

Loan Waiver: Reduce the Moral Hazard

Fund borrowers to help them repay loans

In Uttar Pradesh, the newly-elected government of Yogi Adityanath has announced that over ₹36,000 crore of farm loans will be waived off. This is not unusual: under conditions of distress, farm loans have been written off in the past. A good example is the waiver of nearly ₹80,000 crore of these loans in 2007-08 by the UPA-1 regime after a global economic crisis. Yet, every time such things have been done, there have been worries about the structure of public finance and the health of banks and the relationship formal lending institutions have with farmers. The government of UP will finance the scheme, as reported, through bonds. But it is fiscally weak, with its deficit soaring to the highest in four years. Its finances rank among the worst in three large states. Yet, a political promise made in a time of agrarian distress has to be kept by the Adityanath government.

Banks already have an exposure of ₹86,000 crore-plus to the farm sector in UP and there are fears that this new loan waiver will encourage borrowers to default in future, a problem called moral hazard in economic theory. If borrowers suspect they can get away without repaying loans in future, they will borrow even more recklessly and ignore repayments. The lender-borrower relationship, essentially built on trust, will collapse. Yet, there is a way to minimise the damage, to maintain the lender-borrower relationship while writing off loans in part or in full. Instead of the state paying money to banks for loans that are written off, the UP government should advance money into farmers' accounts for whatever amount of relief it wants to give on the principal and interest owed to banks. Farmers can then repay banks for the same.

Such a mechanism of debt relief would maintain the borrower-lender relationship that is crucial for formal banking, prevent large-scale relapse of rural lending into the arms of the high-cost, informal moneylender, and promote the development of formal banking institutions in rural India. Given a bad situation, it makes sense to not make it worse.

What is on Assad's side is that he is the one who stands to lose the most from such a barbaric attack. It would be a shot in the arm for the beleaguered Islamic State, if it can convince people that government forces carried out the attack. Further, it would set back Assad's ally, Moscow's efforts to make his removal a precondition for cessation of hostilities. Russia has blamed the rebel forces and the Islamic State, saying that the chemical agents were likely being stored in the rebel's large ammunition depot in the area that Syrian planes bombed earlier in the day. It is true that after 2014, when the Assad regime was forced to give up its stock of chemical weapons, chemical agents like mustard gas have been used in clashes between the ISIS and other rebel groups. However, some experts maintain that only the government forces have the capability for an attack of Tuesday's magnitude.

Condemn the Horror of Chemical Weapons

The chemical gas attack in Khan Sheikhun in Idlib province of Syria, killing more than 100 persons including children and injuring many more, is condemnable. It is a stark reminder of the immense dangers that are faced by ordinary men, women and children — the real victims of the unending civil war in Syria. Syrian President Bashar al-Assad denies responsibility. The problem is that his track record of chemical attacks on his own people erodes his credibility.

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Rebuilding Syria and peace for its people now becomes an even more elusive goal. As the United Nations Security Council meets in the shadow of this horrific attack, it will need to go beyond blame and counter-blame and lay out the roadmap for a modicum of peace in Syria. Continued finger-pointing and impasse by the world's leaders will only prolong the suffering of the Syrian people and strengthen terrorist forces like the Islamic State.

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Trump's nepotism should bring the US closer than ever now to south Asia

US Puts Family First, Just Like Us

The rise of US President Donald J Trump's daughter Ivanka and son-in-law Jared Kushner as key members of his administration will surely be seen as a welcome development by the political class on this subcontinent. It makes the US seem just like us now. Indeed, the anti-nepotism legislation — the 'Bobby Kennedy Law' — enacted as a consequence of John F Kennedy appointing his brother as Attorney General, would definitely be regarded with righteous scorn in this part of the world. Why should any "public official" not be allowed to "appoint, employ, promote, advance, or advocate for appointment, employment, promotion, or advancement, in or to a civilian position in the agency in which he is serving or over which he exercises jurisdiction or control any individual who is a relative of the public official"? After all, the actions of political parties across this region indicate nepotism is a major reason to seek power in the first place.

The primacy of family ties is well-established across south Asia, and the political class merely reflects its voters' sentiments. China has been quick to acknowledge the importance of this son-in-law, and others too in the past. India will hopefully not lag behind. Perhaps relevant political scions can be co-opted to reach out to their US counterpart soon for a new variant of Track II diplomacy.

