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## This strikes a fine balance

A more flexible fiscal regime can cope with shocks to the system

**G**overnment spending is the art of fine balance. Too little and the state will fail in some of its responsibilities, especially those towards the poor and underprivileged. Too much could result in a macroeconomic crisis. India moved away from a discretionary approach to fiscal management

with the passage of the Fiscal Responsibility and Budgetary Management Act

in 2003. The law was passed by a National Democratic Alliance (NDA) government, but, rarely for an Indian legislation, had bipartisan support. Now, 14 years later, another NDA government has received a report from a committee headed by veteran bureaucrat N.K. Singh on "a debt and fiscal framework for 21st century India" (as the document is subtitled).

The report, titled "Responsible Growth," is based on sound fiscal economics. It was always clear that state finances were not getting the importance, and the scrutiny they deserved. Imprudent spending by the states could derail the central government's own efforts at fiscal moderation. The report addresses this by making public debt (of the Centre and the states) the focus, moving away from the traditional target of the fiscal deficit, although it retains the latter as an objective of the yearly government budget. What of so-called black swan events—a global macroeconomic crisis or a severe drought? The new fiscal regime recommended by the Singh committee has a degree of flexibility, and allows the government an escape clause in case of external or internal shocks to the system. The report adds that the decision on whether a shock is severe enough to trigger the escape clause will be made by a new body, the fiscal council, which will also monitor government policy to measure the medium-term impact on finances.

Interestingly, the idea of a fiscal council has been proposed at a time when the country has created a monetary policy council to decide the policy rate and a GST council to administer the new unified Goods and Services tax regime that will come into effect later this year. India is clearly moving to a new and progressive framework for macroeconomic policy.

## Slow job creation could come to haunt the BJP

The party is making efforts to expand its social, geographic and demographic base

**T**he meeting of the BJP's national executive ended on Sunday on a high note. A new level of confidence among the party's rank and file marked the conclave that came close on the heels of its emphatic victory in Uttar Pradesh and Uttarakhand, and its success in retaining Goa and wresting Manipur from rival Congress. Prime Minister Narendra Modi, however, raised the bar, urging party leaders to aim big and expand—ideologically, geographically and socially. He set new targets: Winning in states that go to polls between now and the 2019 Lok Sabha elections; winning in those 120 Lok Sabha seats that the BJP has never won; and winning the support of those communities that have shunned the party in the past.

It is to serve these goals that Mr Modi gave a new gloss to the BJP's OBC outreach. The political resolution adopted in Bhubaneswar, highlighted the government's move to accord the National Commission for Backward Classes a constitutional status. The OBCs account for nearly 52% of India's population. These social groups had gradually aligned themselves with regional players as the Congress grew weaker. The rout of Mayawati and Mulayam Singh Yadav in UP gives the BJP hope that the OBCs were mobilising behind the party. Mr Modi's plan also includes reaching out to backward Muslims. He reiterated the BJP's stand on banning triple talaq.

The two resolutions passed at the BJP conclave touched upon the pro-poor initiatives of the Modi government, but stopped short of commenting on issues like slow job creation. These issues will come to haunt the BJP, if a change is not brought about in the current situation. Mr Modi has always spoken of India's demographic dividend and its nearly 65% population that is below 35. A sluggish economy and slow job creation hurts them. Needless to say, Brand Modi counts the most on the support of this demographic section and its aspirations.

by invitation

SHIV VISVANATHAN



## The Dalits no longer want a cameo role

Modi and Shah shuffled the caste combinations, while the Congress and the BSP froze the script

**M**ary Kaldor in her famous book on war, *The Baroque Arsenal*, analysed how generals are always fighting the last war. The war might be over but generals still dream of tanks being threatened by other more lethal machines. What is true of war is true of elections. Many psephologists and political leaders tend to reify the last election, considering it as a hallmark for the next one.

Mayawati recently spoke about reorganising the Bahujan Samaj Party and naming her brother Anand Kumar as vice-president. But that may not be enough in itself. Mayawati is an astute politician who committed the Kaldorian mistake while fighting the last few elections. Her BSP is based on a vision of Dalit caste identity and life and the recent elections showed that the Dalit issue has to be looked at in a different way. What we are confronting is two sets of changes. It is this tactical mix between the two-fold strategies of change that ripped apart Mayawati's control of the BSP.

Fundamentally, one has to understand that any category which evokes a community, an identity, a mystery is a fluid one. The Dalit sense of identity in an electoral sense was created twice—once through the remaking of Ambedkar as a rational leader from a Dalit

exemplar. Ambedkar became a national icon, whose statute established a presence in every constituency. Second was the organisation of Kanshi Ram to create a hyphenated strategy where the BSP in combination with another sector created a successful electoral mathematics. This idea came apart for two reasons. One was the changing nature of the Dalit self-definition and the other was the BJP's understanding of social change.

