently widen talks

THE VIOLENCE IN western Nepal over the demand for a separate province is the worst the Himalayan country has witnessed since the end of the Maoist insurgency in 2006. It has compelled Prime Minister Narendra Modi to express New Delhi's concerns about political instability in India's northern neighbour and offer his counsel to his Nepali counterpart Sushil Koirala, urging the latter's government to resolve all outstanding issues through widespread consultations.

Nepal's Constituent Assembly is in the process of adopting a long-awaited new constitution that, unfortunately, has led to largescale protests, given allegations that due parliamentary debate and public opinion had been dispensed with, including on issues of federalism. While Nepal has come a long way in the peace process since 2006, Kathmandu hasn't managed the process of transition well. There have been six PMs in this period and the constitution has missed several deadlines. Political conflict has been exacerbated by the contest over the country's identity and institutions. As a result, no PM since 2006 has been able to deliver governance. This manifested itself brutally in the aftermath of the recent earthquakes in Nepal, when a state lacking in capacity scuppered the chances of international aid, including India's, having the desired effect.

On his visits to Nepal, Modi had promised India's investment in a united, democratic and peaceful Nepal. But despite the priority accorded to the subcontinent, and especially to Nepal with which India shares an open border, Delhi's dilemma remains how to advise and assist Kathmandu without donning the mantle of big brother and triggering public resentment. Delhi can help, but Kathmandu must devise and implement its solutions.

ABOUT SPORT AND WAR

Sangakkara reintroduced the indomitable spirit of Sri Lankan cricket to the world



DAKSH PANWAR

TWO TEAMS LOST two emblematic cricketers in the space of two days. On Sunday, Australian captain Michael Clarke bowed out from international cricket at the Oval in London. On Monday, Sri Lankan Kumar Sangakkara's storied career came to an end at the Oval in Colombo. Two of the finest batsmen of the 21st century, Clarke and Sangakkara have also witnessed big changes in the way the cricketing community perceives them. Clarke was disliked for what many thought was his duplicity in dealing with one-time friend and all-rounder Andrew Symonds and former opener Simon Katich. That hostility towards Clarke melted away in the aftermath of Philip Hughes' death last year, when, choking back tears at his "little brother's" eulogy, he gave voice to the grief of a nation. That day he wasn't just Australia's skipper, he was world cricket's captain.

In Sangakkara's case, too, it was a speech that made the difference. Sangakkara, unlike Clarke, was never disliked. He just didn't stir much emotion in non-Sri Lankans. Until July 5, 2011. On that day at Lord's, he gave one of the most inspirational performances by a cricketer off the field, as he delivered the Spirit of Cricket Cowdrey lecture. In measured tones and with polished diction, he spoke of the indomitable spirit of Sri Lankan cricket. The world had seen it in 1996, talked about

it for a while, and then forgotten it. But Sangakkara reintroduced it to us and explained how precious it is. In a way, that lecture mirrored his career. It began in an unappetising manner, like a Wikipedia article on the history of Sri Lankan cricket. But gradually, gems started trickling in in the form of anecdotes. He gave you first-hand insight into playing the sport in a civil war-torn society. The speech reached a crescendo, like his career, in the latter half, and climaxed in a profound way, with Sangakkara declaring: "With me are all my people. I am Tamil, Sinhalese, Muslim and Burgher. I am a Buddhist, a Hindu, a follower of Islam and Christianity. I am today, and always, proudly Sri Lankan."

As a packed MCC exploded into applause, he stepped out of the shadow of his predecessors and contemporaries. The wicketkeeper-batsman was now a cricketer-intellectual. As a fan, you could henceforth enunciate precisely why you liked Sangakkara over Jayawardene in the great, if pointless, one-versus-the-other debate. For, before that, Sangakkara might have outscored his great rival-cum-accomplice, but Jayawardene's runs, made more aesthetically and frequently in crunch games at bigger stages, seemed to carry more weight.

This tag of second-best, in a way, goes with him into the sunset as well. Sangakkara is

the second highest run-getter in ODIs after Sachin Tendulkar, the second highest run-getter in international cricket, again behind the Indian master. And he has the second highest number of double centuries after Don Bradman. On most parameters, he has never been Number One. Interestingly, if not for his attempt at being good at everything, Sangakkara could've perhaps been the best at one thing. Had he given up on wicketkeeping earlier, it is tempting to believe that he could have been the highest run-getter in Tests. In the 48 matches in which he donned the gloves, Sangakkara made 3,117 runs at an average of about 40. While playing purely as a batsman, he scored 9,283 runs in 86 Test matches, an average of 66.78, second only to Bradman.

But then Sangakkara often gave the impression that he cared for things more significant than numbers. In an interview a few years ago to Harsha Bhogle on *ESPNCricInfo*, he said: "We live on borrowed time, every single player. You are great when you play. You reach iconic status but you cannot maintain it forever." Intellect, however, is more durable than numbers. On that count alone, therefore, Sangakkara — the second this and the third that — will go down as one of the game's greatest.

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AUGUST 27, FORTY YEARS AGO

IAF To THE RESCUE

THE INDIAN Air Force mounted one of its biggest peacetime operations to help Bihar grapple with the fury of floods. An IAF fleet was pressed into service to rescue the marooned, drop food in isolated areas and help the state government in communication, which had been badly disrupted.

SEATS FOR WOMEN

STEPS WERE being taken to reserve seats for women in municipal bodies, a report said. In accordance with the report of the Committee on the Status of Women in India, the Central government had recommended that state governments and Union territories adopt the

principle of reservation of seats for women and amend municipal laws accordingly. The panel also suggested the constitution of committees in municipalities to initiate and supervise programmes for women's welfare and development.

DEFEND CONSTITUTION

THE RULE of law and judicial review are part of the basic structure of the Constitution; Parliament, in exercise of its power under Article 368, cannot take these away, Shanti Bhushan said in the Supreme Court while presenting his arguments against the validity of the 39th amendment. In a democracy, it was the courts that could finally decide the

validity of the election of an MP. In this respect, the 39th amendment was a negation of democracy, Bhushan said. Clause IV of the amendment abolished the rule of law and took away the jurisdiction of the court. When a court under a valid law had given its verdict in a case, Parliament, in exercise of its amending power, could not make a new law invalidating the findings and the order of the court, he argued.

RAIL TRAFFIC HIT

THE PATNA flood disrupted railway traffic between Calcutta and New Delhi. Several important trains were cancelled, while a few others were diverted to other routes.