CURSOR A Constitution bench should decide if the court can test a Bill's classification

The Money Bill Conundrum



T K Arun

Money makes the world go round; Money Bills give the government the right to tax and spend. If only things were that simple. In the ongoing, 16th Lok Sabha, a question of what Bills get to be classified as Money Bills is proving to be a foundational question that can bring down the superstructure of the Constitution itself. It is imperative that the question is settled with the full authority of the Supreme Court's Constitution bench.

When Lok Sabha passed the Aadhaar Bill as a Money Bill in 2016, it caused enough of a storm to spill some tea on to the saucer. Jairam Ramesh, MP, challenged the classification of the Bill as a Money Bill, in the Supreme Court. The court has not yet assigned the case to any bench. It should — to a Constitution bench of at least nine members, to undo some previous bad decisions on the subject by the court itself and to protect the basic structure of the Constitution.

What is at stake is the relevance of the Rajya Sabha to lawmaking. After passing the Aadhaar Bill as a Money Bill, the government, late in March, shoved into the Finance Bill some vital changes to the Representation of the People Act, and changes in laws relating to the appellate authorities of certain regulatory bodies. From a neat little suitcase that contains a change of clothes, to a holdall into

which you stuff rugs, the odd cricket bat and the dog's water bowl — such was the transformation of the Finance Bill. But, no problem, it was carried by the Lok Sabha, and converted into law, without approval by the Rajya Sabha.

If any Bill can be classified as a Money Bill, then its passage by the Rajya Sabha becomes a dispensable luxury. That would be the end of one of the essential checks and balances built into the Constitution.

There is a purpose to having two Houses of Parliament. The Lok Sabha directly reflects the will of the people. The Rajya Sabha reflects the will of the people, indirectly articulated by the people's representatives in state legislatures, who elect Rajya Sabha members. The composition of the Lok Sabha changes, in the normal course, once every five years. The composition of the Rajya Sabha changes slowly: one-third its members are renewed every two years.

To Be or Not To Be...

What purpose is achieved by having indirectly elected representatives second-guess Bills passed by those directly elected? Quite some. Consider a huge regional imbalance in the Lok Sabha. Suppose one party swept all the seats in five states: Uttar Pradesh, Bihar, Maharashtra, West Bengal and Tamil Nadu. It would have 249 seats. All manner of independents, northeastern parties always drawn to central power, etc, would help it form the government.

Should such a government that represents the will of just five states have untrammelled power to formulate laws for the entire country?

Or consider a government that sweeps into power riding a wave of strong emotion, as in the case of the 1984 Rajiv Gandhi government, which



Then make the Upper House a relic for tourists?

got two-thirds majority in the elections held in the wake of Indira Gandhi's assassination. That its brute majority was no reflection of its intrinsic wisdom became evident soon enough. Should such a government have no check on its ability to create laws?

The Constitution has such a check: the Rajya Sabha, whose composition reflects the variety of political opinion across India's geography and does not change by momentary electoral moods of sympathy or anger. For any Bill cleared by the Lok Sabha to become law, it must also be cleared by the Rajya Sabha, unless it is a Money Bill.

But won't a hostile Rajya Sabha stop lawmaking? After 1989, no party has had a majority in both Houses. This has not stopped legislation. The present government has made vital laws, including the GST constitutional amendment. It takes some extra political effort, that is all.

Article 110 of the Constitution lays out what makes a Money Bill: it should pertain to taxation and spending. Clause (2) makes it clear that incidental impact on government finances, such as fines, etc, will not qualify for a Money Bill. Clause (3) says the Speaker's decision on a Bill's classification

would be final. This finality, and Article 122 on non-justiciability of legislative procedure, are what the AG cited to refute Ramesh's legal challenge.

...For the Rajya Sabha

On three occasions, the Supreme Court has relied on the Constitution's provisions against judicial intervention in the procedural correctness of legislative conduct. These would seem to support the AG's case. But other rulings, including the ones where the courts intervened to check a Speaker's elastic interpretation of a split in a party as a gradual, incremental process, and a seven-bench ruling show the court can indeed intervene, when substantive and not procedural issues are at stake.

What is a Money Bill determines whether we need a Rajya Sabha or not. Ramesh's challenge calls for a Constitution bench.

For a lucid guide to the justiciability of the Speaker's call on a Money Bill, see a paper by Pratik Datta, Shefal Malhotra and Shivangi Tyagi, researchers at the NIPFP, at <https://goo.gl/Xan9ii>.