One must begin by understanding Dalit life before electoral arithmetic. A Dalit wants change, he aspires for many things other Indians do. But most of all he sees that struggle and aspiration can be two different strategies. He has before him a variety of tactical preferences. First, he can attempt to flow with the national mainstream, seeking to assimilate himself into an idea of citizenship. He becomes one among the democratic many. But the Dalit market is now varied. Instead of flowing into the national mainstream, a Dalit can merge into a Hindutva stereotype internalising the ideology of the BJP passing himself off as part of the cleaner castes and occupations. It is a slow sanitising game that works for some.

In the first, the Dalit becomes mainstream Indian, in the second, a ghar-wapsi Hindu and in the third, he can forge a tighter Dalit identity which pushes away the bigger identities



Mayawati looks like yesterday's newspaper while Modi is like a tactical primer HT

to consolidate a Dalit for himself identity. The word Dalit acquired a multiplicity of expectations and each choice became identified with a party. Congress played the citizens card, the BJP the Hindu game and Mayawati the Dalit identity monologue.

These choices were spread out as ecological possibilities that the Dalit could opt for. One has to realise that these are wider structural options outlined by earlier histories. The Dalit today has to combine them in different ways. Here tactics become critical and the men who understood that Dalit rather being a unity can become multiple and shuffled as a pack were Amit Shah and Modi. First, they realised they

could play on Jatav and non-Jatav identity enacting out inner Dalit tensions. Second, they focused on a whole series of smaller parties consolidating egos and votes. Third there was a realisation that Dalit as a social group can be sectoralised and that the younger generation of Dalits might have a different set of aspirations. Fourth, in a question of electoral mathematics, Dalit was never a singular strategy. It always combined with another group like Muslim to consolidate a vote bank.

Modi and Shah realised they could shuffle combinations, create fluidities where one could whittle away votes from older formations, add new layers, create little political startups of the mind while the Congress and Mayawati froze the script. The little fluidities added up to the numbers BJP needed.

Mayawati looks like yesterday's newspaper while Modi-Shah look like a tactical primer because they read change in its tributaries rather than playing mainstream scenarios. What we then had was two processes. One was the Dalit tired of being frozen into came role imposed by Congress etc. Shah-Modi read their sociology, did the homework better, hinting to Dalits that success may be outside current rigidities. In teasing this out, they displayed a political acumen that read Dalit across several octaves. The result was the Dalit vote in UP. There is a realisation that Dalit today is a solidarity and a fluid pack. Electoral genius lies in shuffling the pack and that skill Modi's BJP had.

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### THE NEIGHBOURHOOD



If elections are held in all parts but Tarai, it will alienate the region even further. REUTERS

## India must push for more inclusion and stability

During the Nepal president's visit, New Delhi could convey the dangers of radicalisation and ultra-nationalism



A little less than a year ago, Nepal's President Bidyā Bhandari's state visit to New Delhi was cancelled abruptly by her government—then led by PM KP Oli. Oli had decided to stoke a strong sense of resentment against India to build his hardline nationalist credentials.

It speaks of the progress in ties over the past year that Bhandari is currently in New Delhi, as a state guest in Rashtrapati Bhawan. The turning point was the election of Prachanda as the PM. The Maoist leader committed himself to a 'balanced foreign policy', which meant re-steering the country back to its 'special relationship' with India from Oli's push towards China.

India must use Bhandari's visit to go beyond the formalities and discreetly discuss the difficult political situation back in her country. Nepal is once again headed towards a political crisis. Its roots lie in the contested constitution, which was promulgated in September 2015. This constitution eroded political representation, diluted affirmative action, reformed citizenship provisions, and gerrymandered federal provinces in a way which hurt the interests of the Madhesi people in Nepal's southern plains. They waged a movement for six months, disrupting the border supplies with tacit Indian support. Kath-

mandu was forced to amend the constitution—but this only partially met their demands.

Prachanda and the Nepali Congress came to power with the explicit promise that they would accommodate Madhesi forces with a constitutional amendment. To be fair, the government has tabled an amendment. But this has not been passed. Instead, it has gone ahead with declaring local elections for May 14. Madhes argue that since they do not own this constitution, they cannot participate in elections held under its framework. On Sunday, they announced a fresh movement.

Here is where India comes in. Delhi has always known that an inclusive Nepal is essential for a stable and friendly Nepal. If the Madhes are not accommodated, radicalisation would only grow, and instability could spill over across the border. Delhi has been cautious over the past few months, fearing its well-meaning advice could be used by Oli and his ilk to deepen ultra-nationalism. The dilemma is understandable. But not doing anything is not an option. If elections are held in all parts but Tarai, it will reinforce the region's sense of separatism and alienate them even further. If it is rammed through with force, it will be seen as illegitimate. India, sooner or later, will have to take a stand.