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If the Speaker's right to decide if a Bill is a Money Bill can be entirely arbitrary, it would render the Rajya Sabha into a redundant, costly nuisance

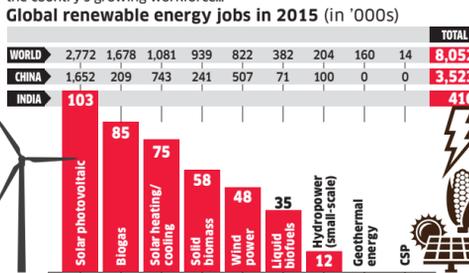
WIT & WISDOM

"All my life, I always wanted to be somebody. Now I see that I should have been more specific."

Jane Wagner
Writer

Jobs Potential of Renewables

The global renewable energy industry currently supports 8.1 million workers. By 2050, it is expected to employ roughly 45 million, comparable to the 50 million direct and indirect jobs generated by the automotive industry globally at present, according to a Renewables Global Futures report. Such a scenario favours India, where the sunrise sector can absorb the country's growing workforce...



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Okkkay, let's go and win UP!

NOW & THEN

Mining US' Business



Jaideep Mishra

There is a tide in the affairs of entire sectors, which, taken at the flood, leads on to transformative change. Now that US President Donald Trump has taken executive action to rev up conventional energy usage and boost job creation there, India needs to quickly join hands with the US to speedily ramp up thermal efficiency and innovation in our power plants here. The move would make perfect economic sense and amount to purposeful climate-mitigation action as well.

Trump, as per his campaign promise, is undoing a series of climate-change measures put in place by the previous administration. The idea, it seems, is to bolster domestic energy production and create jobs. Yet, the step-up in conventional energy generation need not necessarily shore up carbon emissions. The way ahead, logically, is to boost a variety of innovative efforts in power stations, both supply-led and demand-driven, so as to gainfully reduce the emissions levels and, concurrently, shore up thermal efficiency.

It is a fact that emissions from thermal power plants are the single-biggest source of greenhouse gases that cause global warming and climate change. Under the Paris Agreement of 2015, the US has committed to reduce its emissions 26% below 2005 levels by 2025. The previous US government, as per the Clean Power Plan, pledged to bring down power plant emissions to 32% below 2005 by 2030.

And despite the Trump initiative on conventional energy usage, the US can well meet its emissions reduction targets of 2030 or even 2025, provided there's proactive policy in place to rev up thermal efficiency and energy produc-

tion. The way ahead is to commercialise and diffuse proven technologies already available in the US — such as that for coal-gasification combined-cycle power generation — which promise to hugely improve thermal efficiency and generate far more power.

In seeking to allocate reportedly \$1 trillion for infrastructure revamp, the current US administration needs to boost productivity in thermal power stations. It needs to hammer out a viable technology policy, and rope in committed international partners like India. Note that India intends to reduce the emissions of its GDP by 33-35% by 2030, from the 2005 figure.

Our latest vintage power plants do incorporate supercritical boiler technology. Reportedly, power major NTPC, for its new Telangana plant, is opting for ultra-supercritical boilers. Abroad, thermal plants with ultra-supercritical boiler technology are already operational, which even more efficiently transform heat energy into electricity.

The way forward is to have a strategy and the financial resources to quickly diffuse higher thermal efficiency technology nationally. Unfortunately, multilateral financial institutions have been chary of funding new coal projects, for years, never mind the phenomenal improvement in thermal efficiency possible. Policymakers here need to work with the Trump administration

and review some of the funding policies in place for conventional fuels.

However, ultra-supercritical and similar methods can all be termed as supply-led technologies. The technology embodied in plant and equipment would need to be extensively adapted and modified to suit Indian conditions, fuel availability and operational parameters. All the same, it makes sense for the US and India to join hands and collaborate across the board in the domain of energy, including solar and wind power and other renewable sources.

But the fact of the matter is that renewables, while being green and climate-friendly, are also characterised by wholly intermittent power output. The end result: every time we boost renewable energy, we also increase the demand for stable, conventional power.

Nevertheless, innovation in conventional thermal efficiency need not all be supply-led. Demand-driven innovation — such as regularly updated manuals of best practices in thermal stations — would often be at relatively low cost and, perhaps, just as effective in reducing emissions. Hence, the pressing need to institutionalise the diffusion of operating parameters from the best-performing thermal plants.

It would involve the collation of operating and maintenance practices from top-performing stations, and the continuous sharing of such information to stem emissions. We especially need to boost reliability and output efficiency of the underperforming plants to lower overall emissions.

It needs reiterating that coal is likely to remain our main source of commercial energy for the foreseeable period. And demand-driven methods like coal washeries, with new air pulsation systems, can bring down power plant emissions by as much as a fifth, and better optimise pollution abatement measures. Similarly, disembodying technology involving reskilling can be used to quick-start thermal plants for synergy with renewable power.



Let's also put our hard hats on

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Citings

Energy Dynamics

NIKHIL PATEL ET AL

Change is afoot in the energy system. Soaring demand in emerging markets, new sources and the likely growth of electric vehicles are some of the elements disrupting the status quo. It is hard to guess the after-effects that will affect the extraordinarily complex network of sectors and stakeholders...

Within two decades, as many as 20 new energy sources could be powering the global economy, including fuel cells; small, modular nuclear-fission reactors; and even nuclear fusion. Fossil fuels will still be part of the mix, but renewables' share is likely to grow owing to environmental concerns, further cost reductions that make renewable energy more competitive, and demand for electricity. Electricity demand is expected nearly to double by the middle of the century, propelled primarily by economic development in China and India.

By 2050, electric power, which can be generated by low-carbon energy sources such as wind and solar, could account for a quarter of global energy demand. An economy based on so many technologies is unprecedented. The Industrial Revolution relied on steam engines powered by wood, water or coal. In the 20th century, oil and gas, then nuclear, fission.

The abundant choice on the horizon raises new dilemmas. For example, where should governments focus investment and research? Most are minded to keep their options open right now in order to satisfy demand, as well as for cost and environmental considerations.

From "Three Game Changers for Energy"



Change With Equanimity

GIRISH BHANDARI

All religions and schools of thought have held equanimity to be a great virtue, to be cultivated as a prerequisite to attaining the status of a jivanmukta, or realised soul.

A supreme example of equanimity is Maharaja Janaka, who is also known as Videh — literally meaning without a body, for he had long lost all sense of attachment with the sensory pleasures that the corporeal body would provide. He enjoyed all the pleasures that the world could offer, but it would matter nothing at all if he were to lose all his material possessions and had to live the life of a starving mendicant. He would be in a state of bliss in any circumstance.

It is said that once he was bathing in the Ganges with an ascetic. A messenger brought the news that his great palace was on fire. Smoke could be seen billowing up in the distance. Janaka's reaction was one of non-chalance. Is it, then, a wonder that Vyasa sent his son Shuka-deva to Janaka to learn the intimate knowledge of Brahman?

The Isha Upanishad explains that every material or non-material object in this world is the Lord's and no one should covet the possessions of anyone else. If this attitude is ingrained in our thinking, our minds will be calm and without any disturbance. We will truly be in a state of equanimity. True happiness and fearlessness is nothing but that. These are the essential conditions in the journey of self-discovery and attainment of samadhi — the culmination of the path outlined by Patanjali in his immortal Yogasutra.

Chat Room

Whither Other Farm Problems?

Loan waiver does provide temporary relief to farmers but it adversely affects the credit culture, besides burdening the exchequer. Yet, the real problems of farmers, and agriculture, remain untackled. Land holdings are becoming smaller. Area under agriculture is getting reduced due to urbanisation. Horticulture and floriculture are also cutting down area under basic food crops, while the population is continuously increasing. Unless the latest agrotechniques are introduced to enhance per-hectare yield, we are staring at an agri-crisis.

RAJU BANSAL
Bhopal

SBI: Now It's Too Big to Falter

Apropos 'New Journey, Ending History' by Saloni Shukla (Apr 5), while the merged entity will bring in economies of scale and lower costs, SBI must practice 'Responsible Finance' in its true sense. And that includes high due diligence in granting loans based on creditworthiness and merit only; constant monitoring of asset quality; taking corrective and proactive actions be-



fore loans go bad, passing on floating-rate benefits to genuine borrowers, etc. The bank is in the 'Too Big To Fail' category now and a serious mishap can have a cascading impact on the entire banking industry.

SUNDER G
Navi Mumbai

Appreciate SC Order on Liquor

The Supreme Court has asserted that liquor trade is not a fundamental right, as per Article 19(1)(g) of the Constitution. The intention of the court to discourage drunken driving that has disastrous consequences is not being appreciated. The hotel industry and liquor shop owners are worried only about their revenue loss. All hell would have broken loose if total prohibition had been ordered to prevent or minimise accidents on highways. Choking availability of liquor near roads will lead to sober drivers.

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