Bhandari could be an important interlocutor because as head of state, she can counsel parties to be more accommodative. She is also close to Oli, who has been most obstructionist. India must remind the Nepali political elite of the consequences of closing the doors of the constitution on Madhes.

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As you grow older, you discover better ways to lead your life

### PP Wangchuk

This write-up is dedicated to senior citizens, some of whom feel helpless and resigned to what they call fate. Your 'fate' is what you make of it. I've been reading books on old age and how one can turn it around, and feel young again!

Mentally, and in spirit, you are never old. In fact, when you grow older, you grow more attentive towards the needs of the self and others in order to create a better place to live in. As they say, you are as old or

### big picture

IAN BREMMER



## France going Right could send EU into a tailspin

Le Pen might not have majority support, but her voters seem more motivated than those of any of her rivals.

**T**here appears to be a consensus view that Marine Le Pen, candidate of the far-Right National Front, will advance to a second-round run-off before losing by a wide margin to a more mainstream opponent. That's what happened to her father in 2002. But Le Pen has a real chance to become France's next president. If she does, she might do much more damage to France's economy and its role in Europe than even she intends.

Her odds of winning are higher than most think. First, Le Pen is part of a deeply flawed field of candidates. Benoît Hamon and Jean-Luc Mélenchon have divided voters on the Left. Francois Fillon, candidate of the Centre-Right Les Républicains, has been badly damaged by corruption charges. Centrist candidate Emmanuel Macron has not yet been tested, and has no reliable support base. Le Pen might not have majority support, but her voters seem much more motivated than those of her rivals. Last November, Donald Trump won support from just 26% of US voters. But the lukewarm support for Hillary Clinton and the decision by millions of Americans to stay home, Trump's passionate 26% proved just enough.

In addition, as with Trump and those who fought for Brexit, Le Pen has already shown great skill at speaking directly to the anxieties of millions of voters on questions of jobs, economic stagnation, immigration, and security. On all these issues, headlines between now and election day are more likely to boost Le Pen than any of her opponents, particularly if another terrorist attack takes place in the heart of Europe or if there is more violence between French police and angry young people living in the banlieues on the outskirts of French cities.

Further boosting her chances, Macron, her likeliest second-round opponent, may see support erode among centre-Right voters as Le Pen uses his role in the deeply unpopular Francois Hollande government

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against him. He is vulnerable in other areas, as well. Macron has yet to face the sort of scandals that have plagued Francois Fillon, and the scrutiny that comes with them, but that might change. It's also possible that support for his candidacy will decline sooner, and that the deeply flawed Fillon will advance to the second round. In that case, it might well be voters on the Left who decide to stay home.

If Le Pen pulls off the upset, the damage she inflicts on France's economy and its place in Europe might not come through political means. She can't hold a referendum on France's EU or Euro membership, because Article 11 of France's constitution only allows for referenda on questions that do not require constitutional change. Article 88 enshrines France's place in the European Union. Nor will her party elect nearly enough members in June's legislative elections to form a Front National government. Forced to form a government with another party, probably from the Centre-Right, Le Pen will have almost no leverage on domestic policy—particularly on any move to alter the constitution to leave the EU or Eurozone.

Yet, if she wins, the uncertainty and unrest that follows her election might well send shockwaves through the financial markets. If global reserve managers, who probably hold €700 billion of French government debt, decide to sell on a large scale, they might overwhelm the ability of European Central Bank Quantitative Easing to offset the move, triggering a sharp spike in French government bond yields. In that event, it's unclear where relief might come from. Or ratings agencies might decide that any attempt to re-denominate French debt, as Le Pen has promised to do, would constitute default, with a crisis of confidence in France's four "global systemically important banks" setting off a run on all French banks. In that scenario, we might also see capital flight as French depositors and investors try to move assets outside the country.

We can't predict how President Le Pen would respond to these pressures. She might not know either. But an emergency that forces an uncoordinated exit from the Euro would create chaos—for France, for Europe, and beyond.

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The views expressed are personal

young as you think you are. All great achievers had this kind of attitude, and many of them achieved the best of their lives in their 80s and 90s. They tricked their subconscious mind into believing that age was just a number.

Greek philosopher Socrates learned to play several musical instruments when he was more than 80. Johann von Goethe came out with his classic 'Faust' at 80. Similarly, Alfred Lord Tennyson completed his great poem 'Crossing the Bar' at 83. And, Isaac Newton worked harder when he was near-

ing 85. These are just a few of the prominent examples.

I am reminded of the adage that young people know how to run fast but only the old people know the way. That means as you grow older, you get better ways to live your life and forget your age. British poet CS Lewis put this so well: "Never too old to set another goal or to dream a new dream."

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